Mahindra CIE Automotive Limited
Suite F9D, Grand Hyatt Plaza (Lobby Level),
Off Western, Express Highway, Santacruz (E),
Mumbai- 400 005, India
Tel: +91 22 62411031
Fax: +91 22 62411030
www.mahindracie.com
mcie.investors@cie-india.com

SEC/2021/037

5th April 2021

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

Sub: Annual Report for the financial year ended 31st December, 2020

Dear Sir/ Madam,

Pursuant to Regulation 34(1)(a) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Annual Report of the Company for the financial year ended on 31st December 2020 which inter-alia comprises the Standalone and Consolidated Financial Statements of the Company for the Financial Year ended 31st December, 2020 and Report of the Board of Directors and Auditors Report thereon.

The Annual Report is also available on the website of the Company at the web-link: https://www.mahindracie.com/investors/investor-relations/annual-report.html .

Kindly take the same on the record.

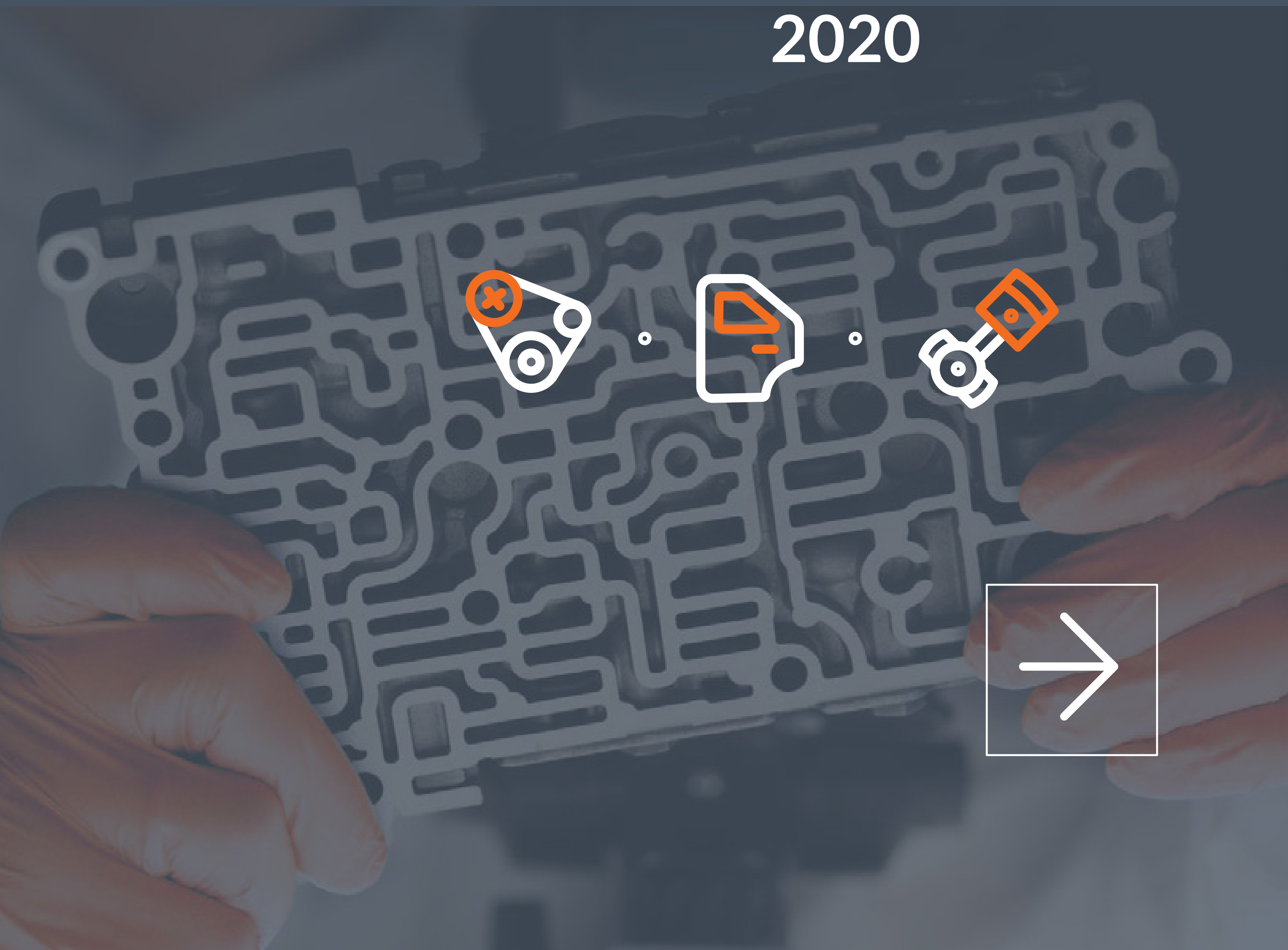
Thanking you,
Yours faithfully,
For Mahindra CIE Automotive Limited

Pankaj V. Goyal
Company Secretary and Compliance Officer
Membership No. A 29614
Encl: As above

MAHINDRA CIE AUTOMOTIVE LTD. MUMBAI

Mahindra CIE

ANNUAL REPORT
2020



FORGINGS • CASTINGS • STAMPINGS • GEARS • COMPOSITES • MAGNETICS • ALUMINIUM

Mahindra CIE Automotive Limited is a subsidiary of CIE Automotive S.A., Spain. CIE Automotive is an industrial group specialised in managing high value-added processes in a sustainable, profitable and efficient way. Listed on the Madrid stock exchange, CIE Automtoive is a global full-service supplier for automotive components and sub-assemblies.

2020 ANNUAL REPORT

Dear Shareholders,

My first full year as Chairman of MCIE has veritably turned out to be an “annus horribilis” for the world. 2020 has seen the Covid 19 pandemic take an immense toll on the people and the economy. As the vaccination programs are rolled out globally, there is hope that we will be able to put the pandemic behind. There is always some risk that such an elaborate plan which needs to be implemented so quickly can falter. The probability of multiple waves of the pandemic remains with us and as a business we need to be on our guard.

2020 has been a year to reflect upon – the hardships faced by many of our colleagues and their loved ones, some of whom fought off the Covid19 virus and a few who succumbed to it.

2020 has been a year to acknowledge – the resilience that our workforce has shown to keep our operations in a good shape inspite of so many challenges.

2020 has been a year to be grateful – for your company to be able to overcome the downturn and deliver positive results.

2020 has been a year to be proud – that your company has demonstrated the ability to face future challenges and exploit the many opportunities that will come their way.

As 2021 brings with hope of renewal and a return of growth in the automotive industry, your company continues to be focused on delivering the best possible operating results and financial performance.

Thank you for the trust reposed in us and we assure you that we will strive harder to meet your expectations.

Yours Sincerely,

Yours Sincerely,

S. Shukla

S. P. Shukla

Chairman

CHAIRMAN’S STATEMENT

Dear Shareholders,

It would not be much of an overstatement to say that the world was relieved to see 2020 pass into history. The Covid 19 pandemic that roiled the globe and continues to play havoc in some places, did huge damage economically. We were not immune to this economic downturn.

In 2020, MCIE's sales were 5818 crores, almost 23% lower than 2019 and our Ebitda margin was reduced to 9,6% vs 13,2% previous year. These figures do not give a complete picture since they come in a year where more than a quarter was pretty much washed out and the second half came with its own set of challenges - the sudden ramp up in demand created its own stress but was a pleasant surprise in a difficult year.

Very early on in the crisis, we at MCIE initiated programs for cost reduction, cash protection and reduction in Break Even Point. A crisis management group to handle the pandemic was constituted at each plant to review the situation and react as warranted. These programs have helped us ensure that net profits after tax remains positive despite a steep drop in revenues.

Large parts of the globe were at some level of lockdown for a great part of 2020. But all our plants have been functioning normally since May of last year, with a focus on renewing and continuing operations in a safe and sustainable manner. We have striven to provide a safe working environment for the workforce. All plants have implemented safety and hygiene protocols like wearing of face masks, physical distancing norms and workplace sanitation. Continuous awareness of these protocols among employees is being carried out. The protocols are being reviewed and updated based on revisions in guidelines received from local authorities. We have had these protocols audited by a third party to ensure that gaps are closed.

Let me thank my team that showed great resilience in the face of an unprecedented pandemic, demonstrating its ability to adapt to new circumstances. They ensured that your company was quickly on its way to normalcy and well placed to exploit opportunities as market conditions became more favorable.

While focusing on cost reduction and cash protection programs to counter the pandemic led downturn, your company never lost sight of its journey to become a world class supplier and continued its focus on improving operations to become more efficient and profitable. The team also made greater efforts to win new business and new customers.

While a successful vaccination program can help the world overcome the pandemic, it may also have other long-term effects, some of which we might not be able to predict right now. In the automotive sector for example, safety fears have pushed people to move away from public to private transport, it is to be seen whether this is a transient phenomenon or not. There has also been a renewed push towards green transportation solutions including electrification in some parts of the world. I feel immense pride in saying that your company is ready for any challenge that gets thrown its way.

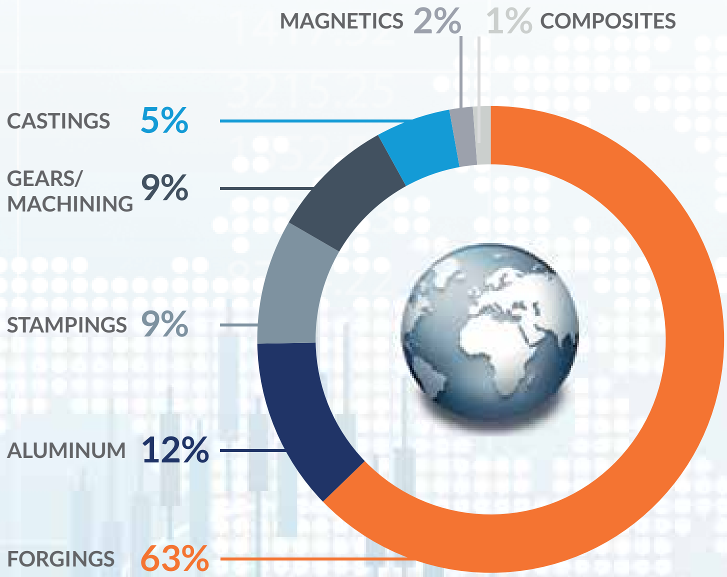
We continue to focus on creating leaner operations and productive routines which will help us deliver better operating results consistent with our aim of generating better Returns on both Equity and Capital Employed, in the coming years.

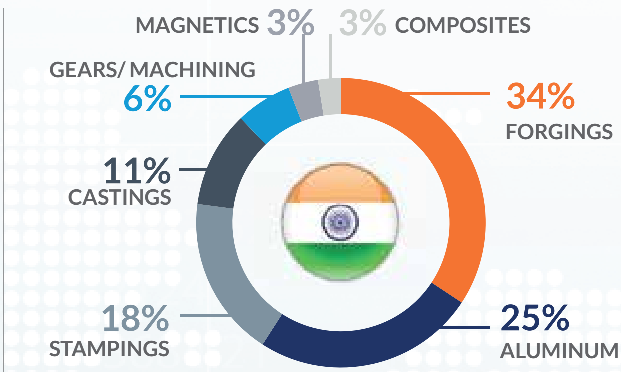
Thank you for the trust reposed in us and for being invested in Mahindra CIE.

Yours Sincerely,

Ander Arenaza Alvarez
Chief Executive Officer

CEO'S STATEMENT





MCIE – END USE SEGMENTS

TECHNOLOGIES

- Forgings
- Aluminium
- Stampings
- Castings
- Gears/Machining
- Magnetic Products
- Composites

END USE SEGMENTS

- 40% CARS + UTILITY VEHICLES
- 32% TWO WHEELERS
- 2% LIGHT COMMERCIAL VEHICLES
- 16% TRACTORS
- 5% NON AUTO and OTHERS
- 5% MHCV

TOP CUSTOMERS

Mahindra, Bajaj, Maruti, Tata, Hero

TECHNOLOGIES

- **Car Forgings**
  Spain, Lithuania
- **Heavy Truck Forgings**
  Germany
- **Gears/Machining**
  Italy

END USE SEGMENTS

- 48% CARS
- 42% MHCV
- 10% OFF HIGHWAY

TOP CUSTOMERS

Renault, VW, Ford, JLR, BMW

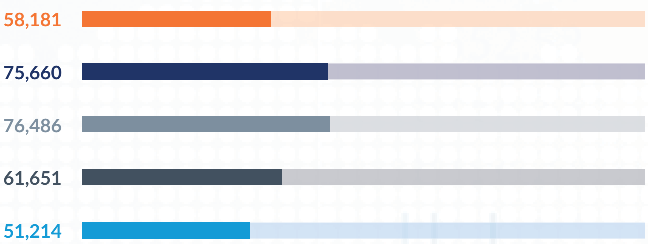
Daimler, MAN, Scania, DAF, Renault

CAT, Eaton, CNH

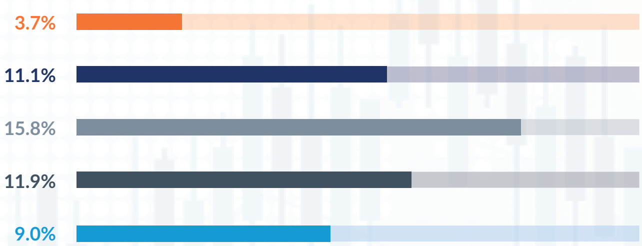
MCIE CONSOLIDATED KEY PARAMETERS

● 2020 ● 2019 [8] ● 2018 ● 2017 ● 2016 [4]

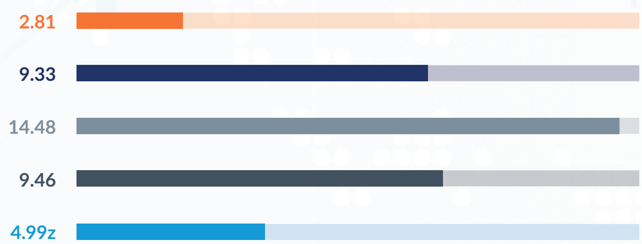
SALES WITHOUT EXCISE *(INR MILLION)*



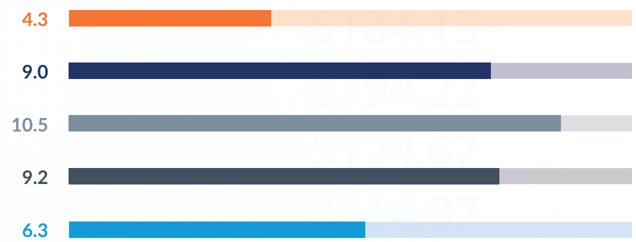
RONA [2]



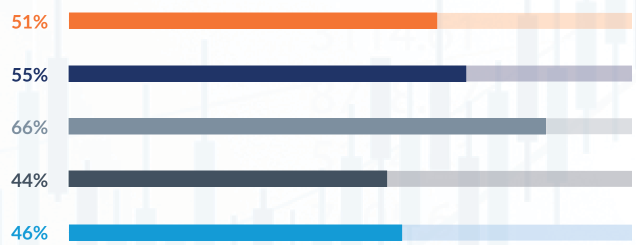
EPS [7] (INR)



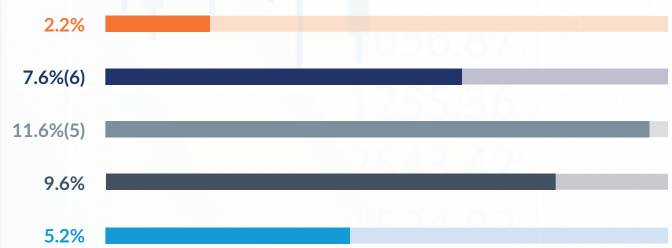
EBIT % [1]



OPERATIVE CASH FLOW [3]/EBITDA



ROE



1) The EBIT for CY 2017 numbers are excluding Stokes
2) RONA = "Return on Net Assets": EBIT / Net Assets (Fixed Assets + Net Working capital + Goodwill).
3) Operative Cash Flow = EBITDA – Finance Cost -Maintenance Capex –Tax Paid.
4) For all ratios in 2016 for Bill Forge last 12 months EBITDA and EBIT have been considered.
5) ROE including discontinued operations.
6) This is lower due to one time Tax write offs.
7) For 2018 and 2019, we have considered the EPS for continued operations only.
8) 2019 figures are including 9 months performance of AEL.

HELPING HAND THROUGH CSR

Distribution of Happiness Kits to 800+ kids at 10 schools adopted by Bill Forge

Distribution of gift boxes to cancer surviving orphan children at Mamta Foundation

CT scan machine hand over to Hospital authority at Manchar

Dry grocery and medical kit distributed to Kinnar community

Learning kit distribution to Deaf children

Tree Plantation

Indian Sign Language training to Deaf children

Indian Sign Language training to teachers

ENSURING ROBUST COVID SAFETY AT PLANTS

Plant sanitization in progress

Thermal checking before plant entry

Employees having lunch with social distancing

FOSTERING SKILL DEVELOPMENT VIA TECHNICAL EDUCATION

View of CIE India Institute of Skills

Samarth Rural Education Inauguration

'समर्थ'च्या विद्यार्थ्यांना रोजगारवाटा मिळणार

बेल्हे येथे महिंद्रा सीआयई आणि समर्थमध्ये सामंजस्य करार

प्रभात

Press Coverage of Inauguration

Practical training at CIE india institute of Skills

पुढारी

'महिंद्रा सीआयई'-समर्थ शैक्षणिक संकुल यांच्यात करार

Press Coverage of Inauguration

DOING OUR BIT FOR THE ENVIRONMENT

Solar Installation at Magnetics, Bhosari

Solar Installation at Stampings, Zaheerabad plant

Inauguration of Solar Installation at Magnetics, Bhosari

Board of Directors
Mr. Shriprakash Shukla - Chairman
Mr. Ander Arenaza Alvarez
Mr. Manoj Menon
Mr. Anil Haridass
Mr. Jesus Maria Herrera Barandiaran
Mr. Zhooben Dossabhoy Bhiwandiwala
Mr. Kadambi Narahari
Mr. Dhananjay Mungale
Mr. Manoj Maheshwari
Mrs. Roxana Meda Inoriza
Mr. Alan Savio D'Silva Picardo
Mr. Suhail A. Nathani

Chief Financial Officer
Mr. K. Jayaprakash

Company Secretary & Compliance Officer
Mr. Pankaj Goyal

Committees of the Board
Audit Committee
Mr. Dhananjay Mungale - Chairman
Mr. Manoj Maheshwari
Mrs. Roxana Meda Inoriza
Mr. Alan Savio D'Silva Picardo

Nomination and Remuneration Committee
Mr. Manoj Maheshwari - Chairman
Mr. Alan Savio D'Silva Picardo
Mr. Jesus Maria Herrera Barandiaran
Mr. Shriprakash Shukla

Stakeholders Relationship Committee
Mr. Kadambi Narahari - Chairman
Mr. Dhananjay Mungale
Mr. Suhail A. Nathani

Corporate Social Responsibility Committee
Mr. Kadambi Narahari – Chairman
Mr. Dhananjay Mungale
Mr. Manoj Menon
Mr. Anil Haridass

Risk Management Committee
Mr. Manoj Menon – Chairman
Mr. Ander Arenaza Alvarez
Mr. Hari Krishnan

Registered Office
Suite F9D,
Grand Hyatt Plaza (Lobby Level),
Off Western Express Highway,
Santacruz (E) Mumbai - 400 055
CIN: L27100MH1999PLC121285
Tel: 022-62411031
Fax: 020-62411030
Website : www.mahindracie.com
Email : mcie.investors@cie-india.com

Pune Office
Office No. 602 & 603,
Amar Business Park,
Opp. Sadanand Resort,
above Westside showroom
Baner, Pune - 411 045
Tel: 020-29804621

• Auditors
Price Waterhouse
Chartered Accountants LLP
7th Flooor, Tower A,
Business Bay, Air Port Road,
Yerwada, Pune - 411 006

• Bankers
ICICI Bank Limited
Barclays Bank
Kotak Mahindra Bank Limited

• Registrar and Share Transfer Agents
KFin Technologies Private Limited
Selenium, Tower B, Plot 31 & 32,
Financial District, Gachibowli,
Hyderabad, 500 032
Website : www.kfintech.com
E-mail : einward.ris@kfintech.com

DIRECTORS' REPORT

DIRECTORS' REPORT

Dear Shareholders

The Directors present their Report together with the audited financial statements of your Company for the Financial Year (FY) ended 31st December 2020.

A. FINANCIAL SUMMARY AND HIGHLIGHTS

(₹ in Million)

PARTICULARS (STANDALONE)	FY ended 31st December, 2020*	FY ended 31st December, 2019*
Total Revenue	21,645	29,271
Profit before Interest, Depreciation, Exceptional Items and Tax	2,218	3,780
Less: Depreciation	1,084	1,127
Profit before Interest, Exceptional Items and Tax	1,134	2,653
Less: Interest and Finance cost	119	136
Profit before Exceptional Items and Tax	1,015	2,517
Less: Exceptional items	–	(119)
Profit before tax	1,015	2,636
Profit after tax	740	1,723

During the Financial Year under review total standalone revenue of the Company dropped to ₹ 21,645 Million from ₹ 29,271 Million for previous year and Profit before Interest, Depreciation, Exceptional Items and Tax dropped to 2,218 Million as against ₹ 3,780 Million for the previous year. The profit before exceptional items & tax for the Financial Year reduced to ₹ 1,015 Million in Financial Year 2020 from ₹ 2,517 Million in Financial Year 2019. The drop-in revenue is mainly due to the impact caused by the Covid-19 pandemic.

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

Dividend

COVID19, the pandemic is not completely behind us. We need to conserve cash to meet unexpected operational requirements until we are sure that the Pandemic will no more have any impact on business. We also need to conserve cash for any organic or inorganic opportunity that may come up. In view of this your directors do not recommend any dividend for the financial year 2020.

Transfer to Reserves

The Company has not transferred any amount of profits to reserves.

B. OPERATIONAL PERFORMANCE – THE COMPANY AND SUBSIDIARIES

OPERATIONAL REVIEW

The market demand at the start of 2020 remained sluggish, continuing the trends from the second half of 2019. The effect of the Covid started being felt towards the end of Q1 2020 when many of the countries went into lockdown to counter the spread of the virus. Q2 2020 saw the impact of Covid induced downturn on MCIE's operations worldwide. Q3 and Q4 of 2020 have seen a sharp recovery in India and a slow & steady one in Europe.

To counter the pandemic driven downturn, the company initiated a program for cost reduction and cash protection. Post the easing of lockdown restrictions, the focus was on renewing and continuing operations in a safe and sustainable manner. The reopening of plants post lockdown was done in a manner that provides a safe working environment for the workforce. All Safety protocols mandated by local authorities at the different plant locations were followed. A much better than expected recovery in demand in the second half of the year posed operational challenges which were overcome by the operating team.

India

In the case of the Indian operations, efforts were accelerated to reduce the Break-Even level of the plants to make them more efficient and future ready. The plants also focused on improving capacity utilization through reduced outsourcing and by automation projects to improve manpower productivity. Diversifying the customer base has also received sharper focus, especially to increase exports. In some of the business divisions, the new order generation was also aided by customers choosing to shift sourcing from China to India.

While some of the planned plant improvements were delayed, the major activities planned to improve operations were carried out. Among them was the plan to concentrate the activities of the composites division at one location. Organisational improvements and new management structures were also introduced at certain divisions to effectively sharpen management bandwidth and focus.

Europe

In Europe, the focus has been to restructure operations especially in Germany & Italy, and bring them in line with the reduced demand post pandemic. The European operations benefited from government benefits of programs like Cassa Integrazione in Italy and similar programs in Germany & Spain wherein individual governments gave wage support equivalent to 70-80% of the cost of the employee for the days the plants were shutdown.

The focus in Europe is to sustain & improve profitability in the face of a slowly recovering market demand.

Investor Relations (IR)

In this year Participaciones Internacionales Autometal, DOS S.L, one of the promoter of the Company has increased its stake from 56.25% to 60.18%. With these investments, CIE has reiterated its belief and commitment in MCIE and the Indian market.

The Company also continuously strives for excellence in its Investor Relations ("IR") engagement with International and Domestic investors through structured conference-calls and periodic investor/analyst interactions like individual Meetings, participation in investor conferences, quarterly earnings calls, and analyst meet from time to time. It participated in several investors meets organized by reputed Global and Domestic Broking Houses, during the year. Building a relationship of mutual understanding with investor/analysts is of utmost importance and critical information about the Company is available to all the investors, by uploading all such information on the Company's website.

C. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its subsidiary companies prepared in accordance with the Companies Act, 2013 (the Act) and applicable Accounting Standards along with all relevant documents and the Auditors' Report forms a part of the Annual Report of 2020.

In accordance with section 136 of the Act, separate accounts in respect of each of the Subsidiaries are uploaded on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/investor-relations/annual-report.html#subsidiaries-annual-report and soft copies of the same shall be provided to shareholders of the Company on request for such copies.

Subsidiary Companies

The subsidiary companies also continue to contribute to the overall growth of the Company.

CIE Galfor S.A. registered consolidated revenue of 31,200 Million (includes MFE & Metalcastello revenue) during the financial year ended 31st December 2020 as compared to ₹ 43,123 Million in the previous year. The consolidated net profit after tax for the financial year under review was ₹ 144 Million (including MFE & Metalcastello) as compared to ₹ 1,700 Million in the previous year.

Aurangabad Electricals Limited registered a revenue from operations of ₹ 7,268 Million during the year and the consolidated net profit after tax for the year stood at ₹ 287 Million.

The Company's consolidated total revenue from the continuing operations was ₹ 60,501 Million in the financial year ended 31st December 2020, of which about 65% was derived from the subsidiaries whereas about 35% was derived from operations of the Company.

As on 31st December 2020, the Company has 14 subsidiaries namely Stokes Group Limited (U.K.), CIE Galfor S.A. (Spain), CIE Legazpi S.A. (Spain), UAB CIE LT Forge (Lithuania), Mahindra Forgings Europe AG (Germany), Jeco Jellinghaus GmbH (Germany), Gesenkschmiede Schneider GmbH (Germany), Falkenroth Umformtechnik GmbH (Germany), Schoneweiss & Co. GmbH (Germany), Metalcastello S.p.A. (Italy), BF Precision Private Limited (India), Bill Forge de Mexico S de RL de CV (Mexico), Aurangabad Electricals Limited and AE Deutschland Gmbh.

In 2018, the Board of Directors of the Company, after reviewing the business situation, had agreed with the proposed closure of Stokes Group Limited (Stokes) and the business was classified as dis-continued operations. Stokes has completely stopped its production in CY2019. During the year under review the Liquidation and Dissolution formalities of Stokes Forgings Limited and Stokes Forgings Dudley Limited were completed and these entities ceased to exist in accordance with Laws applicable to these entities. The liquidation of Stokes shall be initiated in accordance with the Applicable Laws.

Jeco Jellinghaus GmbH has been operationally closed. AE Deutschland Gmbh is under liquidation and expected to be dissolved during CY2021 once all the formalities are completed.

All other subsidiaries are operational.

Associate Companies

The Company had four Associate entities as on 31st December 2020 namely Clean Max Deneb Power LLP, Sunbarn Renewables Private Limited, Gescrap India Private Limited and Galfor Eolica SL.

The Company has been taking various steps to optimize its power cost and to increase the proportion of green energy in the total energy consumption of the Company at the plants of the Company. Accordingly, during CY2019 the Company had invested in Clean Max Deneb Power LLP to supply green captive power to factories of Bill Forge Division in Bangalore. Further, during the year under review, the Company has entered into Power Purchase Agreement with two more SPVs namely Sunbarn Renewables Private Limited (Sunbarn) and Renew Surya Alok Private Limited (Renew). Sunbarn will supply the green captive power to plants of Forgings and Magnetic Products Division of the Company and Renew will supply green captive power to plant of Foundry Division of the Company.

All these entities shall be major contributors for use of renewable source of energy in operation of the Company and will also result in savings in energy cost.

Gescrap India Private Limited (Gescrap India) is engaged in metal recycling and total waste management in India.

Galfor Eolica SL is an associate Company of CIE Galfor S.A.

A Report on the performance and financial position of each of the subsidiaries and associate companies included in the Consolidated Financial Statement and their contribution to the overall performance of the Company, is provided in Note No. 41 of the Consolidated Financial Statements fo the Company and in Form AOC-1 attached to the Financial Statements.

The Company has formulated a Policy for determining Material Subsidiaries and the same has been uploaded on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/investor-relations/governance.html#policies-and-code-of-conduct

Credit Rating

ICRA Limited ("ICRA"), the Credit Rating Agency, have reaffirmed / assigned rating(s) to the Commercial Paper and Line of Credit of the Company. Details of credit rating is provided in the Corporate Governance Report.

The Company has not been identified as a "Large Corporate" as per the criteria under SEBI Circular No. SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018.

D. INTERNAL FINANCIAL CONTROLS

The Company uses ERP System as a business enabler and also to maintain its books of accounts. The transactional controls built in ERP System provides segregation of duties, appropriate level of approval mechanism and maintenance of supporting records. The System and the Standard Operating Procedures are reviewed by the management and strengthen wherever required. These systems and controls are audited by the Internal Auditors and their findings and recommendations are reviewed by the Audit Committee. Actions Plan is prepared by the management for all the Audit findings and recommendations which is continuously monitored on monthly basis and action taken report is reviewed by the Audit Committee on quarterly basis. The Company continuously automates its processes to enhance the controls.

The Company has in place adequate internal financial controls which commensurate with the size, scale and complexity of its operations. These controls have been assessed during the year under review taking into consideration the essential components of internal controls stated in the Guidance note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. Based on the results of such assessments carried out by the management, no reportable or significant deficiencies, no material weakness in the design or operation of any control was observed. Nonetheless the Company recognizes that any internal control framework, no matter how well designed, has inherent limitations and accordingly, regular audits and review processes ensure that such system are re-enforced on an ongoing basis.

E. MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis of financial condition and results of operations of the Company along-with the performance and financial position of each of the subsidiaries is provided in the Management Discussion and Analysis which forms part of this Annual Report.

F. CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the year under review, all transactions entered into with Related Parties of the Company were in the Ordinary Course of Business and were transacted at arm's length basis.

Mahindra Vehicle Manufacturers Limited (MVML) is one of the Promoters of the Company which hold(s) more than 10% of the paid-up equity capital of the Company. The details of the transactions of the Company with MVML, as required to be disclosed pursuant to Para A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is disclosed at Note. No. 31 of the Notes to the Standalone Financial Statements.

Further, the Company had entered into Material Related Party Transactions, i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements of the Company with Mahindra & Mahindra Limited, the holding company of MVML. These transactions were in the Ordinary Course of Business of the Company and were at arm's length basis. The details of these transactions, as required to be provided under section 134(3)(h) of the Companies Act, 2013 are disclosed in Form AOC-2 as ***Annexure I*** and forms part of this Report.

The Policy on materiality of and dealing with Related Party Transactions as approved by the Board is uploaded on the website of the Company and is accessible at the web-link: https://www.mahindracie.com/investors/investor-relations/governance.html#policies-and-code-of-conduct

G. AUDITORS

Statutory Auditors and Auditor's report

The members of the Company at the 18th Annual General Meeting (AGM) had appointed Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016) as the Statutory Auditors of the Company to hold office from the conclusion of 18th AGM until the conclusion of the 23rd AGM of the Company to be held in the year 2022.

The Securities and Exchange Board of India ("SEBI") vide its order number WTM/GM/DRA 1/83/2017-18 dated 10th January, 2018 banned the firms practicing as Chartered Accountants in India under the brand and banner of Price Waterhouse (PW), to directly or indirectly issue any certificate of audit to listed companies or certificate in relation to any compliance of obligations of a listed companies for the period of two years.

Against the said order PW has filed an appeal before the Hon'ble Securities Appellate Tribunal (Tribunal). The Tribunal vide its Order dated 9th September 2019 has Quashed the SEBI order restricting PW Bangalore and 10 other PW firms. SEBI has filed appeal against the Order of SAT before Hon'ble Supreme Court of India. Hon'ble Supreme Court has stayed the Order of SAT to the extent it deals with the Jurisdiction of SEBI. The appeal is pending.

Price Waterhouse Chartered Accountants LLP, Chartered Accountants have, under Section 139(1) of the Act and the Rules framed thereunder furnished a certificate of their eligibility and has confirmed that they are eligible to act as statutory auditor of the Company for financial year 2021.

The Auditors' Report on the Financial Statement for the year ended 31st December, 2020, is unmodified i.e. it does not contain any qualification, reservation or adverse remark and notes thereto are self-explanatory and do not require any explanations.

The terms of appointment of statutory auditors have been amended in line with SEBI circular CIR/CFD/CMD1/114/2019 dated 18th October, 2019.

Secretarial Auditor and Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Sachin Bhagwat, Practicing Company Secretary (Certificate of Practice No. 6029), as a Secretarial Auditor to undertake the Secretarial Audit of the Company for the Financial Year ended 31st December, 2020. The Secretarial Audit Report for the Financial Year ended 31st December, 2020 is appended to this Report as ***Annexure II***. The report does not contain any qualification, reservation, or adverse remark.

Secretarial Audit of Material Unlisted Indian Subsidiary

Aurangabad Electricals Limited (AEL), a material subsidiary of the Company undertakes secretarial audit every year under Section 204 of the Companies Act, 2013. The Secretarial Audit of AEL for the financial year ended 31st December 2020 was carried out pursuant to Section 204 of the Companies Act, 2013 and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Secretarial Audit Report submitted by Mr. R. V. Pore, Practicing Company Secretary, (Certificate of Practice No. 1913) does not contain any qualification, reservation or adverse remark and the same is enclosed herewith as ***Annexure III***.

Annual Secretarial Compliance Report

The Company has undertaken an audit for the Financial Year ended 31st December, 2020 for all applicable compliances as per Securities and Exchange Board of India Regulations and Circulars/Guidelines issued thereunder. The Annual Secretarial Compliance Report duly signed by Mr. Sachin Bhagwat, Practicing Company Secretary (Certificate of Practice No. 6029) has been submitted to the Stock Exchanges within the prescribed timelines.

Cost Records

As per Section 148 of the Companies Act, 2013, read with the Companies (Cost Records and Audit) Rules, 2014, the Company is required to maintain cost records and accordingly, such accounts and records are maintained.

Cost Auditors

The Board had appointed Messrs. Dhananjay V. Joshi & Associates, Cost Accountants, Pune, (Firm Registration Number 000030) as Cost Auditor for conducting the audit of Cost Records of the Company for Financial year ended 31st December, 2020.

In accordance with Section 148 of the Companies Act, 2013, the Board of Directors of the Company, on recommendation of the Audit Committee, re-appointed Messrs. Dhananjay V. Joshi & Associates, Cost Accountants, Pune (Firm Registration Number 000030) as the Cost Auditors of the Company to conduct the Audit of the Cost Accounting Records maintained by the Company for the Financial Year ending 31st December, 2021. Messrs. Dhananjay V. Joshi & Associates have confirmed that their appointment is within the limits of section 141(3)(g) of the Companies Act, 2013 and have also certified that they are free from any disqualifications specified under section 141(3) read with Section 148(5) of the Companies Act, 2013.

As per the provisions of the Companies Act, 2013, the remuneration payable to the Cost Auditor is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a resolution seeking Members' ratification for the remuneration payable to Messrs. Dhananjay V. Joshi & Associates, Cost Auditors is included in the Notice convening the 22nd Annual General Meeting.

Reporting of Frauds by Auditors

During the year under review, the Statutory Auditors, Cost Auditors and the Secretarial Auditor have not reported any instance of fraud committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

H. PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS AND SECURITIES

Particulars of investments made by the Company are provided in the Note No. 8 of the Notes to the Standalone Financial Statements.

Further, disclosure required pursuant to Regulation 34(3) read with Part A of Schedule V of the Listing Regulations in respect of loans or advances in the nature of loan given by the Company to its Subsidiaries is provided at the end of this report.

The Company has not provided any guarantee or security to any person or entity and has not made any loans and advances in the nature of loans to firms/companies in which directors of the Company are interested.

I. PUBLIC DEPOSITS

The Company has not accepted any deposits during the year under review.

J. TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

The Company did not have any amounts which were required to be transferred to IEPF during the financial year under review.

The Company had, in February 2015, distributed the sale proceeds of fractional shares arising out of issuance of shares pursuant to the Integrated Scheme and Composites Scheme of Amalgamation to the eligible shareholders as per their respective fractional entitlements. Fractional Entitlements in respect of few shareholders is lying unclaimed with the Company, details thereof is uploaded on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/downloads/documents.html#unclaimed-amounts and also on the website of IEPF viz. www.iepf.gov.in.

Details of all the unclaimed amounts transferred by the Company to IEPF in earlier years is also available on the aforesaid link.

For any claims that are lodged with IEPF for unclaimed amounts, the Company has nominated Mr. Pankaj Goyal, the Company Secretary of the Company as Nodal officer for the purposes of verification of claims and coordination with Investor Education and Protection Fund Authority as required under Investor

Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2016 as amended from time to time, the Contact details of the nodal officer are available on the website of the Company.

K. EMPLOYEES

Key Managerial Personnel (KMP)

The following officers of the Company have been designated as the Key Managerial Personnel in accordance with Section 2(51) and Section 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

1. Mr. Ander Arenaza – Executive Director
2. Mr. Manoj Menon – Executive Director and Chief Executive Officer - Stampings, Composites, Foundry, Magnetics and Gears Divisions
3. Mr. Anil Haridass – Executive Director
4. Mr. Hari Krishnan – Chief Executive Officer – Forgings and Bill Forge Division of the Company
5. Mr. K. Jayaprakash – Chief Financial Officer
6. Mr. Pankaj Goyal – Company Secretary and Compliance Officer

Employees' Stock Option Scheme

The Company has in force the following Schemes which are covered under the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations"):

a) Mahindra CIE Automotive Limited - Employees' Stock Option Scheme (ESOS-2007)

b) Mahindra CIE Automotive Limited - Employees' Stock Options Scheme 2015 (ESOS-2015)

Voting rights on the shares issued to employees under above ESOS are either exercised by the employees directly or through their appointed proxies.

During the year, there have been no material changes to these schemes and no stock options were granted to the employees under the said schemes.

Both the schemes are in compliance with the SBEB Regulations. The Certificate issued by the Statutory Auditors of the Company to the effect that the Schemes have been implemented in accordance with the said Regulations and the resolution passed by the members will be placed before the shareholders at the ensuing Annual General Meeting.

The information as required to be disclosed, in relation to ESOS under the Companies Act, 2013, and the details of the ESOS being implemented, as specified by SEBI under Clause 14 of SBEB Regulations, 2014 is uploaded on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/downloads/documents.html#other-documents-and-disclosures

The said information is also provided in the Note No. 36 of the Notes to Financial Statements.

Particulars of Employees and related disclosures

Disclosures with respect to the remuneration of Directors, KMPs and employees as required under section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in ***Annexure IV*** to this Report.

Further, as required under provisions of section 197(12) of the Companies Act, 2013 read with Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, a statement including the names and other details of the top ten employees in terms of remuneration drawn and the name of every employee, who were in receipt of remuneration not less than ₹ 10,200,000/- per annum during the year ended 31st December, 2020 or employee who were employed for a part of the Financial Year and were in receipt of remuneration of not less than ₹ 850,000/- per month during any part of the said year is annexed as ***Annexure V*** to this report.

During the year, the Company has no employee who was employed throughout the Financial Year or part thereof and was in receipt of remuneration, which in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than 2% of the equity shares of the Company.

Industrial Relations

The relationship between the Management and Worker's Union continued to remain cordial.

The Management Discussion and Analysis gives an overview of the developments in Human Resources/Industrial Relations during the year.

L. BOARD AND COMMITTEES

Retirement by rotation

Mr. Shriprakash Shukla (DIN: 00007418) and Mr. Jesus Maria Herrera Barandiaran (DIN: 06705854) are liable to retire by rotation and, being eligible, have offered themselves for re-appointment at the 22nd Annual General Meeting (AGM) of the Company scheduled to be held on 29th April, 2021.

Detailed profile of the Directors seeking appointment/re-appointment along with other necessary details as may be required are provided in the in the Notice of 22nd Annual General Meeting of the Company.

Declaration of the Independent Directors

All the Independent Directors have confirmed that they meet the criteria as mentioned in Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149(6) of the Companies Act, 2013. The Independent Directors have also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence. Further, the Board after taking these declaration/disclosures on record and acknowledging the veracity of the same, opined that the Independent Directors are persons of integrity and possess the relevant expertise and experience, fulfils the conditions specified in the Listing Regulations and the Act for appointment of Independent Directors and are Independent of the Management.

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, based on the representation received from the Operating Management and after due enquiry, confirm that:

a) in the preparation of the annual accounts for the financial year ended 31st December, 2020, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the financial year ended on 31st December, 2020;

c) the directors had 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 had prepared the annual accounts on a going concern basis;

e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the financial year ended 31st December, 2020;

f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively during the financial year ended 31st December, 2020.

Board, Committee and Annual General Meeting

The Board of Directors of the Company met five times during the Financial Year ended 31st December, 2020, on 26th February, 2020, 23rd April, 2020, 21st July, 2020, 20th October, 2020 and 10th December, 2020.

Details of attendance of meetings of the Board, its Committees and the AGM are included in the Report on Corporate Governance, which forms part of this Annual Report.

Meeting of Independent Directors

The Independent Directors of the Company met on 26th February, 2020 and 10th December, 2020 without the presence of the Chairman, Executive Directors, other Non-Independent Director(s) and any other Managerial Personnel.

Performance Evaluation

During the year under review, the Nomination and Remuneration Committee and Independent Directors have ascertained and reconfirmed that the deployment of "questionnaire" as a methodology, is effective for evaluation of performance of Board, its Committees and Individual Directors including non-independent Directors and the performance evaluation of the Chairman, respectively.

Accordingly, feedback was sought on the structured questionnaire from all the Directors of the Company, through electronic platform provided by an Independent Agency, covering various aspects, on performance evaluation of the Board, Committees of Board, Independent Directors, Non-Independent Directors, and the Chairman. A report aggregating the responses of all the directors of the Company was generated by the system.

<u>Performance Evaluation of Individual Directors</u>

The reports of the performance evaluation of Individual Directors were shared with respective Directors and Chairman of the Nomination and Remuneration Committee (NRC). Based on the same the NRC evaluated the performance of all individual directors.

The Independent Directors at their meeting separately evaluated the performance of non-independent Directors and the Chairman.

<u>Performance Evaluation of the Board and Committees of Board</u>

The report of the feedback received from all the Directors on performance evaluation of Board and Committees of Board was shared with the Chairman of the Company and the Chairman of the respective Committees. The Board reviewed the reports and evaluated its own performance and performance of the Committees of the Board.

The Independent Directors at their meeting separately evaluated the performance of the Board.

For details, please refer to the Report on Corporate Governance, which forms part of this Annual Report.

Familiarisation Programme for Independent Directors

The details of programmes for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are given in the Report on Corporate Governance. The familiarisation programme and other disclosures as specified under regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is available on the website of the Company at the link: <u>http://www.mahindracie.com/investors/downloads/documents.html#other-documents-and-disclosures.</u>

Policy on Appointment and Remuneration

In line with the principles of transparency and consistency, the Company has adopted the following Policies which, inter alia includes criteria for determining qualifications, positive attributes and independence of a Director.

i) Policy on Appointment of Directors, Key Managerial Personnel and Senior Management Employees and succession planning;

ii) Policy for the remuneration of Directors, Key Managerial Personnel and other employees of the Company.

During the year under review, the Board of Directors on the recommendation of the Nomination and Remuneration Committee reviewed the said policy and have amended the policy, inter alia, to align it with the amendments in Listing Regulations and the Act. Salient features of these policies are enumerated in the Corporate Governance Report which forms part of the Annual Report.

The Policies mentioned above are also uploaded on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/investor-relations/governance.html#policies-and-code-of-conduct.

Committees of the Board

The Company has duly constituted the Committees required under the Companies Act, 2013 read with applicable Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Audit Committee

The Committee comprises of four directors viz:

1) Mr. Dhananjay Narendra Mungale - Chairman,

2) Mr. Manojkumar Madangopal Maheshwari

3) Mrs. Roxana Meda Inoriza

4) Mr. Alan Savio D'Silva Picardo

Mr. Zhooben Bhiwandiwala, Non-Executive Director of the Company is a permanent invitee at the Committee. All the Members of the Committee are Independent Directors and possess strong accounting and financial management knowledge.

The Company Secretary is the Secretary to the Committee. All the recommendations of the Audit Committee were accepted by the Board during the financial year under review.

M. GOVERNANCE

Corporate Governance

The Company believes in attainment of highest levels of transparency in all facets of its operations and maintains an unwavering focus on imbibing good Corporate Governance practices. The Company continues to strengthen its governance principles to generate long-term value for its various stakeholders on a sustainable basis thus ensuring ethical and responsible leadership both at the Board and at the Management levels.

A Report on Corporate Governance along with a Certificate from Mr. Sachin Bhagwat, Practicing Company Secretary (ACS Number - 10189, CP Number - 6029) and Secretarial Auditor of the Company regarding the compliance with the conditions of Corporate Governance as stipulated in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

Vigil Mechanism

The Vigil Mechanism as envisaged in the Companies Act, 2013, the Rules prescribed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is implemented through the Company's Whistle Blower Policy to enable the directors, employees and all stakeholders of the Company to report genuine concerns, to provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee. The detail of the Policy is explained in the Corporate Governance Report and has been uploaded on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/investor-relations/governance.html#whistle-blower.

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this Policy. The Policy is gender neutral.

During the year under review, there was no complaint of discrimination and harassment including sexual harassment received by the committee.

Business Responsibility Report

The Business Responsibility Report (BRR) of the Company for the Financial Year 2020 forms part of this Annual Report as required under Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company strongly believes that sustainable and inclusive growth is possible by using the levers of environmental and social responsibility while setting aspirational targets and improving economic performance to ensure business continuity and growth.

Risk Management

The Board has constituted a Risk Management Committee which comprises of Executive Directors and Chief Executive Officer of the Company. The Committee also has permanent invitees who are from Senior Management. The other details and terms of reference of the Committee are covered under the Corporate Governance report which forms part of this Annual Report.

The Company has a well-defined risk management framework in place. The risk management framework works at various levels. The Company has a robust organisational structure for managing and reporting on risks. In terms of the requirement of the Act, the Company has developed and implemented the Risk Management Framework. The Risk Management Committee, Audit Committee of the Board as well as the Board reviews the risks periodically. The Company has also established procedures to periodically place before the Board, the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate the Risks.

Important element of risk, including risk which may threaten the existence of the Company are provided in the Management Discussion and Analysis.

N. SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Sustainability

Objectives

Generation of shared value for the Company and for Society by integrating Social, Environmental and Governance principles into the business model, business strategy and everyday operations.

Safety and Health

The Company considers safety as a value and not just a priority. The focus continuous to be on increasing awareness about safety among the employees and improve the safety culture.

Various initiatives were undertaken during the year to communicate importance of safety to each of the employees. The Company has formed Apex Safety Council, wherein all MCIE plants comes under one umbrella to integrate the safety systems and deploy safety practices across plants. 14 (fourteen) Uniform Safety Standards were developed and Launched in July 2020. These standards encompass all parts of operations. All plants are expected to embrace all these standards to take forward the process of safety in more formal assessable manner. The overall objective shall be to keep sensitizing the employees on safety and work towards improving their attitude towards safety.

The Company has system to investigate all the accidents thoroughly and to take corrective as well as preventive actions. During the year, an increased focus has been given on reporting of near miss incidents, analyzing first-aid injuries and taking preventive measures.

All the plants of the Company have Occupational health and safety management system (OHSMS). During the year, five plants of the Company upgraded the OHSMS certification to ISO 45001-2018. Other plants, which has ISO18001-2007 certification, shall be upgraded to ISO 45001:2018 in due course of time.

The Company's plants continue to improve well-being of all its personnel by organizing Occupational Health Examination Camps, Periodic Health Check-ups and workplace monitoring.

Environmental Initiatives

The Company has been focusing external certifications for achieving world class environmental standards. All the plants will be upgrading their EMS to include the requirements of the revised international standard by June 2021.

A system of assurance has been implemented to track the environment consent conditions compliance on monthly basis.

The highlights of different initiatives taken by the Company at its various plants for environment and sustainability are as under:

1) **Water:** All the plants have continued their efforts for water conservation. During the year the Company has recycled about 25-% of the water for re-usage in the process and also has re-used about 19-% of water for alternative applications like Gardening, Die washing etc. The Company has installed rain water harvesting at its Urse plant, which resulted in conservation of fresh water by 3.4% of their total consumption.

   Further, the Company has reduced its overall water consumption in CY2020 by 8% of its total consumption compared to CY2019.

2) **Energy:** Various projects were initiated by the Company for energy conservation like Use of waste heat (Heat Recovery system), Replacement of old compressors by new efficient with VFD, cooling tower and blower pumps with new efficient VFD, LED lighting, arresting air leakages, IBH Coil modification, Energy efficient compressors etc. Due to various energy savings initiatives, the Company has reduced the energy consumption in CY2020 by 15.89% as compared to CY2019 .

   The Company continued its efforts to increase the proportion of green energy in the total energy consumption of the Company. The Company has installed roof top solar systems at seven plants. The Company has also signed long term contracts to source green energy from captive generating plants through open access. Due to various efforts, the Company has consumed 30.28% of total energy consumption through green energy sources.

3) **Waste Management:** Waste reduction efforts have been continued across all the plants. The plants are looking at waste management as waste to wealth opportunities.

   Overall, due to the combined efforts of all its Plants, waste generation in CY2020 is reduced by 48% as compared to CY2019.

Corporate Social Responsibility (CSR)

The Company has constituted a CSR Committee in accordance with section 135 of the Companies Act, 2013 and has developed and implemented the policy on Corporate Social Responsibility. The CSR Committee comprises of Mr. Kadambi Narhari (Chairman), Mr. Dhananjay Mungale, Mr. Manoj Menon and Mr. Anil Haridass. In accordance with the CSR Policy, CSR Committee of the Board is responsible for monitoring the implementation of CSR Policy from time to time. The CSR Committee is authorized to approve, on recommendation of the Management, the projects or programs to be undertaken, the modalities of execution and implementation schedule from time to time. The CSR thrust areas have been identified where the Company wishes to create equity and also had laid down guiding criteria for selecting projects which includes sustainability, social impact etc.

The Company was required to spend an amount of ₹ 116.13 Million (including ₹ 72.21 Million unspent amounts of last year carried forward). The Company could spend an amount of ₹ 71.12 Million during the year. The unspent amount in CY20 of ₹ 45.01 Million has been allocated to existing long term CSR project and would be spent in next 2-3 years. Implementation of these long term CSR Projects was delayed due to Covid-19 pandemic and related expenditure is deferred to next year. The implementation of these approved projects shall be on the track as the situation improves and although with some delays, the Company is confident of achieving its social objective.

During the year, the Company has made specific efforts to support / help the people including migrant labour affected by Covid-19 pandemic in the areas located around Factories of the Company, by way of distribution of food packets, sanitization kits (which includes Soap, sanitizer, masks and gloves) and creating awareness about Covid-19 pandemic. Further, the Company has participated in the initiatives undertaken by Mahratta Chamber of Commerce, Industries & Agriculture (MCCIA) for setting up Jumbo Covid Centre in Pune by way of providing financial assistance. The Company has also contributed to PM-CARES fund setup by the Central Government.

The Company reiterate its commitment to discharge its social obligation. The CSR thrust areas have been identified where the Company wishes to create equity and also lay down guiding criteria for selecting projects which includes sustainability, social impact etc. The CSR Committee has confirms that, the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The CSR Policy of the Company is hosted on the Company's website and is accessible at the web-link: http://www.mahindracie.com/images/pdf/resources/Governance/csr-policy-mcie.pdf.

As prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014 a brief outline of the CSR Policy, CSR activities undertaken by the Company during the year and the reason for not spending the entire CSR amount is provided in the Annual Report on CSR Activities which is annexed herewith as ***Annexure VI***.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information pertaining to energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 are provided in ***Annexure VII*** to this Report.

O. SECRETARIAL

Issue of Shares

The Company has not issued any securities during the year under review.

Compliance with the provisions of Secretarial Standard 1 and Secretarial Standard 2

The Company have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India and that such systems are adequate and operating effectively. During the year under review the Company was in compliance with the Secretarial Standards, i.e., SS-1 and SS- 2, relating to "Meetings of the Board of Directors" and "General Meetings" respectively.

Compliance with Downstream Investment conditionalities

The Company is a Foreign Owned and Controlled Company within the meaning of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 ("FDI Regulations"). All the Downstream Investments made by the Company are in compliance with the conditionalities of Downstream Investment stipulated in the FDI Regulations.

During CY2020, the Company has obtained a certificate form the Statutory Auditors of the Company for compliance with the FDI Regulations in respect of the downstream investment made by the Company during CY2019 and except for delays in filings necessary intimations/forms with RBI/DPIIT/SIA, the Auditors have affirmed compliance with downstream investment conditionalities by the Company.

Annual Return

Pursuant to Section 92(3) read with section 134(3)(a) of the Companies Act, 2013, copies of the Annual Returns of the Company prepared in accordance with Section 92(1) of the Act read with Rule 11 of the Companies (Management and Administration) Rules, 2014 are placed on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/downloads/documents.html.

Other Policies under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In accordance with the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has framed a Policy for determination of Materiality for disclosure of events or information. The same has been hosted on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/investor-relations/governance.html#policies-and-code-of-conduct.

Dividend Distribution Policy

Pursuant to regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a dividend distribution policy which became effective from 1st January, 2018 stipulating factors to be considered in case of Dividend declaration which forms part of this report as ***Annexure VIII***.

The same has also been hosted on the website of the Company and is accessible at the web-link: http://www.mahindracie.com/investors/investor-relations/governance.html#policies-and-code-of-conduct.

P. GENERAL

None of the Executive Directors (Whole-time Director or Managing Director) were in receipt of any commission from the Company or any remuneration from the Subsidiaries of the Company.

The Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events relating to these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (including sweat Equity shares) to employees of the Company under any Scheme save and except ESOS referred to in this Report.
3. Significant or material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operation in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/ purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under section 67(3) (c) of the Companies Act, 2013).

Acknowledgement

The Directors wish to place on record their sincere appreciation to the Company's Customers, Investors, Vendors and to the Bankers for their continued support during the year.

The Directors also wish to place on record their appreciation for the dedication and contribution made by the employees at all levels and look forward to their support in future as well.

For and on behalf of the Board of Directors
Mahindra CIE Automotive Limited

Shriprakash Shukla
Chairman
DIN: 00007418

Date: 19th February, 2021
Place: Mumbai

Particulars of loans/advances, etc. pursuant to Para A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Loans and advances in the nature of loans to subsidiaries

(₹ in million)

Name of the Subsidiary	Balance as on 31st December, 2020	Maximum outstanding during the year
Aurangabad Electricals Limited	-	490
BF Precision Private Limited	-	-

The Company has not provided any Loans and advances in nature of loans to Associates.

Annexure I

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis-**

   There were no contracts or arrangements or transactions entered into during the financial year ended 31st December, 2020, which were not at arm's length basis.

2. **Details of material contracts or arrangement or transactions at arm's length basis-**

   The details of material contracts or arrangements or transactions at arm's length basis for the financial year ended 31st December, 2020 are as follows:

Sr. No.	Name(s) of the related party & Nature of relationship	Nature of contracts/ arrangements/ transactions	Value of contracts/ arrangements/ transactions (in Million)	Duration of contracts/ arrangements/ transactions	Salient terms of contracts/ arrangements/ transactions	Date of approval by the board, if any	Amount paid as advance (in ₹ Million)
1	Mahindra & Mahindra Limited (Holding Company of the Investing Company in respect of which the Company is an Associate)	Rent paid	35.95	Jan-Dec 20	The related party Transactions (RPTs) entered during the year were in the ordinary course of business and on arm's length basis.	Since these RPTs are in the ordinary course of business and are at arm's length basis, approval of the board is not applicable. However, necessary approvals were granted by the Audit committee from time to time. Moreover, pursuant to provisions of Listing Regulations the shareholders of the Company by passing ordinary resolution at the 20th Annual General Meeting held on 6th May, 2019, accorded their approval for the Material Related Party Transactions, entered into or to be entered into with Mahindra and Mahindra Limited upto ₹ 18,000 Mio per annum starting From 1st April, 2019 and every year thereafter.	Nil
		Reimbursements Made / Paid	0.09				
		Sale of Goods	8,263.5				
		Purchase	17.69				
		Services Bills	0.21				
		Total	**8,317.44**				

For and on behalf of the Board
For Mahindra CIE Automotive Limited

Shriprakash Shukla
Chairman
DIN: 00007418

Date: 19th February, 2021
Place: Mumbai

Annexure II

SECRETARIAL AUDIT REPORT

For the financial year ended December 31, 2020

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Mahindra CIE Automotive Limited
Mahindra Towers, P. K. Kurne Chowk
Worli
Mumbai 400 018

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra CIE Automotive Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's 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, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on December 31, 2020, 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.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on December 31, 2020 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 and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the regulations and bye-laws framed thereunder to the extent of foreign direct investment and overseas direct investment;

(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, 2018; (Not applicable to the Company during the audit period)

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the audit period)

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

   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period) and

   (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the audit period)

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, no law was applicable specifically to the Company.

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

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

(ii) Listing Agreements entered into by the Company with BSE Ltd. and the National Stock Exchange of India Ltd. and The 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

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

I 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.

I further report that during the audit period no specific events / actions took place having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

Place: Pune
Date: 17th February 2021

Sachin Bhagwat
ACS: 10189
CP: 6029
UDIN: A010189B002962371
PR Certificate No.: 654/2020

Annexure

To,
The Members,
Mahindra CIE Automotive Ltd.

My report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

2. I 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. I believe that the process and practices I followed provide a reasonable basis for my opinion.

3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.

4. Wherever required, I have obtained Management Representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Pune
Date: 17th February 2021

Sachin Bhagwat
ACS: 10189
CP: 6029

Annexure III

SECRETARIAL AUDIT REPORT

For the financial year ended 31st December 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members
AURANGABAD ELECTRICALS LIMITED
Plot No. B-7, MIDC, Chakan,
Pune, Maharashtra – 410501.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **AURANGABAD ELECTRICALS LIMITED** (U31909PN1985PLC037539) (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 my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering financial year ended on **31st December 2020**, 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st December 2020 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 and Bye-laws framed there under;

IV. Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent relevant to Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

V. (i) 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 (Listing Obligation and Disclosure Requirements) Regulations, 2015 to the extent applicable to an unlisted material subsidiary of a listed entity.

(ii) The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') **were not applicable** to the Company during the audit period:

(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, 2018;

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

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

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

VI. The Company is an automotive components manufacturer and I am informed that there are no sector specific laws applicable to the Company. I further report that there are adequate systems and processes in the Company for ensuring compliance with the applicable laws including the following laws:

- Labour & Employment laws
- Environment Laws
- The Electricity Act, 2003.

I have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

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

The Company had spent on Corporate Social Responsibility Activities amount lesser than the extent prescribed under Section 135(5) of the Act.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors, to the extent applicable. 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 and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision of the Board of Directors is carried through and are captured and recorded as part of the minutes. There were no dissenting views.

I 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.

I further report that during the audit period no specific events / actions occurred in pursuance of the above referred laws, rules, regulations, guidelines etc. having a major bearing on the Company's affairs.

Place : Pune
Date : 12 February 2021
UDIN : F006485B002819262

R. V. Pore
Practicing Company Secretary
FCS: 6485 CP: 1913

Annexure A to Secretarial Audit Report

To,
The Members,
AURANGABAD ELECTRICALS LIMITED

Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to **AURANGABAD ELECTRICALS LIMITED** (the 'Company) is the responsibility of the management of the Company. My examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.

2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Company. My responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to me by the Company, along with explanations where so required.

3. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was done on test check basis to ensure that correct facts as reflected in secretarial and other records produced to me. I believe that the processes and practices I followed, provides a reasonable basis for my opinion for the purpose of issue of the Secretarial Audit Report.

4. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

5. Wherever required, I have obtained the management representation about the compliance of laws, rules and regulations and major events during the audit period.

6. 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 : Pune
Date : 12 February 2021

R. V. Pore
Practicing Company Secretary
FCS: 6485 CP: 1913

Annexure IV

DETAILS OF REMUNERATION

Details pertaining to remuneration as required under Section 197 (12) of the Act and Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The ratio of the remuneration of each director to the median remuneration of employees of the company for the financial year

Name of Director	Designation	The ratio of the remuneration of each director to the median remuneration of employees
Mr. Shriprakash Shukla*	Non - Executive Director (Chairman)	NA
Mr. Ander Arenaza Alvarez	Executive Director	4.57
Mr. Manoj Mullassery Menon	Executive Director	27.13
Mr. Anil Haridass	Executive Director	29.55
Mr. Jesus Maria Herrera Barandiaran	Non - Executive Director	NA
Mr. Zhooben Dossabhoy Bhiwandiwala*	Non - Executive Director	NA
Mr. Manojkumar Madangopal Maheshwari@	Independent Director	5.01
Mr. Dhananjay Narendra Mungale@	Independent Director	5.01
Mr. Suhail Amin Nathani@	Independent Director	3.94
Mr. Kadambi Narahari@	Independent Director	4.53
Mrs. Roxana Meda Inoriza@	Independent Director	4.84
Mr. Alan Savio D'Silva Picardo@	Independent Director	5.01

* *Non-Executive Non-Independent Directors are not entitled to any remuneration or sitting fees for attending the meetings.*

@ *Independent Directors were entitled to remuneration by way of sitting fees for attending meeting of Board and committees and profit linked commission. The commission for CY2020 was approved by the Board of Directors of the company, on recommendation of the nomination and remuneration committee and the same shall be paid to the Independent Directors during CY2021.*

The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year

Name of Director/KMP	Designation	% increase in Remuneration
Mr. Ander Arenaza Alvarez	Executive Director	Nil
Mr. Manoj Mullassery Menon	Executive Director	Nil
Mr. Anil Haridass	Executive Director	Nil
Mr. Hari Krishnan	Chief Executive Officer	Nil
Mr. K. Jayaprakash	Chief Financial Officer	Nil
Mr. Pankaj Goyal	Company Secretary & Compliance Officer	Nil

Note:

1. *Non-Executive Non-Independent Directors, were not entitled to any remuneration from the Company or sitting fees for attending the meetings.*
2. *Independent Directors were entitled to remuneration by way of sitting fees for attending meeting of Board and committees and profit linked commission.*

The percentage increase in the median remuneration of employee in the financial year	In view of Covid 19 pandemic, no increase was made in the median employee remuneration. **Note:** For calculating median employee remuneration, employees (excluding Directors) who were in employment of the Company for entire Financial Year under consideration are only considered.
The number of permanent employees on the rolls of company as on 31st December, 2020	4165
Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	On an average no increases were made in the remuneration of the employee of the Company due to the Covid-19 pandemic except the increases made in remuneration of the workmen where the wage agreement was due for renewal.
Affirmation that the remuneration is as per the remuneration policy of the company	The remuneration paid / payable is as per the "Policy on Remuneration of Directors, Key Managerial Personnel and other Employees" of the Company.

on behalf of the Board
For **Mahindra CIE Automotive Limited**

Shripraksh Shukla
Chairman
DIN: 00007418

Date: 19th February, 2021
Place: Mumbai

Annexure V

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

(in ₹ Million)

Sl. No.	Name of the employees	Designation@	Remuneration received [in ₹ Million] (Excluding perquisite value pursuant to exercise of ESOPs of the Company), if any	Perquisite value of the ESOP of the Company exercised during the year, if any	Qualification	Experience in years	Age in years	Date of commencement of current employment	Last employment held
1	2	3	4	5	6	7	8	9	10
1	Mr. Hari Krishnan*	Chief Executive Officer – Forgings and Bill Forge Divisions	15.49	-	BE Mechanical	31	54	30-05-2007	MGM Forgings (P) Ltd
2	Mr. Anil Haridass*	Executive Director	14.05	-	BE Mechanical	38	62	01-01-1983	Founder of Bill Forge Private Limited
3	Mr. Manoj Menon!	Executive Director & Chief Executive Officer – Stampings, Composites, Foundry, Magnetics and Gears Divisions	12.94		B. Tech, MMS	31	53	01-09-2013	Anand Auto Ltd.
4	Mr. Vikas Chandra Sinha	Sr. Vice President – Strategy	12.75		MBA, BE	27	48	10-12-2014	Mahindra & Mahindra Limited
5	Mr. K. Jayaprakash#	Chief Financial Officer	7.73	-	CWA and CS	37	56	29-03-2007	Pantloon Indian Retail
6	Mr. Shantanu Parvati@	Chief Operating Officer – Stampings Division	7.69	-	BE Mechanical, MBA	24	48	01-02-2017	Schrader Duncan Ltd.
7	Mr. Anup Mishra!	Chief Business Controller	7.23		CA and CWA	31	52	01-12-2005	Karnavati Engineering Limited
8	Mr. Satyanarayana Patel*	Senior General Manager – Bill Forge Division	5.95	-	BSc, MBA and CWA	20	48	09-07-2016	Mahle Behr India Ltd

Sl. No.	Name of the employees	Designation@	Remuneration received [in ₹ Million] (Excluding perquisite value pursuant to exercise of ESOPs of the Company), if any	Perquisite value of the ESOP of the Company exercised during the year, if any	Qualification	Experience in years	Age in years	Date of commencement of current employment	Last employment held
1	2	3	4	5	6	7	8	9	10
9	Mr. Lalmani Shukla	Group Plant Chief – Stampings Div - Rudrapur, Pantnagar, Zaheerabad, Nagpur	5.66	-	B E - Mech	31	55	16-08-2006	JBM Group Faridabad
10	Mr. Ram Mohan S	Sr. GM- Special project	5.59	-	B E - Mech	32	53	01-07-1990	Shanti Gear

@ last designation held in the Company as on 31st December, 2020 or the last designation held before cessation of employment during the year

Employee(s) of Mahindra Hinoday Industries Limited (MHIL) which was merged into the Company pursuant to the Scheme of Amalgamation which came into effect from 10th December, 2014. The date of commencement of employment is the date of joining MHIL. Further, last employment refers to the employment before joining MHIL.

* Employees of Bill Forge Private Limited (Bill Forge), wholly-owned subsidiary of the Company which was merged with the Company pursuant to scheme of amalgamation which came into effect from 15th November, 2019. The date of commencement of employment is the date of joining Bill Forge. Further, last employment refers to the employment before joining Bill Forge.

! Employee(s) of Mahindra Gears and Transmission Private Limited (MGTPL), the wholly owned subsidiary of the Company which was merged into the Company pursuant to the Scheme of Amalgamation which came into effect from 31st December, 2017. The date of commencement of employment is the date of joining MGTPL. Further, last employment refers to the employment before joining MGTPL.

Notes:

i) All the employees included in the table above are/were permanent employees of the Company. All appointments are / were non-contractual.

ii) None of the director / employees referred to in above table is related to any Director of the Company.

iii) During the year, the Company has no employee who was employed throughout the Financial Year or part thereof and was in receipt of remuneration, which in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than 2% of the equity shares of the company.

iv) Remuneration included in column 4 above is calculated as per section 17(1) and 17(2) of the Income Tax Act, 1961.

v) There were no employees who were posted outside and working in a country outside India and drawing remuneration from the Company more than ₹ 1.02 Cr per financial year or ₹ 8.5 lakh per month, as the case may be.

For and on behalf of the Board

Shriprakash Shukla
Chairman
DIN: 00007418

Date: 19th February, 2021
Place: Mumbai

Annexure VI

ANNUAL REPORT OF CSR ACTIVITIES

1) Brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs	Corporate Social Responsibility (CSR) has been an integral part of the way Mahindra CIE Automotive Limited, (MCIE or the Company) doing business since inception. MCIE is committed to its social responsibilities and takes initiatives to serve the society as a good corporate citizen. The objective of the CSR policy is to – • Promote a unified and strategic approach to CSR across the Company by incorporating under one umbrella the diverse range of activities select constituencies and causes to work for, thereby ensuring a high social impact. • Ensure an increased commitment at all levels in the organization by encouraging employees to participate in the Company's CSR and give back to society in an organised manner through the employee volunteering Program called ESEP (Employee Social Engagement Program). The Company continues to focus its CSR activities surrounding communities in and around Company's offices and factories in the domains of rural development, education, skill development, health and environment. The Company may also make contributions to Prime Minister's National Relief Fund or any other fund set up by the Central/State Government for socio economic development relief & welfare which qualifies the criteria as per CSR Rules and the relevant provisions of the Companies Act 2013. During the year, the Company continued to pursue implementation of following projects which were initiated in earlier financial year: I. Gram Samruddhi Abhiyan – (Village Development Programme) for a group of villages in Grampanchayat Manjrewadi, Taluka Khed, Pune. II. Project Dhai Akshar is started to support deprived Children through Academic and skill development activities in Slums of Coastal areas in Mumbai. III. Project Mamta is to take care of HIV +ve affected children and women by giving them Medical, Nutritional and academic support. IV. Medicine Bank at Worli Mumbai for poor & needy patients by providing medical treatment & Medicines. V. Development, Restoration and Rejuvenation of Bommasandra Lake in Bangalore. VI. Adoption of Helpline Charitable Trust, an NGO on a long term basis. VII. Assistance to underprivileged communities during COVID-19 lockdown. VIII. Collaboration with Yuva Unstoppable (implementing partner) for repairs & renovation of Government Schools and ensuring preparedness for reopening of schools post COVID era. IX. Distribution of Tabs in School located at rural Bangalore to support continuous learning. Company initiated implementation of following long term CSR Projects during the year: I. Project Saksham I at Samarth Rural Educational Institute, Belhe, Taluka Junnar Pune. II. Project Lakshya - CIE India Institute of Skills at Bhosari, Pune. III. Project Santulan Supporting Alcohol and Drug Abuse Patients at Pune. IV. Project Lotus – Digital Library & training in Indian sign language for hearing impaired students. MoUs were signed for following long term CSR Projects implementation of which will be initiated during CY2021: I. Project Saksham II at ITI Rajkot & Gondal II. Project GEMS (Green Education Movement in Schools) for Awareness on Sustainability, Safety & Health. III. Medicine Bank at Worli Mumbai extended for another one year.

<table>
<tr><td></td><td>Further, the Company also undertaken various CSR activities as a part of Employees Social Engagement Program as under:
I. Health : Health Check-up for Students, Blood Donation Camps
II. Education : Distribution of Books, School Bags, Learning aids and Uniform, Career guidance sessions
III. Environment : Tree Plantation at various places
IV. Community Development : Support to various orphanages & destitute homes
V. Support to needy community suffered by Covid 19 lockdown.
Apart from above the Company has received project proposals in the areas of Education, Health, Community development and Environment and the same are under review.
The CSR policy has been uploaded on the Company's website at http://www.mahindracie.com/images/pdf/resources/Governance/csr-policy-cie.pdf</td></tr>
<tr><td>2) The Composition of the CSR Committee</td><td><table><tr><th>Sr No.</th><th>Name of the Director</th><th>Category</th><th>Designation</th></tr><tr><td>1</td><td>Mr. Kadambi Narhari</td><td>Independent Director</td><td>Chairman</td></tr><tr><td>2</td><td>Mr. Dhananjay Mungale</td><td>Independent Director</td><td>Member</td></tr><tr><td>3</td><td>Mr. Manoj Menon</td><td>Executive Director</td><td>Member</td></tr><tr><td>4</td><td>Mr. Anil Haridass</td><td>Executive Director</td><td>Member</td></tr></table></td></tr>
<tr><td>3) Average net profit of the Company for last three financial</td><td>₹ 2196.22 Million</td></tr>
<tr><td>4) Prescribed CSR Expenditure (two percent of the amount as in item 3 above)</td><td><table><tr><th>Particulars</th><th>Amount (₹ In Million)</th></tr><tr><td>Two percent of the amount as in item 3 above</td><td>43.92</td></tr><tr><td>Amount unspent last year</td><td>72.21</td></tr><tr><td>CSR expenditure required by the Company at the beginning of the year</td><td>116.13</td></tr><tr><td>Total CSR expenditure in CY20</td><td>71.12</td></tr><tr><td>Amount unspent in CY20</td><td>45.01</td></tr></table></td></tr>
<tr><td>5) Details of CSR spent during the financial year
• Total amount spent during the financial year
• Amount unspent, if any</td><td>
₹ 71.12
₹ 45.01</td></tr>
</table>

Manner in which the amount spent during the financial year is detailed below:

₹ in Million

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is proposed	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1st January 2020 to 31st December, 2020 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
1	Medicine Bank I	Promotion of Health Care and sanitation	Mumbai, Maharashtra	2.00	1.50	2.00	Shree Sankalp Pratishthan
2	Medicine Bank - II	Promotion of Health Care and sanitation	Mumbai, Maharashtra	2.00	0.00	0.00	Shree Sankalp Pratishthan
3	Dhai Akshar	Education and Skill Development	Mumbai, Maharashtra	3.30	0.28	0.55	Dhai Akshar Educational Trust
4	Gram Samruddhi Abhiyan	Community Development	Pune, Maharashtra	3.00	0.75	0.75	Jeevanvidya Foundation
5	Project Mamta	Promotion of Health Care and sanitation	Pune, Maharashtra	4.50	1.13	1.13	Mamta Foundation
6	Project Saksham I	Education and Skill Development	Pune, Maharashtra	0.88	0.20	0.20	Samarth Rural Educational Institute
7	Project Saksham II	Education and Skill Development	Rajkot, Gujarat	1.79	0.00	0.00	Institutional Management Committee of ITI Rajkot
8	Project Lakshay	Education and Skill Development	Pune, Maharashtra	31.94	11.56	11.56	Learnet Skills Ltd
9	School adoption – Govt. Girls High School at Dineshpur – Gadarpur, Uttrakhand.	Education and Skill Development	Uttrakhand	4.40	0.00	0.00	IMPART
10	Project Lotus Digital Library program	Education and Skill Development	Pune, Maharashtra	0.92	0.00	0.00	Bleetech Innovation Pvt. Ltd
11	Santulan	Promotion of Health Care and sanitation	Pune, Maharashtra	3.50	0.50	0.50	Santulan
12	Toilet Block Project at Dongarwadi, Village Urse	Promotion of Health Care and sanitation	Pune, Maharashtra	1.00	0.00	0.00	Gram Panchayat, Urse
13	Project GEMS Green Education Movement in Schools (Awareness on Sustainability, Safety & Health)	Education and Skill Development	Pune, Maharashtra	2.00	0.00	0.00	SkillSonics India Pvt Ltd.

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is proposed	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1st January 2020 to 31st December, 2020 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
14	Reconstruction of Class Rooms at Z P Primary School, Gundalwadi & Soft Skills training	Education and Skill Development	Pune, Maharashtra	3.50	0.00	0.00	Shilpi Sansthan
15	Contribution to PM CARES Fund	Disaster Manager	Pune, Maharashtra	20.00	20.00	20.00	Direct
16	Support to Covid-19 Hospital	Promotion of Health Care and sanitation	Pune, Maharashtra	1.08	1.08	1.08	Direct
17	Promotion of Health care and sanitation through various initiatives including activities for Covid-19 Pandemic	Promotion of Health Care and sanitation	Local at - 1) Lalpur, Dist.-Udham Singh Nagar, Uttarakhand 2) Local area-Kichha, Dist.- Udham Singh Nagar, Uttarakhand 3) Dist.-Nashik, Maharashtra 4) Kanhe village, Pune, Maharashtra 5) Telangana, Medak, Zaheerabad 6) Urse Village, Maharashtra 7) Ambethan Village, Pune, Maharashtra 8) Varale Village, Pune, Maharashtra 9) Bhosari, Pune, Maharashtra 10) Mangaon Raigad, Maharashtra 11) Nagpur, Maharashtra 12) Rajkot, Gujarat	3.65	3.65	3.65	Direct
18	Providing Educational Aids to School Children	Education	Local at - 1) Lalpur, Dist.-Udham Singh Nagar, Uttarakhand 2) Local area-Kichha, Dist.- Udham Singh Nagar, Uttarakhand 3) Dist.-Nashik, Maharashtra 4) Kanhe village, Pune, Maharashtra 5) Telangana, Medak, Zaheerabad 6) Urse Village, Maharashtra 7) Ambethan Village, Pune, Maharashtra 8) Varale Village, Pune, Maharashtra 9) Bhosari, Pune, Maharashtra	0.38	0.38	0.38	Direct

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is proposed	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1st January 2020 to 31st December, 2020 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
			10) Mangaon Raigad, Maharashtra 11) Nagpur, Maharashtra 12) Rajkot, Gujarat				
19	Tree Plantation	Environment	Local at - 1) Lalpur, Dist.-Udham Singh Nagar, Uttarakhand 2) Local area-Kichha, Dist.- Udham Singh Nagar, Uttarakhand 3) Dist.-Nashik, Maharashtra 4) Kanhe village, Pune, Maharashtra 5) Telangana, Medak, Zaheerabad 6) Ambethan Village, Pune, Maharashtra 7) Varale Village, Pune, Maharashtra 8) Bhosari, Pune, Maharashtra 9) Rajkot, Gujarat	0.21	0.21	0.21	Direct
20	Employee Social Engagement Program	Community Development	Local at - 1) Lalpur, Dist.-Udham Singh Nagar, Uttarakhand 2) Local area-Kichha, Dist.- Udham Singh Nagar, Uttarakhand 3) Dist.-Nashik, Maharashtra 4) Kanhe village, Pune, Maharashtra 5) Telangana, Medak, Zaheerabad 6) Ambethan Village, Pune, Maharashtra 7) Varale Village, Pune, Maharashtra 8) Mangaon Raigad, Maharashtra 9) Rajkot, Gujarat	0.42	0.42	0.42	Direct
21	Enhancing the quality of academics and imparting vocational training	Education	Bangalore, Karnataka	2.00	1.50	1.50	Helpline Charitable Trust

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is proposed	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1st January 2020 to 31st December, 2020 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
22	Support to Home of Hope, a destitute home, for construction of facilities centre for conducting vocational training activities to inmates	Community development	Bangalore, Karnataka	1.50	1.50	1.50	Rotary Club of Bangalore
23	Maintenance of Hygiene in Government Schools adopted by Bill Forge Division	Health	Villages in Rural Bangalore, Karnataka	1.23	1.14	1.14	Dhanya Cleaning Services
24	Redevelopment and renovation of Jigani Police Station	Community development	Rural Bangalore, Karnataka	12.75	9.95	9.95	Direct
25	Development, Restoration and Rejuvenation of Bommasandra Lake	Environment	Bangalore, Karnataka	5.90	5.90	5.90	Bommasandra Industrial Association
26	Maintenance of Bill Forge Computer Learning & Resource Centre - promoting education and enhancing vocation skills among children & women	Education	Vaderamanchanahal Village, Rural Bangalore, Karnataka	5.62	0.04	4.51	Direct
27	Promoting education by including soft skills like music, yoga, sports and spoken English in the curriculum in schools adopted by Bill Forge	Education	Villages in Rural Bangalore, Karnataka	4.43	1.89	2.77	Full Circle
28	Promoting education by providing educational aids, learning Tabs to children in schools to support continuous learning due to closure of schools during COVID-19 pandemic	Education	Villages in Rural Bangalore, Karnataka	6.09	0.62	1.68	Direct

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is proposed	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1st January 2020 to 31st December, 2020 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
29	Infrastructural development in Government schools & anganwadis adopted by Bill Forge	Education	Villages in Rural Bangalore, Karnataka	20.58	1.91	10.65	Direct
30	Sponsoring the professional engineering education of needy students	Education	Bangalore, Karnataka	1.60	0.40	1.60	Foundation for Excellence
31	Promoting health care in schools, anganwadis & communities including preventive health care by conducting health camps and separate camps held for women of the communities	Health	Villages in Rural Bangalore, Karnataka	2.84	0.25	0.53	Modern Family Doctor
32	Setting up of libraries in Government Schools adopted by Bill Forge to inculcate a habit of reading	Education	Villages in Rural Bangalore, Karnataka	1.67	0.89	0.89	Kalisu Foundation
33	Tree Plantation drive in Indlawadi & Kallubalu Panchayat	Environment	Indlawadi Panchayat and Kallubalu Village, Rural Bangalore, Karnataka	1.35	0.19	0.27	Direct
34	Contribution to Swanthana - Mission of Daughter of St. Camillus - Support to female children with multiple disabilities	Community development	Bangalore, Karnataka	1.58	0.48	1.23	Direct
35	Assistance to communities during COVID-19 lockdown	Community development	Villages in Rural Bangalore, Karnataka	1.07	1.07	1.07	Direct
36	Distribution of E-learning kits to 3 Government Primary Schools	Education	Villages in Rural Bangalore, Karnataka	0.22	0.22	0.22	Meghshala Trust
37	Setting up of Rain Water Harvesting system in nearby Schools.	Environment	Villages in Rural Bangalore, Karnataka	0.50	0.23	0.23	Full Circle

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is proposed	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1st January 2020 to 31st December, 2020 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: Direct or through implementing agency
38	Contribution to Limbs of Life Project - Providing artificial limbs to the needy	Community development	Bangalore, Karnataka	1.20	0.25	1.20	Rotary Peenya
39	Maintenance of Kallubalu Children Park	Community development	KallubaluPanchayat, Bangalore	0.71	0.05	0.30	Dhanya Cleaning Services
40	Assistance during natural calamities	Community development	Bangalore, Karnataka	1.51	0.01	1.04	Direct
41	Consultancy fee to Implementing Partner	Administration	Bangalore, Karnataka	3.85	0.98	2.82	Direct
	Total			**168.66**	**71.12**	**93.42**	

6) Reasons for not spending full amount

The Company was required to spend an amount of ₹ 116.13 Million (including ₹ 72.21 Million unspent amount of last year). The Company could spend an amount of ₹ 71.12 Million during the year.

The unspent amount of ₹ 45.01 Million relates to the long-term CSR Projects and few other CSR Projects undertaken by the Company during the year under review, implementation of which shall be continued during CY2021.

Allocation of the unspent amount on major projects is detailed as below :

1. Project Lakshya - CIE India Institute of Skills, Bhosari, Pune: The Company has selected 'Learnet Skills Limited' as the implementing partner for the Project. The total budgeted expenditure of the Project for CY2020 was INR 19.80 million. The initial set-up and infrastructure required for the imparting the Training has been completed during the year. Due to Covid 19 restrictions the Company has launched the Training Program in Online mode. However, the Classroom & Practical trainings which require presence of students at the center is delayed. Hence, the Company could spent INR 11.56 Million. The Company has allocated an additional amount of ₹ 12.14 Million to this project. The unspent amount of ₹ 20.38 million will be spent over a period of next three years.

2. Infrastructural development in Government schools & anganwadis at Village in rural Bangalore Karnataka. The project has total budget of ₹ 20.58 million, out of which ₹ 9.93 remain unspent.

3. The project on Promoting education by providing educational aids, learning tabs to children in schools to support continuous learning has budget of ₹ 6.09 million out of which ₹ 4.41 remained unspent.

4. Redevelopment and renovation of Jigani Police Station with total budget of ₹ 12.75 million, out of which ₹ 2.80 million remain unspent.

5. In the State of Uttrakhand, School adoption – Govt . Girls High School at Dineshpur –Gadarpur, Uttrakhand MoU was signed with total CSR budget of ₹ 4.40 Million which remain unspent as project could not be launched due to Covid 19 restrictions.

6. Project GEMS [Green Education Movement in Schools (Awareness on Sustainability, Safety & Health)] is approved with total budget outlay of ₹ 2 million, The amount remained unspent because Schools remained closed in view of Covid 19 pandemic.

7. Reconstruction of Class Rooms & Soft Skills training at Zilha Parishad Primary School, Gundalwadi, Pune with project amount of ₹ 3.50 million, which will spent during project timeline of three years.

8. Promoting health care in schools, anganwadis & communities including preventive health care by conducting health camps and separate camps held for women of the communities started with total budget of ₹ 2.84 million. Out of which ₹ 2.31 million is unspent.

   MOUs in respect of following Projects were signed in the thrust area of Education and community development with a total budget of ₹ 9.95 Million, however, implementation of projects is delayed due to Covid 19 pandemic:

   1. Project Lotus Digital Library program. This project aims to teach Indian Sign language for Hearing Impaired Student in two Schools in Pune. The program is expected to begin with Class Room teaching during CY21.

   2. Project Saksham II, Skill development training project on CNC operator for unemployed youth is planned on Government ITI Rajkot & Gondal with duration of three years.

The Company had approved to undertake various activities under the identified thrust areas. Given the challenges and constraints associated in implementing the projects like obtaining government approvals, legal clearances and associated learnings coupled with the situation arisen because of COVID-19 pandemic the projects have been delayed and the related expenditure is deferred to CY 2021.

The Company reiterate its commitment to discharge its social obligation and shall continue to implement meaningful CSR projects in the CSR thrust areas which have been identified and where the Company wishes to create equity.

The CSR Committee hereby confirms that, the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Ander Arenaza
Executive Director and CEO
MCIE Group

Manoj Menon
Executive Director and CEO
– Foundry, MPD, Gears,
Stampings and Composites

Narahari Kadambi
Independent Director Chairman
– CSR Committee

Date: 19th February, 2021
Place: Mumbai

Annexure VII

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO SEC 134(3) (M) OF RULE 8(3) OF COMPANIES (ACCOUNTS) RULES, 2014 IS FORMING PART OF THE BOARD´S REPORT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2020

A) Technology absorption

Your Company is committed towards technology driven innovation and lays strong emphasis on inculcating an innovation driven culture within the organization harnessing internal skills and competencies. During the year under review, your company continued to work on technology upgradation and capability development in the critical areas of product quality, process improvements and value addition.

The Company at its various divisions adopted new technologies to improve efficiencies, conserve energy and to reduce wastages. The following are some major steps (but not limited to) made towards technology absorption.

Foundry Division

Installed and commissioned fully Automatic Robotic pick up and place machining line with online Inspection of critical parameters and correction.

100% online ultrasonic testing for material confirmation as per customer's requirement.

Forging Division

Installed a 3D Printing Machine for Rapid Proto typing of various new launches.

Introduction of Laser technology for Inspection of Forge Crank Shaft

Introduction of Multi Frequency Eddy Current machine for Forge Crank Shaft Inspection.

Installed Robots for material handling in Forge shop for many of the Press lines.

For Crank Shaft Machining Line, Introduced Automatic Balancing Machines.

Developed unique technology for controlled cool process crankshafts.

Magnets Division

Manufactured 2 machines with 6 stations having capability of grinding small magnets.

Developed low power loss grade magnets for EV applications.

Composites Division

Installed state of the art SMC manufacturing facility with complete automation.

Installed state of the art DMC manufacturing facility with semi-automatic process.

Added Injection Molding Equipment for MCB & MCCB cover & housing business.

Stampings Division

2 Press line started with Robotic operations.

Gears Division

Installed Fume collection system for Gear Hobbing machines to avoid dissipation of fumes in the environment.

Laser marking machine introduced for part no & traceability marking in Gear components in place of dot pin marking machine for process quality improvement and productivity improvement.

Installed Gas leak detector for LPG, PNG, and Ammonia in our HT plant as part of our safety drive.

Installed Robot on Gear Hobbing Machine and Profile grinding machine for pick and place of the component to get the productivity Improvement. Also some low cost automation was introduced in Gear hobbing machines.

Installation of new line with Twin station CNC Induction Hardening machine, Eddy current testing, laser marking and tempering furnace for new shaft business.

Introduced dowel pin fitting press with signature analysis for scissor Gears.

Focus on high value-added shaft business and the components for electric vehicle application.

Bill forge Division

Hybrid Transmission Shafts, heavy weight parts developed in Cold Forgings.

Gear Balancer with very complicated gear profile developed for higher CC Motorcycles.

New type of outer races and tripod housings that are heavy were developed in combined warm and cold forgings for high torque application to be used in electric vehicles. These are with higher accuracy levels and complicated profiles.

B) Foreign Exchange Earnings and Outgo

Foreign Exchanges earned **in terms of actual inflow** during 2020 – ₹ 2,275.32 Million

Foreign Exchange outgo **in terms of actual outflows** during 2020 – ₹ 767.41 Million

C) Conservation of Energy

The Company has considered Sustainability as one of the strategic priorities and energy conservation is one of the strong pillars for preserving natural resources. The Company is continuously striving towards improving the energy conservation measures in all areas. Energy policy is formulated and deployed at different locations for Sustainable Development. Energy Management process has been established and awareness campaigns have been conducted. The Company ensures strict compliance with all the statutory requirements and has taken several sustainable steps voluntarily to contribute towards better environment.

i) The steps taken or impact on conservation of energy - Energy Savings initiatives

In the current reporting year, various initiatives on energy saving were implemented. An indicative list of other major initiatives undertaken by the Company is as below:

- Replacement of old compressors by new efficient with VFD
- cooling tower and blower pumps with new efficient VFD
- Use of waste heat (Heat Recovery system)LED lighting, arresting air leakages, IBH Coil modification, Energy efficient compressors etc.

ii) The steps taken by the company for utilizing alternate sources of energy

The Company continued its efforts to increase the proportion of green energy in the total energy consumption of the Company. The Company has installed roof top solar systems at seven plants. The Company has also signed long term contracts to source green energy from captive generating plants through open access. At the Bill Forge division, the proportion of the renewable energy constitutes approx. 91% (Previous year CY 19: 81%) of its total energy consumption and on overall basis the Company has consumed 30.28% of its total energy consumption through green energy sources resulting in overall reduction of CO_2 emissions.

iii) The capital investment on energy conservation equipment's

Your Company has focused on investing in modern technology for improving the specific energy consumption. During the year under review, the Company has invested an amount of approximately ₹ 2 Million on Energy reduction projects.

on behalf of the Board
For Mahindra CIE Automotive Limited

Shriprakash Shukla
Chairman
DIN: 00007418

Date: 19th February, 2021
Place: Mumbai

Annexure VIII

Dividend Distribution Policy

The Dividend Distribution Policy ("the policy") establishes the principles to ascertain amounts that can be distributed to equity shareholders as dividend by the Company as well as enable the Company strike balance between pay-out and retained earnings, in order to address future needs of the Company. The policy shall come into force for accounting periods beginning from 1st January, 2017.

Dividend would be declared on per share basis on the Ordinary Equity Shares of the Company having face value ₹ 10 each. The Company currently has no other class of shares. Therefore, dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

Dividends will generally be considered by the Board once a year, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders, as may be permitted by the Companies Act. The Board may also declare interim dividends as may be permitted by the Companies Act.

The dividend policy would have twin objective of appropriately rewarding shareholders through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support the future growth.

The Company has not paid any dividend to the shareholders in the past. Going forward, subject to the provisions of the applicable law, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return.

While determining the nature and quantum of the dividend payout, including amending the suggested payout range as above, the Board would take into account the following factors:

- **Internal Factors:**
  - i. Profitable growth of the Company and specifically, profits earned during the financial year as compared with:
    - a. Previous years and
    - b. Internal budgets,
  - ii. Cash flow position of the Company,
  - iii. Accumulated reserves
  - iv. Earnings stability
  - v. Future cash requirements for organic growth/expansion and/or for inorganic growth,
  - vi. Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities,
  - vii. Deployment of funds in short term marketable investments,
  - viii. Long term investments,
  - ix. Capital expenditure(s), and
  - x. The ratio of debt to equity (at net debt and gross debt level).
- **External Factors:**
  - i. Business cycles,
  - ii. Economic environment,
  - iii. Cost of external financing,
  - iv. Applicable taxes including tax on dividend,
  - v. Industry outlook for the future years,
  - vi. Inflation rate, and
  - vii. Changes in the Government policies, industry specific rulings & regulatory provisions.

Apart from the above, the Board also considers sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend special dividend in special circumstances.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, in the event of challenging circumstances such as regulatory and financial environment. In such event, the Board will provide rationale in the Annual Report.

The retained earnings of the Company may be used in any of the following ways:

i. Capital expenditure for working capital,

ii. Organic and/ or inorganic growth,

iii. Investment in new business(es) and/or additional investment in existing business(es),

iv. Declaration of dividend,

v. Capitalisation of shares,

vi. Buy back of shares,

vii. General corporate purposes, including contingencies,

viii. Correcting the capital structure,

ix. Any other permitted usage as per the Companies Act, 2013.

This policy may be reviewed periodically by the Board. Any changes or revisions to the policy will be communicated to shareholders in a timely manner.

The policy will be available on the Company's website and the link to the policy is: http://www.mahindracie.com/investors/investor-relations/governance.html

The policy will also be disclosed in the Company's annual report

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

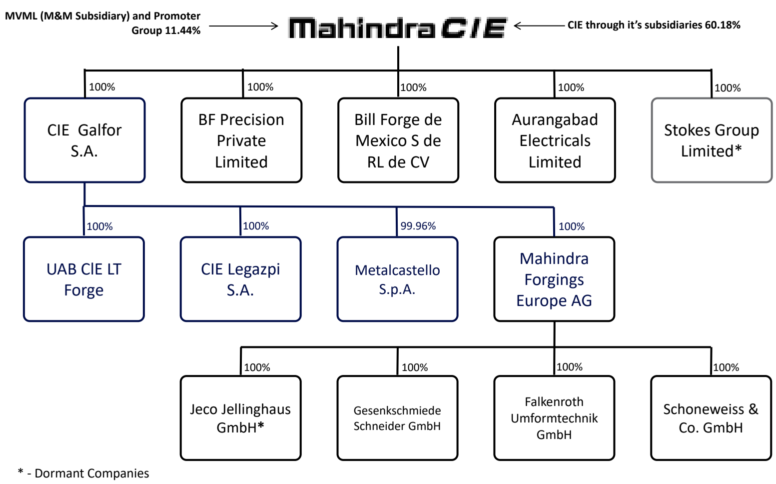
BACKGROUND

Mahindra CIE Automotive Limited ('Mahindra CIE' or 'MCIE') is a multi-locational and multi-technology automotive components company with manufacturing facilities and engineering capabilities in India and in Germany, Spain, Lithuania, and Italy in the Europe as well as a plant in Mexico. It has an established presence in each of these locations and supplies to automotive Original Equipment Manufacturers (OEMs) and their Tier 1 suppliers. MCIE is listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) and currently has about 379 million shares listed.

MCIE is part of the CIE Automotive Group of Spain and is the CIE Automotive Group's vehicle for its forgings business globally and for all other technologies/processes in India and South East Asia. In the year 2020, CIE reinforced their faith in MCIE by increasing their shareholding in MCIE from 56.25% to 60.18% via open market transactions.

Set out below in Exhibit 1 is a graphical representation of MCIE and its subsidiaries.

Exhibit 1: Legal Structure of Mahindra CIE



The list of subsidiaries of Mahindra CIE Automotive and their ownership interest is provided in Exhibit 2.

Exhibit 2: Mahindra CIE Automotive Limited Subsidiary Companies as on 31st December 2020

Subsidiary Companies Information					
Sr. No.	Name of the Subsidiary			Proportion of Ownership Interest	Business Description
1	CIE Galfor S.A.#			100%	Forgings largely for passenger vehicles from plants in Spain & Lithuania
	1	UAB CIE LT Forge		100%	
	2	CIE Legazpi S.A.		100%	
	3	Mahindra Forgings Europe AG		100%	Forgings largely for commercial vehicles from plants in Germany
		1	Jeco Jellinghaus GmbH	100%	
		2	Gesenkschmiede Schneider GmbH	100%	
		3	Falkenroth Umformtechnik GmbH	100%	
		4	Schoneweiss & Co. GmbH	100%	
	4	Metalcastello S.p.A.		99.96%	Gears for offroad vehicles from plant in Italy
2	Aurangabad Electricals Limited			100%	
3	Stokes Group Limited			100%	
4	BF Precision Private Limited			100%	
5	Bill Forge de Mexico S de RL de CV			100%	

Please note: * - These are dormant companies

MCIE OVERVIEW

MCIE is a large, diversified auto-components company with presence across many processes/ product lines, geographies and customers. It manufactures parts; not systems and aggregates, but these parts are complex and value added thus differentiating it from other 'tier 2 parts' companies. MCIE just like the CIE Automotive Group of Spain, is focused on the automotive market – cars, utility vehicles, commercial vehicles, two wheelers and tractors.

MCIE has 31 manufacturing facilities including 8 manufacturing facilities in Europe and 1 in Mexico. The manufacturing locations are generally located close to major automotive manufacturing hubs in order to facilitate supplies to customers. In certain instances, MCIE also provides services such as value analysis and value engineering to add value to the customers' products. MCIE's unique combination of specialization in high value-added products, which is usually delivered directly to OEMs and presence across multiple production technologies, differentiates it from other component suppliers.

MCIE largely operates in the automotive markets of Europe and India. In Europe, MCIE supplies components mainly to the light vehicles and heavy truck markets with a comparatively small business in the off-road sector. In India, MCIE is more diversified and supplies components to the light vehicles segment (both passenger vehicles and light commercial vehicles), two wheelers, tractors, medium and heavy commercial vehicles, in order of dependence.

A brief description of the key businesses of MCIE is presented in Exhibit 3.

Exhibit 3: MCIE – Lines of business

Geography	Product Specialty	Focus Areas	Key Customers	CY 2020 Revenue
Forgings				
India	(Chakan) : Crankshafts - As forged and Machined, Stub Axles -As forged and Machined	Passenger & Utility Vehicles and Tractors	M&M, Maruti Suzuki India Limited, Tata Motors	2,911
	(Bill Forge) 2 Wheelers: Steering races and engine valve retainers Pass Vehicles: constant velocity joints, tulips, steering shafts, steering yokes and wheel hubs	Passenger Vehicles and Two Wheelers	Hero, Bajaj, HMSI and TVS, Ford, GKN, NTN, Nexteer, RaneNSK	6,898
Germany	Forged and Machined parts, Front Axle Beams and Steel Pistons	Heavy Commercial Vehicles	Daimler AG, Man, DAF, Volvo Group, KS, Linde, AGCO, ZF, Scania, Ford, SAF Holland, Robert Bosch	13,112
Spain + Lithuania	Forged steel parts for Industrial Vehicles and Crankshafts, Common Rail, Stubs, Tulips for passenger cars	Passenger Vehicles	Renault, VW Group, Daimler, GKN, JLR, GM, Fiat, DAF, Bosch, NTN, Faurecia, Dana, ZF, BMW	15,037
Aluminum Castings				
India	(Aurangabad Electricals Ltd.) : Aluminum castings using High pressure or Gravity die casting specialized in Thin wall to thick wall parts viz- complex engine components, Brake system parts, Aesthetically sensitive parts	OEM & Tier 1 supplier for 2&3 wheelers, Passenger Vehicles and Commercial Vehicles	Bajaj, Nidec GPM, Ashok Leyland, Daimler, Brembo, KSPG, Bosch, Valeo, Mitsubishi	7,268
Stampings				
India	Sheet Metal Stampings, Components and Assemblies	Passenger & Utility Vehicles	M&M, Tata Motors	5,265
Castings				
India	Turbocharger Housings, Axle & Transmission Parts	Passenger & Utility Vehicles, Construction Equipment & Earthmoving, Tractors and Tier 1	M&M, Honeywell, Cummins, Hyundai, JCB, Automotive Axle, New Holland, Dana India CV, John Deere	3,152

Geography	Product Specialty	Focus Areas	Key Customers	CY 2020 Revenue
Magnetic Products				
India	Soft and Hard Magnets	Tier 1 of Passenger Vehicles, Utility Vehicles, Two Wheelers	Denso, Sumida, Varroc, Intica, Mitsuba	984
Composites				
India	Compounds, Components, and Products	Electrical Switchgear, Auto Components	L&T Switchgear, Phoenix Mecano, TVS, M&M, Volvo Eicher	746
Gears				
India	Engine Gears, Timing Gears, Transmission Gears, Transmission Drive Shafts	Passenger & Utility Vehicles, Construction & Earthmoving Equipment	M&M, Eaton, Caterpillar, NHFI, Turk Tractor (CNH), BEML, New Holland	1,717
Italy	Engine Gears, Transmission Drive shafts, Crown Wheel Pinion	Tractors, Construction & Earthmoving Equipment	Caterpillar, CNH, Merritor, GDLS/ Mowag/Cormer, Argo, John Deere	3,411

INDUSTRY OUTLOOK AND STRUCTURE

The Economic Background

The year 2020 will go down as one of the worst in human history as the Covid19 virus pandemic left a trail of devastation unprecedented in sheer scale and speed. The pandemic affected almost every country (190-odd) on the planet to varying degrees, causing all round economic and social devastation (100mn+ infected, 2.2mn+ dead & around US$12 trillion worth of economic loss). IMF in its Jan 2021 global economic outlook report estimates the global growth contraction for 2020 to be -3.5%, 0.9% higher than projected in its previous forecast in Oct 20. This reflected a stronger-than-expected momentum in the second half of 2020 which brought in the new year with some light at the end of the tunnel.

The year 2021 thus is expected to usher in a change of gear and not just year, riding on a global push for anti-covid vaccination and strong policy support by governments across the globe. But the IMF cautions, "the strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis".

IMF in its Jan 21 report estimates that Europe contracted by 7.2% in 2020 but expects the region to grow by 4.2% in 2021 and 3.7% in 2022, almost 0.5% higher in both the years than what it estimated in its Oct 20 report. Similarly, IMF estimates peg India's growth in 2020 to -8%, better than earlier estimates of -10.3%. IMF also expects India to grow at a rate of 11.5% in 2021, significantly higher than its earlier estimate of 8.8%. It estimates India's growth rate in 2022 to be a healthy 6.8%. 2021 is expected to be a year of sharp turnaround, much faster than what most experts expected just a few months back.

There are significant risks that can cloud these rosy predictions. The threat of multiple waves of the virus is very real. We saw how the medical community and policy makers were left scrambling for new responses as Europe experienced a large second wave towards the end of 2020. The turnaround in the global economy is predicated on the rollout of the vaccination program on a scale and with such rapidity that has never been attempted before. In the euphoria of a turnaround, global policy makers should not prematurely withdraw support extended during the pandemic. For example, the relaxed monetary policy should not be tightened before recovery has happened.

While the Indian economy has shown great resilience through the pandemic, issues that predate the crisis still lurk. In our last annual report, we had talked about the quadruple balance sheet problem in India. Each of the four key stakeholders of the Indian economy –households, corporates, financial sector & the government - were facing balance sheet pressures that stymied their ability to drive growth. With a decline in income due to the pandemic, households have been further affected. Corporate profits have taken a nosedive in 2020 as the pandemic took its toll. The financial sector already reeling under an NPA (non-performing assets) problem has had to help its borrowers through the crisis, via a forbearance program. Once this program ends, the NPA crisis has the potential to get worse. Amidst all this, the Indian government has shown sagacity to prime growth via a capex, infrastructure and healthcare spend led boost in the 2021 budget. They have tried to do this without raising taxes that can hurt consumption. Instead, the investment plan will be financed by a mix of asset sales, disinvestment of public enterprises and public borrowing. Nevertheless, the projected fiscal deficit of the government is slated to be 9.5% in F21 and 6.8% in F22, much higher than what would be considered comfortable by global rating agencies. Inflationary pressures may also result, that may force the central bank to tighten monetary policy to the detriment of growth. The expected V shaped recovery in the Indian economy will hopefully enable bringing this deficit down as quickly as possible.

The Automotive Market

Europe

MCIE Europe supplies largely to the light vehicle and heavy truck market with a small portion of the revenue being supplied to the off-highway, farm equipment and tractors market. The COVID19 pandemic and related containment measures have plunged the European economy into a severe downturn that has had a cascading effect on the automotive demand.

Heavy Vehicles – Medium & Heavy Commercial Vehicles (MHCVs)

Heavy Vehicles (MHCVs>6T) – (Production Units)

Period	2020	2019	Change
Full Year	**463,678**	**557,225**	**-16.8%**
Oct-Dec	147,032	132,297	11.1%
Jul-Sep	121,161	122,971	-1.5%
Apr-Jun	77,506	153,897	-49.6%
Jan-Mar	117,979	148,060	-20.3%

Source: IHS Global

Q1 CY20 continued from CY19, which was a bad year for MHCV production in Europe. This situation was further worsened by the steep fall in demand due to the CoViD induced lockdowns. As a result production fell drastically in H1CY20. However there has been a slowdown in the steep declining trend in H2CY20. For the full year CY20, the commercial vehicle production numbers for MHCVs in Europe has cumulatively fallen by ~17% as compared to the previous year as per IHS Global.

The forecast for CV production in CY21 by IHS is 11.4% which might seem high but is on a lower base of CY20. IHS projects a decent recovery with MHCV production in Europe forecasted to grow at a CAGR of ~5% over the period of 2020-25. The point to be noted however is that the projected production in CY25 is still lower than the high seen in CY18.

While MCIE's CV Forgings Business in Germany supplies to OEM plants across Europe, the larger part of supplies is to OEMs in Germany. As per IHS, production of MHCV (>6T) in Germany is forecasted to drop by ~24% in CY20 on a y-o-y basis. Production in the year CY20 has also been consistently lesser than each quarter in the first half of CY19. Q3 CY20 was flattish at 0.2% over Q3 CY19. Q4 CY20 however is expected to grow by 15% over Q4CY19. This however does not mean that we have been able to recoup the fall in revenue for the year, but it does augur well for CY21 if this positive trend continues. IHS forecasts German MHCV production to grow by 18.3% yoy in CY21 and CAGR of 8.8% between 2020-2025. However, CY18 numbers will once again be achieved only in CY24.

Light Vehicles

Light Vehicles (Production Million Units)

Period	2020	2019	Change
Full Year	**16.2**	**20.8**	**-22.1%**
Oct-Dec	5.2	5.1	1.6%
Jul-Sep	4.3	4.6	-6.9%
Apr-Jun	2.2	5.5	-60.8%
Jan-Mar	4.6	5.6	-17.9%

Source: IHS Global

For Light vehicles (<3.5T incl. cars, Utility Vehicles & Light Commercial Vehicles), the data from IHS shows that the production in Europe has fallen by 22% in CY20 as compared to CY19. However Q4CY20 saw a reversal in the downward trend with a growth of 1.6%. With the European economy projected to recover well, light vehicles segment could benefit positively on a lower base of CY20 and grow by ~15% in CY21. As per IHS data the passenger vehicle market in Europe is forecasted to grow at a CAGR of 4.6% over the period of 2020-25, however the cumulative production in 2025 will be lower than the highs seen in CY17 and CY18. But the stable pattern of annual growth that is normally observed with this market will return C22 onwards.

India

The Indian automotive market also followed the automotive markets world over, seeing a steep drop in demand in Q2CY20 as the pandemic induced lockdown took effect. Vehicle sales were negligible in the months of April & May. Where the Indian automotive market differed was in demand recovery. There was a steep recovery since July 2020 as the lockdown was eased considerably.

OEMs have seen strong pickup in demand in Q3 and Q4CY20 as they built up inventory and aggressively pushed sales. Safety concerns attracted many first-time buyers looking to avoid public transport. Good monsoons helped improve rural sentiments. Banks which have been flush with liquidity and lacking avenues to deploy these funds made sure that loans were available for vehicle purchase. All these factors aided in strong demand during the festive season. The new year thus opened on a strong growth momentum in the Indian automotive market but the effect of the second wave of the virus could slow down this momentum considerably.

MCIE's main target segments in India are passenger car & utility vehicle, tractors and two wheelers.

Light Vehicles

Light Vehicles (Production Million Units)

Period	2020	20119	Change
Full Year	**3.2**	**4.2**	**-23.4%**
Oct-Dec	1.1	1.0	19.5%
Jul-Sep	1.0	1.0	-3.7%
Apr-Jun	0.2	1.0	-84.0%
Jan-Mar	1.0	1.2	-21.3%

Source: IHS

Data from the Society of Indian Automobile Manufacturers (SIAM) shows that Light Vehicle production has declined in CY20 by 23.4% over CY19. In CY 20, Q2 was the worst quarter and Q4 ended up showing growth of about 20% over the same period in the previous year. Most agencies have upgraded their forecasts with IHS in its latest update forecasting the Indian light vehicle to grow by 22% in CY 21 versus the 13% that they had forecasted a couple of months earlier. This is largely because the fall in urban incomes due to the pandemic has not been as steep as expected, first time buyers push up sales as they seek to avoid public transport and loans are readily available to buy cars. However, the market is facing a supply side crisis due to problems around availability of steel and semiconductors and these factors could negatively impact production by auto OEMs (original equipment manufacturers) in the first few months of 2020. Both these crises are expected to ease by the end of Q2C21. Given that the inventory in the automotive supply chain at the start of the year was lower than normal (15-20 days vs 25-30 days as per FADA, Association of dealers), it is expected that production numbers will get even better as supply side issues are sorted. On the other hand, increasing fuel costs and steel price increases being passed on to consumers by OEMs may depress retail demand.

The long-term picture for the car market remains healthy, given the current low vehicle penetration levels and as per capita income continues to grow, it will increase the Indian household's ability to afford a car. IHS global, expects the Indian light vehicles (less than 6T) to grow at a CAGR of 10.2% over a period of 2020-25.

Two Wheelers

Two Wheelers (Production Units)

Period	2019	2019	Change
Full Year	**17,080,047**	**22,058,391**	**-22.6%**
Oct-Dec	5,884,063	4,998,023	17.7%
Jul-Sep	5,566,642	5,847,893	-4.8%
Apr-Jun	1,250,032	5,807,593	-78.5%
Jan-Mar	4,379,310	5,404,882	-19.0%

Source: SIAM

The Two-Wheeler industry production has shown a second year of decline of about 23% in CY20 as compared to the previous year (source: SIAM) dogged by the Covid induced downturn as well as the BS6 related price hikes. The quarter wise performance however reveals that the decline was arrested in Q4CY20 which showed a strong growth of 17.7% driven by a good festive season demand, albeit on a low base. However, FADA reports that registrations (sales to customers) was lower than production in the festive season, driving up the supply chain inventory at the start of the year to more than normal (30-35 days vs 25-30 days). This may have a negative impact on production at the two wheeler OEMs in the first few months of CY21. Overall, CRISIL research expects two -wheeler demand to grow by 18-20% in FY22 due to buoyant rural sentiments, new model launches in the economy and executive segments of motorcycles and scooters (125cc) and improving financing environment. The opening up of schools and offices coupled with the concerns on personal safety will also usher in new buyers in the segment. But increasing fuel costs and increase in steel prices being passed to consumers may further increase the cost of ownership and dampen the aforesaid growth factors in FY22.

In the long term as well CRISIL expects the domestic two wheeler market to grow by 5-7% CAGR between FY20-FY25. Cost of ownership of a two wheeler in India has gone up in the recent past due to the BSVI price hike, rise in petrol prices, RM price increase and high cost of loans and this is expected to attenuate the long term growth.

Tractors

Tractors (Production Units)

Period	2020	2019	Change
Full Year	**863,125**	**775,085**	**11.4%**
Oct-Dec	291,169	179,628	62.1%
Jul-Sep	266,311	217,392	22.5%
Apr-Jun	112,450	187,537	-40.0%
Jan-Mar	193,195	190,528	1.4%

Source: TMA

The cumulative Tractor industry production in India has shown a healthy increase by about 11% in CY20 (source: Tractor Manufacturers Association/ TMA). CY20 for tractors in India has been a growth story throughout, except for Q2CY20 which expectedly was down due to the lockdown. With rural incomes being positive due to a normal monsoon in CY20, the demand was very strong compared to CY19 which suffered from suboptimal distribution of monsoon. The implementation of TremIV pollution norms for tractors > 50hp raised prices but this segment is a small part (8%) of the overall market. The growth trend is expected to continue into CY21 with most agriculture sector indicators being positive viz. Minimum support prices (MSP), sowing rate and water table. Moreover, registrations outstripped production in Q4C20 and supply chain inventory levels were minimal at the start of the year (source: FADA). As tractor OEMs build the inventory, CY 21 is looking positive for the segment. Long term forecasts by CRISIL are also positive with CAGR between FY20-FY25 expected to be 4-6%. The level of farm mechanisation in India is still sub optimal and this will drive long term demand. It must be noted that these rosy predictions will go for a toss if future monsoons play truant. We need to be cognizant that cyclicality in demand has been a historical reality for the Indian tractor market.

Medium & Heavy Commercial Vehicles (MHCV)

MHCV (Production Units)

Period	2020	2019	Change
Full Year	**139,414**	**303,110**	**-54.0%**
Oct-Dec	58,198	47,773	15.5%
Jul-Sep	28,810	49,133	-40.8%
Apr-Jun	6,669	90,580	-92.5%
Jan-Mar	45,737	115,624	-60.3%

Source: IHS

MHCV production in India which had seen a large drop of 33% in CY19 was further hit by a steep drop of ~54% in CY20. Strong recovery is expected on the low base of CY20. IHS has forecast that in CY21, MHCV production in India would grow by ~67% albeit on a low base. While long term forecasts for the next 5 years made by different agencies are quite divergent, they all forecast a sharp recovery from the low of CY20.

Future optimism is supported by the pickup in agriculture activities as well as Infrastructure building. The growth of E-Commerce is also expected to drive demand for 7-12T vehicles (~1/3 of MHCVs). The newly announced Scrappage policy which imposes a green tax (10-25% of road tax) on transport vehicles >8 years may spur demand for new vehicles. The dedicated freight corridor of the Indian railways may shift some demand from road transport to rail but this shift will largely affect tractor trailers which are a small segment (~1/6th) of MHCV sales.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS CLIMATE

2020 was the year of the pandemic but all our plants have been functioning normally since May of last year once the lockdown opened. Post the easing of lockdown restrictions, there has been a focus on renewing and continuing operations in a safe and sustainable manner. The reopening of plants post lockdown has been done in a manner that provides a safe working environment for the workforce. All Safety protocols mandated by local authorities at the different plant locations have been followed. A much better than expected recovery in demand in the second half of the year has been a challenge for operating teams at the plants. The operational challenges in the second half of the year were enhanced due to manpower shortages in India where migrant workers returned home during the lockdown. The workforce showed great resilience in the face of an unprecedented pandemic demonstrating its ability to adapt to new circumstances. They ensured that your company was quickly on its way to normalcy and well placed to exploit opportunities in favorable market conditions.

Europe

As on 31st December 2020, there were 1,778 employees on the rolls of CIE Galfor S.A. and the Step down subsidiaries in Europe.

The company continues to maintain harmonious relations with its employees at all plants in Europe.

India

As on 31st December 2020 there were 6,670 employees on the rolls of MCIE in India, including Bill Forge and AEL. A portion of our permanent labor workforce in certain locations is part of labor unions. We have signed collective bargaining and other agreements with labor unions at several plants where we have agreed to certain guaranteed bonuses, guaranteed wage increases, and wages linked to productivity. This year we have concluded wage agreements at Pune Plant of Gears and Stampings plant at Rudrapur. In addition to our own employees, we also employ additional workers who are hired on a contract labor basis through registered contractors for ancillary activities. Our human resources ("HR") policies are designed to meet the specific requirements at each plant location, are comprehensive and based on the prevailing HR practices. Considering the strategic priorities of the divisions, we have implemented capability building model to improve capabilities of the employees in our continued endeavor to improve long term operational results. We are also providing our employees with ongoing career development opportunities. Our performance evaluation and management processes continue to be the backbone of all our HR activities and is based on an appropriate goal-setting process. The employee relationship with employees & labor unions were cordial.

OPERATIONAL PERFORMANCE

The market demand at the start of 2020 remained sluggish, continuing the trends from the second half of 2019. The effect of the CoViD started being felt towards the end of Q1 2020 when many of the countries went into lockdown to counter the spread of the virus. Q2 2020 saw the impact of CoViD induced downturn on MCIE's operations worldwide. Q3 and Q4 of 2020 have seen a sharp recovery in India and a slow & steady one in Europe. Overall, most of the key segments that your company serves declined by more than 20%. One exception was the tractor market in India. This is reflected in the performance of your company. MCIE Consolidated revenues declined by 24% in line with the market drop.

To counter the pandemic driven downturn, the company initiated a program for cost reduction and cash protection. This has ensured that MCIE's EBITDA margins did not drop drastically (9.6% in C20 vs 13.2% in C19). It has also made sure that your company's net profits after tax remains positive despite such a drop in revenues.

Europe

In Europe, the focus has been to restructure operations in Germany & Italy and bring them in line with the reduced demand. The heavy truck and off-road markets which these operations serve were suffering even pre pandemic, a trend that got exacerbated in 2020. In Spain & Lithuania, the performance returned to pre pandemic levels in the last quarter. The focus in Europe is to sustain & gradually improve profitability in the face of a slowly recovering market demand.

It must be noted that MCIE's European margins were aided by programs like Cassa Integrazione in Italy and similar programs in Germany & Spain wherein individual governments gave wage support equivalent to 70-80% of the cost of the employee for the days the plants were shutdown.

India

In the case of the Indian operations, efforts were accelerated to reduce the Break-Even level of the plants to make them more efficient and future ready. The plants also focused on improving Capacity Utilization through reduced Outsourcing and by automation projects to improve Manpower Productivity. Organisational improvements and new management structures were also introduced at certain divisions to effectively sharpen management bandwidth and focus. Among them was the plan to concentrate the activities of the composites division at one location. Focus on generating new orders increased and was aided by some customers choosing to shift sourcing from China to India. These efforts have ensured that EBITDA margin in the Indian margins during Q4C20 exceeded the pre pandemic levels.

STRATEGY

Your company's strategy road map encompasses the following principles and sets it apart from the competition: make operations world class; diversify customer base, plant locations & technologies; invest in a disciplined manner; focus on continuous improvement in profitability and decentralize plant management.

MCIE's European operations are gradually returning to normal in line with the market. As mentioned last year, MCIE had set in motion plans to rationalize its product portfolio in Germany to improve margins. Accordingly, the Commercial vehicle forgings business in Europe has seen some business downsizing and layoffs to improve profitability. The strategy of reducing unprofitable business to improve profitability will continue in Germany. Gears, Italy also went through some restructuring costs to align with the market drop as the off-highway market it serves started declining in 2019 and hit rock bottom last year. The market is expected to start a steady recovery in 2021. The car forgings business based out of Spain and Lithuania have normalized and margins in Q4CY20 are also back to pre-CoViD levels. The aim is to sustain these margins.

In India, all the market segments that your company operates in are expected to experience good growth in the short and medium term. MCIE's Indian operations plan to make use of these opportunities and grow faster than the underlying market segments. The order book situation is such that many verticals are going in for capacity expansion viz. foundry, magnets, gears, Bill Forge & Aurangabad Electricals divisions. Many divisions are increasing value added products e.g., foundry is targeting increasing their machine value add, magnetic division is aiming for better grade magnets, gears division has benefited from more complex gears due to BSVI transition etc. All the business verticals in India are making a push to increase exports. This requires a continued focus on operational excellence that can make sure that your company's operations in India are world class and meet the global standards in manufacturing excellence that CIE pursues.

While the market forecasts are healthy, your company is aware that there could be uncertainty going forward based on the risks discussed in the section on economic analysis. For example, the adverse supply demand situation in the steel sector in India may result in steel price increases that could increase the price of vehicles and depress demand. Your company aims to navigate any demand turbulence in a way that the financials are least affected. This entails accelerating the efforts to reduce the Break-Even level of all the businesses to make them more efficient and future ready. There has been significant movement during this year to reduce the break-even levels. Some of these savings have been eroded by the pleasantly higher level of activity due to strong customer schedules in the last quarter. But your company management is confident that they will retain most of these savings when things normalize fully.

A long-term change that the industry has to take into account is the change from Internal Combustion Engine (ICE) vehicles (ICE) to Electric vehicles (EV). This change has been accelerated especially in Europe as introspection about the pandemic has led to a greater focus on green transport strategies. A point to be noted here is that a shift to plug in hybrid EVs (PHEVs) as compared to pureplay Battery EVs (BEVs), will actually be beneficial to your company as number of parts available increases.

In Europe, your company has a strong position in car crankshafts (roughly a third of MCIE Europe revenues) that could be under threat from this change to BEVs. While BEVs currently constitute roughly 5% of European car sales, MCIE projects their share to increase to 15% by 2025. Your company intends to utilize the next few years to implement a strategy that will help maintain capacity utilisation at MCIE's European forgings plants even after this change happens – increase share of business at existing crankshaft customers, focus on non engine parts & introduce Aluminum forgings. In India, this change will be more gradual with the first segments to make the transition being 3Wheelers, scooters and buses. MCIE India dependence on these segments is not very large.

EVs will mean a greater emphasis on stamped, plastic and aluminum parts compared to forged, cast or machined parts. MCIE being a player with a presence across different processes especially in India, is also well placed to tackle this change. MCIE is also able to learn from CIE Automotive with respect to any of the strategic issues discussed above. In particular, CIE's experience with EVs will be very useful as and when they become more mainstream.

OPPORTUNITIES

Many global auto OEMs (original equipment manufacturers) are following a China plus one strategy when it comes to their supply chain. The Indian government has announced a Production Linked Incentive (PLI) for the automotive industry aimed at boosting manufacturing in India, the details of which are awaited. This is expected to help high quality automotive component manufacturers in India. Many European auto OEMs are also looking to offshore some part of their component requirements to low cost countries. MCIE India is working in tandem with their European counterparts both at MCIE Europe and CIE to take advantage of these opportunities.

The manufacturing industry finds itself in the midst of what is euphemistically called the fourth industrial revolution. As the physical and digital worlds become increasingly intertwined, your company aims to follow the CIE Automotive approach to Industry 4.0 as identified in their Annual report 2019, "CIE Automotive aims to achieve maximum productivity, flexible automation, maximum quality, zero defects, large-scale personalisation, maximum reliability, unit traceability, proactive anticipation, digitalisation of its operations and new know-how." Your company is working on multiple fronts - - strategy, organisation, technology, industrial processes, etc. - in order to model and simulate its processes using smart connection and collaboration modes.

FINANCIAL PERFORMANCE

The financial performance of the entity for the year ended 31st December 2019 and 31st December 2018 is presented below:

MCIE's abridged P&L Statement for the Financial Year 2020

(₹ in Millions)

Sr. No.	Particulars	Standalone		Consolidated	
		Year Ended		Year Ended	
		December '20	December '19	December '20	December '19
		Audited	Audited	Audited	Audited
1	Income from operation				
	(a) Net sales	**20,166**	26,979	**58,181**	75,660
	(b) Other operating income	**1,282**	1,966	**2,320**	3,418
	Total Income from operation	**21,448**	28,945	**60,501**	79,078
2	Expenses				
	(a) Cost of material consumed	**10,186**	14,247	**26,791**	36,590
	(b) Change of inventories of finished goods and work-in progress	**(149)**	314	**1,272**	896
	(c) Employee benefit expenses	**3,712**	3,834	**12,618**	13,080
	(d) Depreciation and amortization expenses	**1,084**	1,127	**3,064**	3,161
	(e) Other Expenses	**5,678**	7,096	**14,804**	18,834
	Total expenses	**20,511**	26,618	**58,549**	72,561
3	Profit/(loss) from operation before other income finance cost and exceptional items (1 - 2)	**937**	2,327	**1,952**	6,517
4	Other Income	**197**	326	**549**	331
5	Profit/(Loss) from ordinary activities before finance cost and exceptional items (3 +4)	**1,134**	2,653	**2,501**	6,848
6	Finance cost	**119**	136	**548**	523
7	Profit/(Loss) from ordinary activities after finance cost but before exceptional items (5-6)	**1,015**	2,517	**1,953**	6,325
8	Exceptional items	-	(119)	-	46
9	Profit/(Loss) from ordinary activities before tax (7-8)	**1,015**	2,636	**1,953**	6,279
10	Current Tax	**(86)**	(72)	**457**	710
	Deferred Tax (Credit) / Charge	**361**	985	**430**	2,031

(₹ in Millions)

Sr. No.	Particulars	Standalone		Consolidated	
		Year Ended		Year Ended	
		December '20	December '19	December '20	December '19
		Audited	Audited	Audited	Audited
11	Net Profit/(Loss) from ordinary activities after tax (9-10)	**740**	1,723	**1,066**	3,538
12	Net Profit/(Loss) for the period	**740**	1,723	**1,066**	3,538
13	Minority Interest				
14	Net Profit/(Loss) after taxes, Minority Interest (12-13)	**740**	1,723	**1,066**	3,538
15	Paid - Up equity share capital (Face value of ₹ 10 per equity share)	**3,790**	3,790	**3,790**	3,790
16	Earnings per share (after extraordinary items) (of ₹ 10/- each)				
	(a) Basic	**1.95**	4.55	**2.81**	9.34
	(b) Diluted	**1.95**	4.55	**2.81**	9.33

Information for our Indian and Overseas operations are summarized in the table below:

Segment wise results for 2020

(₹ in Millions)

Sr. No.	Particulars	Year ended	
		31st December 2020	31st December 2019
		Audited	Audited
1	**Segment Revenue**		
	a) India	**29,704**	36,508
	b) Europe	**31,200**	43,123
	Total	**60,904**	79,631
	Less: Inter Segment Revenue	**(403)**	(553)
	Net Sales / Income from Operations	**60,501**	79,078
2	**Segment Profit/(Loss) before tax and interest from**		
	a) India	**1,577**	3,048
	b) Europe	**923**	3,754
	Total	**2,500**	6,802
	Less:		
	(i) Un-allocable expenditure	**548**	523
	(ii) Un-allocable income		
	Total Profit Before Tax	**1,953**	6,278
3	**Capital Employed**		
	(Segment Assets- Segment Liabilities)		
	a) India	**49,618**	46,471
	b) Europe	**45,480**	40,399
	Total	**95,098**	86,870
4	**Segment Liabilities**		
	a) India	**17,320**	14,942
	b) Europe	**28,697**	25,591
	Total	**46,017**	40,533

The Key Financial Ratios of the company are given as below:

Ratio	Standalone		Consolidated	
	CY 20	CY 19	CY 20	CY 19
Debtors Turnover (Days)	74	71	44	36
Inventory Turnover (Days)	59	39	63	53
Interest Coverage Ratio (times)	10	20	5	13
Current Ratio (times)	1.4	1.5	0.9	0.8
Debt Equity Ratio (times)	0.02	0.03	0.3	0.3
Operating Profit Margin (%)	10.3	14.5	9.6	13.2
Net Profit Margin (%)	3.7	6.4	1.8	4.7
Return on Net Worth (%)	1.9	4.4	2.2	7.6

Working Capital

Receivables and Inventory have gone up in number of days as annual sales were impacted significantly in the 2nd Quarter due to COVID-19. To maintain liquidity, in India segment, non-recourse factoring was done to the tune of ₹ 1,852 million during the last quarter.

Interest Coverage, Current and Debt Equity Ratios

The change over 2019 in interest coverage is due to profit dropping as a result of COVID-19.

Profit Margin and Return on Net Worth

Margins and Return on Net Worth were significantly impacted due to COVID-19. However, they have shown significant improvement in Q4 of CY2020 with actions taken on cost and customer demand coming back sharply. ROE was also impacted due to deferred tax write off in Germany and non-creation of deferred taxes on losses for the year in Germany and Mexico.

RISKS AND CONCERNS

The business has a specific set of risk characteristics which are managed through an internal risk management practice. MCIE senior executives participate in the annual risk assessment survey carried out by CIE Automotive to identify key risks associated with the business in each of the key geographies that CIE operates in. This is supplemented by periodic internal assessment to identify risks under different categories – strategic & reputational, operational, financial, regulatory/compliance and ESG (Environmental, Social & Governance). Risks under these categories are classified as short term and long term and monitored periodically via a risk management committee that reports to the audit committee of the board.

Some of the risks identified are as follows:

- MCIE is highly dependent on the performance of the automotive industry in India and Europe. Any adverse changes in the conditions affecting these markets may negatively affect business, results of operations, financial condition and prospects.
  - MCIE is monitoring the situation so that corrective actions are immediately taken in response to any demand movements e.g. in 2020, MCIE has introduced cost reduction and cash protection programs as the pandemic induced a downturn – Break Even Point reduction was one of the key outcomes under this program.
- Raw material availability for your company as well as its customers.
  - E.g., in 2020, steel availability in India took a hit as demand exceeded supply and steel procurement became much more expensive. This trend is expected to continue for the initial part of 2021.
  - Similarly, a global semi-conductor shortage is causing supply disruption at some of our OEM customers and may stretch into the first few months of 2021
- Potential inability to pass-through to its customers via a price increase the cost increases, in labor, energy, etc. could reduce future profitability.
- The loss of certain principal customers or a significant reduction in purchase orders from certain customers could adversely affect business, results of operations, financial condition and prospects.
- The dependence on a few key customers in some business verticals is high and leaves these verticals reliant on the performance of these OEMs – the stampings business in India and Gears business in Italy are particularly vulnerable.
- As part of its growth strategy, MCIE India aims to develop many new parts for both existing and new customers. Managing the new product development process in an efficient manner is a key challenge.

- The lockdown across the globe in response to the globe resulted in work from home arrangements for many companies. This has led to a growing concern about cybersecurity and data security .
- MCIE will need to be ready for changes in its product portfolio to counter the impact of changes in automotive technology like hybrids and electrical engines.
  - Electrification will mean a greater emphasis on stamped, plastic and aluminum parts compared to forged, cast or machined parts. MCIE being a player with a presence across different processes is well placed to tackle this change.
  - While the pace of electrification is going to be slow in India, it could be much faster in Europe. Battery Electric Vehicles (BEVs) which constitute roughly 5% of European car registrations in Q3C20 is expected to grow to 15% by 2025.
  - A shift to plug in hybrid EVs (PHEVs) as compared to pureplay Battery EVs (BEVs) will actually be beneficial to your company as number of parts available increases.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

In the opinion of the Management, MCIE has adequate internal audit and control systems to ensure that all transactions are authorized, recorded and reported correctly. The internal control systems comprise extensive internal and statutory audits. The Corporate Governance practices instituted by the Company are discussed in detail in the chapter on Corporate Governance which forms part of the Annual Report. This year your company has also started using the compliance portal to track all management decisions using a compliance portal.

LOOKING AHEAD

CY20 has shown us more than ever, that we operate in a world which is unpredictable. Your company has also shown that it is capable of meeting any challenge that is thrown its way. While focusing on cost reduction and cash protection programs to counter the pandemic led downturn, your company never lost sight of its journey to become a world class supplier and continued its focus on improving operations to become more efficient and profitable. The MCIE team is confident that it can utilise future opportunities and face future challenges with agility in order to meet the shareholders' expectation of sustainable growth and profitability.

CAUTIONARY STATEMENT

Certain statements in the Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those express or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is based on preserving core beliefs and ethical business conduct while maintaining a strong commitment to maximise long-term stakeholder value. The Company is focused towards bringing transparency in all its dealings, adhering to well-defined corporate values and leveraging the corporate resources for long-term value creation.

The Company is committed to moulding Corporate Governance practices in line with its core values, beliefs and ethics. The Company believes in attainment of highest levels of transparency in all facets of its operations and maintains an unwavering focus on imbibing good Corporate Governance practices.

The Company continues to strengthen its governance principles to generate long-term value for its various stakeholders on a sustainable basis thus ensuring ethical and responsible leadership both at the Board and at the Management levels.

A Report on compliance with the Corporate Governance provisions as prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (hereinafter referred to as "Listing Regulations") is given herein below.

II. BOARD OF DIRECTORS

The composition of the Board is in conformity with Regulation 17 of the Listing Regulations and provisions of the Companies Act, 2013 (hereinafter referred to as **"the Act"**), as amended from time to time.

The Board has an optimum combination of Executive and Non-Executive Directors with the Chairman being Non-Executive Director and not less than fifty percent of the Board comprises Independent Directors including one Woman Independent Director. The Board reviews and approves strategy and oversees performance of the Management to ensure that the long-term objectives of enhancing Stakeholders' value are achieved.

The Management of the Company is entrusted in the hands of Key Managerial Personnel(s), headed by Mr. Ander Arenaza, Whole Time Director and the CEO of MCIE Group, who operate under the supervision and control of the Board. Apart from Mr. Arenaza, Mr. Anil Haridass and Mr. Manoj Menon are Whole Time Directors of the Company.

Mr. Shriprakash Shukla, the Non-Independent, Non-Executive Director, is the Chairman of the Company. Mr. Shriprakash Shukla and Mr. Zhooben Bhiwandiwala (Non-Independent, Non-Executive Directors) are in employment of Mahindra & Mahindra Limited.

Mr. Jesus Maria Herrera Barandiaran, Non-Independent Non-Executive Director, is the Global CEO of CIE Automotive S.A. ("CIE"), the ultimate holding company of the Company.

The remaining six Non-Executive Directors are Independent Directors and are professionals from diverse fields, possess requisite qualifications and experience which enable them to discharge their responsibilities, provide effective leadership to business and enhance the quality of Board's decision making process.

The maximum tenure of Independent Directors is in compliance with the Act and the Listing Regulations. All the Independent Directors have confirmed that they meet the criteria as mentioned in Regulation 16(1)(b) of the Listing Regulations and Section 149(6) of the Act. The Independent Directors have also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence. Further, the Board after taking these declaration/ disclosures on record and acknowledging the veracity of the same, opined that the Independent Directors are persons of integrity and possess the relevant expertise and experience, fulfils the conditions specified in the Listing Regulations and the Act for appointment of Independent Directors and are Independent of the Management.

Further, in accordance with Rule 6 sub rule (1) & (2) of the Companies (Appointment and Qualification of Directors) Rules, 2014, the Independent Directors have already included their names in the databank of Independent Directors maintained by the Indian Institute of Corporate Affairs, Manesar and have either passed the online proficiency test or were exempted from the same.

Apart from reimbursement of expenses incurred in the discharge of their duties, the remuneration that the Independent Directors were entitled to under the Act and the remuneration that a firm may receive, in which an Independent Director is a partner, for professional services rendered by the firm to the Company if any, none of the Independent Directors had any other pecuniary relationships with the Company, its Subsidiaries or Associates or their Promoters or Directors, during the two immediately preceding financial years or during the current financial year.

None of the Directors of the Company are inter-se related to each other.

During the year under review, no Independent Director of the Company resigned before the expiry of their tenure.

The Senior Management of the 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. Composition of the Board

The Board of the Company comprises of Twelve Directors as on 31st December 2020.

All the Directors of the Company comply with the conditionalities relating to maximum number of Directorships as specified in Regulation 17A of the Listing Regulations and Section 165 of the Act, and the conditionalities relating to committee positions as specified in Regulation 26 of the Listing Regulations.

The names and categories of Directors, DIN, the number of Directorships and Committee positions held by them, as on 31st December 2020 are given in Table 1 below.

Table 1: Composition of the Board of Directors

Name of the Directors, Category and DIN	Total number of Committee Memberships of as on 31st December, 2020@	Total number of Committee Chairmanships of which the Director is member as on 31st December, 2020@	Total number of Directorships of Public Companies as on 31st December, 2020*	Name of other listed entities where the Director is a director along-with the category of directorship excluding the Company
NON – EXECUTIVE, NON INDEPENDENT$				
Mr. Shriprakash Shukla (DIN - 00007418)	Nil	Nil	7	Mahindra EPC Irrigation Limited (Non-executive Chairman)
Mr. Jesus Maria Herrera Barandiaran - (DIN - 06705854)	Nil	Nil	1	Nil
Mr. Zhooben Bhiwandiwala (DIN - 00110373)	4	1	7	Nil
NON – EXECUTIVE, INDEPENDENT				
Mr. Manoj Maheshwari - (DIN - 00012341)	2	1	3	RPG Life Sciences Limited – (Independent Director)
Mr. Dhananjay Mungale - (DIN - 00007563)	8	3	7	1. Mahindra and Mahindra Financial Services Limited – (Chairman - Independent Director) 2. Tamilnadu Petroproducts Limited –(Independent Director) 3. NOCIL Limited – (Independent Director)
Mr. Kadambi Narahari - (DIN -05351378)	1	1	1	Nil
Mrs. Roxana Meda Inoriza - (DIN - 08520545)	1	Nil	2	Nil
Mr. Alan Savio D'Silva Picardo - (DIN -08513835)	1	Nil	1	Nil
Mr. Suhail Nathani - (DIN - 01089938)	3	Nil	3	Piramal Enterprises Limited
EXECUTIVE$				
Mr. Ander Arenaza Alvarez - (DIN - 07591785)	Nil	Nil	3	Nil
Mr. Manoj Menon - (DIN -07642469)	Nil	Nil	2	Nil
Mr. Anil Haridass - (DIN - 00266080)	Nil	Nil	2	Nil

$ Participaciones Internacionales Autometal, DOS S.L (PIA2), one of the Promoters of the Company, has nominated Mr. Ander Arenaza, Mr. Manoj Menon, Mr. Anil Haridass and Mr. Jesus Maria Herrera Barandiaran on the Board of the Company. Mahindra and Mahindra Limited (M&M) [holding company of Mahindra Vehicle Manufacturers Limited (MVML) one of the Promoter of the Company] has nominated, Mr. Zhooben Bhiwandiwala and Mr. Shriprakash Shukla on the Board of the Company. These nominations are made in accordance with rights vested in PIA2 and M&M (jointly with MVML) under the Articles of Association of the Company. However, the Directors are not appointed as "Nominee Directors" in terms of provisions of the Companies Act, 2013 and they are acting as Directors of the Company in their professional capacity.

* Excludes Directorships in Companies registered under Section 8 of the Act and Companies registered outside India but includes Directorship in the Company.

@ Chairpersonship and Membership of the Audit Committee and the Stakeholders' Relationship Committee held in all the Public Limited Companies including that of the Company is considered. The Committee Chairmanship(s) are counted out of the Committee Membership(s) held by the respective Director.

Board Procedure

A detailed agenda, setting out the business to be transacted at the Meeting(s), supported by detailed notes and presentations, if any is sent to each Director at least seven days before the date of the Board Meeting(s) and of the Committee Meeting(s). The Directors are provided the facility of video conferencing to enable them to participate effectively in the Meeting(s), as and when required.

To enable the Board to discharge its responsibilities effectively and take informed decisions, the Executive Directors along-with Chief Executive Officers of respective business divisions apprise the Board at every meeting on the performance of the Company, followed by presentations by other Senior Executives of the Company.

The Board, inter alia, periodically reviews strategy and business plans, annual operating and capital expenditure budget(s), compliance report(s) of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliances, if any, review of major legal issues, minutes of the Committees of the Board, minutes of Board Meetings of Subsidiary Companies, significant transactions and arrangements entered into by the Unlisted Subsidiary Companies, approval of quarterly/half-yearly/annual financial results, significant labour problems and their proposed solutions, systems for risk management, transactions pertaining to purchase/disposal of property(ies), Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business, remuneration of Key Managerial Personnel, major accounting provisions and write-offs, corporate restructuring, details of any joint ventures or collaboration agreement, material default in financial obligations, if any, fatal or serious accidents, any material effluent or pollution problems, transactions that involve substantial payment towards goodwill, brand equity or intellectual property, any issue that involves possible public or product liability claims of substantial nature, including judgement or order which may have passed strictures on the conduct of the Company, quarterly details of foreign exchange exposures and the steps taken by Management to limit the risks of adverse exchange rate movement and information on recruitment of Senior Officers just below the Board level.

The Board sets annual performance objectives, oversees the actions and results of the management, evaluates its own performance and performance of its Committees on an annual basis and monitors the effectiveness of the Company's governance practices for enhancing the Stakeholders' value.

Apart from the Directors and the Company Secretary, the Board and Committee meetings are generally attended by the Chief Executive Officers of each Business Divisions of the Company, the Chief Financial Officer, the Chief Business Controller and the Head of Strategy and Investors Relations. The Chairperson of the Board or Chairperson of the Committees of the Board also invite other officers of the Company or of its Subsidiaries as and when necessary.

B. Number of Board Meetings, Attendance of the Directors at Meetings of the Board and at the last Annual General Meeting (AGM)

The Board of Directors met five times during the Financial Year on 26th February, 2020, 23rd April, 2020, 21st July, 2020, 20th October, 2020 and 10th December, 2020. The Board met at least once in a calendar quarter and the gap between any two meetings did not exceed One Hundred and Twenty Days. Further, the Board also considered certain matters by way of circular resolution.

The twenty-first Annual General Meeting (AGM) of Members of the Company was held on 25th June, 2020 through Video Conference ("VC") / Other Audio Visual Means (OAVM) without the physical presence of the Members at a common venue, in compliance with General Circular No. 14/2020, 17/2020, 20/2020 issued by Ministry of Corporate Affairs and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020 issued by Securities and Exchange Board of India (SEBI).

The attendance of the Directors at these meetings is presented in Table 2 below.

Table 2: Number of Meetings and Attendance

Sr. No.	Directors	No. of Board Meetings Attended	Attendance at the last AGM through VC / OAVM
1.	Mr. Shriprakash Shukla	5	Yes
2.	Mr. Ander Arenaza Alvarez	5	Yes
3.	Mr. Manoj Menon	5	Yes

Sr. No.	Directors	No. of Board Meetings Attended	Attendance at the last AGM through VC / OAVM
4.	Mr. Anil Haridass	5	Yes
5.	Mr. Jesus Maria Herrera Barandiaran	5	No
6.	Mr. Zhooben Bhiwandiwala	4	Yes
7.	Mr. Manoj Maheshwari	5	Yes
8.	Mr. Dhananjay Mungale	5	Yes
9.	Mr. Kadambi Narahari	5	Yes
10.	Mrs. Roxana Meda Inoriza	5	Yes
11.	Mr. Alan Savio D'Silva Picardo	5	Yes
12.	Mr. Suhail Nathani	3	Yes

C. Meeting of Independent Directors

The Independent Directors of the Company met on 26th February, 2020 and 10th December, 2020 without the presence of the Chairman, Executive Directors, other Non-Independent Director(s) and any other Managerial Personnel.

The Independent Directors ascertained and reconfirmed that the deployment of "questionnaire" as a methodology, is effective for evaluation of performance of Non-Independent Directors and the Board as a whole and the evaluation of performance of the Chairman. Accordingly, feedback was sought from all the Directors of the Company, by way of a structured questionnaire covering various aspects and on the basis of the reports the performance was evaluated by the Independent Directors in their separate meeting.

Further, the Independent Directors, inter alia, assessed the quality, quantity and timeliness of flow of information between the Company's Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

D. Directors seeking appointment /re-appointment

Mr. Shriprakash Shukla (DIN: 00007418) and Mr. Jesus Maria Herrera Barandiaran (DIN: 06705854) are liable to retire by rotation and being eligible, have offered themselves for re-appointment at the ensuing AGM of the Company.

Detailed profile of the Directors seeking appointment/reappointment along with other necessary details as may be required are provided in the Notice of 22nd Annual General Meeting of the Company.

E. Matrix setting out the core skills/ expertise/ competence of the Board of Directors

A chart/ matrix setting out the core skills/ expertise/ competencies identified by the Board of Directors in the context of the Company's businesses and sectors as required for it to function effectively and those actually available with the Board along with skills / expertise / competence, possessed by the Board members, are given as below:

Table 3:

Sr. No.	Skill / expertise / competencies	Particulars	Mr. S. P. Shukla	Mr. Ander Arenaza	Mr. Anil Haridass	Mr. Manoj Menon	Mr. Jesus Maria Herrera	Mr. Zhooben Bhiwandiwala	Mr. Manoj Maheshwari	Mr. Dhananjay Mungale	Mr. Suhail Nathani	Mr. Alan D'Silva	Mrs. Roxana Meda	Mr. Narahari Kadambi
1.	Strategy and Planning	Review and Monitor Strategy & Succession Plan to ensure long term sustainable growth	√	√	√	√	√	√	√	√	√	√	√	√
2.	Leadership	Leadership Skill to ensure effective guidance to and monitoring of the management and to set a corporate culture and the values by which executives throughout the group should behave.	√	√	√	√	√	√	√	√	√	√	√	√

Sr. No.	Skill / expertise / competencies	Particulars	Mr. S. P. Shukla	Mr. Ander Arenaza	Mr. Anil Haridass	Mr. Manoj Menon	Mr. Jesus Maria Herrera	Mr. Zhooben Bhiwandiwala	Mr. Manoj Maheshwari	Mr. Dhananjay Mungale	Mr. Suhail Nathani	Mr. Alan D'Silva	Mrs. Roxana Meda	Mr. Narahari Kadambi
3.	Financial Discipline and Risk Oversight	Understanding of Financial Management, Financial Reporting Process and Financial & Operational controls. Ensuring focus on returns. Understand and Oversee internal and external risks associated with the Business and to put in place appropriate policies and procedures to effectively manage such risks.		√	√	√	√	√	√	√		√	√	√
4.	Manufacturing Excellence and Technology	Understanding the manufacturing processes and optimizing the same. Anticipate Technological Trends and creating new business models.		√	√	√	√	√				√		
5.	Mergers and Acquisition	creating and enhancing shareholders value through acquisitions and other business combinations with ability to assess fit of the target with Company's Strategy and Culture, Valuations, Integration Process.	√	√	√	√	√	√	√	√	√	√	√	√
6.	Governance and Regulatory Oversight	Monitoring the system for ensuring compliance with all applicable laws to the Company and review the effectiveness of such system. Reviewing governance practices and policies to ensure high ethical standards, to safeguard the interests of all stakeholders while ensuring right balance of conflicting interest of the stakeholders.	√	√	√	√	√	√	√	√	√	√	√	√

F. Codes of Conduct

During the year, the Board of Directors of the Company has adopted 'Internal Code of Professional Conduct'("the Code"). This Code supersedes the Company's 'Code of Conduct for Senior Management and Employees', the 'Code of Conduct of Directors' and the 'Code of Conduct of Independent Directors' and consolidates the principles laid down in these code. The Code incorporates the duties of Independent Directors as laid down under the Act.

The purpose of the 'Internal Code of Professional Conduct' is to provide guidance and ethical principles to all directors (whether executive, non-executive or Independent), Senior Management Personnel, Key Management Personnel, all other employees and workers of the Company, determining the values and commitments that must govern their work activities within the Group.

The Code is available on the Company's website at https://www.mahindracie.com/investors/investor-relations/governance.html. All the Board Members and Senior Management Personnel have affirmed compliance with the Code. A declaration signed by the Executive Director to this effect is enclosed at the end of this Report.

G. CEO/CFO Certification

As required under Regulation 17 (8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Ander Arenaza, Executive Director and Mr. K. Jayaprakash, Chief Financial Officer of the Company have certified to the Board that the Financial Statements for the year ended 31st December, 2020 do not contain any untrue statement and that these statements represent a true and fair view of the Company's affairs and other matters as specified thereunder.

H. Performance evaluation of Board, its Committees and Directors

During the year under review, the Nomination and Remuneration Committee ascertained and reconfirmed that the deployment of "questionnaire" as a methodology, is effective for evaluation of performance of Board, its Committees and Individual Directors.

Feedback was sought from all the Directors of the Company, by way of a structured questionnaire covering various aspects, on performance evaluation of the Board, Committees of Board, Independent Directors, Non-Independent Directors, and the Chairman.

The Board evaluated performance of its own and of its Committees based on the feedback so received. Similarly, the Nomination and Remuneration Committee carried out the performance evaluation of Individual Directors.

The performance evaluation of Independent Directors was carried by the entire Board of Directors (excluding the director being evaluated) which included the performance of the directors and fulfillment of the independence criteria as specified in the Listing Regulations and their independence from the management.

The criteria of performance evaluation of Independent Directors, Non Independent Directors, the Board, Committees of Board and the Chairman is disclosed separately in this report.

I. Familiarisation programme for Independent Directors

A new Director is welcomed to the Board of Directors of the Company by sharing various documents and information of the Company for his/her reference such as brief introduction to the Company and profile of Board of Directors of the Company, Details of various Committees of the Board, Latest Annual Reports, Code of Conduct for Directors, Code of Conduct for Senior Management and Employees, Code of Conduct for Independent Directors, Code of Conduct for Prevention of Insider Trading in shares of the Company etc.

Other Initiatives to update the Directors on a continuing basis:

All Directors are apprised of any changes in the codes or policies of the Company. The Directors have access to the information within the Company which is necessary to enable them to perform their role and responsibilities diligently.

The Executive Director / Senior Managerial Personnel regularly apprise the Board and its committees of the business strategies, operational and financial performance, budgets, Internal Controls and Risk Management Plans, statutory compliances and regulatory updates, performance of the Subsidiaries etc.

Such presentations also provide an opportunity to the Independent Directors to interact with the Senior Management team of the Company and its Subsidiaries and help them to understand the Company's policies, its long-term vision and strategy, business model, operations and such other areas as are relevant from time to time.

Thus, the Company ensures that there is an adequate mechanism to ensure that the Directors remain familiar with their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., and continue to be updated on the state of the Company's affairs and the industry in which it operates.

As required under Regulation 46 of the Listing Regulations the details of familiarisation programme for the Independent Directors has been hosted on the Company's website and can be viewed by visiting the following link: http://www.mahindracie.com/investors/downloads/documents.html#other-documents-and-disclosures

J. Risk Management

The Company follows well defined and detailed risk management plan. The Company has established procedures to periodically place before the Board, the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate the Risks. The Board of Directors of the Company have constituted a Risk Management Committee consisting of Board Members and Senior Management Personnel and has delegated the function of monitoring and reviewing of risk management plan to the Committee. Further details in respect of the Committee are covered under details of Risk Management Committee.

III. COMMITTEES OF THE BOARD OF DIRECTORS

The Board has constituted Committees to delegate certain matters relating to the affairs of the Company that require greater and more focussed attention. These Committees prepare the groundwork for decision making and report to the Board.

All decisions pertaining to the constitution of Committees, appointment of Members and fixing of terms of service for Committee Members are taken by the Board of Directors. Details regarding the role and composition of these Committees, including the number of meetings held during the Financial Year and the related attendance, are provided below:

A. Audit Committee:

i. Composition, name of Members and Chairperson

The Audit Committee comprises four Non-Executive Independent Directors namely Mr. Dhananjay Mungale (Chairman of the Committee), Mr. Manoj Maheshwari, Mr. Alan Savio D'Silva Picardo and Mrs. Roxana Meda Inoriza. The Chairman of the Audit Committee attended the 21st AGM held on 25th June, 2020 through video conferencing.

The Company does not have outstanding Special Rights equity shares. The composition of the Committee is in accordance with Regulation 18(1)(b) of Listing Regulations. Further, the composition of the Committee is also disclosed on website of the Company at https://www.mahindracie.com/investors/investor-relations/governance.html.

All the Members of the Audit Committee have vast experience and possess financial/ accounting expertise/ exposure.

The Company Secretary is the Secretary to the Committee.

ii. Terms of reference

The terms of reference of this Committee are very wide and are in line with the regulatory requirements mandated by the Act and Part C of Schedule II of the Listing Regulations. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory Auditors, the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet them to discuss their findings, suggestions and other related matters and monitor and review the Auditor's independence and performance, effectiveness of the audit process, oversee Company's financial reporting process and the disclosure of its financial information, review with the management the quarterly and annual financial statements before submission to the Board for approval, select and establish accounting policies, approve wherever necessary transactions of the Company with related parties including subsequent modifications thereof, grant omnibus approvals subject to fulfillment of certain conditions, scrutinise inter-corporate loans and investments, review the risk assessment and minimisation procedures, evaluate internal financial controls and risk management systems. The Committee is also empowered to recommend, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary.

The Committee is also empowered to recommend appointment and remuneration of the Cost Auditor, Internal Auditor and Chief Financial Officer (i.e., the Whole-time Finance Director or any other person heading the finance function or discharging that function), etc. The Committee also reviews Financial Statements and investments of Unlisted Subsidiary Companies, Management Discussion & Analysis of financial condition and results of operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis, if any and reviews all the information as prescribed in Part C of Schedule II of the Listing Regulations including the working of whistle blower mechanism. The Audit Committee has been granted powers as prescribed under Regulation 18 (2) of Listing Regulations.

The Committee also reviews on quarterly basis the Report on compliance under Code Prevention of Insider Trading adopted by the Company pursuant to Securities and Board Exchange of India.

iii. Meetings and attendance

During the Financial Year, the Committee held 5 (Five) meetings on 26th February, 2020, 23rd April 2020, 21st July, 2020, 20th October, 2020 and 10th December, 2020. The time gap between two meetings did not exceed one hundred and twenty days.

Table 4: Attendance record of Audit Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Dhananjay Mungale	Independent Director	Chairman	5
Mr. Manoj Maheshwari	Independent Director	Member	5
Mr. Alan Savio D Silva Picardo	Independent Director	Member	5
Mrs. Roxana Meda Inoriza	Independent Director	Member	5

The meetings of the Audit Committee are also attended by the Chairman, Executive Director, Chief Financial Officer, the Statutory Auditors and the Internal Auditors. Mr. Zhooben Bhiwandiwala is the permanent invitee to the meetings of Audit Committee.

The Cost Auditor also attends the Committee Meeting at which the Cost Audit Report is considered.

B. Nomination and Remuneration Committee:

i. Composition, name of Members and Chairperson

The Nomination and Remuneration Committee comprises four Members who are non executive Directors with half of them being Independent Directors. Mr. Manoj Maheshwari, Independent Director is the Chairman of the Committee. The other members of the Committee are Mr. Alan Savio D'Silva Picardo - Independent Director, Mr. Jesus Maria Herrera Barandiaran - Non-Executive Director and Mr. Shriprakash Shukla - Non-Executive Director and Chairman of the Company. The Chairman of the Committee attended the 21st AGM held on 25th June, 2020 through video conferencing.

The Company does not have outstanding Special Rights equity shares. The composition of the Committee is in accordance with Regulation 19 (1) of Listing Regulations.

Further, the composition of the Committee is also disclosed on website of the Company at https://www.mahindracie.com/investors/investor-relations/governance.html.

The Company Secretary is the Secretary to the Committee.

ii. Terms of reference

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Act and Part D of Schedule II of the Listing Regulations.

The terms of reference of the Nomination and Remuneration Committee inter-alia includes, identification of persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board appointment and removal of Directors & Key Managerial Personnel's, carry out evaluation of every Director's performance and recommending to the Board remuneration of the Executive Director(s), Key Managerial Personnel and Senior Management Personnel of the Company.

The Committee has been vested with the authority to, inter alia, develop and recommend policies with respect to composition of the Board commensurate with the size, nature of the business and operations of the Company, establish Director retirement policies and appropriate succession plans.

The Committee has also formulated the criteria for determining qualifications, positive attributes and independence of a Director and recommended to the Board a Policy relating to the remuneration for the Directors, Key Managerial Personnel and other Employees.

The Committee further determines and recommend to the Board the manner for effective evaluation of performance of Board, its committees and individual directors.

The Committee carries out a separate exercise to evaluate the performance of Individual Directors.

The Committee also administers the Company's Employee Stock Option Schemes formulated from time to time including Mahindra CIE Employees Stock Option Scheme 2007 and Mahindra CIE Employees Stock Option Scheme 2015 and take appropriate decisions in terms of the concerned Scheme(s). It also attends to such other matters as may be prescribed from time to time.

iii. Meetings and attendance

During the Financial Year, the Committee held 4 (Four) meetings on 26th February, 2020, 21st July, 2020, 20th October, 2020 and 10th December, 2020.

Table 5: Attendance record of Nomination and Remuneration Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Manoj Maheshwari	Independent Director	Chairman	4
Mr. Jesus María Herrera Barandiaran	Non-Executive Director	Member	4
Mr. Alan Savio D'Silva Picardo	Independent Director	Member	4
Mr. Shriprakash Shukla	Non-Executive Director	Member	4

iv. Criteria for evaluation of performance of Board, Committees of Board and Individual Directors (including Independent Directors)

The performance evaluation of the Board was based on various aspects such as composition of the Board, functioning of Board, conduct, effectiveness and frequency of Board Meetings, Performance of Specific Duties and Obligations, and Governance, etc.

The performance evaluation of Committees was based on criteria such as structure and composition of Committees, attendance and participation of member of the Committees, frequency and adequacy of time allocated at the Committee Meetings to fulfil duties assigned to it, adequacy and timeliness of the Agenda, comprehensiveness of the discussions and constructive functioning of the Committees, etc.

The performance evaluation of Independent Directors was based on various criteria, inter alia, including independence from the Company and other Directors, attendance at Board and Committee Meetings, skill, experience, knowledge acquired with regard to the Company's business, understanding of industry and global trends, exercise of independent judgment in relation to decision making, ability to challenge views of others in a constructive manner, etc.

C. Stakeholders' Relationship Committee:

i. Composition, name of Members and Chairperson

The Stakeholders' Relationship Committee comprises three Non-Executive Independent Directors of the Company namely Mr. Kadambi Narahari, Chairman of the Committee, Mr. Dhananjay Mungale and Mr. Suhail Nathani. Mr. Pankaj Goyal, Company Secretary is the Compliance Officer of the Company.

The Company does not have outstanding Special Rights equity shares. The composition of the Committee is in accordance with Regulation 20(2A) of Listing Regulations. Further, the composition of the Committee is also disclosed on website of the Company at https://www.mahindracie.com/investors/investor-relations/governance.html.

ii. **Terms of reference**

The Committee meets as and when required, to inter alia deal with matters relating to transfers of shares, transmission of shares, request for issue of duplicate share certificates and monitors redressal of the grievances of the security holders relating to transfers, non-receipt of balance sheet etc., review of measures taken for effective exercise of voting rights by Shareholders, review of adherence to the service standards adopted by the Company in respect of services being rendered by the Registrar & Transfer Agent, review of various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the Shareholders of the Company.

The role and terms of reference of the Committee covers the areas as contemplated under Regulation 20 read with Part D of Schedule II of the Listing Regulations and Section 178 of the Act, as applicable, besides the other terms as referred by the Board of Directors.

iii. **Meetings and Attendance**

The Committee met twice during the year under review, on 26th February, 2020 and 10th December, 2020. The information about details of shares transferred, transmitted etc. and report of Investors Complaints received and resolved was presented to Board on quarterly basis.

Table 6: Attendance record of Stakeholder Relationship Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Narahari Kadambi	Independent Director	Chairman	2
Mr. Dhananjay Mungale	Independent Director	Member	2
Mr. Suhail Nathani	Independent Director	Member	1

During the year ended 31st December, 2020, 26 complaints were received from Shareholders and all of which have been attended /resolved to the satisfaction of Shareholders. As of date, there are no pending complaint pertaining to the year under review.

Mr. Narahari Kadambi, Chairman of the Committee was present at the 21st Annual General Meeting of the Company held on 25th June, 2020 through Video Conferencing.

D. **Risk Management Committee**

i. **Composition, name of Members and Chairperson**

The Risk Management Committee comprises three members. Mr. Manoj Menon (Executive Director) is the Chairman of the Committee. Mr. Ander Arenaza (Executive Director) and Mr. Hari Krishnan (Chief Executive Officer – Forgings and Bill Forge Divisions) are the other members of the Committee.

The Company does not have outstanding Special Rights equity shares. The composition of the Committee is in accordance with Regulation 21(2) of Listing Regulations. Further, the composition of the Committee is also disclosed on website of the Company at https://www.mahindracie.com/investors/investor-relations/governance.html.

ii. **Terms of reference**

The terms of reference of Risk Management committee inter-alia include to formulate and review the Risk management policy which should specifically include 'Cyber Security Risk' and 'Commodities Risk including hedging activities', to ensure the presence of Risk Management system in Company's accounting and financial reporting system, to monitor and review the risk management plan, to review total exposure of the entity towards commodities, commodity risks faced by the entity, hedged exposures, etc.

iii. **Meetings and Attendance**

The Committee met 4 (four) times during the year under review, i.e. on 13th February, 2020, 16th April, 2020, 7th July, 2020 and 8th October, 2020.

Table 7: Attendance record of Risk Management Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Manoj Menon	Executive Director	Chairman	4
Mr. Ander Arenaza	Executive Director	Member	4
Mr. Hari Krishnan	Chief Executive Officer – Forgings and Bill Forge divisions	Member	4

E. **Corporate Social Responsibility Committee**

i. **Composition, name of Members and Chairperson**

The Corporate Social Responsibility Committee comprises four members namely Mr. Kadambi Narahari - Chairman, Mr. Dhananjay Mungale, Mr. Manoj Menon and Mr. Anil Haridass. Further, the composition of the Committee is also disclosed on website of the Company at https://www.mahindracie.com/investors/investor-relations/governance.html.

ii. **Terms of reference**

The terms of reference of the CSR Committee inter-alia included formulating and recommending to the Board CSR Policy indicating the activities to be undertaken by the Company in compliance with the provisions of the Companies Act, 2013 and Rules made there under, allocate the amount of expenditure to be incurred on CSR activities as enumerated in Schedule VII to the Companies Act, 2013, and monitor the implementation of CSR Policy and projects of the Company periodically.

iii. Meetings and attendance

The Committee met 3 (three) times during the year under review, on 26th February, 2020, 20th October, 2020 and 10th December, 2020. The Committee also considered certain CSR matters by way of circular resolution.

Table 8: Attendance record of Corporate Social Responsibility Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Kadambi Narahari	Independent Director	Chairman	3
Mr. Dhananjay Mungale	Independent Director	Member	3
Mr. Manoj Menon	Executive Director	Member	3
Mr. Anil Haridass	Executive Director	Member	3

The details of CSR initiatives undertaken by the Company are provided in the CSR Report annexed to the Directors Report.

F. Recommendations made by any of the above Committees which were not accepted by the Board

During the year under review, there were no instances where the Board had not accepted any recommendation(s) made by any of the Committee of the Board. All the recommendations of the committees were accepted by the Board.

G. Other non-mandatory committee - Allotment Committee:

The Board of Directors have constituted 'Allotment Committee' for considering issue and allotment of shares pursuant to exercise of options granted under ESOP scheme of the Company. Allotment Committee comprises of Mr. Kadambi Narahari, Chairman of the Committee, Mr. Dhananjay Mungale and Mr. Suhail Nathani.

During the year under review, no meeting of the Committee was required to be held.

IV. APPOINTMENT AND REMUNERATION

A. Policy on appointment of Directors and Senior Managerial Personnel

The Company has a well-defined Policy for appointment of Directors, Key Managerial Personnel and Senior Management Employees and their succession planning. During the year under review, the Board of Directors on the recommendation of the Nomination and Remuneration Committee reviewed the said policy and have amended the policy, inter alia, to align it with the amendments in Listing Regulations and the Act.

The Policy is available on the Company's website at https://www.mahindracie.com/investors/investor-relations/governance.html

Salient features of the Policy is as under:

i. Appointment of Directors and their succession plan

Appointment

The Nomination and Remuneration Committee (NRC) reviews and assesses the Board Composition and recommends the appointment of new Directors. In evaluating the suitability of individual as Board member, the NRC takes into account the qualifications, positive attributes and independence of the proposed candidate in accordance with the criteria laid down in the policy. All Board appointments are based on merit. A person with integrity, requisite qualification, experience (including the proficiency in case of Independent Director) and possess relevant skills/expertise/competencies, as identified by the Board of Directors as prerequisites of a proposed candidate in the context of Company's business(es) and sector(s), for the Board as whole to function effectively.

Based on recommendation of the NRC, the Board evaluates the candidate(s) and decide on the selection in accordance with the applicable provisions of the Companies Act 2013 and Rules made thereunder.

Succession Plan

The successors for the Independent Directors are identified by NRC at least one quarter before the expiry of their scheduled term. In case of separation of Independent Directors due to resignation or otherwise, successor get appointed at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.

The successors for the Executive Director(s) are identified by the NRC from among the Senior Management or through external source as the Board may deem fit.

The NRC gives due consideration for the expertise and other criteria required for the successor and submit its recommendations to the Board.

The Board may also decide not to fill the vacancy caused at its discretion.

ii. Appointment of Senior Managerial Personnel and their succession plan

Appointment

NRC identifies persons who are qualified to become directors and who may be appointed in the Senior Management (Key Managerial Personnel or Senior Management Employee) in accordance with the criteria laid down which includes the qualification, skills and experience of the candidate for the responsibility the position carries. Key Managerial Personnel or Senior Management Employee are appointed or promoted and removed by the Board of Directors based on recommendation of the NRC, based on the business need and the suitability of the candidate.

Succession Plan

Succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent to ensure replacements of key job incumbents in KMP and senior management positions in the organization.

The Company has policy to identify candidates with high potential and for critical positions. Successors are mapped for these positions to ensure talent readiness as per a laddered approach.

B. Policy on remuneration

The Company has a well-defined Compensation Policy for Remuneration of the Directors, Key Managerial Personnel and other Employees including persons of Senior Management. During the year under review, the Board of Directors on the recommendation of the Nomination and Remuneration Committee reviewed the said policy and have amended the policy, inter alia, to align it with the amendments in Listing Regulations and the Act.

The Policy is available on the Company's website at https://www.mahindracie.com/investors/investor-relations/governance.html

Salient features of the Policy is as under:

i. Remuneration to Non-Executive including Independent Directors

NRC decides the basis for determining the compensation, both Fixed and Variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise and submit its recommendations to the Board. The NRC, while making its recommendation, takes into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions of the Independent Directors as envisaged in Schedule IV of the Act and Listing Regulations, as amended from time to time and such other factors as the NRC may consider deem fit. On recommendation of the NRC, the Board determines the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

ii. Remuneration to Executive Directors:

The remuneration to Executive Director(s) is recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and is paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and Shareholders. While the fixed compensation of the Executive Directors is determined at the time of their appointment, the variable compensation is determined annually by the NRC based on their performance.

iii. Remuneration to Key Managerial Personnel's (Excluding Managing Director and Executive Directors) (KMP) and Senior Management Personnel (SMP)

Pursuant to the provisions of Section 203 of the Companies Act 2013, the Board approves the remuneration of KMP and SMP at the time of their appointment on recommendation of the Nomination and Remuneration Committee. Remuneration of KMP & SMP consists of both fixed and variable compensation and is paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board on recommendation of the Nomination and Remuneration Committee. The terms of remuneration of Chief Financial Officer (CFO) are also approved by the Audit Committee.

The remuneration to Directors, KMP & SMP and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

iv. Other Employees

Remuneration for the employees other than KMPs and SMPs are decided by the Human Resource Department of the respective divisions / plant as the case may be, in consultation with the concerned head of the Division, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

C. Remuneration / Compensation paid / payable to Directors

Table 9: Details of remuneration paid/payable to the Directors for the financial year ended 31st December, 2020

i. Executive Directors

(₹ In Million)

Name of the Director	Salary and Perquisites	Other Compensation/ Fees	Total	Contract Period
Mr. Ander Arenaza Alvarez	2.18	NA	2.18	13th September, 2019 to 12th September, 2022
Mr. Manoj Menon	12.94	NA	12.94	17th October, 2019 to 16th October, 2022
Mr. Anil Haridass	14.09	NA	14.09	10th December, 2019 to 9th December, 2022

ii. Non-Executive Directors

(₹ In Million)

Name of the Director	Sitting Fees*	Commission payable for the year ended 31st December, 2020, payment of which shall be made in CY 2021	Other Compensation/ Fees	Total
Independent Directors				
Mr. Dhananjay Mungale	0.85	1.54	NA	2.39
Mr. Manoj Maheshwari	0.83	1.56	NA	2.39
Mr. Suhail Nathani	0.32	1.56	NA	1.88
Mr. Kadambi Narahari	0.60	1.56	NA	2.16
Mrs. Roxana Meda Inoriza	0.75	1.56	NA	2.31
Mr. Alan Savio D'Silva Picardo	0.83	1.56	NA	2.39
Non-Executive and Non-Independent Directors				
Mr. Shriprakash Shukla	NA	NA	NA	NA
Mr. Jesus Maria Herrera Barandiaran	NA	NA	NA	NA
Mr. Zhooben Bhiwandiwala	NA	NA	NA	NA

*Net of GST paid on the sitting fees

Mr. Jesus Maria Herrera Barandiaran, Mr. Zhooben Bhiwandiwala and Mr. Shriprakash Shukla were not entitled to any remuneration or sitting fees.

Non-Executive Independent Directors were entitled to sitting fees of ₹ 100,000/- for attending every meeting of the Board, ₹ 50,000/- for attending every meeting of the Audit Committee and ₹ 20,000/- for attending other Committee meetings of the Board.

In accordance with the approval of shareholders, Non-Executive Independent Directors are entitled to remuneration by way of profit linked commission in aggregate not exceeding ₹ 15,000,000 subject to condition that the total remuneration including sitting fees payable to an Independent Director for any financial year does not exceed ₹ 2,500,000. The Board of Directors on recommendation of the Nomination and Remuneration Committee has approved the Commission payable to the Independent Directors in accordance with the criteria mentioned in the Remuneration Policy of the Company as disclosed herein above and the limits approved by the shareholders. The Commission as approved by the Board is disclosed in the table above, however, payment thereof shall be made during CY 2021.

During the year under review, the following Non-Executive Directors were paid a commission of ₹ 8.76 Million related to CY 2019 which was paid during the year under review:

Table 10: Commission for the year ended 31st December, 2019, paid during the year under review

Name of the Director	Rupees in Million
Mr. Daljit Mirchandani#	1.06
Mr. Dhananjay Mungale	1.42
Mr. Manoj Maheshwari	1.50
Mrs. Neelam Deo#	1.13
Mr. Juan Maria Bilbao Ugarriza#	1.13
Mr. Suhail Nathani	1.50
Mr. Kadambi Narahari^	0.38
Mrs. Roxana Meda Inoriza^	0.33
Mr. Alan Savio D'Silva Picardo^	0.31

Ceased as Director on completion of term w.e.f. 28th September, 2019.

^ Appointed as Independent Director w.e.f. 29th September, 2019.

The annual remuneration payable to a single non-executive director did not exceed fifty per cent of the total annual remuneration payable to all non-executive directors, during the year.

Pecuniary and other relationships of Directors

Apart from the sitting fees and the remuneration by way of commission paid/payable to Independent Directors, none of the Independent Directors had any pecuniary relationship with the Company.

Other disclosures

The remuneration payable to the Executive Director is fixed by the Board of Directors of the Company on the recommendation of the Nomination and Remuneration Committee of the Company and also approved by the Shareholders of the Company. None of the Executive Directors is promoter or member of promoter group.

The Company did not advance loans to any of its Directors.

Notice period applicable to the Executive Directors is three months. No severance fees or commission is paid to the Executive Directors. Performance Pay and Employee Stock Option is the only component of remuneration that are variable. All other components are fixed.

The performance pay payable to Executive Directors is a function of his own performance (50% weightage) and the business performance of the Company/Division which is headed by the Executive (50% weightage). The amount of performance pay assumed in the CTC is at 60% of the maximum entitlement of an employee at 100% performance level. Actual payout depends on Individuals performance and the years's business performance.

Directors and Officers insurance

The Company has obtained 'Directors and Officers insurance' for the officers including independent directors as determined by the Board of Directors of the Company.

D. Table 11: The Stock options granted to Directors, the period over which accrued and over which it is exercisable are as under:

Name of the Director	ESOP-2015	No. of Ordinary (Equity) shares held as on 31st December, 2020
	No. of Options granted on 22nd February, 2016$	
Mr. Manoj Menon	33,330	12,448

$ These Options vested in three equal instalments on 22nd February, 2017, 22nd February, 2018 and 22nd February, 2019 respectively. These Options can be exercised within four years from the date of vesting of the Options at an Exercise Price ₹ 150/-per share.

Shares held by the Non-Executive Directors

As on 31st December, 2020, Mr. Zhooben Bhiwandiwala held 21,500 equity shares of the Company. Apart from this, no other Non-Executive Director held any shares or convertible instruments of the Company as on 31st December, 2020. None of the Independent Directors of the Company is entitled to any Stock Options.

V. GENERAL BODY MEETINGS

a. Details of time, venue and special resolutions passed in the Annual General Meetings (AGMs) in last three Financial Years are given in Table 12 below:

Table 12:

Year	Date and Venue	Time	Special Resolution(s) passed
AGM 2018	19th April, 2018 Rama & Sundri Watumull Auditorium Kishinchand Chellaram College, 124, Dinshaw Wacha Road, Churchgate, Mumbai - 400020	10:30 a.m.	1. Modification in the sub-limits of remuneration payable to Directors of the Company. 2. Remuneration payable to Mr. Hemant Luthra (DIN: 00231420) as Non-Executive Chairman of the Company.
AGM 2019	6th May, 2019 Rama & Sundri Watumull Auditorium Kishinchand Chellaram College, 124, Dinshaw Wacha Road, Churchgate, Mumbai - 400020	3:30 p.m.	1. Approval of remuneration by way of commission to Independent Directors of the Company 2. Approval of Annual Remuneration of Mr. Hemant Luthra as Non-executive Chairman of the Company

Year	Date and Venue	Time	Special Resolution(s) passed
AGM 2020	25th June, 2020 held through Video Conference ("VC") / Other Audio Visual Means (OAVM) without the physical presence of the Members at a common venue, in compliance with General Circular No. 14/2020, 17/2020, 20/2020 issued by Ministry of Corporate Affairs and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020 issued by SEBI. The proceedings of the AGM were deemed to be conducted at the Registered Office of the Company which was the deemed Venue of the AGM.	3.00 p.m.	Nil

b. Postal Ballot

During the Financial Year ended 31st December, 2020 no resolution was passed through Postal Ballot.

c. Special Resolution proposed to be passed through Postal Ballot

None of the businesses/special resolution proposed to be transacted requires the passing of a Resolution by way of Postal Ballot.

VI. DISCLOSURES

a. Policy for determining 'material' Subsidiaries

The Company has formulated a Policy for Determining 'Material' Subsidiaries in accordance with Regulation 16 of the Listing Regulations which provides the framework for determination of material subsidiaries of the Company and for corporate governance requirements with respect to Subsidiary. This Policy is available on the website of the Company at http://www.mahindracie.com.

b. Policy on Materiality of and Dealing with Related Party Transactions

The Company has formulated a Policy on Materiality of and Dealing with Related Party Transactions which specify materiality thresholds, process of identification of related parties and the manner of dealing with Related Party Transactions. The policy was last reviewed by the Board of Directors in its meeting held on 6th May, 2019.

This Policy is available on the website of the Company at http://www.mahindracie.com.

c. Disclosure of Transactions with Related Parties

All related party transactions that were entered into during the Financial Year were on an arm's length basis and were in the ordinary course of business. During the Financial Year ended 31st December, 2020, there were no materially significant related party transactions or arrangements entered into (exceeding 10% of the annual consolidated turnover of the Company) by the Company with its Directors, Key Managerial Personnel or any other designated persons which may have a potential conflict with the interest of the Company at large. The Company has obtained approval of the shareholders by way of ordinary resolution passed at the 20th Annual General Meeting of the Company held on 6th May, 2019 for the transactions to be entered into with Mahindra and Mahindra Limited (M&M) (Holding Company of the Investing Company in respect of which the Company is an Associate), for Financial Year starting from 1st January, 2019 and every Financial Year thereafter, provided that aggregate amount of all such Transactions during any one Financial Year shall not exceed ₹ 18,000,000,000 (Rupee Eighteen Thousand Million). Details of transaction with M&M are disclosed in Form AOC-2, annexed to the Board's Report. Further, details of all the related party transactions are presented in Note no. 31 to the Standalone Financial Statement for the year ended 31st December, 2020.

All the related party Transactions were approved by the Audit Committee from time to time. The Audit Committee has also granted omnibus approval to related party transactions of repetitive nature which remains valid for the period of one year. A statement of all the Related Party Transaction entered into by the Company pursuant to the omnibus approval granted was placed before the meeting of Audit Committee for its review on quarterly basis.

The Company submitted to the Stock Exchanges disclosures of related party transactions on a consolidated basis, in accordance with Regulation 23(9) of the Listing Regulations.

d. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contract, temporary, trainees) are covered under this Policy. The Policy is gender neutral. Status of complaints during the year under review is as follows:

a. number of complaints filed during the Financial Year 2020: Nil

b. number of complaints disposed of during the Financial Year 2020: Nil

c. number of complaints pending as on end of the Financial Year 2020: Nil

e. Whistle Blower policy

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed thereunder and the Listing Regulations is implemented through the Whistle Blower Policy which also provides for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

The Whistle Blower mechanism provides a secured framework through which Directors, Employees and their representative bodies and all stakeholders of the Company can voice their concerns about illegal or unethical behavior, actual or suspected fraud or violation of the Company's Codes or Policies. Through this mechanism all stakeholders of the Company can approach the Chief Ethics Officer of the Company or the Chairperson of the Audit Committee or utilize 'Ethical Channels' enabled for all group companies of CIE Automotive, S.A. to voice their concerns as mentioned above. The Whistle Blower Policy has been appropriately communicated within the Company and has also been hosted on the website of the Company.

No Personnel has been denied access to the Audit Committee. All Directors, Employees and their representative bodies and all stakeholders of the Company can make the Protected Disclosure to the Chairman of the Audit Committee.

The Chairperson of the Audit Committee can be reached by sending an email to chairpersonofauditcommittee@cie-india.com or by sending a letter to the below address:

Chairperson of the Audit Committee
Mahindra CIE Automotive Limited
Mr. Dhananjay Mungale
1st Floor, Mahindra Towers, Dr. G. M. Bhosale Marg, Worli, Mumbai – 400018
(upto 31st March 2021)

Suite F9D, Grand Hyatt Plaza (Lobby Level), Off Western Express Highway, Santacruz (E) Mumbai - 400 055
(w.e.f. 1st April 2021)

The Whistle blower Policy of the Company is available on the website at: http://www.mahindracie.com/investors/investor-relations/governance.html#whistle-blower.

f. Disclosure of Accounting Treatment in preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

g. Code and Policies under Insider-Trading Regulations

The Company has formulated and adopted the 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' (Fair Disclosure Code) and 'Code of conduct to regulate, monitor and report trading in the securities of the company by designated persons and their immediate relatives' ("PIT Code"), in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations).

The PIT Code has been formulated to regulate, monitor and ensure reporting of trading by the Designated Persons and is designed to maintain the highest ethical standards of trading in Securities of the Company by such Designated Persons. The PIT Code lays down Guidelines, which advise them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautions them of the consequences of violations.

The Fair Disclosure Code has been formulated to ensure prompt, timely and adequate disclosure of UPSI and to maintain uniformity, transparency and fairness in dealing with all the stakeholders. Further, Policy for determination of "Legitimate Purpose" forms part of the Fair Disclosure Code which provides framework for determination of Legitimate Purpose including the process to be followed.

h. Policy for inquiry in case of leak of Unpublished Price Sensitive Information

Pursuant to the amendments made to the Regulations, the Company has formulated the 'Policy for inquiry in case of leak of Unpublished Price Sensitive Information'. The policy is formulated to maintain ethical standards in dealing with sensitive information of the Company by persons who have access to UPSI. The rationale of the policy is to strengthen the internal control systems to ensure that the UPSI is not communicated to any person except in accordance with the Insider Trading Regulations. The Policy also provides an investigation procedure in case of leak of UPSI. This policy was made effective from 1st April, 2019.

i. Details of non-compliance etc.

During the last three years there were no instances of non-compliance and no penalty or strictures were imposed on the Company by Stock Exchanges or SEBI or any other statutory authority, on any matter related to capital markets.

j. Compliance

i. Mandatory requirements

The Company is fully compliant with the applicable mandatory requirements of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as were applicable during the year under review.

The Company has also complied with the requirements of Corporate Governance Report of Paras (2) to (10) mentioned in Part 'C' of Schedule V of the Listing Regulations and disclosed necessary information as specified in Regulation 17 to 27 and Regulation 46(2) (b) to (i) in the respective places in this Report.

ii. **Adoption of non-mandatory requirements**

Adoption of non-mandatory requirements of the Listing Regulations is being reviewed by the Board from time-to-time.

The Company has been a strong believer in good Corporate Governance and has been adopting the best practices that have evolved over the last two decades.

During the year under review, there is no audit qualification in the Company's standalone financial statements. The Company continues to adopt best practices to ensure a regime of financial statements with unmodified audit opinion.

k. **Ethics/Governance Policies**

The Company adheres to ethical standards to ensure integrity, transparency, independence and accountability in dealing with all stakeholders. Therefore, the Company has adopted various codes and policies to carry out our duties in an ethical manner. Apart from the policies/codes specified in the report elsewhere the Company has also adopted following:

i) Archival policy

ii) Policy on criteria for determining materiality of events

iii) Corporate Social Responsibility Policy

The disclosure in respect of above is available on the website of the Company at: http://www.mahindracie.com/investors/investor-relations/governance.html

l. **Subsidiary Companies**

Aurangabad Electricals Limited, Gesenkschmiede Schneider GmbH, Schonoeweiss & Co GmbH, and UAB CIE Galfor SA were the material subsidiaries of the Company in accordance with the policy.

The Subsidiaries of the Company function independently, with an adequately empowered supervisory Board. However, for more effective governance, the Minutes of Board Meeting of Subsidiaries are placed before the Board of Directors of the Company at regular intervals.

During the year the Company has not disposed off shares in any of its Material Subsidiaries which would reduce its Shareholding (either on its own or together with other Subsidiaries) to less than 50% or ceased to exercise of control over any of its Subsidiary.

Further, Regulation 24(1) of the Listing Regulations stipulates that at least one Independent Director on the Board of Directors of the listed entity shall be a Director on the Board of Directors of an unlisted material subsidiary, whether incorporated in India or not. For the purpose of this provision, "material subsidiary" means a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. UAB CIE Galfor SA was the Material Subsidiary of the Company. The Company has appointed Mrs. Roxana Meda, the Independent Director of the Company, as Director of UAB CIE Galfor S.A.

All the provisions of Regulation 24 and 24A of the Listing Regulations with regard to Corporate Governance requirements for Subsidiary Companies have been complied with by the Company.

VII. MEANS OF COMMUNICATION

The Company, from time to time and as may be required, communicates with its shareholders and investors through multiple channels of communications such as dissemination of information on the website of the Stock Exchanges, Press Releases, the Annual Reports and uploading relevant information on its website i.e., www.mahindracie.com.

The quarterly, half yearly and yearly results are published in the Business Standard (English) and Sakal (Marathi) which is a national and local daily respectively. These are not sent individually to the Shareholders.

The unaudited quarterly financial results are announced within forty five days of the close of each quarter, other than the last quarter. The audited annual financial results are announced within sixty days from the end of the Financial Year as required under the Listing Regulations. The aforesaid financial results are announced to the Stock Exchanges within the statutory time period from the conclusion of the Board Meeting(s) at which these are considered and approved.

The Company discloses to the Stock Exchanges, all information required to be disclosed under Regulation 30 read with Part 'A' and Part 'B' of Schedule III of the Listing Regulations including material information having a bearing on the performance/ operations of the Company and other price sensitive information. All information is filed electronically on BSE's online portal – BSE Corporate Compliance & Listing Centre (Listing Centre) and on NSE Electronic Application Processing System (NEAPS), the online portal of National Stock Exchange of India Limited.

The Company engages with International and Domestic investors through structured conference-calls and periodic investor/analyst interactions like individual Meetings, participation in investor conferences, quarterly earnings calls and analyst meet from time to time. An advance intimation is given to the Stock Exchanges about upcoming investor interactions.

The Company issues an Investor presentation in respect of quarterly and year-to-date results of the Company along-with the Results. The same is submitted to the Stock Exchanges and Uploaded on the Website of the Company.

The transcript in respect of quarterly earnings calls is submitted to Stock Exchanges and uploaded on the website of the Company. The other investors interactions also revolve around clarifications & questions with respect to the Investors Presentation and outcome of these meetings confirming the same is submitted to Stock Exchanges and uploaded on website of the Company.

VIII. Management Discussion and Analysis

Management Discussion and Analysis forms part of the Directors Report and forms part of the Annual Report.

IX. Confirmation of compliance with Corporate Governance requirements

The Company is in compliance with Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-Regulation (2) of Regulation 46 of the Listing Regulations.

X. SHAREHOLDER INFORMATION

a) 22nd Annual General Meeting

Date : 29th April, 2021

Time : 3:30 p.m.

Venue : The AGM shall be held through Video Conference (VC) / Other Audio Visual Means (OAVM) in compliance with General Circular No. 02/2021 issued by Ministry of Corporate Affairs read with General Circular No. 14/2020, 17/2020, 20/2020 and other applicable provisions of the Companies Act, 2013 and circulars issued by the Securities and Exchange Board of India. (SEBI) without the physical presence of the Members at a common venue. The proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company which shall be the deemed Venue of the AGM.

b) Financial Year

The Financial Year of the Company has ended on 31st December, 2020 covering a period of twelve months starting from 1st January 2020 to 31st December, 2020.

For the Financial Year ending 31st December 2021, results will be tentatively announced by:

- First quarter: End of April, 2021
- Second Quarter and Half yearly: End of July, 2021
- Third quarter: End of October, 2021
- Fourth Quarter and Annual: End of February, 2022

c) Book Closure

The Transfer books of the Company will be closed from 23rd April, 2021 to 29th April, 2021 inclusive of both days.

d) Dividend Payment

The Board of Directors of the Company has not recommended dividend for the Financial Year ended 31st December, 2020.

e) Listing of Ordinary (Equity) shares, Debentures on Stock Exchanges and Stock Code

At present, the equity shares of the Company are Listed on

1. Name of Stock Exchange: **BSE Limited (BSE)**

   Address- Phiroze Jeejeebhoy Towers

   Dalal Street, Kala Ghoda, Mumbai - 400001

2. Name of Stock Exchange: **National Stock Exchange of India Limited (NSE)**

   Address- Exchange Plaza, Plot No. C/1, G Block

   Bandra Kurla Complex, Bandra (East)

   Mumbai - 400051

   The Company has duly executed the Uniform Listing Agreement with the Stock Exchange(s) i.e. BSE & NSE as specified under Listing Regulations.

   The requisite listing fees have been paid in full to BSE and NSE.

   The securities of the Company have never been suspended from trading on any of the Stock Exchanges.

3. Corporate Identification Number: **L27100MH1999PLC121285**

f) Registered Office Address:

1st Floor, Mahindra Towers, Dr. G. M. Bhosale Marg, Worli, Mumbai – 400018
(upto 31st March 2021)

Suite F9D, Grand Hyatt Plaza (Lobby Level), Off Western Express Highway, Santacruz (E) Mumbai - 400 055 **(w.e.f. 1st April 2021)**

g) Stock codes

Particulars	Stock Code
BSE Limited	532756
National Stock Exchange of India Limited	MAHINDCIE
Demat International Security Identification Number (ISIN) in NSDL & CDSL for equity shares	INE536H01010

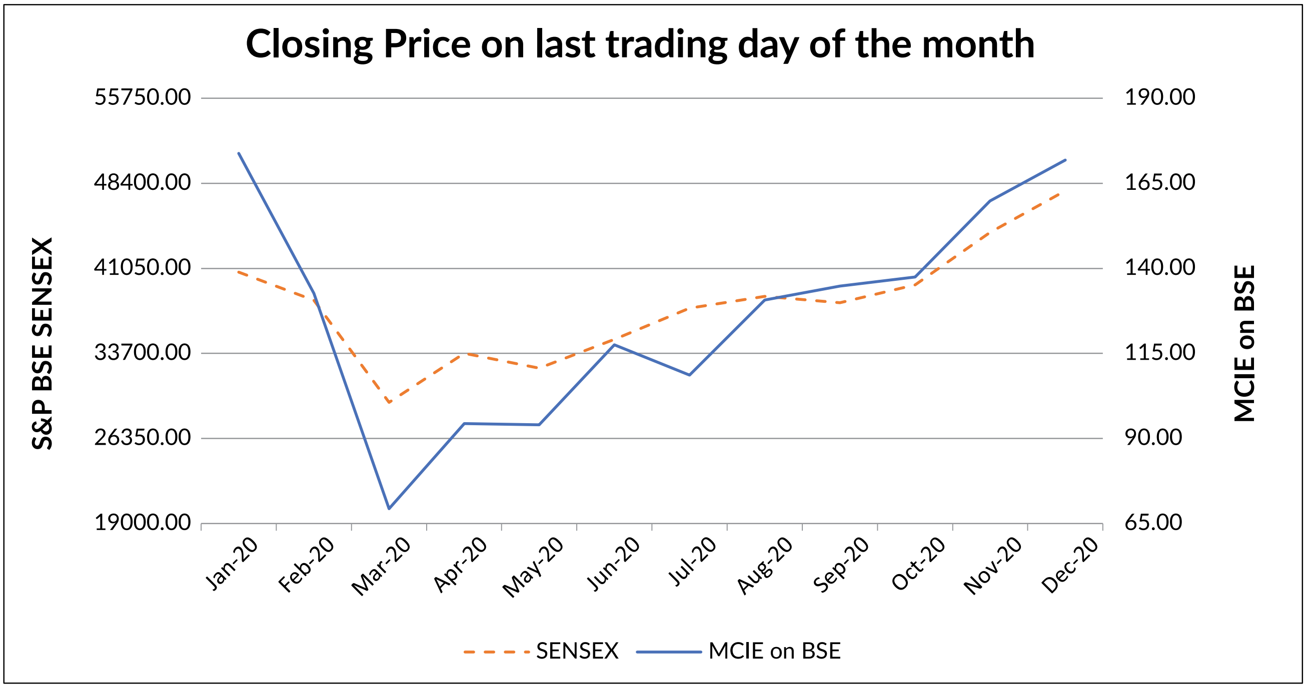
h) Stock Price Data

Table 13: Monthly high and low price of Company's shares for the period January 2020 – December, 2020 on BSE Limited and National Stock Exchange of India Limited

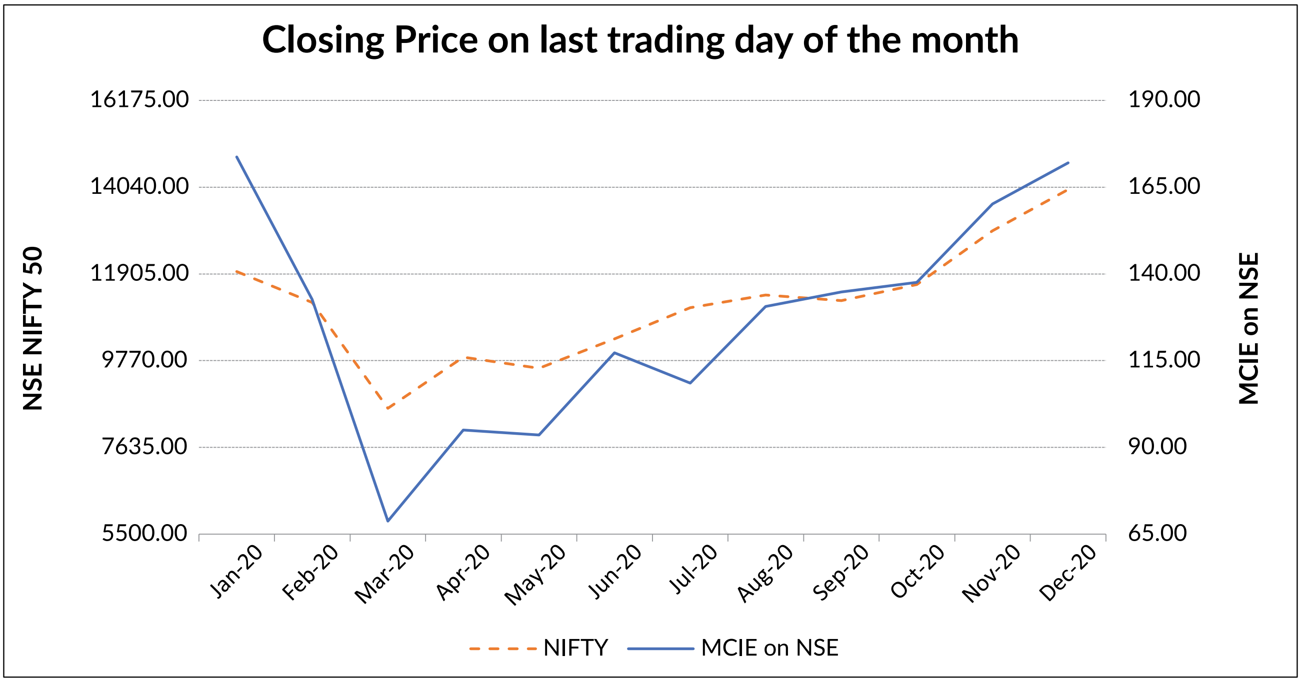
	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January, 2020	179.10	163.30	179.45	163.10
February, 2020	178.80	129.00	179.00	130.00
March, 2020	139.60	59.05	138.35	58.60
April, 2020	94.35	70.25	95.00	66.00
May, 2020	114.65	81.00	115.35	80.60
June, 2020	125.00	93.25	125.00	92.75
July, 2020	123.25	101.00	121.80	101.00
August, 2020	153.00	101.00	153.25	105.00
September, 2020	146.90	115.55	147.40	115.35
October, 2020	142.80	127.90	142.50	126.20
November, 2020	162.90	135.00	162.95	127.40
December, 2020	174.80	151.20	174.85	150.20

i) STOCK PERFORMANCE

The performance of the Company's share price relative to the BSE SENSEX is given in the chart below as per closing price on the last trading day of the month:



The Performance of the Company's share price relative to the NSE NIFTY 50 is given in the chart below as per closing price on the last trading day of the month:



j) **Registrar and Transfer Agents:**

KFin Technologies Private Limited
Unit: Mahindra CIE Automotive Limited
"Selenium" Tower B, Plot No. 31 & 32,
Financial District, Gachibowli,
Hyderabad - 500 032.
Tel. No. + 91 - 40 – 6716 2222
Fax No. + 91 – 40 - 2300 1153
E-mail: einward.ris@kfintech.com

k) **Share Transfer System**

In terms of Regulation 40 (1) of Listing Regulations, transfer of securities held in physical mode has been discontinued w.e.f. 1st April, 2019. Accordingly, the transfer of securities would be carried out only in dematerialized form.

However, SEBI vide Press Release No. 12/2019 dated 27th March, 2019, clarified that transfer deeds lodged prior to deadline of 1st April, 2019 and rejected / returned due to deficiency in the documents may be re-lodged with requisite documents.

Further, SEBI vide Circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated 7th September, 2020 have fixed March 31, 2021 as the cut-off date for re-lodgement of transfer deeds. Further, the shares that are re-lodged for transfer (including those request that are pending with the listed company / RTA, as on date) shall henceforth be issued only in demat mode.

The shareholders are requested to refer SEBI Circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated 2nd December, 2020 for process of Transfer and Dematerialization of re-lodged physical shares.

l) Distribution of Shareholding

Table 14: Distribution of Shareholding as on 31st December, 2020

Number of shares held	Number of Shareholders	% of Shareholders	Total shares	% of share holding
1 to 5000	50,502	88.78	48,63,315	1.28
5001 to 10000	3,171	5.57	24,06,197	0.63
10001 to 20000	1,587	2.79	23,23,712	0.61
20001 to 30000	553	0.97	14,20,125	0.37
30001 to 40000	205	0.36	7,22,735	0.20
40001 to 50000	167	0.29	7,70,146	0.21
50001 to 100000	338	0.59	24,17,769	0.64
100001 & above	370	0.65	36,40,86,683	96.06
Total	**56,893**	**100.00**	**37,90,10,682**	**100.00**

m) Dematerialisation of shares

As on 31st December, 2020, 99.51% of the paid up Equity Capital was held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading in the equity shares of the Company is permitted only in dematerialised form. Public shareholding as on 31st December, 2020 is 28.39%.

n) Credit Rating

ICRA Limited ("ICRA"), Credit Rating Agency, had reaffirmed / assigned rating(s) to the following instrument(s) of the Company as per the details given below:

Type of Credit Facility	Amount	Status	Rating /Outlook
Commercial Paper	₹ 200 Crores	Reaffirmed	[ICRA] AI+ (pronounced as ICRA A one plus)
Line of credit	₹ 295 Crores (existing limit)	Reaffirmed	**Long term rating** [ICRA] AA- (pronounced as ICRA double A minus) **Short term rating** [ICRA] AI+ (pronounced as ICRA A one plus)
Line of credit	₹ 295 Crores (additional limit)	Assigned	**Long term rating** [ICRA] AA- (pronounced as ICRA double A minus) **Short term rating** [ICRA] AI+ (pronounced as ICRA A one plus)

o) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments on Conversion date and which has likely impact on equity.

The Company has no outstanding GDR / ADR / Warrants or any Convertible Instruments.

p) Commodity price risk or Foreign exchange risk and hedging activities

i. Risk management policy of the listed entity with respect to commodities including through hedging

The Company is a net forex earner and cover is taken based on budgeted rates and management judgement. The Company does not have any significant exposure to commodity price risk.

ii. Exposure of the Company to commodity and commodity risks faced by the entity throughout the year:

a. Total exposure of the listed entity to commodities in INR: Nil.

b. Exposure of the listed entity to various commodities:

Commodity Name	Exposure in INR towards the particular commodity	Exposure in Quantity terms towards the particular commodity	% of such exposure hedged through commodity derivatives				Total
			Domestic market		International market		
			OTC	Exchange	OTC	Exchange	
NA	NA	NA	NA	NA	NA	NA	NA

q) **Plant Locations**

Stamping Division:

1. Kanhe I - Survey No. 371, Takwe Road, At & Post Kanhe, Taluka- Maval, Dist- Pune- 412 106.
2. Kanhe II - Survey No. 445 & 446, Takwe Road, At & Post Kanhe, Taluka- Maval, Dist- Pune- 412 106
3. D-2 MIDC, Ambad, Near xlo point, Nashik- 422 010.
4. Maharajpur Road, Village Lalpur, Tehsil- Kichha, Rudrapur, Dist- Udham Singh Nagar- 263 148, Uttarakhand
5. Plot No-2, Sector -11, TATA Vendor Park, II - E SIDCUL, Pantnagar, Dist. Udham Singh Nagar, - 263153.
6. Survey No.77, Plot No 34, Mahindra Vendor Park, TSIIC Industrial Area, Buchinelly, Zaheerabad, Dist-Sangareddy – Telangana – 502228
7. Plot No. L4, MIDC, Hingna Road, Nagpur - 440016

Composites Division:

Gat. 467 & 470, Takwe Road, Kanhe, Tal. Maval, Dist. Pune - 412 106

Foundry Division:

Gat No. 318, Gaon Urse, Tal. Maval, Pune- 410506.

Magnetic Products Division:

'G' Block, Bhosari Industrial Estate, Bhosari, Pune – 411026

Forgings Division:

Gat No. 856 to 860, Chakan Ambethan Road, Tal. Khed, Dist Pune- 410501

Bill Forge Division

1. Plant 1, Plot No. 9C, Bommasandra Industrial Area, Bommasandra , Bangalore - 560099, Karnataka
2. Plant 2, Plot No. 98 L & M, KIADB Industrial Area, Phase 2, Jigani, Bangalore – 560105, Karnataka
3. Plant 3, Plot No. 7C, KIADB Industrial Area, Attibele, Bangalore - 562107, Karnataka
4. Plant 4, No. 1/178, Pollachi Main Road, Ganesh Nagar, Malumachampatti (PO), Coimbatore – 641050, Tamilnadu
5. Plant 5, Plot No. 29, Industrial Park IV, Begampur Village, Tehsil & District - Haridwar - 249402, Uttarakhand
6. Plant 6, Plot No. 86 M & N, KIADB Industrial Area, Phase 1, Jigani, Bangalore - 560105, Karnataka
7. Plant 2B, Plot No. 98 N & O, KIADB Industrial Area, Phase 2, Jigani, Bangalore – 560105, Karnataka
8. Plant 2C, Plot No. 98 O & P, KIADB Industrial Area, Phase 2, Jigani, Bangalore – 560105, Karnataka
9. Plant 1B, Plot No. 261, Bommasandra Industrial Area, Bommasandra, Bangalore – 560099 Karnataka
10. Plant 6B, Plot No. 86 G & H, KIADB Industrial Area, Phase 1, Jigani, Bangalore – 560105, Karnataka
11. Plant 7, Plot No. 60, SIPCOT Industrial Area, Phase 1, Hosur 635126, Krishnagiri District, Tamilnadu (Commissioning under process)

Gears Division:

1. Plot No. C-23/2, Phase -II, Chakan Industrial Area, Village- Varale, Tal. Khed, Dist- Pune- 410501.
2. Survey No. 278/P, Shapar Village Road, Village: Shapar, Taluka: Kotda - Sangani, Dist. Rajkot - 360024
3. Survey No-298/P, Village: Shapar, Taluka: Kotda - Sangani, Dist. Rajkot- 360024

r) **Address for correspondence:**

Shareholders may correspond with the Registrar and Transfer Agents at:

KFin Technologies Private Limited

Unit: Mahindra CIE Automotive Limited

"Selenium" Tower B, Plot No. 31 & 32,

Financial District, Gachibowli,

Hyderabad - 500 032.

Tel. No. + 91 - 40 – 6716 2222

Fax No. + 91 – 40 - 2300 1153

E-mail: einward.ris@kfintech.com

On all matters relating to transfer/dematerialisation of shares and any other query relating to shares of the Company.

The Company has also designated mcie.investors@cie-india.com as an exclusive email ID for Shareholders for the purpose of registering complaints and the same has been hosted on the Company's website. The Company is registered in SEBI Complaints Redressal System (SCORES). The investors can send their complaints through SCORES also. For this the investors has to visit https://www.scores.gov.in.

Security holders would have to correspond with the respective Depository Participants for shares held in demateralised form for transfer/transmission of shares, change of Address, change in Bank details, etc.

For all investor related matters, Mr. Pankaj Goyal, Company Secretary and Compliance Officer can be contacted at: Office No. 602 & 603, Amar Business Park, Opp. Sadanand Resort, Above "Westside" showroom Baner Road, Pune 411045. Tel No. +91 – 020 – 29804621 / 22. E-mail: goyal.pankaj@cie-india.com.

You may visit the Company's website at: http://www.mahindracie.com for more information about the Company.

s) Disclosures with respect to Demat Suspense Account/ Unclaimed Suspense Account:

The Company had, from time to time, issued and allotted equity shares of the Company pursuant to following Scheme of Arrangements:

1. On 22nd May, 2006 the Company allotted shares pursuant to Scheme of arrangement under Sections 391 and 394 of the Companies Act, 1956 between the Company and Amforge Industries Limited and their respective shareholders and creditors. The Appointed Date of the Scheme was 1st April, 2005 and the Scheme became effective from March 28, 2006 (Scheme of Demerger).

2. On 2nd January, 2015 the Company issued and allotted shares pursuant to:

    a. Scheme of amalgamation under Sections 391 to 394 of the Companies Act, 1956 between Mahindra Hinoday Industries Limited, Mahindra Ugine Steel Company Limited, Mahindra Gears International Limited, Mahindra Investments (India) Private Limited, Participaciones Internacionales Autometal TRES, S.L. and the Company. (Integrated Scheme).

    b. Scheme of amalgamation under Sections 391 to 394 of the Companies Act, 1956 between Mahindra Composites Limited and our Company. Appointed date of the Integrated and Composites Scheme was 1st October, 2013 and both Schemes were effective from 10th December, 2014.

The share certificates in respect of aforesaid issue and allotment of shares were dispatched to eligible shareholders at the addresses registered with the respective Transferor Companies. While most of the shareholders received the share certificates, a few of the share certificates were returned to the Company as "returned undelivered" and are lying with the Registrar and Share Transfer Agent (RTA) of the Company. These share certificates were 'undelivered' due to various reasons including 'incomplete address', 'persons left the address' etc. and postal authorities returned these to the RTA.

Further, pursuant to Regulation 39(4) read with Schedule VI of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has send three letters to shareholders for claiming their unclaimed shares on 3rd May, 2017, 15th July, 2017 and 2nd May, 2018.

Pursuant to SEBI circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated 20th April, 2018 the Company had sent three letters to such members on 30th May, 2018, 2nd July, 2018 and 10th September, 2018 where folios did not have or had incomplete details of PAN and/or Bank Account to compulsorily furnish these details to the Registrar and Share Transfer Agent (RTA) / the Company for updating the details in the folio. These cases also included shares which were unclaimed.

Further, pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 and SEBI (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations 2018 (RTA Regulations) which amended Regulation 40 of the Listing Regulations and Clause 5(c) of Schedule III of the RTA Regulations, respectively which mandated that the transfer of securities would be carried out in dematerialized form only, effective from 5th December, 2018 (the date was subsequently extended till 31st March, 2019). The Company in this regard had sent three letters for such cases on 31st August, 2018, 1st October, 2018 and 1st November, 2018 whose requisite details were not updated and these also included cases of unclaimed shares.

The Company and the RTA of the Company were in continuous receipt of responses from shareholders against the letters being sent to them, which also included the cases where shares were unclaimed.

Hence the Company, in the notice of 20th and 21st Annual General Meeting of the Company had also appealed the shareholder to claim the share certificates so returned undelivered to the Company.

During the year under review, the Company has transferred all the returned undelivered share certificates which remained unclaimed as on 31st December, 2019 into a separate folio 'Mahindra CIE Automotive Limited – Unclaimed Suspense Account' on 25th February, 2020 and have dematerialise the shares held in the Unclaimed Suspense Account with National Securities Depositories Limited. The Company shall deal with these unclaimed shares in accordance with Schedule VI of the Listing Regulations.

The details of shares in the unclaimed suspense account, is as under:

Sr. No.	Particulars	Details
i.	aggregate number of shareholders and the outstanding shares in the suspense account lying as on 1st January, 2020	Nil
ii.	number of shareholders who approached listed entity for transfer of shares from suspense account during 1st January, 2020 to 31st December, 2020	Nil
iii.	number of shareholders to whom shares were transferred from suspense account during 1st January, 2020 to 31st December, 2020	Nil
iv.	aggregate number of shareholders and the outstanding shares in the suspense account lying as on 31st December, 2020;	4,336 shareholders representing 5,15,196 outstanding shares.
v.	that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares	

t) Certificate from Company Secretary in Practice

A certificate from Company Secretary in Practice certifying that none of the Directors on the Board of the Company as on 31st December, 2020 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the SEBI/ Ministry of Corporate Affairs or any such Statutory Authority, is annexed at the end of this Report.

u) Total fees for all services paid to the Statutory Auditors by the Company and its Subsidiaries

Total fees paid by the Company and its Subsidiaries on a consolidated basis, to the Statutory Auditor viz. Price Waterhouse Chartered Accountants LLP, Chartered Accountants, Firm Registration No. 012754N/N500016 and all entities in the network firm/network entity of which the Statutory Auditors is a part for financial year ended 31st December, 2020 was as following:

Amount in Rupees Million

Sr. No.	Particulars	By the Company to the Auditors	By the subsidiaries to the network firm/network entity of which the statutory auditor is a part
1.	Fees paid for the Statutory Audit	11.76	29.28
2.	Fees paid for other services allowed under the Law	0.33	3.87
3.	Total fees paid during CY2020	12.08	33.15

Mumbai, 19th February, 2021

DISCLOSURE REGARDING CORPORATE GOVERNANCE

DECLARATION BY THE EXECUTIVE DIRECTOR UNDER REGULATION 34 (3) READ WITH PARA (D) OF SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To,

The Members of Mahindra CIE Automotive Limited

I, Ander Arenaza Alvarez, Executive Director of Mahindra CIE Automotive Limited declare that, all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Codes of Conduct for the period from 1st January, 2020 to 31st December, 2020.

Ander Arenaza Alvarez
Executive Director
DIN: 07591785

Mumbai, 19th February, 2021

CERTIFICATE

To

The Members of Mahindra CIE Automotive Limited

I have examined the compliance of conditions of corporate governance by Mahindra CIE Automotive Limited ("the Company") for the year ended on 31st December 2020 as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C and D of schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. ("Listing Regulations")

The compliance of the conditions of Corporate Governance is the responsibility of the management. My responsibility was limited to examining the procedure and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance.

Based on my examination of the relevant records and according to the information and explanations provided to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and para C and D of schedule V of the Listing Regulations, during the year ended on 31st December 2020.

I 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.

Sachin Bhagwat
ACS: 10189
CP: 6029
UDIN: A010189B002717245

Place: Pune
Date: 10th February, 2021

CERTIFICATE

[Pursuant to Regulation 34(3) and sub-clause (i) of clause (10) of Paragraph C of Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members of
Mahindra CIE Automotive Limited
Mahindra Towers, P.K. Kurne Chowk,
Worli
Mumbai – 400 018

I have examined the relevant registers, returns and records maintained by Mahindra CIE Automotive Limited ("the Company") having CIN L27100MH1999PLC121285 and registered office at Mahindra Towers, P.K. Kurne Chowk, Worli, Mumbai – 400018, forms and disclosures received from the Directors of the Company, produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with sub-clause (i) of clause (10) of Paragraph C of Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my 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 me by the Company and its Officers, I certify that none of the Directors on the Board of the Company for the Financial year ended on December 31, 2020 has 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 statutory Authority.

Ensuring eligibility for appointment / continuity of every director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my 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.

Sachin Bhagwat
Membership No.: A 10189
C. P. No.: 6029
UDIN: A010189B002716475

Place: Pune
Date: 10th February, 2021

BUSINESS RESPONSIBILITY REPORT

BUSINESS RESPONSIBILITY REPORT – FY 2020

Pursuant to Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1.	Corporate Identity Number (CIN) of the Company	:	L27100MH1999PLC121285
2.	Name of the Company	:	Mahindra CIE Automotive Limited
3.	Registered address	:	Mahindra Towers, P.K. Kurne Chowk, Worli, Mumbai – 400018
4.	Website	:	www.mahindracie.com
5.	E-mail id	:	mcie.investors@cie-india.com
6.	Financial Year reported	:	1st January, 2020 to 31st December, 2020

7. Sector(s) that the Company is engaged in (industrial activity code-wise)

The Company is an auto components supplier with presence in many technologies viz. forgings, castings, stampings, magnetic products and composites. The NIC code in respect of each of these is as follows:

Sr. No.	Activity	NICCode
1	Forgings	25910, 25920, 29301 & 30913
2	Casting/Foundry	24319
3	Stampings	25910
4	Magnetic	2393 & 23939
5	Composites	22207

8. List three key products/services that the Company manufactures/provides (as in balance sheet)

a) Forgings

b) Castings

c) Stampings

9. Total number of locations where business activity is undertaken by the Company -

(a)	Number of International Locations (Provide details of major 5)	:	Nil However, the subsidiaries of the Company have overseas manufacturing facilities in Germany, Spain, Lithuania, Italy and the United Kingdom in Europe
(b)	Number of National Locations	:	24 (Twenty Four) The Company has its registered office located at Mumbai and factories at Pune, Nashik, Rudrapur, Pantnagar, Nagpur, Zaheerabad, Bangalore, Coimbatore and Haridwar.

10. Markets served by the Company - Local/State/National/International : All

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid up Capital (INR)	:	₹ 3,790.10 Million
2.	Total Turnover (INR)	:	₹ 21,645 Million
3.	Total profit after taxes (INR)	:	₹ 740 Million
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	:	₹ 71.12 Million 9.61%
5.	List of activities in which expenditure in 4 above has been incurred:-	:	a) Education and Skill Development b) Promotion of Health Care and sanitation Rural Development Projects c) Environment d) Community Development e) Support under Covid 19

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?

Yes, the Company has 2 subsidiaries in India and 12 direct and indirect overseas subsidiaries as on 31st December, 2020.

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

In October 2015 CIE Automotive S.A. (CIE) joined the United Nations Global Compact to develop, implement and disseminate policies and practices of business sustainability. The United Nations Global Compact is an international initiative promoting implementation of 10 universally accepted principles to encourage business social responsibility in the areas of human rights, labour regulations, the environment and the struggle against corruption in companies' negotiations and business strategy. Subsidiaries of CIE, which include Mahindra CIE Automotive Limited and its subsidiaries, participate in the sustainability initiatives undertaken by CIE.

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%]

The Company has framed a code of conduct 'Suppliers Social Responsibility Commitment' which lay down the principles, each supplier is required to adhere. These principles have been communicated to all the suppliers of the Company and annual affirmations of compliance with the code is obtained from the suppliers.

Awareness about the need and the ways to drive sustainable business practices among all stakeholders is key to perpetual growth. The Company continues its initiatives to generate this awareness among employees who are the most important internal stakeholders of the organization. The Company has plans to reach to its external stakeholders i.e. suppliers, contractors and vendors to involve them in various BR initiatives of the Company.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

Details of the Director/Director responsible for implementation of the BR policy/policies

DIN Number	07642469
Name	Mr. Manoj Mullassery Menon
Designation	Executive Director and CEO of Foundry, MPD, Gears, Stamping and Composites Divisions

Details of the BR head

DIN Number (if applicable)	07642469
Name	Mr. Manoj Mullassery Menon
Designation	Executive Director and CEO of Foundry, MPD, Gears, Stamping and Composites Divisions
Telephone number	020-29804621
e-mail id	menon.manoj@cie-india.com

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

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

		P1	P2	P3	P4	P5	P6	P7	P8	P9
Sr. No	**Questions**	**Ethics and Transparency**	**Product Responsibility**	**Wellbeing of employees**	**Responsiveness to Stakeholders**	**Respect Human Rights**	**Environmental Responsibility**	**PublicPolicy Advocacy**	**Support inclusive growth**	**Engagement With Customers**
1	Do you have a policy/ policies for....	Y	Y	Y	Y	Y	Y	N Note 1	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	NA	Y Note 2	Y Note 2
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y Note 3	Y Note 3	Y Note 3	Y Note 3	Y Note 3	Y Note 3	NA!	Y Note 3	Y Note 3
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y Note 4	N Note 4	Y Note 4	Y Note 4	Y Note 4	N Note 4	NA	N Note 4	Y Note 4
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	NA	Y	Y
6	Indicate the link for the policy to be viewed online?	Y	N Note 5	Y	Y	Y	N Note 5	NA	N Note 5	N Note 5
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
8	Does the company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	NA	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	NA	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	NA	Y	Y

! *This question is not applicable for influencing public and regulatory policy.*

@ *The Company has the established internal governance structure to ensure implementation of various policies. The Company reviews the implementation of polices through our internal audit, risk management process, in-line with established Policies.*

The Quality, Safety and Health and Environmental Policies are subject to internal and external audits as part of certification process and ongoing periodic assessments. Other policies are periodically evaluated for their efficacy through Internal Audit mechanism.

Note 1 –The Company is member of trade and industry chambers like The Automotive Component Manufacturers Association of India (ACMA), The Confederation of Indian Industry (CII), Mahratta Chamber of Commerce and Industries (MCCI), Association of Indian Forging Industry (AIFI). The Company is process of reviewing the need and formulation of policy on principle 7.

Note 2- While there is no formal consultation with all stakeholders, the relevant policies have evolved over a period of time by taking inputs from the concerned internal stakeholders.

Note 3- The policies are in line with international standards and practices such as ISO 9001, IATF Guidelines, ISO 14001, ISO 27001, OHSAS 18000/ISO45001 and meet National regulatory requirements such as the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Note 4- The Board of directors of the Company have approved the policies required to be framed under Companies Act, 2013 and SEBI Regulations including Internal Code of Professional Conduct, Whistle Blower Policy, CSR Policy, Code for fair disclosures, Policy on Related Party Transactions and Business Responsibility Policy and these policies are signed by respective officers authorized by the Board for its implementation. Other operational internal policies are approved by management and signed by the respective business head. Further, the Company has also adopted a few global policies framed by CIE Automotive S.A. the ultimate holding company.

Note 5 – It has been Company's practice to upload all policies on internal server or display at prominent places in respective locations or shared with relevant stakeholders for the information and implementation by the internal stakeholders.The Internal Code of Professional Conduct, Whistle Blower Policy, CSR Policy, Code for fair disclosures, Policy on Related Party Transactions are available on the website the http://www.mahindracie.com/investors/investor-relations/governance.html

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

Sr. No	Questions	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)	-----	-----	-----	-----	-----	-----	-----	-----	-----

@ The company is continuously reviewing its policies to align with the BR principles in full spirit. The assessment for adoption/ implementation of specific policies is under process which will be continued in next financial year.

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 CSR committee of the Board meets regularly & reviews the progress of corporate social responsibility projects. The Board CSR committee has empowered internal central CSR council which comprises of senior officers of the Company to review the progress on the CSR projects approved and carrying internal review on the CSR proposals to be placed before Board CSR committee, after carrying all assessments. The central CSR council meets once in every three months. The Company has Plant level CSR Committee which ensures the implementation of CSR activities & projects.

The Company has also formulated Sustainability and Governance Council comprising of senior officers of the Company which reviews the BR performance once in every 6 months & further directions are set for continual improvement.

The Company has also formulated Safety Council to review the safety performance. Further, each plant of the Company has a statutory safety committee led by Factory Manager which meets quarterly.

The Integrated performance on Safety and Sustainability is also reviewed at monthly management review meetings of each business division of the Company. The Company has invested in developing an integrated data management software for real time data collection and use for various parameters under GRI, ESG, safety, etc.

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 published its BR report for the first time for the financial year ended on 31st December, 2017 and every year thereafter which is part of the Annual Report of the Company.

The copy of the Annual Repots is available at the website of the Company at http://www.mahindracie.com/investors/investor-relations/annual-report.html#annual-reports

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

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?**

During the year, the Board of Directors of the Company has adopted 'Internal Code of Professional Conduct'.

The 'Internal Code of Professional Conduct' provides guidance and ethical principles to guide all the people belonging to the Company in determining the values and commitments that must govern their work activities within the Group.

It includes issues among others related to ethics and bribery. It covers all dealings with suppliers, customers and other stakeholders, partners including Joint Ventures and other stakeholders.

Suppliers Social Responsibility Commitment has been communicated to all its suppliers and affirmation on its compliance has been obtained.

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 year, the Company had received three complaints through Whistle Blower Channel and all the three complaints were investigated and closed. No material issues were identified in the investigation report.

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 an auto component supplier to OEMs and tier I supplier. Most of its products are manufactured as per the customer's design. The business development & new product development teams closely interact with the customers & fulfill PPAP (Production part approval process) requirements. The Company continuously strives to minimize waste in materials & processing requirements by various initiatives.

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):**

a) **Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?**

The Company continuously monitors and tracks the use of its natural resources during the production with specific focus on Energy Consumption and Water Consumption.

The Company has set targets for specific consumption of water, electricity and packaging. However, due to pandemic driven downturn in the level of manufacturing activity achievement of per unit product consumption was an uphill task. However, some of our divisions did achieve significant reduction in per unit consumption of energy in spite of low production volumes.

b) **Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

Our products are used by OEMs and tier I supplier. Hence specific details about energy conservation achieved by end customers due to our products cannot be computed.

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

Apart from the extensive Sustainable/ GSCM drive across all divisions, our plants have adopted the milk run system for sourcing materials and have also implemented the same for downward supply chain with the customers. The Company is also working on sourcing maximum from local and nearby suppliers so that our engagement is more effective and scope 3 emissions are reduced to a maximum extent. The Restricted and hazardous substances (RoHS) testing is done from accredited laboratories and reports are shared with the customers on demand. The company continued to work on reducing packaging waste like card boards, wood, etc. through use of steel and returnable plastic packaging, increasing size of containers, etc.

4. **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, the Company has a continued focus on buying from local suppliers, geographically nearest to the Company's manufacturing facility and do take steps in improving their capacity and capability as per the business requirement.

5. **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.**

Yes, the Company has been giving attention to a systematic process of sustainable development in line with GRI guidelines since year 2008. Few examples of waste recycling and re-use are as follows:

The scrap from stamping division is used as a part of raw material in Foundry Division. In Foundry process 1991 ton of metal slag is recovered from the waste slag and re-used. In Magnetic product division grinding swarf & Sintered scrap is reused in production process.

In overall raw material, we used 37% recycled material (internal & external). Major use of recycled material is in Magnetic Product Division & Foundry Division.

At stampings division, we are utilizing the steel off cut for C class child part purchase (<5%) through vendor development department.

At Bill Forge Division, we have implemented 50 KLD Common Effluent Treatment Plant (CETP) to cater to the recycling process of the effluents generated in all Bangalore plants', which amounts to 80% of the total generation. Further, the division is in the process of setting up a Zero Liquid Discharge (ZLD) system to treat the balance 20% in order to reuse in its manufacturing processes.

The waste water from STP is used for gardening by all the Business Divisions of the Company.

Principle 3 -Businesses should promote the wellbeing of all employees

1.	Please indicate the Total number of employees	:	8449
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis	:	4219
3.	Please indicate the Number of permanent women temporary/contractual/casual basis	:	36
4.	Please indicate the Number of permanent employees with disabilities	:	19
5.	Do you have an employee association that is recognized by management	:	Yes
6.	What percentage of your permanent employees is members of this recognized employee association?		56.02

Note: the above figures of manpower are taken on average basis.

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.

Category	No. of complaints pending at the beginning of the financial year	No. of complaints filed during the financial year	No. of complaints resolved during the financial year	No. of complaints pending as on end of the financial year
Child labor/forced labor/involuntary labor	Nil	Nil	Nil	Nil
Sexual harassment	Nil	Nil	Nil	Nil
Discriminatory employment	Nil	Nil	Nil	Nil

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

a) Permanent Employees: 68%

b) Permanent Women Employees:33%

c) Casual/Temporary/Contractual Employees:99%

d) Employees with Disabilities: 53%

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

1. Has the company mapped its internal and external stakeholders?

Yes

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.

Yes

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

   Yes, as a part of the CSR activities, the Company focused on Education and Health and have started programe on providing learning skills for Hearing impaired students on Indian Sign languages.

   The company also supporting Alcohol and Drug abuse patients through prevention, medical treatment, rehabilitation programs and psychological treatment under guidance of doctors and therapists.

   The company has started CIE India Institute of Skills at Bhosari, Pune which aims to impart theory, practical & soft skills training in the trade of Fitter (Hydraulic & Pneumatic), CNC Operator and Industrial Welder to unemployed & financially deprived youth and assist them for finding gainful employment. This course is recognized by National Skills Development Corporation (NSDC), Government of India.

   In community development the Company is promoting health care in schools, anganwadis & communities including preventive health care by conducting health checkup camps for men and women separately. Poor health and malnutrition is a major concern for Women and children in the deprived and marginalized community of the society.

   The Company has also focused to support Children suffering from HIV positive as they really need medical & psychological support fight against this deadly disease and increase the life span.

   The Company encourages its employees to participate in various social activities under "Employees Social Engagement Program". Many of its employees have voluntarily contributed for Tree plantation activities.. These employees also actively participate in providing Educational Aids to students, also activities in relation to promotion of Health care and sanitization through various initiatives undertaken for Covid 19 Pandemic.

   The Company is also involved in diverse activities to create a positive social impact by helping the disadvantaged, vulnerable & marginalized stakeholders.

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 Business Responsibility Policy covers the aspects on Human Rights for the Company. Human Rights issues are a part of the supplier selection process and are also included in the contracts drawn up with them.

   Suppliers Social Responsibility Commitment document has been communicated to all the suppliers and annual affirmations on the compliance has been obtained.

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

   The Company has not received any complaint involving issues related to Principle-5

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.**

   The Company has formulated various policies related to environmental protection like Environment, Safety and Energy Policies. The subsidiaries have their own policies which are in sync with the Company's environmental policies.

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.**

   Targets taken in Sustainability Roadmap relate to energy conservation, GHG reduction and water conservation. These strategies and initiatives are also aligned to the National Action Plan on Climate Change. The strategies and new initiatives continue year on year. In the current reporting year, various initiatives on energy saving, water saving, waste reduction etc. were implemented. Company has focused on investing in modern technology for improving the specific energy consumption.

   The Company continued its efforts to increase the proportion of green energy in the total energy consumption of the Company. The Company has installed roof top solar systems at seven plants. The Company has also signed long term contracts to source green energy from captive generating plants through open access. .

   At the Bill Forge Division the proportion of the renewable energy constitutes approx. 91% (Previous year CY 19: 81%) of its total energy consumption and on overall basis the Company has consumed 30.28% of its total energy consumption through green energy sources resulting in overall reduction of CO2 emissions.

   An indicative list of other major initiatives undertaken by the Company is appended below.

Energy Savings initiatives

- Replacement of old compressors by new efficient with VFD
- cooling tower and blower pumps with new efficient VFD
- Use of waste heat (Heat Recovery system)
- LED lighting, arresting air leakages, IBH Coil modification, Energy efficient compressors etc.

Water Savings initiatives

- Rain water Harvesting
- Float valves installed for cooling towers

- Installation of Foam type water taps
- Implementing foot operated valves

Waste Reduction

- Reduction in Residues/ sludge by the use of Gunny bags.
- Reduction in paint use by adjusting parameters like flow control & reduction in paint sludge by adding chemicals in water.
- Reduction in oil and grease leakages in the forging presses and arresting seepage water in forging pits.

3. **Does the company identify and assess potential environmental risks? Y/N**

   Yes, the Company has a mechanism to identify and assess potential environmental risks across all locations through their certified Environmental Management System. All the plants of Forgings, Foundry, Magnetic Products, Gears and Stampings divisions (except for Nagpur, Kanhe 2 and Bill Forge plants Coimbatore, Haridwar,Jigani)

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 not done any significant work so far in CDM/ Carbon credit related areas. However, we are increasing our efforts in sourcing energy from renewable sources like Wind & Solar. The Company has also signed long term contracts to source green energy from captive generating plants through open access. Due to various efforts, the company has consumed 30.28% of total energy through green energy sources. Under Environment Protection Act & Rules, Form-V (Environmental statement) is submitted to SPCB by respective plants.

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.**

   Yes. Same as stated under point 2 above.

6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

   Yes

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.**

   Nil

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:**

   Yes, The Company is member of trade and industry chambers like The Automotive Component Manufacturers Association of India (ACMA), The Confederation of Indian Industry (CII), Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA), The Institute of Indian Foundry men CEO forum, Association of Indian Forging Industry & IMTMA Indian Machine manufacturers Association, Association of Indian Forging Industry, etc.

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)**

   No significant contribution.

Principle 8 - Businesses 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.**

   Yes. The Company and its applicable Indian subsidiaries have been a socially responsible corporate, making investments in the community which go beyond any mandatory legal & statutory requirements. The CSR vision of the Company is to focus efforts in Education & skill development, Health, Environment and Rural Development. By investing our CSR efforts in these identified social issues we contribute positively for upliftment of needy people.

   In accordance with the Companies Act, 2013, the Company is committed to spend 2% towards CSR initiatives. Your Company encourages its employees to participate in the "Employee Social Engagement Program" (ESEP), to drive positive change in society, through Health checkup camps, tree plantation, vocational guidance to school children in the nearby schools, providing education and sports aids etc. During the year under review, the employees of your Company participated in various education, health and environment related programs in local communities.

   During the year the Company has undertaken following new long term projects:

   I. Project Saksham I at Samarth Rural Educational Institute, Belhe, Taluka Junnar Pune :

      This Project aims to Impart training program in CNC Turning Course & Soft Skills to unemployed youths and improve employability in poor and underprivileged segments of society. The CNC Turning Course is of three months covering total 500 training hours.

   II. Project Lakshya - CIE India Institute of Skills at Bhosari, Pune

      This project focus on technical skill development of unemployed youth in the trade of Fitter (Hydraulic & Pneumatic), CNC Operator Turning and Industrial Welder. The program is broadly divided into Technical / Domain skills, and Soft skills. It will help unemployed youth for finding gainful employment.

III. Project Santulan Supporting Alcohol and Drug Abuse Patients at Pune

The major objective of this project is to create awareness among the people about perils of addiction (Prevention) and to treat and support the persons from economically weak section of society who suffer from Addiction of alcohol or drugs and strive to help them get rid of the addiction and lead a normal life (Treatment and Rehabilitation).

IV. Project Lotus – Digital Library & training in Indian sign language for hearing impaired students.

The project takes care of education of hearing impaired students through a program built on technology-based ecosystem. The program enable teachers to undertake accessible and deaf friendly teaching methods with the help of technology adopting latest content in Indian Sign Language.

V. Project Jnanalaya – Setting up of Library-cum-Reading room facility in Government Schools

The project focuses on improving the quality of education in Government schools by setting up an infrastructure on par with private schools and to equip every student with knowledge, skill and character required to lead an empowered life.

VI. Project "Vishwas" Helpline Charitable Trust – Adoption of NGO on a long term basis

The project is undertaken with a view to support the NGO on a long term basis by improving the quality of academic and vocational education for the students, undertake activities which improve the teaching infrastructure including library and to support the students' with their education beyond schooling.

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

CSR initiatives are implemented either directly by the Company through its "Employee Social Engagement Program" [ESEP] where its employees directly participate and implement the CSR programmes or through implementing partners which include NGOs having an established track record of at least 3 years in carrying on the specific activity.

The Company has an in-house CSR team to plan, implement, monitor and review the activities. We believe in a participatory approach towards implementing the activities through NGOs, Government authorities, panchayats etc.

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

The CSR Projects undertaken by the company in FY2019 and continued in FY 2020 were in initial stage of implementation. The progress of the same was slowed down due to Covid 19 pandemic, hence no Impact assessment was required to be undertaken.

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

The Company's contribution to community development projects amounts to ₹ 14.48 Million during the Calendar Year 2020. Details of some of the major initiatives the Company has invested in the financial year (CY20) are given in Point 1 above.

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.

The Company ensures that the CSR initiatives are successfully adopted by the community. The projects are implemented through renowned NGOs and they are responsible to conduct periodic assessment of the projects to ensure that targeted deliverables are achieved with maximum benefits to the community.

The Company has signed bi-partite agreement with the reputed NGOs with proven track record in program implementation. The initial agreement and MoUs, stakeholder's engagement during all phases of project management ensure that projects are owned and self managed after handing over.

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.

Pending Customer complaints of your plant CY20					
Receiving Period	Total Complaints Registered in this period	Open	Close	Open %	Close %
CY-20	794	43	752	5.42%	94.71

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)

Given the nature of business it is done only as per the Customer Specified Standards of packaging and part labeling.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive 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.

Nil

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

Customer satisfaction surveys are conducted by all Divisions for their key customers.

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Mahindra CIE Automotive Limited

Report on the audit of the Standalone Indian Accounting Standards (Ind AS) financial statements

Opinion

1. We have audited the accompanying standalone Ind AS financial statements of Mahindra CIE Automotive Limited ("the Company"), which comprise the balance sheet as at December 31, 2020, the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("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 December 31, 2020, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) 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 Ind AS 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 opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Assessment of Carrying Value of Equity Investments in Subsidiaries **(Refer note 4(d) and 8 of the standalone financial statements for the related disclosures)** The Company has equity investments in subsidiaries aggregating to INR 15,800 million as at December 31, 2020, which are carried at cost (subject to impairment assessment). On an annual basis, the Management evaluates the existence of impairment indicators, such as accumulated losses, to the carrying values of equity investment in its subsidiaries. The processes and methodologies for assessing and determining the recoverable amount of equity investments, involve estimates, assumptions and significant management judgement, in particular with reference to forecasts of future cash flows relating to the period covered by the Company's strategic business plan, the terminal value, as well as the long-term growth rates and discount rates applied to such forecasted cash flows. The testing for impairment in these investments has been identified as a key audit matter in view of the significance of the amounts involved and as the determination of recoverable value for impairment assessment involves significant management judgement.	Our audit procedures for assessment of impairment of investments included the following: • Obtained an understanding from the management, assessed and tested the design and operating effectiveness of the Company's controls over impairment assessment of its investments in subsidiaries. • Together with the auditors' experts (where necessary):- a) Evaluated the Company's process regarding impairment assessment in assessing the appropriateness of the impairment model including an independent assessment of the underlying assumptions relating to discount rate, terminal value etc. b) Assessed the carrying value of the investments in subsidiaries, to determine whether the valuations performed by the Company were within an acceptable range and reasonable. • Evaluated the cash flow forecasts (with underlying economic growth rate) by comparing them to the approved budgets and our understanding of the industry's internal and external factors. • Checked the mathematical accuracy of the computations and agreed relevant data back to the latest budgets, actual past results and other supporting documents. • Assessed the Company's sensitivity analysis and evaluated whether any reasonably foreseeable change in assumptions could lead to impairment. • Discussed with the component auditors to develop an understanding of the operating performance and outlook used in their own valuation model and to assess consistency with the assumptions used in the model.

Key audit matters	How our audit addressed the key audit matters
	• Evaluated the adequacy of the disclosures made in the standalone financial statements. Based on the above procedures performed, we did not identify any exceptions in the management's assessment in relation to the carrying value of investments in subsidiaries.
Assessment of contingencies, provision for taxes and other litigations and claims **(Refer note 4(e), 18 and 30 of the standalone financial statements for the related disclosures)** The Company has various legal and tax related claims, in respect of which the Company has recognised a provision of INR 507 million and disclosed contingent liabilities of INR 1,622 million in the standalone financial statements. In respect of the matters relating to contingent liabilities, the Company has filed appeals against the above orders with the appropriate authorities. The assessment of the likely outcome of these matters and the related outflow of resources is an area of significant Management judgement. Management involves legal experts in specific matters where considered necessary. This has been considered a key audit matter in view of the uncertain outcome of the litigations and involvement of significant management judgement in assessing the probability of outflow of economic resources.	Our audit procedures included the following: • Understood and evaluated the design and tested the operating effectiveness of controls in respect of assessment of contingencies and provision for taxes and other litigations and claims; • Obtained the summary of all legal and tax cases and independently assessed the decisions and rationale for provisions recognised and contingent liabilities disclosed. • Obtained external legal opinions from the management's experts on specific matters and held discussions with them to corroborate their assessment and engaged our tax experts to examine the tax positions. • Assessed the adequacy of disclosures in the standalone financial statements. On the basis of the above procedures performed, we considered the management's assessment in respect of contingencies and provision for taxes and other litigations and claims to be reasonable and disclosures to be appropriate.
Assessment of Impairment of Goodwill **(Refer note 4(a) and 6 of the standalone financial statements for the related disclosures)** The aggregate carrying value of the goodwill amounts to INR 10,167 million as at December 31, 2020, arising due to business combinations. The management tests the carrying value of goodwill annually for impairment. The Company performed an impairment assessment over the Goodwill by calculating the recoverable value of the Cash Generating Unit (CGU) to which the Goodwill belongs using a discounted cash flow model and comparing the same with the carrying value. The processes and methodologies for assessing and determining the recoverable amount of Goodwill are based on complex assumptions, that by their nature imply the use of the management's judgement, in particular with reference to identification of CGUs, forecast of future cash flows relating to the period covered by the Company's strategic business plan, terminal value, as well as the long-term growth rates and discount rates applied to such forecasted cash flows. The matter has been identified as a key audit matter in view of the significant amounts involved and also considering the judgement required for estimating the cash flows and the complexity of the assumptions used.	Our audit procedures and assessment of impairment of Goodwill included the following: • Obtained an understanding from the management, assessed and tested the design and operating effectiveness of the Company's controls over impairment assessment of Goodwill, determination of Cash Generating Units (CGUs) and other assumptions used by the management. • Evaluated whether assessment of CGUs was consistent with our knowledge of the Company's operations. • Together with the auditors' valuation experts (where necessary), we evaluated the Company's processes regarding impairment assessment: a) Assessed the appropriateness of the impairment model used by the management to estimate the recoverable value of Goodwill. b) Assessed the cash flow forecasts (with underlying economic growth rate) by comparing them to the budgets provided by the management and our understanding of the industry's factors. c) Assessed the underlying assumptions relating to discount rate, earnings growth rate and terminal value etc. d) Assessed the Company's sensitivity analysis and evaluated whether any reasonably foreseeable change in the underlying assumptions could lead to impairment. e) Checked the mathematical accuracy of the impairment model and agreed relevant data back to the latest budgets, actual past results achieved by each CGU with the respective year's budgets and other supporting documents. • Assessed the adequacy of disclosures in the standalone financial statements. Based on the above procedures performed, the management's assessment of impairment of goodwill was considered to be reasonable.

Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the 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 Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the 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, 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.

Responsibilities of management and those charged with governance for the standalone Ind AS financial statements

6. 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

7. In preparing the standalone Ind AS 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. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the standalone Ind AS financial statements

8. Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 Ind AS financial statements.

9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS 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 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 standalone Ind AS 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 Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

10. 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.

11. 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.

12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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

13. 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

14. 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 of account.

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

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

    (e) On the basis of the written representations received from the directors as on December 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2020 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 standalone Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

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

        i. The Company has disclosed the impact of pending litigations as at December 31, 2020 on its financial position in its standalone Ind AS financial statements – Refer Note 30 to the standalone Ind AS financial statements;

        ii. The Company has long term contracts as at December 31, 2020 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at December 31, 2020.

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended December 31, 2020.

        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended December 31, 2020.

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

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani
Partner
Membership Number: 48125
UDIN: 21048125AAAABC4992

Place: Pune
Date: February 19, 2021

Annexure A to Independent Auditors' Report

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of Mahindra CIE Automotive Limited on the standalone Ind AS financial statements for the year ended December 31, 2020

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

1. We have audited the internal financial controls with reference to standalone Ind AS financial statements of Mahindra CIE Automotive Limited ("the Company") as of December 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls with reference to Standalone Ind AS financial statements

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

Inherent Limitations of Internal Financial Controls with reference to Standalone Ind AS financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with

reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at December 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani
Partner
Membership Number: 48125
UDIN: 21048125AAAABC4992

Place: Pune
Date: February 19, 2021

Annexure B to Independent Auditors' Report

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Mahindra CIE Automotive Limited on the standalone Ind AS financial statements as of and for the year ended December 31, 2020

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

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 5 to the financial statements, are held in the name of the Company, except for:-

₹ in million

Nature of the Property	Total Number of cases	Gross Block as at December 31, 2020	Net Block as at December 31, 2020
Freehold Land	5	619	619
Leasehold Land	2	128	118
Building	8	1,194	918

These properties are in the name of Bill Forge Private Limited, Mahindra Gears and Transmissions Private Limited and Mahindra Ugine Steel Company Limited. These properties have vested into the Company pursuant to amalgamations of these entities with the Company. The Company is in the process of getting these properties transferred in its name.

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

iii. The Company has granted unsecured loans, to one company covered in the register maintained under Section 189 of the Act. There are no firms /LLPs/ other parties covered in the register maintained under Section 189 of the Act.

a) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.

b) In respect of the aforesaid loans, no schedule for repayment of principal and payment of interest has been stipulated by the Company. Therefore, in absence of stipulation of repayment terms we do not make any comment on the regularity of repayment of principal and payment of interest.

c) In respect of the aforesaid loans, in absence of stipulation of repayment terms we do not make any comment on the amount which is overdue for more than ninety days.

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

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

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

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

Further, for the period March 1, 2020 to March 31, 2020 and May 1, 2020 to May 31, 2020, the Company has paid Goods and Service Tax and filed GSTR-3B after the due date but within the timelines allowed by Central Board of Indirect Taxes and Customs (Ministry of Finance) under the Notification Numbers 31/2020, 32/2020 and 36/2020 dated April 3, 2020 on fulfilment of conditions specified therein."

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, duty of customs and excise duty, as at December 31, 2020 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹) in Million	Amount paid under protest	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	158*	55*	2004-05 to 2017-18	CIT (Appeals) to ITAT
Central Excise Act, 1944	Excise Duty	114	4	1999-00 to June' 17	Commissioner of Central Excise (Appeals) to The Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	67	1	2005-06 to November'15	The Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax	93	4	1995-96 to 2016-17	Joint Commissioner (Appeals) to Central Sales Tax Appellate Tribunal.
Customs Act, 1962	Custom Duty	2	-	2013-14	Commissioner of Customs

* Amount is net of refund adjusted for AY 2008-09 to AY 2013-14 amounting to INR 135 million.

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

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

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

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 15 of our main audit report.

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

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

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

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

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

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani
Partner
Membership Number: 48125
UDIN: 21048125AAAABC4992

Place: Pune
Date: February 19, 2021

Balance Sheet as at 31 December, 2020

(₹ in Million)

			Note No.	As at 31 December, 2020	As at 31 December, 2019
I	ASSETS				
1	NON-CURRENT ASSETS				
	(a)	Property, Plant and Equipment	5	**11,021**	9,953
	(b)	Capital Work-in-Progress	5	**688**	385
	(c)	Goodwill	6	**10,167**	10,167
	(d)	Other Intangible Assets	7	**27**	60
	(e)	Financial Assets			
		(i) Investments	8	**15,882**	15,875
		(ii) Other Financial Assets	8A	**194**	167
	(f)	Income Tax Assets (net)		**369**	183
	(g)	Other Non-Current Assets	10	**446**	955
	TOTAL NON-CURRENT ASSETS			**38,794**	37,745
2	CURRENT ASSETS				
	(a)	Inventories	11	**3,300**	2,808
	(b)	Financial Assets			
		(i) Investments	8	**2,250**	847
		(ii) Other Financial Assets	8A	**604**	-
		(iii) Trade Receivables	9	**4,091**	5,214
		(iv) Cash and Cash Equivalents	12	**551**	239
		(v) Other Bank Balances	12	**119**	127
	(c)	Income Tax Assets (Net)		**24**	87
	(d)	Other Current Assets	10	**382**	409
	TOTAL CURRENT ASSETS			**11,321**	9,731
	TOTAL ASSETS			**50,115**	47,476
II	EQUITY AND LIABILITIES				
1	EQUITY				
	(a)	Equity Share Capital	13	**3,790**	3,790
	(b)	Other Equity	14	**35,660**	34,925
	TOTAL EQUITY			**39,450**	38,715
	LIABILITIES				
2.	NON-CURRENT LIABILITIES				
	(a)	Financial Liabilities	17	**419**	-
	(b)	Provisions	18	**596**	868
	(c)	Deferred Tax Liabilities (net)	19	**1,667**	1,320
	(d)	Other Non-Current Liabilities	22	**-**	2
	TOTAL NON-CURRENT LIABILITIES			**2,682**	2,190
3.	CURRENT LIABILITIES				
	(a)	Financial Liabilities			
		(i) Borrowings	15	**927**	971
		(ii) Trade Payables	16		
		Total outstanding dues of Micro enterprises and Small enterprises; and		**236**	172
		Total outstanding dues of creditors other than micro enterprises and small enterprises		**4,591**	3,705
		(iii) Other Financial Liabilities	17	**285**	87
	(b)	Provisions	18	**473**	219
	(c)	Other Current Liabilities	22	**1,471**	1,417
	TOTAL CURRENT LIABILITIES			**7,983**	6,571
	TOTAL EQUITY AND LIABILITIES			**50,115**	47,476

The accompanying notes 1 to 39 are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, February 19, 2021

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Ander Arenaza Alvarez
Executive Director

Manoj Menon
Executive Director & CEO-Business Division

K. Jayaprakash
Chief Financial Officer
Pune, February 19, 2021

Dhananjay Mungale
Director

Hari Krishnan
CEO- Business Divisions

Pankaj Goyal
Company Secretary
and Compliance officer

Statement of Profit and Loss for the year ended 31 December, 2020

(₹ in Million)

		Note No.	Year ended 31 December, 2020	Year ended 31 December, 2019
I	**Revenue from operations**	23	**21,448**	28,945
II	**Other Income**	24	**197**	326
III	**Total Income (I+II)**		**21,645**	29,271
IV	**Expenses**			
	(a) Cost of materials consumed	25	**10,186**	14,247
	(b) Changes in inventories of finished goods and work-in-progress	25	**(149)**	314
	(c) Employee benefit expense	26	**3,712**	3,834
	(d) Finance costs	27	**119**	136
	(e) Depreciation and amortisation expense	5 & 7	**1,084**	1,127
	(f) Other expenses	28	**5,678**	7,096
	Total Expenses (IV)		**20,630**	26,754
V	**Profit before exceptional items and tax (III-IV)**		1,015	2,517
VI	**Exceptional Items**	**33**	-	**(119)**
VII	**Profit before tax (V-VI)**		1,015	**2,636**
VIII	**Income Tax Expense**			
	1 Current tax	20	**(86)**	(72)
	2 Deferred tax	20	**361**	985
	Total tax expense		**275**	913
IX	**Profit for the year (VII-VIII)**		**740**	1,723
X	**Other comprehensive income**			
	(i) Items that will not be reclassified to profit or loss Remeasurement of post–employment benefit obligation	29	**(23)**	(31)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	20	**6**	8
	Other comprehensive Income/(loss) for the year, net of tax		**(17)**	(23)
XI	**Total comprehensive income for the year (IX+X)**		**723**	1,700
XII	**Earnings per equity share of face value of ₹10 each :**			
Basic		32	**1.95**	4.55
Diluted		32	**1.95**	4.55

The accompanying notes 1 to 39 are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, February 19, 2021

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Ander Arenaza Alvarez
Executive Director

Manoj Menon
Executive Director & CEO-Business Division

K. Jayaprakash
Chief Financial Officer
Pune, February 19, 2021

Dhananjay Mungale
Director

Hari Krishnan
CEO- Business Divisions

Pankaj Goyal
Company Secretary
and Compliance officer

Statement of Changes in Equity for the year ended 31 December, 2020

A. Equity Share Capital

	Number of Shares	Equity share capital
Balance as at 1 January, 2019	378,780,932	3,788
Changes in equity share capital during the year		
Issue of equity shares pursuant to exercise of employee share options	229,750	2
Balance as at 31 December, 2019	**379,010,682**	**3,790**
Changes in equity share capital during the year		
Issue of equity shares pursuant to exercise of employee share options	-	-
Balance as at 31 December, 2020	**379,010,682**	**3,790**

B. Other Equity

	Reserves and surplus							
	Capital Reserve	Securities Premium Reserve	Equity-settled employee benefits reserve	General Reserve	Capital Redemption Reserve	Retained Earnings	Other Comprehensive Income	Total
As at 1 January, 2019	6,502	15,234	63	6,536	165	4,727	(46)	33,181
Profit for the year	-	-	-	-	-	1,723	-	1,723
Remeasurements of post-employment benefit obligation	-	-	-	-	-	-	(23)	(23)
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**-**	**1,723**	**(23)**	**1,700**
Exercise of employee stock options	-	51	(24)	-	-	-	-	27
Any other changes	-	-	-	-	-	17	-	17
	-	-	-	-	-	17	-	17
As at 31 December, 2019	**6,502**	**15,285**	**39**	**6,536**	**165**	**6,467**	**(69)**	**34,925**
Profit for the year	-	-	-	-	-	740	-	740
Remeasurements of post-employment benefit obligation	-	-	-	-	-	-	(17)	(17)
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**-**	**740**	**(17)**	**723**
Exercise of employee stock options	-	-	(1)	-	-	-	-	(1)
Any other changes	-	-	-	-	-	13	-	13
As at 31 December, 2020	**6,502**	**15,285**	**38**	**6,536**	**165**	**7,220**	**(86)**	**35,660**

The accompanying notes 1 to 39 are an integral part of these financial statements.

This is the Statement of Changes in Equity referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, February 19, 2021

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Ander Arenaza Alvarez
Executive Director

Manoj Menon
Executive Director & CEO-Business Division

K. Jayaprakash
Chief Financial Officer
Pune, February 19, 2021

Dhananjay Mungale
Director

Hari Krishnan
CEO- Business Divisions

Pankaj Goyal
Company Secretary
and Compliance officer

Statement of Cash Flows for the year ended 31 December, 2020

(₹ in Million)

		Year ended 31 December, 2020	Year ended 31 December, 2019
I	**Cash flows from operating activities**		
	Profit before tax for the year	**1,015**	2,636
	Adjustments for:		
	Finance costs recognised in profit or loss	**119**	136
	Interest income recognised in profit or loss	**(32)**	(119)
	Net Loss/(Gain) on sale of investment and change in fair value of investments held at FVTPL	**(46)**	(16)
	Allowances for trade receivables	**(4)**	(30)
	Net Gain on disposal of Property, Plant and Equipment	**9**	(4)
	Depreciation and amortisation of non-current assets	**1,084**	1,127
	Provision for slow moving inventories	**(12)**	8
	Impairment of non-current assets (Refer Note 33)	**-**	49
	Net Foreign exchange (gain)/loss	**2**	(30)
	Employee Share based payment expenses	**-**	2
		2,135	3,759
	Change in operating assets and liabilities:		
	(Increase)/decrease in trade and other receivables	**1,127**	268
	(Increase)/decrease in inventories	**(478)**	1,020
	(Increase)/decrease in other assets	**(623)**	119
	Increase/(decrease) trade and other payables	**947**	(244)
	Increase/(decrease) in provisions	**(41)**	(440)
	Increase/(decrease) in other liabilities	**54**	(94)
		986	629
	Income taxes paid	**(36)**	(420)
	Net cash inflow from operating activities	**3,085**	3,968
II	**Cash flows from investing activities**		
	Purchase of Property, Plant and Equipment	**(1,217)**	(1,871)
	(Purchase)/Sale of current investments	**(1,358)**	5,956
	Proceeds from sale of Property, Plant and Equipment	**25**	27
	Investment in Subsidiary companies	**-**	(8,137)
	Investment in Associate company	**(7)**	(69)
	Interest received	**32**	119
	Net cash outflow from investing activities	**(2,525)**	(3,975)
III	**Cash flows from financing activities**		
	Proceeds from issue of equity instruments of the Company	**-**	30
	Net Proceeds/(Repayment) of borrowings	**(44)**	107
	Interest paid	**(73)**	(136)
	Principal elements of lease payments	**(93)**	-
	Interest on lease liabilities	**(46)**	-
	Net cash inflow/(outflow) from financing activities	**(256)**	1
IV	**Net increase/(decrease) in cash and cash equivalents**	**304**	(6)
	Cash and cash equivalents at the beginning of the year	**366**	372
	Effects of exchange rate changes on cash and cash equivalents	**-***	-*
	Pursuant to amalgamation of BFPL (Refer Note 39)	**-**	-
V	**Cash and cash equivalents at the end of the year**	**670**	366

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

This is the Statement of Cash Flows referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, February 19, 2021

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Ander Arenaza Alvarez
Executive Director

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Executive Director & CEO-Business Division

Hari Krishnan
CEO- Business Divisions

K. Jayaprakash
Chief Financial Officer

Pankaj Goyal
Company Secretary
and Compliance officer

Pune, February 19, 2021

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

1. General information

Mahindra CIE Automotive Limited and activities

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

The Company has manufacturing facilities in various locations across the country in India. MCIE has an established presence in each of these locations and supplies automotive components to its customers based there and exports products to customers based in other countries as well.

MCIE is a subsidiary of CIE Automotive S.A. based in Spain. Mahindra Vehicle Manufacturing Limited (MVML), a Company based in India is a significant shareholder in MCIE. Pursuant to a global alliance between the two companies Mahindra's automotive components businesses across various products in India and Europe were brought together.

Pursuant to the acquisition agreement dated 12th September 2016, the Company had acquired business of Bill Forge Private Limited ("BFPL") through acquisition of all of the share capital from the third parties Sellers for a total purchase consideration of ₹ 13,028 million which was discharged in the form of cash and through the issue of shares.

Subsequent to the acquisition, BFPL is amalgamated with the Company with an appointed date of April 1, 2018 under a Scheme of Amalgamation approved by Hon'ble National Company Law Tribunal, Mumbai vide order dated November 4, 2019 and effective date November 15, 2019 (being the date of filing of the Order with Registrar of Companies).

On April 9, 2019 (the "Acquisition date"), the company has acquired 100% equity of Aurangabad Electricals Limited (AEL) for a purchase consideration of INR 8,759 million. AEL is in the business of manufacturing of automobile and brake system components which includes aluminium die casting components.

These standalone financial statements for the year ended December 31, 2020 were approved for issue by the Board of Directors in accordance with their resolution dated February 19, 2021.

2. Summary of significant accounting policies

2.1 Basis of presentation

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act. The financial statements have been prepared on a historical cost basis, except for share based payments, non-current assets and disposal group classified as held for sale, derivative financial instruments and certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in Million INR except earnings per share data and unless stated otherwise. All values are rounded to the nearest Million except when otherwise indicated.

New and amended standards

The Company has changed its accounting policies as a result of adopting Ind AS 116 w.e.f 1 January, 2020 which has been disclosed in note 38.

2.2 Segment information

Operating segments (Note 34) are reported consistently with the internal reporting provided to the Board of Directors. The Board of Directors is responsible for allocating resources to and assessing the performance of the operating segments.

2.3 Current and non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

2.4 Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Realized gains and losses and also exchange differences arising on translation at year end exchange rates of monetary assets and monetary liabilities outstanding at the end of the year are recognized in the statement of Profit and Loss.

2.5 Revenue recognition

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 concluded that it is principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The policy of recognising the revenue is determined by the five-stage model proposed by Ind AS 115 "Revenue from contract with customers".

Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer generally on date of bill of lading for export sales and generally on delivery for domestic sales. The normal credit term is 30 to 90 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. 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.

2.6 Other Revenue

Export incentives

Revenue from export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable assurance and condition precedent to claim are fulfilled.

Interest income

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

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Dividends

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

2.7 Government grants

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

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

2.8 Taxes

Current income tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

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

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

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

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

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Goods and Services taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognized net of the amount of Goods and Services taxes paid, except:

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

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

2.9 Leases

Till December 31, 2019:

As a lessee

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

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

As a Lessor

Lease income from operating leases where the company is a lessor is recognised in income on straight line basis over the lease term unless the receipts are structured to increase inline with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

With effect from January 1, 2020:

As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Lease payments are allocated between the principal (liability) and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the lessee under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipments.

As a Lessor

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

2.10 Property, plant and equipment

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 items.

Subsequent costs are included in the assets 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 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 and loss during the reporting period in which they are incurred.

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

- Building 30/60 years
- Furniture and fixtures 5 to 10 years
- Office equipment 5 to 10 years
- Vehicles 3 to 8 years
- Computers 3 to 6 years

The depreciation policy historically applied by MCIE to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. These useful lives were estimated in accordance with the actual production capacity of the assets and their residual value, as well as a maximum useful life for each asset.

For certain plants and machineries, the management, based on a detailed technical assessment, has changed the depreciation method to unit of production method. By using the units of production method, annual depreciation charges adapt to changes in production levels, on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets. Units of production method of depreciation is calculated for these categories of plant, machinery, based on the actual production levels attained by the assets and their residual value. Under normal production circumstances, depreciation under both the methods would be similar. The change has been made effective January 1, 2020. The impact of this change for the year ended December 31, 2020 is ₹ 204 million and impact in future will depend on actual production levels and therefore cannot be estimated.

For other plant and equipment, where usage and efflux of time is primary determinant, the Company continues to depreciate assets using straight-line basis over the estimated useful lives of the assets as follows:

- Plant and equipment (other than those stated above) 5 to 10 years

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

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

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

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

2.11 Intangible assets

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

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is calculated on a straight-line basis over the estimated useful lives of 3 to 5 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of profit and loss.

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

2.12 Borrowing costs

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

2.13 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 is accounted for as follows:

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

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.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

2.14 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 fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). 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 the 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.

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 year. 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 for the market in which the asset is used.

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

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

Goodwill is tested for impairment annually as at 31 December.

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

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

2.15 Provisions

General

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

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

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

2.16 Retirement and other employee benefits

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

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

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

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

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

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

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

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

2.17 Share based payments

Share based compensation benefits are provided to employees via the Employee Stock Options Scheme.

The fair value of options granted under the above scheme is recognised as employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service vesting conditions.

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises the estimates of the number of options that are expected. It recognises the impact of the revision of original estimates, if any, in the income statement, with corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the Company).

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

2.18 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 financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares, if any.

(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 the additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2.19 Financial Assets and Financial liabilities

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

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 recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

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

2.20 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.

2.21 Cash dividend

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

2.22 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the receivable is expected to be collected within a period of 12 months or less from the reporting date, they are classified as current assets otherwise as non-current assets.

Trade receivables are measured at their transaction price unless it contains a significant financing component or pricing adjustments embedded in the contract.

Loss allowance for expected lifetime credit loss is recognised on initial recognition of the trade receivables.

2.23 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from supplier. Account payable is classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on for availing the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw- down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.25 Non-current assets held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Non-current assets and disposal group classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks viz. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

a. Market risk

(i) **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 in mainly USD, EURO and GBP.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations is not material.

The Company's exposure to foreign currency risk at the year end expressed in ₹ million is as follows:

	31 December, 2020				31 December, 2019			
	USD	**EUR**	**GBP**	**Other Currencies**	**USD**	**EUR**	**GBP**	**Other Currencies**
Financial Assets								
Trade Receivables	302	172	17	-	517	128	53	-
Cash and Cash equivalents	17	-	-	-	22	5	-	-
Net exposure to foreign currency risk (assets)	**319**	**172**	**17**	-	**539**	**133**	**53**	-
Financial Liabilities								
Trade Payables	153	52	1	-*	66	11	4	-*
Net exposure to foreign currency risk (liabilities)	**153**	**52**	**1**	-*	**66**	**11**	**4**	-*

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

For the year ended 31 December, 2020 and 31 December, 2019, every ten percentage 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 ₹ 17 Million and ₹ 47 Million, respectively. Further every ten percentage appreciation/depreciation in the exchange rate between the Indian rupee and Euro, would have affected the Company's incremental operating margins by approximately ₹ 12 Million and ₹ 12 Million, respectively. Further every ten percentage appreciation/depreciation in the exchange rate between the Indian rupee and GBP, would have affected the Company's incremental operating margins by approximately ₹ 2 Million and ₹ 5 Million, respectively.

The sensitivity for net exposure of other currencies does not have material impact to the 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 in the previous reporting period and the current reporting period.

(ii) **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 to the Company's debt obligations with floating interest rates.

Interest rate sensitivity

There are no long term borrowings as at the year end.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

b. Liquidity risk

(i) The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect MCIE strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility through the availability of committed credit lines. Additionally, and on the basis of its liquidity needs, the Company uses liquidity facilities (non-recourse factoring and the sale of financial assets representing receivable debts, transferring the related risks and rewards). Management monitors the Company's forecast liquidity requirements together with the trend in net debt.

The calculation of liquidity and net debt at 31 December, 2020 and 31 December, 2019 is calculated as follows:

	31 December, 2020	31 December, 2019
Cash and bank balances (Note 12)	**670**	366
Other current financial assets – Investments (Note 8)	**2,250**	847
Undrawn credit facilities and loans	**1,500**	4,150
Liquidity buffer	**4,420**	5,363
Borrowings (Note 15)	**927**	971
Other Financial Liabilities (Note 17)	**704**	87
Cash and bank balance (Note 12)	**(670)**	(366)
Other current financial assets – Investments (Note 8)	**(2,250)**	(847)
Net financial debt/(Surplus cash and cash equivalents)	**(1,289)**	(155)

(ii) Maturities of financial liabilities

The table below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	**31 December, 2020**		31 December, 2019	
	Less than 1 year	**More than 1 year**	Less than 1 year	More than 1 year
Borrowings (Note 15)	**927**	**-**	971	-
Trade payables (Note 16)	**4,827**	**-**	3,877	-
Other financial liabilities (Note 17)	**285**	**419**	87	-
Total	**6,039**	**419**	4,935	**-**

The Company believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, management expects that the cash generated will be sufficient to service payment obligations for the next twelve months.

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

Noteworthy is the existence at 31 December, 2020 of ₹ 1,500 million in unused loans and credit lines (31 December, 2019: ₹ 4,150 million).

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

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

c. **Credit Risk**

Credit risk from cash and cash equivalents and bank deposits is considered immaterial in view of the creditworthiness of the banks the Company works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises impairment provisions as warranted.

In addition, company has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that the Company policy is to spread its volumes across customers or manufacturing platforms.

One of the customer group exceeds 10% of the Company's turnover for the years 2020 and 2019. Sales to this customer in 2020 are ₹ 9,073 million (2019: ₹ 13,671 million).

i. **Trade receivables**

Credit risk arises from the possibility that customer will not be able to settle their obligations as and when agreed. To manage this, the Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts, ageing of accounts receivable and forward looking information. Individual credit limits are set accordingly.

The company uses Expected Credit Loss (ECL) model to assess the impairment gain or loss. As per ECL simplified approach, the Company uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account a continuing credit evaluation of Company's customers financial condition; aging of trade accounts receivable; the value and adequacy of collateral received from the customers in certain circumstances (if any); the Company's historical loss experience; and adjustment based on forward looking information. The Company defines default as an event when there is no reasonable expectation of recovery.

Movement of Loss allowance:

	Amount
Loss allowance as on 31 December, 2019	52
Reversal during the year (net)	(4)
Loss allowance as on 31 December, 2020	48

3.2 Fair Value estimation

Fair value measurement

The Company measures financial instruments, such as short term investments 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.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

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 (Refer Note 21).

3.3 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry the Company monitors capital on the basis of the leverage ratio, this ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings plus current financial liabilities less cash, cash equivalents and current financial assets, all of which are shown in the annual accounts. Total capital employed is calculated as 'equity', as shown in the standalone annual accounts, plus net debt.

Calculation of Gearing ratio.

	31 December, 2020	31 December, 2019
Net Financial Debt (Refer Note 3.1.(b))	**(1,289)**	(155)
Equity	**39,450**	38,715
Less: Long term investment	**(15,882)**	(15,875)
Total Capital Employed	**22,279**	22,685
Gearing Ratio	**#**	#

Gearing ratio is not applicable since the Company has no Net Financial Debt.

4. Accounting estimates and judgements

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

a) Estimated impairment loss on goodwill

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units basically which were determined on the basis of calculations of value in use did not give rise to impairment risks on the Company's goodwill at 31 December, 2020.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

b) Income tax

Income tax expense for the period ended 31 December, 2020 has been estimated based on profit before taxes, as adjusted for any permanent and/or temporary differences envisaged in tax legislation governing the corporate income tax base calculation. The tax is recognized in the income statement, except insofar as it relates to items recognized directly in equity, in which case, it is also recognized in equity.

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

The calculation of income tax expense did not require the use of significant estimates except in tax credits recognized in the year and claim of goodwill, which was at all times consistent with the annual financial statements.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual accounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

c) Pension benefits

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

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for employee benefits are based in part on current market conditions.

d) Assessment of carrying value of Equity Investments in Subsidiaries

On an annual basis, the Company evaluates the existence of impairment indicators such as accumulated losses, to the carrying value of Equity investment in its subsidiaries. The recoverable amounts of cash-generating units basically which were determined on the basis of calculations of value in use did not give rise to impairment risks on the carrying value of Company's Equity investments at 31 December, 2020.

e) Legal Contingencies

The Company has received orders and notices from tax authorities in respect of direct taxes, indirect taxes and other litigations. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Company or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

5. **Property, Plant and Equipment**

The details and movements in property, plant and equipment are as follows:

For the year 2020

Description of Assets	Land	Building	Plant and Equipment	Furniture and Fixtures, tools and furnishings	Office Equipment	Vehicles	Computer / EDP Equipment	Right of use assets	Total	Capital Work-in-Progress
I. Gross Carrying Amount										
Balance as at 1 January, 2020	**1,151**	**2,920**	**12,062**	**87**	**54**	**71**	**99**	**-**	**16,444**	**385**
Recognition of Right of use assets on adoption of Ind AS 116 - Leases	-	-	-	-	-	-	-	1,178	1,178	-
Additions	4	99	840	4	5	9	3	-	964	1,264
Disposals/ Capitalisation	-	(24)	(156)	(7)	(3)	(19)	(6)	-	(215)	(961)
Balance as at 31 December, 2020	**1,155**	**2,995**	**12,746**	**84**	**56**	**61**	**96**	**1,178**	**18,371**	**688**
II. Accumulated depreciation and impairment										
Balance as at 1 January, 2020	**-**	**(553)**	**(5,762)**	**(53)**	**(33)**	**(27)**	**(63)**	**-**	**(6,491)**	**-**
Depreciation expense for the year	-	(117)	(749)	(7)	(6)	(10)	(14)	(137)	(1,040)	-
Disposals	-	21	135	6	3	10	6	-	181	-
Balance as at 31 December, 2020	**-**	**(649)**	**(6,376)**	**(54)**	**(36)**	**(27)**	**(71)**	**(137)**	**(7,350)**	**-**
III. Net carrying amount	**1,155**	**2,346**	**6,370**	**30**	**20**	**34**	**25**	**1,041**	**11,021**	**688**

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

For the year 2019

	Description of Assets	Land	Buildings	Plant and Equipment	Furniture and Fixtures, tools and furnishings	Office Equipment	Vehicles	Computer / EDP Equipment	Right of use assets	Total	Capital Work-in-Progress
I.	**Gross Carrying Amount**										
	Balance as at 1 January 2019	**1,026**	**2,332**	**10,804**	**75**	**47**	**79**	**94**	-	**14,457**	**717**
	Additions	125	591	1,481	14	16	12	21	-	2,260	1,928
	Disposals / Capitalization	-	(3)	(223)	(2)	(9)	(20)	(16)	-	(273)	(2,260)
	Balance as at 31 December, 2019	**1,151**	**2,920**	**12,062**	**87**	**54**	**71**	**99**	-	**16,444**	**385**
II.	**Accumulated depreciation and impairment**										
	Balance as at 1 January 2019	-	**(449)**	**(5,022)**	**(47)**	**(27)**	**(29)**	**(63)**	-	**(5,637)**	-
	Depreciation expense for the year	-	(106)	(955)	(7)	(8)	(13)	(16)	-	(1,105)	-
	Disposals	-	2	215	1	2	15	16	-	251	-
	Balance as at 31 December, 2019	-	**(553)**	**(5,762)**	**(53)**	**(33)**	**(27)**	**(63)**	-	**(6,491)**	-
III.	**Net carrying amount**	**1,151**	**2,367**	**6,300**	**34**	**21**	**44**	**36**	-	**9,953**	**385**

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

i) Contractual obligation

Refer note 30 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

ii) Capital Work-in-Progress

Capital Work-in-Progress mainly comprises of capital expenditure incurred pertaining to plant and equipment not yet capitalised.

iii) Leases

This note provides the information for leases where the company is a lessee. The company leases various offices, buildings, leasehold land, and vehicles. Rental contracts are typically made for fixed periods of 6 months to 13 years.

i) Amounts recognised in the balance sheet

Property, plant and equipment includes the below amounts recognised as Right of use of assets:

	31 December, 2020	1 January, 2020
Right of use of assets		
Leasehold Land *	**586**	611
Buildings	**417**	463
Vehicles	**38**	104
Total	**1,041**	1,178

The corresponding lease liability as per Ind AS 116 is below:

	31 December, 2020	1 January, 2020
Lease liabilities		
Current	**139**	93
Non - Current	**419**	558
Total	**558**	651

Additions to the right-of-use assets during the current financial year were ₹ 13 Million.

* The amount of lease premium paid in advance on leasehold land of ₹ 527 million was disclosed as Other Non-Current Assets (Note 10) till the year ended December 31, 2019. On adoption of Ind AS 116 from 1 January, 2020, the same is now disclosed as right of use asset for the year ended 31 December, 2020.

ii) Amounts recognised in the statement of profit and loss

The statement of profit or loss shows the amounts relating to leases:

	31 December, 2020
Depreciation/Amortisation charge of right of use of assets	
Leasehold Land **	**22**
Buildings	**72**
Vehicles	**43**
Total	**137**

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	31 December, 2020
Interest expense (included in finance costs)	**46**
Expense relating to short term leases (included in other expenses)	**43**
Expense relating to leases of low- value assets that are not shown above as short term leases (included in other expenses)	**15**

The total cash outflow for leases for the year ended 31 December 2020 was ₹ 139 Million.

** This pertains to amortisation of lease premium paid in advance on leasehold land.

6. Goodwill

Goodwill is tested for impairment on an annual basis. Goodwill is monitored by management at the level of cash generating units, which is India in this case. For the current and previous financial year, the recoverable amount of Cash Generating Unit (CGU) was 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.

Key assumptions used in the calculation of value in use:

The following table sets out the key assumptions for the CGU:

Particulars	**31 December, 2020**	31 December, 2019
Discount rate	**11.57%**	11.89%
EBIDTA Margins (range)	**15% to 27%**	13% to 18%
Annual sales growth rate	**0% to 26%**	(2%) to 11%
Terminal sales growth rate	**7%**	7%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	**Approach used to determine values**
Discount rate	Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and is derived from the CGU's weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. CGU specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on publicly available market data.
EBITDA Margins	EBITDA margins are based on the actual EBITDA of respective CGU based on the past trend and future expectations.
Annual sales growth rate	Annual growth rate over the five-year forecast period; based on past performance, current industry trends including long-term inflation forecast and management's expectation of market development.
Terminal sales growth rate	The Company has considered growth rate to extrapolate cash flows beyond the forecast period, consistent with the industry forecasts, based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Sensitivity to changes in assumptions of CGU

The management believes that no reasonably possible change (say 10%) in any of the key assumptions used in the value in use calculation would cause the carrying value of the CGU to materially exceed its value in use.

Results of the analysis

Based on the above assessment, the Company concluded that in both current year as well as previous year, goodwill has not suffered any impairment. Further, the result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates.

Movement of Goodwill

	31 December, 2020	31 December, 2019
Opening Goodwill as at 1 January	**10,167**	10,167
Add: Movement during the year	**-**	-
Closing Goodwill as at 31 December	**10,167**	10,167

7. Other Intangible assets

The details and movements of the main classes of intangible assets are shown below:

For the year 2020

	Description of Assets	Technical Knowhow	Computer Software	Development Cost	Total
I.	**Gross Carrying Amount**				
	Balance as at 1 January, 2020	**25**	**137**	**55**	**217**
	Additions	-	11	-	11
	Disposals	(22)	(3)	-	(25)
	Balance as at 31 December, 2020	**3**	**145**	**55**	**203**
II.	**Accumulated depreciation and impairment**				
	Balance as at 1 January, 2020	**(25)**	**(107)**	**(25)**	**(157)**
	Amortization expense for the year	(1)	(13)	(30)	(44)
	Disposals	23	2	-	25
	Balance as at 31 December, 2020	**(3)**	**(118)**	**(55)**	**(176)**
III.	**Net carrying amount**	**-**	**27**	**-**	**27**

For the year 2019

	Description of Assets	Technical Knowhow	Computer Software	Development Cost	Total
I.	**Gross Carrying Amount**				
	Balance as at 1 January, 2019	**25**	**134**	**55**	**214**
	Additions	-	7	-	7
	Disposals	-	(4)	-	(4)
	Balance as at 31 December, 2019	**25**	**137**	**55**	**217**
II.	**Accumulated depreciation and impairment**				
	Balance as at 1 January, 2019	**(23)**	**(100)**	**(14)**	**(137)**
	Amortisation expense for the year	(2)	(9)	(11)	(22)
	Disposal	-	2	-	2
	Balance as at 31 December, 2019	**(25)**	**(107)**	**(25)**	**(157)**
III.	**Net carrying amount**	**-**	**30**	**30**	**60**

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

8. Investments

		As at 31 December, 2020			As at 31 December, 2019		
		No of Shares/ Units	Amounts Current	Amounts Non Current	No of Shares/ Units	Amounts Current	Amounts Non Current
A	**Investment in equity instruments (unquoted-fully paid up)**						
	Subsidiary Companies						
	UAB CIE Galfor SA	5,500	-	7,034	5,500	-	7,034
	BF Precision Private Limited	9,999	-	-	9,999	-	-
	Bill Forge de Mexico SA de CV	2,970	-	-*	2,970	-	-*
	(2,970 shares of Pesos 1 each 2,033,710 shares of Class II Series B Pesos 1 each)	2,033,710	-	7	2,033,710	-	7
	Aurangabad Electricals Limited (Refer note 'a')	2,940,000	-	8,759	2,940,000	-	8,759
	Total investment in Subsidiaries		-	15,800		-	15,800
	Associate Companies						
	Gescrap India Private Limited (30% share)	3,720,000	-	37	3,720,000	-	37
	Clean Max Deneb Power LLP (26% Share)	-	-	32	-	-	32
	Sunbarn Renewables Private Limited (27.67% Share)	87,500	-	7	-	-	-
	Others						
	Clean Wind Power (Manvi) Private Limited	420,000	-	4	420,000	-	4
	Clean Wind Power (Pratapgarh) Private Limited	27,600	-	2	27,600	-	2
	The Saraswat Cooperative Bank Limited	2,550	-	-*	2,550	-	-*
	Total investment in Associate Companies & Others		-	82		-	75
	Subtotal (A)		-	15,882		-	15,875
B	**Investments in Mutual Funds (unquoted)**						
	Axis Liquid Fund - Direct Growth	589,932	1,070	-	214,231	422	-
	ICICI Prudential Liquid Plan - Direct Growth	3,311,767	1,070	-	1,695,570	422	-
	HDFC ultra short term fund - Direct Growth	9,086,569	107	-	-	-	-
	Aditya Birla Sunlife Liquid Fund – Direct Growth	9,605	3	-	9,605	3	-
	Subtotal (B)		2,250	-		847	-

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

		As at 31 December, 2020			As at 31 December, 2019		
		No of Shares/ Units	**Amounts Current**	**Amounts Non Current**	No of Shares/ Units	Amounts Current	Amounts Non Current
C	**Investment in Subsidiary (Disposal Group)**						
	Stokes Group Limited	**138,329,310**	**2,063**	**-**	138,329,310	2,063	-
	Subtotal '(C)		**2,063**	**-**		2,063	-
	Total (A+B+C)		**4,313**	**15,882**		2,910	15,875
	Less: Provision for impairment		**(2,063)**	**-**		(2,063)	-
	Total investments		**2,250**	**15,882**		847	15,875

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

a) On April 9, 2019, acquisition of 100% share capital of Aurangabad Electricals Limited (AEL) was completed by the Company for a purchase consideration of INR 8,759 million (inclusive of deffered consideration payable amounting to INR 622 million). AEL is in the business of manufacturing of automobile and brake system components which includes aluminium die casting components.

8A Other Financial Assets

	As at 31 December, 2020		As at 31 December, 2019	
	Current	**Non-Current**	Current	Non-Current
Security Deposits	**-**	**194**	-	167
Others	**604**	**-**	-	-
Total	**604**	**194**	-	167

9. Trade Receivables

	As at 31 December, 2020	As at 31 December, 2019
(a) Unsecured, considered good	**4,091**	5,214
(b) Doubtful	**48**	52
Less: Allowance for doubtful debt	**(48)**	(52)
Total	**4,091**	5,214
Current portion	**4,091**	5,214
Non-Current portion	**-**	-
Of the above, trade receivables from:		
- Related Parties (Note 31)	**2,678**	**2,557**
- Others	**1,413**	**2,657**
	4,091	**5,214**

Transferred Receivables

The carrying amount of the trade receivable includes receivables which are subject to factoring arrangement. Under this arrangement, the Company has transferred the relevant receivables to the factor in exchange for Cash and is prevented from selling or pledging the receivables. However, the Company has retained late payment and credit risk. The Company therefore continues to recognize the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as borrowing. The company considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortized cost.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

The relevant carrying amounts are as follows:

	As at 31 December, 2020	As at 31 December, 2019
Transferred trade receivables	**117**	22
Associated short term borrowings (Included in Note 15)	**117**	22

10. Other Assets

		As at 31 December, 2020		As at 31 December, 2019	
		Current	**Non-Current**	Current	Non-Current
(a)	Capital advances	-	**144**	-	101
(b)	Other Deposits	-	**270**	-	325
(c)	Balances with government authorities	**133**	-	184	-
(d)	Other advances*	**249**	**32**	225	529
Total		**382**	**446**	409	955

* Other advances for the year ended 31 December, 2019 includes advance lease payment which is now disclosed under right of use of assets as per the requirements of Ind AS 116. Refer Note 5(iii) for additional disclosures.

11. Inventories

		As at 31 December, 2020	As at 31 December, 2019
(a)	Raw materials	**860**	506
(b)	Work-in-progress	**1,304**	1,110
(c)	Finished and semi-finished goods	**595**	640
(d)	Stores and spares	**217**	251
(e)	Loose Tools	**324**	301
Total		**3,300**	2,808
Included above, goods-in-transit:			
(i)	Raw materials	**6**	6
(ii)	Finished and semi-finished goods	**215**	225
Total		**221**	231

Amounts recognised in the Statement of Profit and Loss:

Write-downs in inventories of finished goods, work-in-progress & raw materials amounted to ₹ 294 million (31 December 2019: ₹ 306 million) as at the period end. Accordingly, an amount of ₹ 12 million was reversed during the year.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

12. Cash and Cash Equivalents

	As at 31 December, 2020	As at 31 December, 2019
Cash and cash equivalents		
(a) Balances with banks		
i) Current Accounts	**525**	122
ii) EEFC Accounts	**17**	27
(b) Cheques, drafts on hand	**8**	90
(c) Cash in hand	**1**	-
Total Cash and cash equivalents	**551**	239
Other Bank Balances		
(a) Earmarked balances with banks	**1**	1
(b) Balances with Banks:		
(i) On margin accounts	**118**	30
(ii) Fixed Deposits with maturity greater than 3 months but less than 12 months	**-**	**96**
Total Other Bank balances	**119**	**127**
Total cash, cash equivalents and other bank balances	**670**	**366**

13. Equity Share Capital

	As at 31 December, 2020		As at 31 December, 2019	
	No. of shares	**Amount**	No. of shares	Amount
Authorized:				
Equity shares of ₹ 10/- each with voting rights	**516,592,621**	**5,166**	516,592,621	5,166
4% non-cumulative redeemable preference shares of ₹ 31/- each	**5**	**-***	5	-*
Compulsory convertible Preference share of ₹ 10/- each	**250,000**	**2**	250,000	2
Issued:				
Equity shares of ₹ 10/- each with voting rights	**379,011,627**	**3,790**	379,011,627	3,790
Subscribed and Paid Up:				
Equity shares of ₹ 10/- each with voting rights^	**379,010,682**	**3,790**	379,010,682	3,790

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Terms and rights attached to Equity Shares

Equity shares have a par value of ₹ 10/-. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Every holder of equity shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

		Opening Balance	Issue of Equity Shares on account of Employee Stock Option Scheme	Closing Balance
Equity Shares with voting rights				
Year Ended 31 December, 2020	**No. of Shares**	**379,010,682**	**-**	**379,010,682**
	Amount	**3,790**	**-**	**3,790**
Year Ended 31 December, 2019	No. of Shares	378,780,932	229,750	379,010,682
	Amount	3,788	2	3,790

*Shareholders of the Company had approved reclassification of authorised preference share capital vide EGM held on 13th Oct 2016. Amount is below the rounding off norm adopted by the Company.

^Mahindra Composites Limited which was merged with the company in the year 2013 had issued 1,050 equity shares and not allotted the same to the shareholders. Based on the swap ratio the Company has issued 945 equity shares and not allotted the same and the same has been kept in abeyance.

Shares reserved for issue under options

Information relating to Mahindra CIE Automotive Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 36.

Details of shares held by the holding Company, the ultimate holding Company, their subsidiaries and associates:

	Equity Shares with Voting rights
As at 31 December, 2020	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding Company	**228,082,332**
As at 31 December, 2019	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding Company	213,194,432

Details of shares held by each shareholder holding more than 5% shares:

Class of shares /Name of shareholder	**31 December, 2020**		31 December, 2019	
	Number of shares held	**% holding in that class of shares**	Number of shares held	% holding in that class of shares
Equity shares with voting rights				
Participaciones Internacionales Autometal, Dos S.L. (PIA2)	**228,082,332**	**60.18%**	213,194,432	56.25%
Mahindra Vehicle Manufacturing Limited (MVML)	**43,344,512**	**11.44%**	43,344,512	11.44%

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

14. Other Equity

(i) Securities premium reserve

	As at 31 December, 2020	As at 31 December, 2019
Opening balance	**15,285**	15,234
Addition on Exercise of options- Proceeds Received	-	51
Closing balance	**15,285**	15,285

(ii) Equity settled employees' benefits reserve

	As at 31 December, 2020	As at 31 December, 2019
Opening balance	**39**	63
Employee stock option expenses	-	2
Less: -		
Transfer to retained earnings on cancellation/lapse	**(1)**	(2)
Options exercised during the year	-	(24)
Closing Balance	**38**	39

(iii) Retained earnings including other comprehensive income

	As at 31 December, 2020	As at 31 December, 2019
Opening Balance	**6,398**	4,681
Add: -		
Profit for the year	**740**	1,723
Any other changes	**13**	17
Items of Other Comprehensive income recognized directly in retained earnings		
Re-measurement of post-employement benefit obligation (net of tax)	**(17)**	(23)
Closing balance	**7,134**	6,398

(iv) Capital reserve

	As at 31 December, 2020	As at 31 December, 2019
Balance as at beginning and end of the year	**6,502**	6,502

(v) Capital Redemption reserve

	As at 31 December, 2020	As at 31 December, 2019
Balance as at beginning and end of the year	**165**	165

(vi) General Reserve

	As at 31 December, 2020	As at 31 December, 2019
Balance as at beginning and end of the year	**6,536**	6,536
Grand Total	**35,660**	34,925

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Nature and purpose of Reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilized in accordance with the provisions of the law.

Equities settled employees' benefits reserve

The Equities settled employees benefits reserve is used to recognize the grant date fair value of options issued to employees under the MCIE Stock Options Scheme.

Capital reserve

Capital reserve is reserves generated on account of:

1. Merger under the Integrated Scheme of Amalgamation and the Composite Scheme of Amalgamation (Sections 391-395 of the Companies Act, 1956) for the merger of Mahindra Ugine Steel Company Limited (MUSCO), Mahindra Hinoday Industries Limited (MHIL), Mahindra Gears International Limited (MGIL), Mahindra Investment India Private Limited (MIIPL), Participaciones Internacionales Autometal Tres S.L. (PIA3) and Mahindra Composites Limited (MCL). The merger was approved by the Honorable High Court of Judicature at Bombay on October 31, 2014. The Schemes came into effect on December, 10, 2014, the day on which the order was delivered to the Registrar of Companies. The reserve is capital in nature and is not available for distribution as dividend.

2. Merger under the Scheme of Amalgamation (Sections 230-234 and other applicable provisions of the Companies Act, 2013) of Mahindra Gears and Transmission Private Limited, Mahindra Forging Global Limited, Mahindra Forging International Limited and Crest Geartech Private Ltd. The merger was approved by the Honorable National Company Law Tribunal (NCLT) at Mumbai on December 13, 2017. The reserve is capital in nature and is not available for distribution as dividend.

General reserve

General reserve created by virtue of merger of Mahindra Stokes Holding Company Limited, Mahindra Forgings Overseas Limited and Mahindra Forgings Mauritius Limited into the Company vide High Court Order dated 27th December, 2007, is reserve available for distribution as dividend.

Capital redemption reserve

Capital redemption reserve is transferred by virtue of the merger referred to above, which was in the books of MUSCO and was created to redeem preference shares issued by MUSCO before merger. These shares have since been redeemed and this reserve is available for use as per the relevant provisions of Companies Act, 2013.

Retained Earnings

Merger under The Scheme of Amalgamation (Sections 230-234 and other applicable provisions of the Companies Act, 2013) of Bill Forge Private Limited with the Company was approved by the Honorable National Company Law Tribunal (NCLT) at Mumbai on November 4, 2019 and filed with Ministry of Corporate Affairs on November 15, 2019 with an appointed date of April 1, 2018. The reserves are transferred by virtue of such Scheme of Amalgamation.

15. Borrowings

	As at 31 December, 2020	As at 31 December, 2019
Unsecured Borrowings		
(a) Loans from related parties	**60**	27
(b) Loans repayable on demand		
From Banks	**867**	944
Total Current Borrowings	**927**	971

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Movement of Borrowings

	Current borrowings
Balance as on 31 December, 2019 (including accrued interest)	971
Changes	
Cash flows	(44)
Interest expense	**(73)**
Interest paid	73
Balance as on 31 December, 2020	**927**

Interest rate ranges from 4.6% to 7% p.a.

The loan from related party is an unsecured short-term loan repayable on demand.

Loan from banks is unsecured and is repayable on demand.

16. Trade Payables

	As at 31 December, 2020	As at 31 December, 2019
Trade payable - Micro and small enterprises	**236**	172
Trade payable - Other than micro and small enterprises	**3,926**	3,408
Acceptances	**665**	297
Total	**4,827**	3,877
Of the above, trade payable from:		
- Related Parties (Note 31)	**335**	367
- Others	**4,492**	3,510

The identification of suppliers as micro and small enterprises covered under the "Micro Small and Medium Enterprises Development Act, 2006" was done on the basis of the information to the extent provided by the supplier to the company. Total outstanding dues to micro and small enterprises, are given below:

	As at 31 December, 2020	As at 31 December, 2019
Principal amount due at year end	**229**	168
Interest due and remaining unpaid	**7**	4
Principal amount paid beyond due date	**95**	243
Interest paid in terms of section 16 of the Act	**-***	-*
Amount of interest due and payable for period of delay in payment made beyond the appointed day	**7**	2
Amount of interest accrued and remaining unpaid for earlier year	**6**	2

*Amount is below rounding off norm adopted by the company

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

17. Other Financial Liabilities

		As at 31 December, 2020		As at 31 December, 2019	
		Current	**Non-Current**	Current	Non-Current
(a)	Unclaimed Fractional coupon shares	**1**	-	1	-
(b)	Creditors for capital supplies/services	**145**	-	86	-
(c)	Lease liabilities (Refer note 5(iii))	**139**	**419**	-	-
	Total	**285**	**419**	87	-

18. Provisions

		As at 31 December, 2020		As at 31 December, 2019	
		Current	**Non-Current**	Current	Non-Current
(a)	Provision for Gratuity (Note 29)	**96**	**71**	113	38
(b)	Provision for compensated absences	**30**	**215**	30	196
(c)	Provision for voluntary retirement scheme (Refer Note 33 and 29)	-	-	64	-
(d)	Provision for water charges#	-	**262**	-	262
(e)	Provision for Litigative matters (Refer Note 33- c and d)	**245**	-	-	245
(f)	Others*	**102**	**48**	12	127
	Total	**473**	**596**	219	868

Provision for Water charges

Provision of ₹ 262 million is towards an ongoing dispute with the Irrigation Department (Water Resource Department) in respect of levy of charge for use of water for the period July 1991 to May 2012 for an aggregate amount of ₹ 587 million including penal charge of ₹ 102 million and late fee charge of ₹ 223 million. Presently the matter is being legally pursued. The Company has provided ₹ 262 million towards arrears of water charges. Refer Note 30 Contingent liabilities and commitments.

* This represents provisions made for probable liabilities payable to regulatory authorities. Above provisions are affected by various uncertainities and management has taken all efforts to make a best estimate. It is not practicable for the Company to estimate the accurate timing of cash outflows, if any, in respect of the above.

Movements in Provisions:

Movement in other provisions during the financial year is set out below:

	Other provisions
As at 1 January, 2020	**139**
Charged/ (Credited) to profit or loss	
- Additional provisions recognized	11
- Unused amounts reversed	-
Amounts used during the year	-
As at 31 December, 2020	**150**

There is no movement during the year ended 31 December, 2020 in the provision for water charges and litigative matters.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

19. Deferred Taxes

2020	Opening Balance	Recognized in profit and Loss	Recognized in OCI	Other	Closing Balance
Tax effect of items constituting deferred tax liabilities					
Property, Plant and Equipment and Intangible assets	1,615	438	-	-	2,053
Subtotal (A)	1,615	438	-	-	2,053
Tax effect of items constituting deferred tax assets					
Expenses allowable on payment basis	97	(28)	-	-	69
Timing differences	198	105	6	8	317
Subtotal (B)	295	77	6	8	386
Net Tax Asset (Liabilities)[B-A]	**(1,320)**	**(361)**	**6**	**8**	**(1,667)**

2019	Opening Balance	Recognized in profit and Loss	Recognized in OCI	Other	Closing Balance
Tax effect of items constituting deferred tax liabilities					
Property, Plant and Equipment and Intangible assets	914	701	-	-	1,615
Subtotal (A)	914	701	-	-	1,615
Tax effect of items constituting deferred tax assets					
Expenses allowable on payment basis	88	9	-	-	97
Timing differences	483	(293)	8	-	198
Subtotal (B)	571	(284)	8	-	295
Net Tax Asset (Liabilities)[B-A]	**(343)**	**(985)**	**8**	**-**	**(1,320)**

20. Corporate income tax expense

(i) **Income Tax recognised in Profit or loss**	**Year ended 31 December, 2020**	Year ended 31 December, 2019
Current Tax	**(86)**	(72)
Deferred Tax	**361**	985
Total income tax expense	**275**	913

(ii) **Income tax recognised on Other comprehensive income**	**Year ended 31 December, 2020**	Year ended 31 December, 2019
Income taxes related to items that will not be reclassified to profit or loss	**6**	8
Total income tax recognised on Other comprehensive income	**6**	8

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(iii) Reconciliation of tax expense and the accounting profit multiplied by Company's domestic tax rate:

	Year ended 31 December, 2020	Year ended 31 December, 2019
Profit before tax	**1,015**	2,636
Income tax expenses calculated at 25.168% (Dec'19: 25.168%)	**255**	663
Incremental income tax expenses for the period Jan 2019 to March 2019 @ 9.776% (34.944%-25.168%) – Tax rate changed with effect from April 1, 2019	-	99
Reversal of excess DTA and DTL due to change in tax rate (34.944% to 25.168%)	-	(279)
MAT Credit written off	-	331
Other Items	**21**	99
Total	**276**	913

21. Fair Value Measurements

Financial instruments by category

	As at 31 December, 2020			As at 31 December, 2019		
	FVTPL	**FVOCI**	**Amortised Cost**	FVTPL	FVOCI	Amortised Cost
Financial assets						
Investments	**2,250**	-	**82**	847	-	75
Trade Receivables	-	-	**4,091**	-	-	5,214
Other Financial Assets	-	-	**798**	-	-	167
Cash and Cash Equivalents	-	-	**551**	-	-	239
Other Bank balances	-	-	**119**	-	-	127
Total financial assets	**2,250**	-	**5,641**	847	-	5,822
Financial liabilities						
Borrowings	-	-	**927**	-	-	971
Trade Payables	-	-	**4,827**	-	-	3,877
Other Financial Liabilities	-	-	**146**	-	-	87
Total financial liabilities	-	-	**5,900**	-	-	4,935

Financial instrument carried at amortized cost

Fair value of financial assets and financial liabilities carried at amortized cost is not materially different from the carrying amount.

Fair Value Hierarchy

	As at 31 December, 2020			As at 31 December, 2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets						
Short term investments in Mutual Funds	**2,250**	-	-	847	-	-
Total	**2,250**	-	-	847	-	-

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

22. Other Liabilities

		As at 31 December, 2020		As at 31 December, 2019	
		Current	**Non-Current**	Current	Non-Current
(a)	Government grant	-	-	3	2
(b)	Taxes payable (other than income taxes)	**126**	-	201	-
(c)	Payable to employees	**555**	-	450	-
(d)	Consideration payable for acquisition of subsidiary *	**600**	-	622	-
(e)	Others	**190**	-	141	-
Total		**1,471**	-	1,417	2

* Amount mainly comprises of consideration payable for acquisition of Aurangabad Electricals Limited towards incentive receivable under Package Scheme of Incentive (PSI scheme).

23. Revenue from Operations

		Year ended 31 December, 2020	Year ended 31 December, 2019
Revenue from contracts with customers			
(a)	Sale of Products	**20,114**	26,942
(b)	Sale of Services	**52**	37
Other Operating Revenue (Including Scrap Sales, Export incentives)		**1,282**	1,966
Total		**21,448**	28,945

Reconciliation of revenue with contract price :-	**Year ended 31 December, 2020**	Year ended 31 December, 2019
Revenue as per Statement of Profit and loss	**21,448**	28,945
Add: Incentive/rebates/discounts etc.	-	-
Contract Price	**21,448**	28,945

24. Other Income

		Year ended 31 December, 2020	Year ended 31 December, 2019
(a)	Interest Income on financial assets measured at amortised cost	**32**	119
(b)	Net Gain on Investment held at Fair value through Profit & loss	**46**	16
(c)	Government Grants	**2**	8
(d)	Miscellaneous income (including net exchange gain)	**117**	183
Total		**197**	326

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

25. Cost of material consumed

	Year ended 31 December, 2020	Year ended 31 December, 2019
Opening stock of raw materials	**506**	1,147
Add: Purchases	**10,540**	13,606
	11,046	14,753
Less: Closing stock of raw materials	**860**	506
Cost of materials consumed	**10,186**	14,247

Changes in inventories of finished goods and work in progress:

	Year ended 31 December, 2020	Year ended 31 December, 2019
Inventories at the end of the year		
Finished goods	**595**	640
Work in progress	**1,304**	1,110
	1,899	1,750
Inventories at the beginning of the year		
Finished goods	**640**	855
Work in progress	**1,110**	1,209
	1,750	2,064
Net (Increase)/Decrease	**(149)**	314

26. Employee benefit expenses

	Year ended 31 December, 2020	Year ended 31 December, 2019
(a) Salaries and wages, including bonus	**3,288**	3,323
(b) Contribution to provident and other funds (Note 29)	**193**	256
(c) Staff welfare expenses	**231**	255
Total	**3,712**	3,834

27. Finance costs

	Year ended 31 December, 2020	Year ended 31 December, 2019
(a) Interest expense	**52**	132
(b) Finance Charges	**21**	4
(c) Interest on Lease Liabilities (Refer Note 5 (iii))	**46**	-
Total	**119**	136

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

28. Other expenses

		Year ended 31 December, 2020	Year ended 31 December, 2019
(a)	Tools & Stores consumed	**1,314**	1,572
(b)	Power & Fuel	**1,565**	1,867
(c)	Repairs and maintenance	**577**	673
(d)	Freight outward	**443**	564
(e)	Subcontracting, Hire and Service Charges	**1,055**	1,240
(f)	Expenditure on corporate social responsibility (CSR) under section 135 of the Companies Act, 2013. (Note 35)	**71**	17
(g)	Auditors remuneration and out-of-pocket expenses		
	(i) Audit fee	**10**	9
	(ii) Tax audit fee	**-**	2
	(iii) Other services	**2**	1
	(iv) For reimbursement of expenses	**-**	1
(h)	Other Expenses	**641**	1,150
Total		**5,678**	7,096

29. Defined benefits and contribution

(a) Defined Contribution plan

The Company's contribution to Provident Fund and other funds aggregating ₹ 137 Million (₹ 176 Million) has been recognised in the statement of Profit or Loss under the head Employee Benefit expenses.

(b) Defined benefit plans

(i) Gratuity

The Company operates gratuity plan covering qualifying employees. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Company's scheme applicable to the employee. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The Company makes annual contribution to the Company gratuity scheme administered by the Life Insurance Corporation of India through its Gratuity Trust Fund.

(ii) Voluntary Retirement Scheme

Onetime expenses incurred towards voluntary retirement scheme are charged off in the statement of Profit and loss.

(iii) Compensated absences

Company's liability towards leave encashment are determined using the Projected Unit Credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognised on straight line basis over the statement of Profit or loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(c) Risks

Through its defined benefit plans the Company is exposed to risks, the most significant of which are detailed below:

(i) Asset Volatility

The plan liabilities are calculated using a discount rate set with references to government bond yields; if plan assets under perform compared to the government bond's discount rate, this will create or increase a deficit.

(ii) Changes in Bond Yields

A decrease in government bond yields will increase plan liabilities, although this is expected to be partially offset by an increase in the value of the plans' bond holdings.

1. Provisions for Gratuity, Voluntary Retirement Scheme (VRS): -

	Funded Plan-Gratuity		**Unfunded Plans-VRS**	
	31 December, 2020	31 December, 2019	**31 December, 2020**	31 December, 2019
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:				
Service Cost				
Current Service Cost	**52**	47	-	64
- Past service cost and (gains)/losses from settlements	**-**	-	-	-
Net interest expense	**11**	9	-	-
Components of defined benefit costs recognised in profit or loss	**63**	56	-	64
Re-measurement on the net defined benefit liability				
Actuarial gains and loss arising from changes in financial assumptions	**22**	-	-	-
Actuarial gains and loss arising from experience adjustments	**1**	31	-	-
Components of defined benefit costs recognised in other comprehensive income	**23**	31	-	-
Total	**86**	87	-	64
I. Net Asset/(Liability) recognised in the Balance Sheet as at 31 December				
1. Present value of defined benefit obligation as at 31 December	**(695)**	(651)	-	(64)
2. Fair value of plan assets as at 31 December	**528**	500	-	-
3. Surplus/(Deficit)	**(167)**	(151)	-	(64)
4. Current portion of the above	**(96)**	(113)	-	(64)
5. Non-current portion of the above	**(71)**	(38)	-	-

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	Funded Plan-Gratuity		Unfunded Plans-VRS	
	31 December, 2020	31 December, 2019	**31 December, 2020**	31 December, 2019
II. Change in the obligation during the year ended 31 December				
1. Present value of defined benefit obligation at the beginning of the year	**651**	569	**64**	3
2. Expenses Recognised in Profit and Loss Account				
- Current Service Cost	**52**	47	**-**	64
- Past Service Cost	**-**	-	**-**	-
- Interest Expense (Income)	**45**	42	**-**	-
3. Recognised in Other Comprehensive Income				
Re-measurement gains / (losses)				
- Actuarial Gain (Loss) arising from:				
ii. Financial Assumptions	**25**	-	**-**	-
iii. Experience Adjustments	**1**	30	**-**	-
4. Benefit payments	**(79)**	(37)	**(64)**	(3)
5. Present value of defined benefit obligation at the end of the year	**695**	651	**-**	64
III. Change in fair value of assets during the year ended 31 December				
1. Fair value of plan assets at the beginning of the year	**500**	423	**-**	-
2. Expenses Recognised in Profit and Loss Account				
- Expected return on plan assets	**34**	33	**-**	-
3. Recognised in Other Comprehensive Income				
Re-measurement gains / (losses)	**-**	-	**-**	-
- Actual Return on plan assets in excess of the expected return				
i. Demographic Assumptions	**-**	-	**-**	-
ii. Financial Assumptions	**3**	-	**-**	-
iii. Experience Adjustments	**-**	(1)	**-**	-
4. Contributions by employer (including benefit payments recoverable)	**64**	79	**-**	-
5. Benefit payments	**(73)**	(34)	**-**	-
6. Fair value of plan assets at the end of the year	**528**	500	**-**	-
IV. The Major categories of plan assets				
- List the plan assets by category here				
Funds managed by Insurer	**528**	500	**-**	-
% to total assets	**100%**	100%	**-**	-

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	Funded Plan-Gratuity		Unfunded Plans-VRS	
	31 December, 2020	31 December, 2019	**31 December, 2020**	31 December, 2019
V. Actuarial assumptions				
1. Discount rate	**5% to 6.6%**	6.8% to 7.2%	**0%**	6.9%
2. Expected rate of return on plan assets	**7% to 7.2%**	7.4% to 7.9%	-	-
3. Attrition rate	**2% to 15%**	2% to 9%	-	-
4. Salary Escalation	**5% to 8%**	5% to 9%	-	-
5. Mortality	**Indian Assured Lives Mortality (2012-14) Ultimate**			
6. Life expectancy of person retiring at year end	**9 to 17 years**			

VI. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change	31 December, 2020	31 December, 2019
Decrease in Discount rate	1%	**Increase by 8%**	Increase by 8%
Increase in Discount rate	1%	**Decrease by 7%**	Decrease by 8%
Decrease in Salary increment	1%	**Decrease by 7%**	Decrease by 7%
Increase in Salary increment	1%	**Increase by 7%**	Increase by 7%

VII. The weighted average duration of the defined benefit obligation is 10.50 years (2019 – 11.64 years). The expected maturity analysis of undiscounted gratuity is as follows:

	Less than a year	Between 1-2 years	Between 3-5 years	Over 5 years	Total
December 31, 2020					
Defined benefit obligation	68	63	173	613	917
December 31, 2019					
Defined benefit obligation	68	51	178	606	903

*Amount is below rounding off norm adopted by the company

30. Contingent Liabilities and Commitments

	31 December, 2020	31 December, 2019
Contingent liabilities (to the extent not provided for):		
(a) Claims against the Company not acknowledged as debt		
Income tax claims against which the Company has preferred an appeal	**341**	404
Excise cases against the Company	**104**	104
Service Tax	**67**	66
Sales Tax and VAT	**93**	39
MSEDCL Related Litigations *	**504**	-
Stamp Duty, Government Cess and others	**183**	199
Water Charges (Refer Note 18)	**325**	325
The Company had imported capital goods under the Export Promotion Capital Goods (EPCG), of the Government of India, at concessional rate of duty on an understanding to fulfill quantified exports against future obligation.	**5**	**5**
(b) Commitment		
Capital expenditure contracted for at the end of the reporting period but not recognized as liabilities.	**559**	**436**

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

* Maharashtra State Electricity Distribution Company Limited (MSEDCL) has levied the Cross Subsidy Surcharge (CSS) and Additional Surcharge levied (ASC) on the units of power consumed by the Company from two Captive Generating Plant (CGP) Units of Sai Wardha Power Generation Limited (SWPGL) as a captive consumer. The Hon'ble Maharashtra Electricity Regulatory Commission vide its separate orders dated October 22, 2020 and October 29, 2020 has rejected the captive status of the said two CGP units of SWPGL for the year 2016-17 and the year 2017-18 respectively.. MSEDCL has raised supplementary invoices of ₹ 208 million (including interest) for the year 2016-17 and of ₹ 263 million (including interest) for the year 2017-18 towards alleged Cross Subsidy Surcharge and Additional Surcharge applicable for non-captive power consumption. The Company has challenged the impugned orders before Hon'ble Appellate Authority of Electricity (APTEL) and is sub-judice.

The Hon'ble MERC vide its Order dated March 19, 2018 had upheld the captive status of the units of SWGPL. However, it had treated the units supplied by SWGPL from other two non-CGP units of SWGPL, as non-contracted power. MSEDCL has accordingly raised a supplementary bill of ₹ 33 million for the year 2015-16 towards the units supplied by SWGPL from non-CGP units. The impugned order has been challenged to the extent it deals with the issue of treating the units supplied by SWGPL from non-CGP units as non-contracted energy by an appeal preferred before Hon'ble Appellate Authority of Electricity (APTEL) and is sub-judice.

31. Related Party Transactions

Names of Related Parties:

(a) Ultimate Holding Company - CIE Automotive S.A.

Principal Shareholder of the Holding Company - CIE Berriz, S.L

Holding Company - Participaciones Internacionales Autometal , DOS S.L

(b) Names of Subsidiary Companies

1. Stokes Group Limited
2. Stokes Forgings Limited (Dissolved on 1st August, 2020)
3. Stokes Forgings Dudley Ltd. (Dissolved on 30th July, 2020)
4. CIE Galfor S. A.U
5. Mahindra Forgings Europe AG
6. Jeco Jellinghaus GmbH
7. Gesenkschmiede Schneider GmbH
8. Falkenroth Umformtechnik GmbH
9. Schoneweiss & Co. GmbH
10. CIE Legazpi S.A.,
11. UAB CIE LT Forge
12. Metalcastello S.p.A .
13. BF Precision Private Limited
14. Bill Forge de Mexico S.A de C.V.
15. Aurangabad Electricals Limited (w.e.f 9th April, 2019)
16. Aurangabad Deutschland GmbH (w.e.f 9th April, 2019)

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(c) Names of the Associate Companies where transactions have taken place during the period

1. Gescrap India Private Limited
2. Clean Max Deneb Power LLP (w.e.f. 21st March 2019)
3. Sunbarn Renewables Private Limited (w.e.f. 25th November, 2020)
4. Galfor Eolica S.L.

(d) Names of the Companies exercising significant influence over the Company where transactions have taken place during the period

1. Mahindra Vehicle Manufacturers Limited(MVML) (investing company in respect of which the Company is an Associate)
2. Mahindra ·& Mahindra Limited (M&M) (Holding Company of the investing company in respect of which the Company is an Associate)

(e) Names of other related parties where transactions have taken place during the period

Fellow Subsidiaries

1. Gameko Fabricacion de Components, S.A.
2. CIE Automotive Goiain, S.L.U.

Subsidiary Companies of the investing company (MVML) in respect of which the Company is an Associate

1. Mahindra Intertrade Limited
2. Mahindra Steel Service Centre Limited
3. Mahindra Auto Steel Private Limited
4. Mahindra Electric Mobility Limited
5. Mahindra Heavy Engines Limited
6. Mahindra MiddleEast Electrical Steel Service Centre
7. Mahindra Two Wheelers Limited
8. Mahindra MSTC Recycling Private Limited

Fellow Subsidiary Companies of the investing company (MVML)

1. Mahindra Trucks & Buses Private Limited.
2. Gromax Agri Equipments Limited
3. Mahindra Integrated Business Solutions Private Limited
4. NBS International Limited
5. Mahindra Sanyo Special Steels Private Limited
6. Mahindra Consulting Engineers Limited
7. Mahindra Defence Naval Systems Limited
8. Mahindra Logistics Limited
9. Bristlecone Limited

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(f) Key Managerial Personnel (KMP)

Name		Designation
1.	Mr. Hemant Luthra	Non-Executive Director (Chairman) upto 23rd October, 2019
2.	Mr. Shriprakash Shukla	Non-Executive Director (Chairman- w.e.f. 23rd October, 2019)
3.	Mr. Ander Arenaza Alvarez	Executive Director
4.	Mr. Romesh Kaul	Executive Director upto 16th October, 2019
5.	Mr. Manoj Mullassery Menon	Executive Director (w.e.f. 17th October,2019) and Chief Executive Officer - Stampings, Composites, Foundry, Magnetics and Gears Divisions
6.	Mr. Anil Haridass	Executive Director w.e.f. 10th December, 2019
7.	Mr. Jesus Maria Herrera Barandiaran	Non-Executive Director
8.	Mr. Zhooben Dossabhoy Bhiwandiwala	Non-Executive Director
9.	Mr. Daljit Mirchandani	Independent Director (upto 28th September, 2019)
10.	Mr. Juan Maria Bilbao Ugarriza	Independent Director (upto 28th September, 2019)
11.	Mrs. Neelam Deo	Independent Director (upto 28th September, 2019)
12.	Mr. Manojkumar Maheshwari	Independent Director
13.	Mr. Dhananjay Narendra Mungale	Independent Director
14.	Mr. Kadambi Narahari	Independent Director (w.e.f. 29th September, 2019)
15.	Mrs. Roxana Meda Inoriza	Independent Director (w.e.f. 29th September, 2019)
16.	Mr. Alan Savio D'Silva Picardo	Independent Director (w.e.f. 29th September, 2019)
17.	Mr. Suhail Amin Nathani	Independent Director
18.	Mr. Hari Krishnan	Chief Executive Officer - Forgings and Bill Forge Divisions (w.e.f. 17th October, 2019)
19.	Mr. K. Jayaprakash	Chief Financial Officer
20.	Mr. Krishnan Shankar	Company Secretary and Head - Legal (upto 31 March, 2019)
21.	Mr. Pankaj Vijay Goyal	Company Secretary and Compliance Officer (w.e.f. 1st April, 2019)

(g) Transactions with Related parties during the period

	For the year ended	Entities having significant influence over Company (Refer Note 1)	Subsidiaries (Including Fellow subsidiaries)	Subsidiaries of Entities having significant influence over Company	Associate Company
Nature of transactions with Related Parties					
Sale of goods	**31 December, 2020**	**9,073**	**361**	**383**	**672**
	31 December, 2019	13,671	449	330	648
Purchase of goods	**31 December, 2020**	**18**	**94**	**743**	**-**
	31 December, 2019	144	308	1,444	-
Purchase of property and other assets	**31 December, 2020**	**-**	**31**	**-**	**-**
	31 December, 2019	-	34	-	-
Receiving of services	**31 December, 2020**	**-**	**2**	**78**	**-**
	31 December, 2019	-	14	103	-

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	For the year ended	Entities having significant influence over Company (Refer Note 1)	Subsidiaries (Including Fellow subsidiaries)	Subsidiaries of Entities having significant influence over Company	Associate Company
Rent received	**31 December, 2020**	**-**	**-**	**1**	**-**
	31 December, 2019	-	-	1	-
Rent paid	**31 December, 2020**	**36**	**-**	**-**	**-**
	31 December, 2019	36	-	-	-
Interest received	**31 December, 2020**	**-**	**1**	**-**	**-**
	31 December, 2019	-	1	-	-
Interest paid	**31 December, 2020**	**-**	**6**	**-**	**-**
	31 December, 2019	-	1	-	-
Reimbursements received	**31 December, 2020**	**-**	**67**	**-**	**-**
	31 December, 2019	-	4	-	-
Reimbursements paid	**31 December, 2020**	**-**	**64**	**-**	**-**
	31 December, 2019	10	57	-	-
Provision for Impairment of investment (Note 33)	**31 December, 2020**	**-**	**-**	**-**	**-**
	31 December, 2019	-	-	-	-
Investment in Subsidiary and Associate	**31 December, 2020**	**-**	**-**	**-**	**7**
	31 December, 2019	-	-	-	37
Sale of Assets	**31 December, 2020**	**-**	**-**	**-**	**-**
	31 December, 2019	-	18	-	-
Loans Given	**31 December, 2020**	**-**	**1,647**	**-**	**-**
	31 December, 2019	-	385	-	-
Loans Taken	**31 December, 2020**	**-**	**1,615**	**-**	**-**
	31 December, 2019	-	435	-	-
Sale of investment	**31 December, 2020**	**-**	**-**	**-**	**-**
	31 December, 2019	-	-	-	-

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(h) Balances with Related parties at the end of the period

Nature of Balances with Related Parties	Balance as on	Entities having significant influence over Company	Subsidiaries (Including Fellow subsidiaries)	Subsidiaries of Entities having significant influence over Company	Associate Company
Trade payables	**31 December, 2020**	**1**	**3**	**331**	-
	31 December, 2019	28	-	339	-
Trade receivables	**31 December, 2020**	**2,534**	**34**	**110**	-
	31 December, 2019	2,454	32	71	-
Borrowings	**31 December, 2020**	-	**60**	-	-
	31 December, 2019	-	27	-	-
Loans Receivable	**31 December, 2020**	-	-	-	-
	31 December, 2019	-	-	-	-
Advances received	**31 December, 2020**	-	-	-	**3**
	31 December, 2019	40	-	-	**4**
Advances Given	**31 December, 2020**	-	**37**	-	-
	31 December, 2019	-	14	-	-
Other balances	**31 December, 2020**	**9**	-	-	-
	31 December, 2019	9	-	-	-

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

Note 1

Sales to Mahindra Vehicle Manufacturers Limited (MVML) (Company holding more than 10% of Equity share capital) amounts to INR 809 Million and INR 1,528 Million and during period ended 31 December 2020 and 31 December 2019 respectively and balance outstanding as at year end amounts to INR 234 Million and INR 272 Million as at 31 December 2020 and 31 December 2019 respectively.

(i) Remuneration to Key Managerial Personnel

Details of Remuneration	31 December, 2020	31 December, 2019
Short term employment benefits	**55**	44
Share based payments	-	13
Professional fees paid	-	23
Director sitting fees & Commission	**14**	14
Total	**69**	94

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.

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

32. Earnings per share

a) Calculation of basic and diluted earnings per share

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

The diluted earnings per share has been computed by dividing the Net profit after tax available for Equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock options for the respective periods.

	31 December, 2020	31 December, 2019
	₹ Per Share	₹ Per Share
Basic earnings per share	**1.95**	4.55
Diluted earnings per share	**1.95**	4.55

b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

		31 December, 2020	31 December, 2019
a.	Profit for the year	**740**	1,723
b.	Weighted average number of equity shares	**379,010,682**	378,744,708
	Add: Effect of Stock options	**124**	125,938
c.	Weighted average number of equity shares used in the calculation of Diluted EPS	**379,010,806**	378,870,646
d.	Basic earnings per share (a/b)	**1.95**	4.55
e.	Diluted earnings per share (a/c)	**1.95**	4.55

33. Exceptional Items

		Year Ended 31 December, 2020	Year Ended 31 December, 2019
a)	Bill Forge Private Limited (BFPL) entered into a settlement agreement dated August 21, 2019 with Donald J. Ulrich Associates, Inc. ("DJU") (a former Independent sales agent of BFPL) to pay USD 3 million in full settlement against the damages claimed of USD 10 million. Hence, excess provision amounting to USD 7 million was reversed during the year.	-	(473)
b)	Provision for impairment of one of Company's investment during the year. The Company did not anticipate any amount to be recovered from this investment. Hence, the Company had recognised full impairment loss on the said investment.	-	49
c)	Based on management assessment, provision has been recognised for Provident Fund liability basis Supreme Court judgement in 'Regional provident fund commissioner (II) West Bengal vs Vivekananda Vidyamandir and Others' in accordance with Ind AS-37.	-	145
d)	Provision against levy of cross subsidy charges and additional surcharge by Maharashtra State Electricity Distribution Company Limited during the year on account of power consumption from non-captive generating plant.	-	100
e)	Onetime payment made to employees opting for early retirement under the Voluntary Retirement Scheme declared in Oct 2019 in Bill Forge Division.	-	60
	Total	-	(119)

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

34. Segment Information

In accordance with paragraph 4 of notified IND AS 108 "Operating Segments", the Company has disclosed segment information only in consolidated financial statements.

35. Corporate Social Responsibility (CSR)

The company is required to spend a sum ₹ 116 Million (PY ₹ 89 Million) as part of CSR during the year. The details of actual expenses are as under:

	31 December, 2020	31 December, 2019
Construction of assets	**18**	7
On the purpose other than above	**53**	10
Total	**71**	**17**

36. Employee Stock Option Scheme (ESOS 2007)

The Company instituted the Employees Stock Options Scheme 2007 (ESOS 2007) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on July 25, 2007, amended by special resolution dated July 29, 2008, August 02, 2011 and pursuant to the Integrated scheme of Amalgamation and Composite Scheme of Amalgamation in terms of High Court dated October 13, 2014. Further, the company instituted the Employees Stock Options Scheme 2015 (ESOS 2015) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on September 15, 2015.

Pursuant to the schemes, the Company has granted options to eligible employees at various exercise prices per equity share of ₹10 each. Under the terms of scheme, the vesting period will be spread equally over 4 years (ESOS 2007) and 3 years (ESOS 2015). Options will vest at 25% (ESOS 2007) and 33% (ESOS 2015) from the grant date. When exercisable, each option is convertible into one equity share of the Company.

Movement of share options are as under:

Date of the Tranche	Opening Balance		Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable at the end of the year
	Number of Options	Weighted average exercise price	Number of Options	Number of Options	Number of Options	Number of Options
On 1 April, 2011	48,017	57	48,017	-	-	-
On 20 January, 2012	348	44	160	-	188	188
On 22 February, 2016	372,200	150	8,334	-	363,866	363,866
Total	**420,565**		**56,511**	**-**	**364,054**	**364,054**

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Exercise price	Number of Options-31 December, 2020	Number of Options-31 December, 2019
01-Apr-11	01-Apr-20	57	-	48,017
20-Jan-12	20-Jan-21	44	**188**	348
22-Feb-16	22-Feb-23	150	**363,866**	372,200
Total			**364,054**	420,565
Weighted average remaining contractual life of options outstanding at end of period (years)			**3.15**	3.71

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Expense arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized in profit and loss as part of employee benefit expense were as follows:

	31 December, 2020	31 December, 2019
Employee share-based payment expense	-	2
Total employee share-based payment expense	-	2

37. Events occurring after the reporting period

The Government of India has proposed changes in the Income Tax Act in the Union Budget 2021. The management is in the process of evaluating the impact of these proposed changes on the standalone financials of the Company.

As per Ind AS 10 "Events after the Reporting Period", changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities, are considered as non-adjusting events. Hence, the impact due to such change is not given in the standalone financials for the year ended December 31, 2020.

38. Ind AS 116 :- Leases

This note explains the impact of the adoption of Ind AS 116 Leases on the company's financial statements and discloses the new accounting policies that have been applied from 1 January 2020 in note below.

The company has adopted Ind AS 116 "Leases" effective January 1, 2020 (transition date), which applies to all lease contracts existing on transition date using the simplified approach and not has not restated comparatives for the previous year ended December 31, 2019, as permitted under the specific transitional provisions in the standard.

Impact on the financial statements - lessee accounting

On adoption of Ind AS 116, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Ind AS 17 , Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020.

The lessee's average incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 8.50%.

i) Practical expedients applied

In applying Ind AS 116 for the first time, the company has used the following practical expedients permitted by the standard:

- applying single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- set the Right-of -use asset (before adjustments for any prepayments) equal to the lease liability was applied for the transition

ii) Measurement of lease liabilities:

Operating lease commitments disclosed as at 31 December 2019	100
Discounted using the lessee's incremental borrowing rate of at the date of initial application	82
Add/ (Less): adjustments as a result of a different treatment of extension and termination options	569
Lease liability recognised as at 1 January 2020	651
Of which are:	
Current lease liabilities	93
Non-Current lease liabilities	558
	651

Notes to the Standalone Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

iii) Measurement of right-of-use assets:

The associated right-of-use assets for leases were measured equal to the lease liability as on the date of transition applied.

iv) Adjustments recognised in the balance sheet as on 1 January 2020:

The change in accounting policy affected the following items in the balance sheet on 1 January 2020:

- right-of-use assets – increased by ₹ 1,178 Million
- other non-current assets– decreased by ₹ 527 Million
- lease liabilities– increased by ₹ 651 Million

39. The spread of Covid-19 had severely impacted businesses globally, including India especially during Q2 2020 due to lockdown restrictions being effective from mid-March 2020 until May 2020. The Company resumed its operations from June 2020 across India in a phased manner as the Government of India progressively relaxed lockdown restrictions. In subsequent months, the Company witnessed a surge in demand resulting in increase in revenue. The operations have been stabilised since July 2020 and are now almost back to pre covid levels. Considering the above the management does not envisage any significant impact due to Covid-19 in the foreseeable future.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune
February 19, 2021

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Ander Arenaza Alvarez
Executive Director

Dhananjay Mungale
Director

Manoj Menon
Executive Director &
CEO-Business Division

Hari Krishnan
CEO- Business Division

K. Jayaprakash
Chief Financial Officer

Pankaj Goyal
Company Secretary
& Compliance officer

Pune
February 19, 2021

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Mahindra CIE Automotive Limited

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

Opinion

1. We have audited the accompanying consolidated financial statements of Mahindra CIE Automotive Limited (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associates (refer Note 1 to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at December 31, 2020, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records. (hereinafter referred to as "the consolidated financial statements").

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("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 its associate companies as at December 31, 2020, of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) 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 associate companies in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 sub-paragraph 17 and 18 of the Other Matters paragraph below, other than the unaudited financial information as certified by the management and referred to in sub-paragraph 19 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Key audit matters	How our audit addressed the key audit matters
Assessment of Impairment of Goodwill **(Refer note 4 (a) and 7 of the consolidated financial statements for the related disclosures)** The aggregate carrying value of the Group's goodwill amounts to ₹ 37,554 million (including ₹ 5,513 million towards Goodwill as reported by the component auditors of the Galfor Group) as at December 31, 2020, which comprises of ₹ 10,167 million towards goodwill arising out of business combinations and ₹ 21,874 million towards goodwill on consolidation. The management tests the carrying value of goodwill annually for impairment. The Group has performed an impairment assessment over the Goodwill by calculating the recoverable value of the cash generating unit (CGU) to which the Goodwill belongs using a discounted cash flow model and comparing the same with the carrying value.	Our audit procedures and assessment of impairment of Goodwill included the following: • Obtained an understanding from the management, assessed and tested the design and operating effectiveness of the Group's controls over impairment assessment of Goodwill, determination of Cash Generating Units (CGUs) and other assumptions used by the management. • Evaluated whether assessment of CGUs was consistent with our knowledge of the Group's operations. • Together with the auditors' experts (where necessary), we evaluated the Group's processes regarding impairment assessment: a) Assessed the appropriateness of the impairment model used by the management to estimate the recoverable value of Goodwill. b) Assessed the cash flow forecasts (with underlying economic growth rate) by comparing them to the budgets provided by the management and our understanding of the industry's factors.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>The processes and methodologies for assessing and determining the recoverable amount of Goodwill are based on complex assumptions, that by their nature imply the use of the management's judgement, in particular with reference to identification of CGU, forecast of future cash flows relating to the period covered by the Group's strategic business plan, terminal value, as well as the long-term growth rates and discount rates applied to such forecasted cash flows.

The matter has been identified as a key audit matter in view of the significant amounts involved and also considering the judgement required for estimating the cash flows and the complexity of the assumptions used.</td><td>c) Assessed the underlying assumptions relating to discount rate, earnings growth rate and terminal value etc.
d) Assessed the Group's sensitivity analysis and evaluated whether any reasonably foreseeable change in the underlying assumptions could lead to impairment.
e) Checked the mathematical accuracy of the impairment model and agreed relevant data back to the latest budgets, actual past results achieved by each CGU with the respective year's budgets and other supporting documents.
• Assessed the adequacy of disclosures in the consolidated financial statements.
Based on the above procedures performed, the management's assessment of impairment of goodwill was considered to be reasonable.</td></tr>
<tr><td>Assessment of contingencies and provision for taxes and other litigations and claims

(Refer note 4 (e), 21 and 34 respectively, of the consolidated financial statements for the related disclosures)

The Group has various legal and tax related claims, in respect of which the Group has recognised a provision of ₹ 507 million and disclosed contingent liabilities of ₹ 1,661 million (including ₹ 39 million towards contingent liability as reported by the component auditors of Aurangabad Electricals Limited) in the consolidated financial statements. In respect of the matters relating to contingent liabilities, the Group has filed appeals against the above orders with the appropriate authorities.

The assessment of the likely outcome of these matters and the related outflow of resources is an area of significant management judgement. Management involves legal experts in specific matters where considered necessary.

This has been considered a key audit matter in view of the uncertain outcome of the litigations and involvement of significant management judgement in assessing the probability of outflow of economic resources.</td><td>Our audit procedures included the following:
• Understood and evaluated the design and tested the operating effectiveness of controls in respect of assessment of contingencies and provision for taxes and other litigations and claims;
• Obtained the summary of all legal and tax cases and independently assessed the decisions and rationale for provisions recognised and contingent liabilities disclosed.
• Assessed external legal opinions obtained by the management on specific matters and held discussions with management experts to corroborate their assessment and engaged our tax experts to examine the tax positions.
• Assessed the adequacy of disclosures in the consolidated financial statements.
On the basis of the above procedures performed, we considered the management's assessment in respect of contingencies and provision for taxes and other litigations and claims to be reasonable and disclosures to be appropriate.</td></tr>
</table>

5. The following Key Audit Matters were included in their reports dated February 15, 2021 and February 19, 2021, containing unmodified audit opinion on the financial information of Galfor Group and financial statements of Aurangabad Electricals Limited respectively, subsidiaries of the Holding Company issued by their respective auditors reproduced by us as under:

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Recovery of goodwill, as reported by the auditors of Galfor Group
[Refer note 4(a) and 7 of the consolidated financial statements for the related disclosures]
The Group's goodwill includes a substantial part of its assets, amounting to €61.5 million (₹ 5,513 million) pertaining to Galfor Group at year-end. The Group carries out tests on the recoverability of the amounts recorded under this balance sheet heading on an annual basis.</td><td>The audit procedures applied by the auditors of Galfor Group included the following :
• Component auditor gained an understanding of the internal process used by Galfor Group Management to test goodwill for impairment, verifying the calculation criteria applied for consistency and the methodology of value in use established in the applicable regulations.</td></tr>
</table>

Key audit matters	How our audit addressed the key audit matters
Such impairment testing is based mainly on estimated cash flows of the cash generating units (value in use) to which the assets analysed relate and therefore require that Group Management makes judgements and significant estimates. These estimates include, among other things, expectations regarding sales and future margins, growth rate projections, estimates of discount rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. Deviations in these rates and estimates, trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of goodwill.	• For cash flows, component auditor checked not only the calculations made but also the projected annual cash flows, based on the plans and budgets approved by Galfor Group Management, against those actually obtained in 2020, and also analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them against available comparables (historical results and sector margins) and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's specialist team. • As a result of the analysis and tests performed, component auditor considers that Galfor Group Management's conclusion concerning the absence of impairment of goodwill; the estimates made are adequately supported and are consistent with the information currently available.
Recoverability of deferred tax assets, as reported by auditors of Galfor Group **[Refer note 25 of the consolidated financial statements for the related disclosures]** The Galfor Group recognises deferred tax assets amounting to €11 million (₹ 991 million) as non-current assets at year-end, recovery of which depends on the generation of taxable income in future years. Recovery of these deferred tax assets is analysed annually by the Galfor Group by estimating the tax bases for the next years. The estimation of future tax bases is based on the business plans of the different Galfor Group companies and the planning possibilities permitted under applicable tax legislation, taking into account, in each case, the different consolidated tax groups in which the Group companies are taxed. Therefore, the conclusion concerning the recovery of the deferred tax assets recognised on the subconsolidated balance sheet is subject to judgments and significant estimates by Galfor Group Management with respect to both future tax results and applicable tax legislation in the different jurisdictions in which it operates.	The audit procedures applied by auditors of Galfor Group included the following: • On the basis of the business plans, which are based on the plans and budgets approved by Galfor Group management, component auditor compared annual projected flows with real flows obtained in 2020 and analysed the key assumptions used to determine growth rates and forecast future margins, comparing them against available comparables (historical results and sector margins) and analysing if appropriate, their reasonableness using available third-party contracts or agreements. • Further, component auditor gained an understanding and assessed the criteria used by the Galfor Group's tax management to estimate the possibility of using and recovering deferred tax assets in subsequent years, in light of the business plans. • As part of these analysis, component auditor reviewed the tax adjustments taken into account to estimate taxable income, applicable tax legislation and the decisions concerning the possibilities of using applicable tax benefits with respect to the Galfor Group companies. • The analysis performed permitted their auditors to verify that the calculations and estimates made by the Galfor Group and the conclusions reached in relation to the recognition and recovery of deferred tax assets are consistent with the current situation, with expectations of the future results of the Galfor Group and its individual companies and with the tax planning possibilities available under current legislation.
Recognition and valuation of litigations and claims i.e., assessment of contingencies and provision for taxes and other litigations and claims as reported by auditors of Aurangabad Electricals Limited (AEL) (Refer note 4 (e), 21 and 34 respectively, of the consolidated financial statements for the related disclosures)	The audit procedures applied by auditors of Aurangabad Electricals Limited included the following: • Evaluated the design, tested the operating effectiveness of the relevant controls, and assessed how the management monitors legal, tax and regulatory developments and their assessment of the potential impact on AEL.

Key audit matters	How our audit addressed the key audit matters
AEL operates across a large number of jurisdictions and is subject to a number of legal, regulatory and tax cases. The level of judgement required to establish the level of provisioning, increases the risk that provisions and contingent liabilities may not be appropriately provided against or adequately disclosed. Management involves legal experts in specific matters wherever considered necessary. Accordingly, the component auditors has considered this matter as a key audit matter.	• Read the summary of litigation matters provided by the management and discussed each of the material cases noted in the report to determine the management's assessment of the likelihood and magnitude of any liability that may arise. • Read the external legal or regulatory advice sought by the management and reviewed related correspondence and held discussions with management's expert to corroborate their assessment. • Obtained risk assessment of tax litigations from our tax specialists to assess management's judgements and assumptions on such matters. • On the basis of the above procedures performed, their auditors considered the management's assessment in respect of contingent liabilities, provision for taxes and other litigations and claims to be reasonable and disclosures to be appropriate.
Realisation and accounting of Industrial Promotional Subsidy (IPS) sanctioned and taxation treatment as reported by auditors of Aurangabad Electricals Limited (Refer note 2.9, 13, 22 and 28 of the consolidated financial statements for the related disclosures) AEL has received Eligibility Certificate for Mega Project established at Gat No. 65, Village Chitgaon, & Gat No. 120 & 122 at Village Pangra, under Package Scheme of Incentive 2013, by Government of Maharashtra, Director of Industries vide its letter dated April 13, 2020. The application of government grant and subsidies recognition accounting standards is complex and involves a number of key judgements and estimates. Due to the estimates and judgement involved in the application of the subsidy recognition accounting standards and the degree of complexity and processes used, the component auditors have considered this matter as a key audit matter.	The audit procedures applied by auditors of Aurangabad Electricals Limited included the following: • Obtained the documents and details relating to IPS (Industrial Promotional Subsidy) and independently assessed the same. • Tested the design and operating effectiveness of the relevant controls. • Reviewed the IPS (Industrial Promotional Subsidy) Eligibility Certificate, application for claim of IPS (together with annual accounts, annual reports under VAT/GST etc.) and provisional sanction letter issued by Department of Industries required for the recognition of subsidy. • Performed procedures to ensure that the subsidy recognition criteria adopted by AEL is appropriate and in line with the accounting policies. • On the basis of the above procedures performed, their auditors considered the management's assessment in respect of recognising the IPS and tax treatment as per the accounting policy.

Other Information

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the 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 and the reports of the other auditors as furnished to us (Refer paragraphs 17 and 18 below), 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

9. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group including its Associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates are responsible

for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

10. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates 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.

11. The respective Board of Directors of the companies included in the Group and of its associates are responsible for overseeing the financial reporting process of the Group and of its associates.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

12. 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.

13. As part of an audit in accordance with SAs, we exercise professional judgment 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 associates and jointly controlled entities 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 associates to cease to continue as a going concern.

    - 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 associates 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.

14. 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.

15. 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.

16. 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 of the current period 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 Matters

17. The financial information of nine subsidiaries located outside India, included in the consolidated financial statements, which constitute total assets of ₹ 38,413 million and net assets of ₹ 9,327 million as at December 31, 2020, total revenue of ₹ 31,559 million, total comprehensive income (comprising of profit and other comprehensive income) of ₹ 170 million and net cash flows amounting to ₹ 553 million for the year then ended, have been prepared in accordance with accounting principles generally accepted in their respective countries. The consolidated financial statements also include the Group's share total comprehensive income (comprising of loss and other comprehensive income) of ₹ (1) million for the year ended December 31, 2020 as considered in the consolidated financial statements, in respect of one associate company, whose financial information have not been audited by us. The Company's management has converted the financial information of such subsidiaries and associate company located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries and associate company located outside India, including other information, is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

18. We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of ₹ 6,289 million and net assets of ₹ 2,353 million as at December 31, 2020, total revenue of ₹ 7,265 million, total comprehensive income (comprising of profit and other comprehensive income) of ₹ 460 million and net cash flows amounting to ₹ (76) million for the year ended, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiary, is based solely on the report of the other auditors.

19. We did not audit the financial information of three subsidiaries, whose financial information reflect total assets of ₹ 1,675 million and net assets of ₹ (745) million as at December 31, 2020, total revenue of ₹ 798 million, total comprehensive income (comprising of loss and other comprehensive income) of ₹ (138) million and net cash flows amounting to ₹ (86) million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of total comprehensive income (comprising of profit and other comprehensive income) of ₹ 6 million for the year ended December 31, 2020 as considered in the consolidated financial statements, in respect of three associate companies whose financial information have not been audited by us. These financial information are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and associate companies and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiaries and associate companies is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion 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 information certified by the Management.

Report on Other Legal and Regulatory Requirements

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

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

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

    (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of

Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and records 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.

(e) On the basis of the written representations received from the directors of the Holding Company as on December 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on December 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

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

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

i. The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group and its associate companies– Refer Note 34 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. The Group did not have any derivative contracts as at December 31, 2020.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and associate companies incorporated in India.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended December 31, 2020.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani
Partner
Membership Number: 48125
UDIN: 21048125AAAABD9323

Place: Pune
Date: February 19, 2021

Annexure A to Independent Auditors' Report

Referred to in paragraph 20(f) of the Independent Auditors' Report of even date to the members of Mahindra CIE Automotive Limited on the consolidated financial statements for the year ended December 31, 2020

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

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended December 31, 2020, we have audited the internal financial controls with reference to financial statements of Mahindra CIE Automotive Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date. Reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is not applicable to two associate companies incorporated in India namely Gescrap India Private Limited and Sunbarn Renewables Private Limited, pursuant to MCA notification GSR 583(E) dated 13 June 2017 and to Clean Max Deneb Power LLP as it is not a company under Companies Act, 2013.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls with reference to financial statements

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

of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

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

Opinion

8. In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at December 31, 2020, 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.

Other Matter

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

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani
Partner
Membership Number: 48125
UDIN: 21048125AAAABD9323

Place: Pune
Date: February 19, 2021

Consolidated Balance Sheet as at 31 December, 2020

(₹ in Million)

				Note No.	As at 31 December, 2020	As at 31 December, 2019
I	**ASSETS**					
1	**NON-CURRENT ASSETS**					
	(a)	Property, Plant and Equipment		6	**29,709**	25,404
	(b)	Goodwill		7	**37,554**	35,260
	(c)	Other Intangible Assets		8	**273**	313
	(d)	Financial Assets				
		i)	Investments	9	**87**	80
		ii)	Loans	12	**–**	568
		iii)	Other Financial Assets	10	**246**	788
	(e)	Deferred Tax Assets		25	**1,535**	1,384
	(f)	Income Tax Assets			**458**	183
	(g)	Other Non-Current Assets		13	**533**	1,299
TOTAL NON-CURRENT ASSETS					**70,395**	65,279
2	**CURRENT ASSETS**					
	(a)	Inventories		14	**10,062**	10,566
	(b)	Financial Assets				
		(i)	Investments	9	**2,253**	875
		(ii)	Trade Receivables	11	**7,054**	7,368
		(iii)	Loans	12	**8**	10
		(iv)	Cash and Cash Equivalents	15	**2,226**	1,100
		(v)	Other Bank Balances	15	**155**	399
		(vi)	Other Financial Assets	10	**1,623**	46
	(c)	Current Tax Assets			**85**	371
	(d)	Other Current Assets		13	**1,237**	856
TOTAL CURRENT ASSETS					**24,703**	21,591
Disposal group assets classified as held for sale				24	**72**	141
TOTAL ASSETS					**95,170**	87,011
II	**EQUITY AND LIABILITIES**					
1	**EQUITY**					
	(a)	Equity Share Capital		16	**3,790**	3,790
	(b)	Other Equity		17	**45,290**	42,548
					49,080	46,338
LIABILITIES						
2	**NON-CURRENT LIABILITIES**					
(a)	Financial liabilities					
	(i)	Borrowings		18	**9,373**	8,256
	(ii)	Other Financial Liabilities		20	**2,137**	-
(b)	Provisions			21	**3,465**	3,608
(c)	Deferred Tax Liabilities			25	**2,771**	2,296
(d)	Other Non-Current Liabilities			22	**908**	530
					18,654	14,690
3	**CURRENT LIABILITIES**					
	(a)	Financial Liabilities				
		(i)	Borrowings	18	**7,103**	6,435
		(ii)	Trade Payables	19		
			Total outstanding dues of Micro enterprises and Small enterprises; and		**345**	261
			Total outstanding dues of creditors other than micro enterprises and small enterprises		**14,245**	14,510
		(iii)	Other Financial Liabilities	20	**804**	656
	(b)	Provisions		21	**879**	562
	(c)	Current Tax Liabilities			**245**	441
	(d)	Other Current Liabilities		22	**3,742**	2,978
					27,363	25,843
		Disposal group liabilities classified as held for sale		24	**73**	140
	TOTAL EQUITY AND LIABILITIES				**95,170**	87,011

The accompanying notes 1 to 43 are an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, 19 February, 2021

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Ander Arenaza Alvarez
Executive Director

Dhananjay Mungale
Director

Manoj Menon
Executive Director & CEO-Business Division

Hari Krishnan
CEO- Business Divisions

K. Jayaprakash
Chief Financial Officer
Pune, 19 February, 2021

Pankaj Goyal
Company Secretary
and Compliance officer

Consolidated Statement of Profit and Loss for the year ended 31 December, 2020

(₹ in Million)

		Note No.	Year ended 31 December, 2020	Year ended 31 December, 2019
	Continuing operations			
I	**Revenue from operations**		**60,501**	79,078
	Sale of products and services		**58,181**	75,660
	Other operating revenues		**2,320**	3,418
II	**Other Income**	28	**549**	331
III	**Total Revenue (I+II)**		**61,050**	79,409
IV	**Expenses**			
	(a) Cost of materials consumed	29	**26,791**	36,590
	(b) Changes in inventories of finished goods and work-in-progress		**1,272**	896
	(c) Employee benefit expense	30	**12,618**	13,080
	(d) Finance costs	31	**548**	523
	(e) Depreciation and amortisation expense	6,8	**3,064**	3,161
	(f) Other expenses	32	**14,804**	18,834
	Total Expenses (IV)		**59,097**	73,084
V	**Profit before exceptional items and tax (III-IV)**		**1,953**	6,325
VI	**Exceptional Items**	40	**-**	(46)
VII	**Profit before tax (V-VI)**		**1,953**	6,279
VIII	**Income Tax Expense**			
	1 Current tax	26	**457**	710
	2 Deferred tax	26	**430**	2,031
	Total tax expense		**887**	2,741
IX	**Profit for the year from continuing operations (VII-VIII)**		**1,066**	3,538
	Discontinued operations			
	Loss for the year from discontinued operations	24	**(2)**	-
X	**Profit for the year**		**1,064**	3,538
XI	**Other comprehensive income**			
	(i) Items that will not be reclassified to profit or loss:			
	Remeasurement of post–employment benefit obligation	33	**27**	(221)
	Income tax relating to items that will not be reclassified to profit or loss	26	**(7)**	12
	(ii) Items that may be reclassified to profit or loss:			
	Exchange differences in translating the financial statements of foreign operations		**1,659**	89
	Total comprehensive income for the year, net of tax		**1,679**	(120)
XII	**Total comprehensive income for the year attributable to Owners of the Group (X+XI):**		**2,743**	3,418
	From continuing operations		**2,743**	3,418
	From discontinued operations		**-**	-
XIII	**Earnings per share from continuing and discontinued operations of the owners of the Group (expressed in ₹ 10 per share):**			
	-Basic earnings per share	36	**2.80**	9.34
	From continuing operations		**2.81**	9.34
	From discontinued operations		**(0.01)**	-
	– Diluted earnings per share	36	**2.80**	9.33
	From continuing operations		**2.81**	9.33
	From discontinued operations		**(0.01)**	-

The accompanying notes 1 to 43 are an integral part of these consolidated financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, 19 February, 2021

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

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Executive Director

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Director

Manoj Menon
Executive Director & CEO-Business Division

Hari Krishnan
CEO- Business Divisions

K. Jayaprakash
Chief Financial Officer
Pune, 19 February, 2021

Pankaj Goyal
Company Secretary
and Compliance officer

Consolidated Statement of Changes in Equity for the year ended 31 December, 2020

A. Equity Share Capital

	Number of Shares	Equity share capital
Balance as at 1 January 2019	378,780,932	3,788
Issue of equity shares pursuant to exercise of employee share options	229,750	2
Balance as at 31 December, 2019	**379,010,682**	3,790
Changes in equity share capital	–	–
Balance as at 31 December, 2020	**379,010,682**	3,790

B. Other Equity

	Reserves and surplus						Other reserves		
	Capital Reserve	Securities Premium Reserve	Equity-settled employee benefits reserve	General Reserve	Capital Redemption Reserve	Retained Earnings	Foreign Currency Translation Reserve	Remeasurement of post employment benefit obligation	Total
As at 1 January, 2019	7,693	15,234	63	6,028	165	8,265	1,668	(13)	39,103
Profit for the year	-	-	-	-	-	3,538	-	-	3,538
Other comprehensive income	-	-	-	-	-	-	89	(209)	(120)
Total Comprehensive Income for the year	-	-	-	-	-	3,538	89	(209)	3,418
Exercise/(Forfeiture) of employee stock options	-	51	(24)	-	-	-	-	-	27
Any other changes	-	-	-	-	-	-	-	-	-
As at 31 December, 2019	**7,693**	**15,285**	**39**	**6,028**	**165**	**11,803**	**1,757**	**(222)**	**42,548**
Profit for the year	-	-	-	-	-	1,064	-	-	1,064
Other comprehensive income	-	-	-	-	-	-	1,659	20	1,679
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**-**	**1,064**	**1,659**	**20**	**2,743**
Exercise/(Forfeiture) of employee stock options	-	-	(1)	-	-	-	-	-	(1)
Any other changes	-	-	-	-	-	-	-	-	-
As at 31 December, 2020	**7,693**	**15,285**	**38**	**6,028**	**165**	**12,867**	**3,416**	**(202)**	**45,290**

The accompanying notes 1 to 43 are an integral part of these consolidated financial statements.

This is the Consolidated Statement of Changes in Equity referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, 19 February, 2021

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Chief Financial Officer
Pune, 19 February, 2021

Pankaj Goyal
Company Secretary
and Compliance officer

Consolidated Statement of Cash Flows for the year ended 31 December, 2020

(₹ in Million)

		Note No.	Year ended 31 December, 2020	Year ended 31 December, 2019
I	**Cash flows from operating activities**			
	Profit before tax for the year		**1,953**	6,279
	Adjustments for:			
	Finance costs recognized in profit and loss		**548**	525
	Net Gain on sale of investments and change in fair value of investments held at FVTPL		**(46)**	(183)
	Other income		**(7)**	(57)
	Provision for doubtful debts		**(15)**	(68)
	Provision for obsolescence of inventory		**130**	141
	Interest income		**(59)**	-
	Grant income		**(252)**	-
	Loss/ (gain) on disposal of property, plant and equipment		**(181)**	22
	Depreciation and amortisation		**3,064**	3,168
	Impairment of non-current assets	40	**-**	49
	Expenses recognized in respect of ESOPs		**-**	2
			5,135	9,878
	Change in operating assets and liabilities:			
	(Increase)/decrease in trade and other receivables		**227**	3,398
	(Increase)/decrease in inventories		**1,342**	2,489
	(Decrease)/Increase in other liabilities		**(808)**	(4,331)
			761	1,556
	Income taxes paid		**(503)**	(1,161)
	Net cash generated by operating activities		**5,393**	10,273
II	**Cash flows from investing activities**			
	Payment for acquisition of subsidiary (net of cash)		**-**	(7,782)
	(Purchase)/Sale of current investments		**(1,376)**	5,911
	Net Gain on investments held at FVTPL		**46**	183
	Interest income received		**59**	
	Investment in Associate companies		**(7)**	(71)
	Payments for Property, Plant and Equipment	6,8	**(3,343)**	(4,238)
	Proceeds from disposal of Property, Plant and Equipment		**327**	96
	Net cash (used in)/generated by investing activities		**(4,294)**	(5,901)
III	**Cash flows from financing activities**			
	Proceeds from issue of equity instruments of the Group		**-**	30
	Principal elements of lease payments		**(338)**	-
	Interest on lease liabilities		**(71)**	-
	Net Proceeds/(Repayment) of borrowings		**506**	(3,545)
	Interest paid		**(477)**	(525)
	Net cash used in financing activities		**(380)**	(4,040)
IV	**Net increase/(decrease) in cash and cash equivalents**		**719**	332
	Cash and cash equivalents at the beginning of the year		**1,590**	1,247
	Effects of exchange rate changes (on cash held in foreign currencies)		**77**	11
V	Cash and cash equivalents at the end of the year		**2,386**	1,590

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

	31 December, 2020	31 December, 2019
Reconciliation of cash and cash equivalents		
Total cash and cash equivalents as per Balance Sheet	**2,226**	1,100
Cash and cash equivalents in discontinued operations	**5**	91
Bank balances	**155**	399
Total cash and cash equivalents as per Statement of cash flow	**2,386**	1,590

Consolidated Statement of Cash Flows includes cash flows of disposal group. For details of cash flows of disposal group, refer note 24.

The accompanying notes 1 to 43 are an integral part of these consolidated financial statements.

This is the Consolidated Statement of Cash Flows referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Pune, 19 February, 2021

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Pune, 19 February, 2021

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Company Secretary
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Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

1 General information Mahindra CIE Automotive Group and Background

Mahindra CIE Automotive Limited and activities

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

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

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

Pursuant to the acquisition agreement dated 12th September 2016, the Company had acquired business of Bill Forge Private Limited ("BFPL") through acquisition of all of the share capital from the third parties sellers for a total purchase consideration of ₹ 13,028 million which was discharged in the form of cash and through the issue of shares.

Subsequent to the acquisition, BFPL is amalgamated with the Company with an appointed date of April 1, 2018 under a Scheme of Amalgamation approved by Hon'ble NCLT Mumbai vide order dated November 4, 2019 and effective date November 15, 2019 (being the date of filing of the Order with Registrar of Companies).

On April 9, 2019 (the "Acquisition date"), the company has acquired 100% equity of Aurangabad Electricals Limited for a purchase consideration of INR 8,759 million. (Refer note 23).

The subsidiaries and associates included in these consolidated financial statements along with the proportion of ownership and beneficial interest of the Group in such subsidiaries is included in the details on Interest in other entities mentioned below.

These consolidated financial statements for the year ended December 31, 2020 were approved for issue by the Board of Directors in accordance with their resolution dated 19 February, 2021.

Interest in other entities

Sr. No.	Name of the entity	% of Holding		Country of Incorporation
		31 December, 2020	31 December, 2019	
1	Stokes Group Limited (SGL) (subsidiary of MCIE)	100%	100%	U.K
2	Stokes Forgings Dudley Limited (subsidiary of SGL) (Dissolved on July 30, 2020)	-	100%	U.K
3	Stokes Forgings Limited (subsidiary of SGL) (Dissolved on August 1, 2020)	-	100%	U.K
4	Mahindra Forgings Europe AG (subsidiary of Galfor)	100%	100%	Germany
5	Jeco Jellinghaus GmbH (subsidiary of MFE)	100%	100%	Germany
6	Gesenkschmiede Schneider GmbH (subsidiary of MFE)	100%	100%	Germany
7	Falkenroth Unformtechnik GmbH (subsidiary of MFE)	100%	100%	Germany
8	Schonoeweiss& Co GmbH (subsidiary of MFE)	100%	100%	Germany
9	Metalcastello S.p.A (MC) (subsidiary of Galfor)	99.96%	99.96%	Italy
10	CIE Galfor S.A.U. (Galfor) (subsidiary of MCIE)	100%	100%	Spain
11	CIE Legazpi SA (subsidiary of Galfor)	100%	100%	Spain

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

Sr. No.	Name of the entity	% of Holding		Country of Incorporation
		31 December, 2020	31 December, 2019	
12	UAB CIE LT Forge (subsidiary of Galfor)	100%	100%	Lithuania
13	Galfor Eólica, S.L (Associate of Galfor)*	25%	25%	Spain
14	Aurangabad Electricals Limited (AEL) (w. e. f. April 9, 2019)	100%	100%	India
15	BF Precision Private Limited (subsidiary of MCIE)	100%	100%	India
16	Bill Forge Mexico S. A. de.C V (subsidiary of MCIE)	100%	100%	Mexico
17	AE Deutschland GmbH (Subsidiary of AEL) (w. e. f. April 9, 2019)	100%	100%	Germany
18	Gescrap India Private Limited * (w.e.f. March 27, 2018) (Associate of MCIE)	30%	30%	India
19	Clean Max Deneb Power LLP* (w.e.f. March 21, 2019) (Associate of MCIE)	26%	26%	India
20	Sunbarn Renewables Private Limited* (w.e.f. November 25, 2020) (Associate of MCIE)	27.67%	-	India

*As per schedule III, share of net profit/(Loss) of associate company has to be disclosed on the face of statement of profit and loss. However, as the share of net loss of associates is not material, hence not been disclosed separately.

2. Summary of significant accounting policies

2.1 Basis of presentation

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 and other relevant provisions of the act. The financial statement have been prepared on a historical cost basis, except for share based payment, assets held for sale, derivative financial instrument and certain financial assets and liabilities measured at fair value.

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

2.2 Amended standards adopted by the Group

The Group has changed its accounting policies as a result of adopting Ind AS 116 w.e.f. 1 January, 2020 which has been disclosed in note 6(ii) & (iii).

2.3 Consolidation principles and equity accounting

Subsidiaries

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31st December 2020. Subsidiaries are all entities over which the Group has control. 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.

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

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

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

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 Group, i.e., year ended on 31st December 2020.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Consolidation procedure:

a) Combine like items of assets, liabilities, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

c) Eliminate in full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intra-group transactions that are recognised in assets, such as inventory and Property, Plant and equipment, are eliminated in full). Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intra-group transactions.

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

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

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

2.4 Segment information

Operating segments (Note 5) are reported consistently with the internal reporting provided to the Board of Directors. The Board of Directors is responsible for allocating resources to and assessing the performance of the operating segments.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

2.5 Business combinations and goodwill

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

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

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

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

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

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

2.6 Current and non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

2.7 Foreign currencies

The Group's consolidated financial statements are presented in ₹, which is also the parent Group'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. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

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

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

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

- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognized in profit or loss in the separate 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

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

differences are recognized initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.

- Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.
- Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into ₹ 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. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

2.8 Revenue recognition

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 concluded that it is principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The policy of recognising the revenue is determined by the five-stage model proposed by Ind AS 115 "Revenue from contract with customers".

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer generally on date of bill of lading for export sales and generally on delivery for domestic sales. 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. 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.

Other Revenue

Export incentives

Revenue from export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable assurance and condition precedent to claim are fulfilled.

Interest income

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

Dividends

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

2.9 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

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

2.10 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

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

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

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

Goods and Services Tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognized net of the amount of sales/ Value added (Goods & Service) taxes paid, except:

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

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

2.11 Property, plant and equipment

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 items.

Subsequent costs are included in the assets 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 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 and loss during the reporting period in which they are incurred.

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

- Building 30 / 60 years
- Furniture & Fixtures 5 to 10 years
- Office equipment's 5 to 10 years
- Vehicles 3 to 8 years
- Computers 3 to 6 years

The depreciation policy historically applied by the MCIE to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. These useful lives were estimated in accordance with the actual production capacity of the assets and their residual value, as well as a maximum useful life for each asset.

For certain plants and machineries, the management, based on a detailed technical assessment, has changed the depreciation method to unit of production method. By using the units of production method, annual depreciation charges adapt to changes in production levels on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets. Units of production method of depreciation is calculated for these categories of plant, machinery, based on the actual production levels attained by the assets and their residual value. Under normal production circumstances, depreciation under both the methods would be similar. The change has been made effective January 1, 2020. The impact of this change for the year ended December 31, 2020 is ₹ 497 Million and impact in future will depend on actual production levels and therefore cannot be estimated.

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.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

For other plant and machinery, where usage and efflux of time is primary determinant, the Group continues to depreciate assets using straight-line basis over the estimated useful lives of the assets as follows:

- Plant and machinery (other than those stated above) 5 to 25 years

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

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

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

2.12 Intangible assets

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

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

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

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

Research and development expenses

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

Licences

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

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

2.14 Leases

Till December 31, 2019:

As a lessee

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

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

As a Lessor

Lease income from operating leases where the Group is a lessor is recognised in income on straight line basis over the lease term unless the receipts are structured to increase inline with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

With effect from January 1, 2020:

As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between the principal (liability) and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the lessee under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipments.

As a Lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

2.15 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 is accounted for as follows:

- Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average cost.
- 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 cost.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average.

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

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

2.16 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 units (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 the 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 indicator.

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior year. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31st December.

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

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

2.17 Provisions

General

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

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

Warranty provisions

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

Restructuring provisions

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

2.18 Retirement and other employee benefits

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

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

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

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

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

Pension provisions are for operations in Germany and are entirely internally funded. These benefits are in the nature of long term service awards and lifetime pension and retirement plans. Liabilities are determined using projected unit credit method together with mortality tables. Obligation is measured at the present value of estimated future cash flow using the discount rate that is determined by reference to average market yields of ten years.

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

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

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

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

2.19 Share based payments

Share based compensation benefits are provided to employees via the Employee Stock Options Scheme.

The fair value of options granted under the above scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period)

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revised the estimates of the number of options that are expected. It recognises the impact of the revision of original estimates, if any, in the income statement, with corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the Group).

2.20 Earnings Per Share

(i) Basic Earnings per share

Basic earnings per share is calculated by dividing

- the profit attributable to owners of the Group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares, if any.

(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 the additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

2.21 Financial Assets and Financial liabilities

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, loans, lease liabilities and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

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 recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

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

2.22 Share Capital

Ordinary equity shares are classified as equity.

Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.23 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.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

2.24 Cash dividend

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

2.25 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the receivable is expected to be collected within a period of 12 months or less from the reporting date, they are classified as current assets otherwise as non-current assets.

Trade receivables are measured at their transaction price unless it contains a significant financing component or pricing adjustments embedded in the contract.

Loss allowance for expected life time credit loss is recognised on initial recognition of the trade receivables.

2.26 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable is classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.27 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on for availing the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw- down occurs To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.28 Disposal groups and discontinued operations

An operation is classified as discontinued operations when component of the entity that has been disposed of or is classified as held for sale and that represent a separate major line of business or geographical area of operations and is a part of a single coordinated plan to dispose off. The result of discontinued operation is presented separately, in statement of profit and loss. Assets of disposal group classified as held for sale are presented separately from other assets in balance sheet. The liabilities of disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks viz. market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a. Market risk

(i) Foreign Currency Risk:-

The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

In order to arrange such a policy, the Group uses the management scope concept. This concept encompasses all collection/ payment flows in a currency other than the Indian Rupees expected to materialise over a specific time period. The management scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the Indian Rupees. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months. Once defined the Management Scope, the Group may use financial instruments for risk management.

The Group has investments in foreign operations whose net assets are denominated in EURO, exposing it to only foreign exchange translation risk. The exchange risk on the net assets of the Group's foreign operations is managed through natural hedges by denominating liabilities including borrowings (loans) in the corresponding foreign currency.

If at 31st December, 2020, the Rupee had depreciated/ appreciated by 10% with respect to all other functional currencies other than the Rupee, all other variables remaining constant, equity would have increased/decreased by ₹ 220 Million (2019 increased/ decreased by ₹ 185 Million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from Rupee.

If the average rate of exchange of the Euro had depreciated/ appreciated by 10% in 2020 with respect to all other functional currencies other than Euro, all other variables remaining constant, profit after tax for the year would have been higher/ lower by ₹ 12 Million, (2019 ₹ 168 Million), mainly as a result of the exchange gain/ losses on the translation of accounts of subsidiaries denominated in currencies other than Rupee.

(ii) Interest rate risk

The Group's borrowings are benchmarked to variable rates. The expectation of any change in the benchmark rate is monitored regularly and hedging is initiated as and when required. During the year the impact of such expected change was not material.

Out of total Borrowings, ₹ 14,878 Million (2019 ₹ 10,385 Million) are at variable interest rate.

If the average rate of interest had increased/ decreased by 10bps p.a. in 2020, all other variables remaining constant, interest costs for the year would have been higher/ lower by ₹ 15 Million, (2019 ₹ 10 Million).

b. Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the MCIE Automotive Group strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility through the availability of committed credit lines. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of financial assets representing receivable debts, transferring the related risks and rewards). Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 31st December 2020 and 31st December 2019 is as follow:

	31 December, 2020	31 December, 2019
Cash, cash equivalents and bank balances (Note 15)	**2,381**	1,499
Current and Non-current financial Assets – Loans (Note 12)	**8**	578
Current and Non-current financial assets- Investments (Note 9)	**2,340**	955
Current and non- current financial assets- Others (Note 10)	**1,869**	834
Loans given by disposal group (Note 24)	**67**	
Total Cash and financial assets	**6,665**	3,866

In addition to above cash and financial assets undrawn credit facilities as on 31st December, 2020 were ₹ 5,992 Million (31st December, 2019 ₹ 5,566 Million).

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	31 December, 2020	31 December, 2019
Borrowings (Note 18)	**16,476**	14,691
Current and non- current Financial Liabilities- Others (Note 20)	**2,941**	656
Cash and cash equivalent and bank balances (Note 15)	**(2,381)**	(1,499)
Current and non-current financial assets – Loans (Note 12)	**(8)**	(578)
Current and non-current financial assets – investments (Note 9)	**(2,340)**	(955)
Current and non- current financial assets- Others (Note 10)	**(1,869)**	(834)
Loans given by disposal group (Note 24)	**(67)**	-
Net financial debt	**12,752**	11,481

The Group believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, management expects that the cash generated will be sufficient to service payment obligations for the next twelve months.

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

Noteworthy is the existence at 31st December 2020 of ₹ 3,714 Million in unused loans and credit lines (31st December 2019 of ₹ 3,206 Million).

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

As a result of the above, it may be confirmed that there is no liquidity risk for the group.

c. Credit Risk

Credit risk from cash and cash equivalents and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises impairment provisions as warranted.

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is to spread its volumes across customers or manufacturing platforms.

Given the characteristics, of the Group's customers, management has historically deemed that receivables due within 60 days present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong. Based on past trends, expected credit loss is provided. Details of such provision and analysis of the age of assets that are past due but are not impaired is provided in note 11.

Top 20 customers make for 80% of Group's sale, thus reflecting limited credit risk.

i. Trade receivables

The Group uses Expected Credit Loss (ECL) model to assess the impairment gain or loss. As per ECL simplified approach, the Group uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account a continuing credit evaluation of Group's customers financial condition; aging of trade accounts receivable; the value and adequacy of collateral received from the customers in certain circumstances (if any); the Group's historical loss experience; and adjustment based on forward looking information. The Group defines default as an event when there is no reasonable expectation of recovery.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Movement of Loss allowance:

	Amount
Loss allowance as on 31 December, 2019	107
Reversal during the year (net)	(15)
Loss allowance as on 31 December, 2020	92

3.2 Fair Value estimation

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 (refer Note 27).

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings plus current financial liabilities less cash, cash equivalents and current financial assets, all of which are shown in the consolidated annual accounts. Total capital employed is calculated as 'equity', as shown in the consolidated annual accounts, plus net debt.

Calculation of Gearing ratio.

	31 December, 2020	31 December, 2019
Net Financial Debt (Refer Note 3.1.(b))	**12,752**	11,481
Equity	**49,080**	46,338
Total Capital Employed	**61,832**	57,819
Gearing Ratio	**0.21**	0.20

4. Accounting estimates and judgements

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

a) Estimated impairment loss on goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of a CGU is determined based on value in use calculations. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include any activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate. The key assumptions used to determine the recoverable amount for goodwill including a sensitivity analysis are disclosed and further explained in note 7.

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

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

In accounting of business combination, judgement is required for valuation of assets and identifying whether an intangible asset is to be recognised separately from goodwill.

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

c) Income tax and deferred tax

Income tax expense for the period ended 31st December 2020 has been estimated based on profit before taxes, as adjusted for any permanent and/or temporary differences envisaged in tax legislation governing the corporate income tax base calculation. The tax is recognized in the income statement, except insofar as it relates to items recognized directly in equity, in which case, it is also recognized in equity.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

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

The calculation of income tax expense did not require the use of significant estimates except in tax credits recognized in the year, which was at all times consistent with the annual financial statements.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

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

d) Pension benefits

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for employee benefits are based in part on current market conditions.

The present value of 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 government bonds that have terms approximating to the terms of the related obligation. The estimated future payments which are denominated in currency other than INR, 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.

e) Legal Contingencies

The Group has received orders and notices from tax authorities in respect of direct taxes, indirect taxes and other litigations. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows. Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. In making the decision regarding the need for loss provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Group or the disclosure of any such suit or assertions, does not automatically indicate that a provision of a loss may be appropriate.

5. Segment information

The Board of Directors of Mahindra CIE Automotive Limited is the Group's decision-making body. The Board reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to segments. The Group has determined the operating segments based on the structure of the reports reviewed by the Board.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

All companies within the Mahindra CIE Group belong to the same business segment (Automotive) and to two geographical segments, India and Europe.

31 December, 2020*	India #	Europe	Total Segments	Inter-segment transactions	Consolidated
Revenue	29,704	31,200	60,904	(403)	60,501
Income/ (Expenses)	(26,460)	(28,880)	(55,340)	403	(54,937)
Depreciation, amortization and Impairment	1,668	1,396	3,064	-	3,064
Segment profit (EBIT)	1,577	923	2,500	-	2,500
EBIDTA	3,245	2,319	5,564	-	5,564
Total assets	49,618	45,480	95,098	-	95,098
Total liabilities	17,320	28,697	46,017	-	46,017
Property, Plant and Equipment Addition	2,150	1,193	3,343	-	3,343
31 December, 2019*	**India #**	**Europe**	**Total Segments**	**Inter-segment transactions**	**Consolidated**
Revenue	36,508	43,123	79,631	(553)	79,078
Income/ (Expenses)	(31,845)	(37,823)	(69,668)	553	(69,115)
Depreciation, amortization and Impairment	1,615	1,546	3,161	-	3,161
Segment profit (EBIT)	3,048	3,754	6,802	-	6,802
EBIDTA	4,663	5,300	9,963	-	9,963
Total assets	46,471	40,399	86,870	-	86,870
Total liabilities	14,942	25,591	40,533	-	40,533
Property, Plant and Equipment Addition	2,753	1,998	4,751	-	4,751

Inter-segment transactions between segments are carried out under market terms and conditions as usual commercial transactions with third parties.

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

	31 December, 2020	31 December, 2019
Operating results (EBIT)	**2,500**	6,802
Financial income (expense)	**(548)**	(523)
Corporate income tax and deferred tax	**(886)**	(2,741)
Profit attributed to the parent Group	**1,066**	3,538

India includes Mexico.

Segment assets includes goodwill, property, plant and equipment, intangible assets, deferred tax assets, inventories, accounts receivable and cash, excluding intra Group assets eliminated on consolidation.

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

*Segment information is exclusive of discontinued operation (Refer Note 24).

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

6. Property, Plant and Equipment

The details and movements in property, plant and equipment are as follows:

For the year 2020

	Description of Assets	Land	Buildings	Plant and Equipment	Furniture and Fixtures, tools and furnishings	Other assets	Right of use assets	Total
I.	**Gross Carrying Amount**							
	Balance as at 1 January, 2020	2,920	5,426	29,421	3,623	558		41,948
	Adopted as on 1 January, 2020 as per Ind AS 116 Leases						3,173	3,173
	Additions	4	294	1,968	1,020	21	95	3,402
	Disposals	-	(4)	(402)	(106)	(2)	(123)	(637)
	Exchange differences	144	475	3,460	879	19	226	5,203
	Balance as at 31 December, 2020	**3,068**	**6,191**	**34,447**	**5,416**	**596**	**3,371**	**53,089**
II.	**Accumulated depreciation and impairment**							
	Balance as at 1 January, 2020	-	(1,406)	(13,114)	(2,327)	(164)	-	(17,011)
	Adopted as on 1 January, 2020 as per Ind AS 116 Leases						-	-
	Depreciation expense for the year	-	(227)	(1,939)	(450)	(6)	(359)	(2,981)
	Disposals	-	-	236	8	2	80	326
	Exchange differences	-	(338)	(2,610)	(754)	(11)	(40)	(3,753)
	Balance as at 31 December, 2020	**-**	**(1,971)**	**(17,427)**	**(3,523)**	**(179)**	**(319)**	**(23,419)**
	Impairment	-	-	(84)	-	-	-	(84)
III.	**Net carrying amount**	**3,068**	**4,220**	**16,936**	**1,893**	**417**	**3,052**	**29,586**
	Capital Work in progress							123
	Total	**3,068**	**4,220**	**16,936**	**1,893**	**417**	**3,052**	**29,709**

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

For the year 2019

	Description of Assets	Land	Building	Plant and Equipment	Furniture and Fixtures, tools and furnishings	Other assets	Right of use assets	Total
I.	**Gross Carrying Amount**							
	Balance as at 1 January, 2019	2,230	4,103	22,438	2,627	527	-	31,925
	Additions	164	757	3,219	503	59	-	4,702
	Additions on account of business combination	545	537	3,735	583	-	-	5,400
	Disposals	(30)	(5)	(199)	(129)	(30)	-	(393)
	Exchange difference	11	34	228	39	2	-	314
	Balance as at 31 December, 2019	**2,920**	**5,426**	**29,421**	**3,623**	**558**	**-**	**41,948**
II.	**Accumulated depreciation and impairment**							
	Balance as at 1 January, 2019	-	(1,072)	(9,268)	(1,517)	(153)	-	(12,010)
	Depreciation expense for the year	-	(217)	(2,371)	(477)	(55)	-	(3,120)
	Additions on account of business combination	-	(106)	(1,511)	(418)	-	-	(2,035)
	Disposals	-	5	168	119	45	-	337
	Exchange difference	-	(16)	(132)	(34)	(1)	-	(183)
	Balance as at 31 December, 2019	**-**	**(1,406)**	**(13,114)**	**(2,327)**	**(164)**	**-**	**(17,011)**
	Impairment	-	-	(75)	-	-	-	(75)
III.	**Net carrying amount**	**2,920**	**4,020**	**16,232**	**1,296**	**394**	**-**	**24,862**
	Capital work in progress							**542**
	Total	**2,920**	**4,020**	**16,232**	**1,296**	**394**	**-**	**25,404**

There are no significant assets acquired under finance lease.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

ii) Leases

This note provides the information for leases where the Group is a lessee. The Group leases various offices, buildings, leasehold land, and vehicles. Rental contracts are typically made for fixed periods of 6 months to 13 years.

i) Amounts recognised in the balance sheet

Property, plant and equipment includes the below amounts recognised as Right of use of assets:

	31 December, 2020	1 January, 2020
Right of use of assets		
Leasehold Land*	590	611
Property and plant	2,151	2,184
Other assets	311	378
Total	**3,052**	**3,173**

The corresponding lease liability as per Ind AS 116 is below:

	31 December, 2020	1 January, 2020
Lease liabilities		
Current	382	398
Non - Current	2,137	2,210
Total	**2,519**	**2,608**

Additions to the right-of-use assets during the current financial year were ₹ 95 Million.

* The amount of lease premium paid in advance on leasehold land was disclosed as Other Non-Current Assets (Note 13) till the year ended December 31, 2019. On adoption of Ind AS 116 from 1 January, 2020, the same is now disclosed as right of use asset for the year ended 31 December, 2020.

ii) Amounts recognised in the statement of profit and loss

The statement of profit or loss shows the amounts relating to leases:

	31 December, 2020
Depreciation/ Amortisation charge of right of use of assets	
Leasehold Land**	10
Property and plant	296
Other assets	53
Total	**359**

	31 December, 2020
Interest expense (included in finance costs)	71
Expense relating to short term leases (included in other expenses)	43
Expense relating to leases of low- value assets that are not shown above as short term leases (included in other expenses)	15

The total cash outflow for leases for the year ended 31 December 2020 was ₹ 409 Million.

** This pertains to amortisation of lease premium paid in advance on leasehold land.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

iii. Ind AS 116 :- Leases

This note explains the impact of the adoption of Ind AS 116 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2020 in note below.

The Group has adopted Ind AS 116 "Leases" effective January 1, 2020 (transition date), which applies to all lease contracts existing on transition date using the simplified approach and not has not restated comparatives for the previous year ended December 31, 2019, as permitted under the specific transitional provisions in the standard.

Impact on the financial statements - lessee accounting

The lessee's average incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 8.50% (India) and 1.25% (Europe).

i) Practical expedients applied

In applying Ind AS 116 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- set the Right-of -use asset (before adjustments for any prepayments) equal to the lease liability was applied for the transition

ii) Measurement of lease liabilities:

Operating lease commitments disclosed as at 31 December 2019	2,210
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,070
Add/ (Less): adjustments as a result of a different treatment of extension and termination options	538
Lease liability recognised as at 1 January 2020	**2,608**
Of which are:	
Current lease liabilities	398
Non-Current lease liabilities	2,210
	2,608

iii) Measurement of right-of-use assets:

The associated right-of-use assets for leases were measured equal to the lease liability as on the date of transition applied.

iv) Adjustments recognised in the balance sheet as on 1 January 2020:

The change in accounting policy affected the following items in the balance sheet on 1 January 2020:

- right-of-use assets – increased by ₹ 3,173 Million
- Other non-current assets – decreased by ₹526 Million
- lease liabilities – increased by ₹2,608 Million

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

7. Goodwill

	As at 31 December, 2020	As at 31 December, 2019
Cost		
Balance at beginning of the year	**37,202**	31,053
Additions on account of acquisition (Refer Note 23)	-	6,058
Foreign exchange fluctuation	**2,538**	91
Balance at end of the year	**39,740**	37,202
Accumulated impairment losses	**(2,186)**	(1,942)
Balance at the end of the year	**(2,186)**	(1,942)
Net carrying amount	**37,554**	35,260

Impairment testing of goodwill

Goodwill is tested for impairment on an annual basis. Goodwill is monitored by management at the level of cash generating units, which is India and Europe in this case. For the current and previous financial year, the recoverable amount of Cash Generating Unit (CGU) was 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.

The net carrying amount breakup of goodwill at the resulting CGU level is as below:

Cash Generating units	31 December, 2020	31 December, 2019
India	**16,244**	16,244
Europe	**21,310**	19,016
Total	**37,554**	35,260

Key assumptions used in the calculation of value in use:

The following table sets out the key assumptions for the CGU:

Particulars	31 December, 2020	31 December, 2019
Discount rate	**4.7% to 11.6%**	4.9% to 11.9%
EBIDTA Margins (range)	**3.8% to 26.6%**	5% to 31%
Annual sales growth rate	**(3.8%) to 21.6%**	(2%) to 18%
Terminal sales growth rate	**1.5% to 7%**	1.5% to 7%

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determine values
Discount rate	Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and is derived from the CGU's weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. CGU specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on publicly available market data.
EBITDA Margins	EBITDA margins are based on the actual EBITDA of respective CGU based on the past trend and future expectations.
Annual sales growth rate	Annual growth rate over the five-year forecast period; based on past performance, current industry trends including long-term inflation forecast and management's expectation of market development.
Terminal sales growth rate	The Company has considered growth rate to extrapolate cash flows beyond the forecast period, consistent with the industry forecasts, based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth.

Sensitivity to changes in assumptions of CGU

The management believes that no reasonably possible change (say 10%) in any of the key assumptions used in the value in use calculation would cause the carrying value of the CGU to materially exceed its value in use.

Results of the analysis

Based on the above assessment, the Company concluded that in both current year as well as previous year, goodwill has not suffered any impairment. Further, the result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

8. Other Intangible assets

The details and movements of the main classes of intangible assets are shown below:

For the year 2020

Description of Assets	**Development expenditure**	**Customer relationships**	**Computer software**	**Total**
I. Gross Carrying Amount				
Balance as at 1 January, 2020	55	202	340	597
Additions	-	-	36	36
Disposals	-	-	(23)	(23)
Exchange difference	-	-	85	85
Balance as at 31 December, 2020	**55**	**202**	**438**	**695**
II. Accumulated amortization and impairment				
Balance as at 1 January, 2020	(25)	(15)	(244)	(284)
Amortization expense for the year	(30)	(20)	(33)	(83)
Eliminated on disposal of assets	-	-	23	23
Exchange difference	-	-	(78)	(78)
Balance as at 31 December, 2020	**(55)**	**(35)**	**(332)**	**(422)**
III. Net carrying amount	**-**	**167**	**106**	**273**

For the year 2019

Description of Assets	**Development expenditure**	**Customer relationships**	**Computer software**	**Total**
I. Gross Carrying Amount				
Balance as at 1 January, 2019	55	-	255	310
Additions	-	-	49	49
Additions on account of business combination	-	202	50	252
Disposals	-	-	(19)	(19)
Exchange differences	-	-	5	5
Balance as at 31 December, 2019	**55**	**202**	**340**	**597**
II. Accumulated amortization and impairment				
Balance as at 1 January, 2019	**(14)**	**-**	**(195)**	**(209)**
Amortisation expense for the year	(11)	(15)	(15)	(41)
Additions on account of business combination	-	-	(34)	(34)
Eliminated on disposal of assets	-	-	4	4
Exchange difference	**-**	**-**	**(4)**	**(4)**
Balance as at 31 December, 2019	(25)	(15)	(244)	(284)
III. Net carrying amount	**30**	**187**	**96**	**313**

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

9. Investments

		As at 31 December, 2020			As at 31 December, 2019		
		No of Shares/ Units	**Amounts Current**	**Amounts Non Current**	No of Shares/ Units	Amounts Current	Amounts Non Current
A	**Investment in equity instruments (unquoted-fully paid up)**						
	Associate Companies						
	Gescrap India Private Limited (30% share)	**3,720,000**	**-**	**37**	3,720,000	-	37
	Galfor Eolica, S.L. (25% share)	**68,000**	**-**	**5**	68,000	-	5
	Clean Max Deneb Power LLP (26% share)	**-**	**-**	**32**	-	-	32
	Sunbarn Renewables Private Limited (27.67% share)	**87,500**	**-**	**7**	-	-	-
	Others						
	The Saraswat Cooperative Bank Limited	**5,050**	**-**	**-***	5,050	-	-*
	Clean Wind Power (Manvi) Private Limited	**420,000**	**-**	**4**	420,000	-	4
	Clean Wind Power (Pratapgarh) Private Limited	**27,600**	**-**	**2**	27,600	-	2
B	**Investments in Mutual Funds (unquoted)**						
	Axis Liquid Fund - Direct Growth	**589,932**	**1,070**	**-**	214,231	422	-
	ICICI Prudential Liquid Plan - Direct Growth	**3,311,767**	**1,070**	**-**	1,695,570	422	-
	HDFC ultra short term fund - Direct Growth	**9,086,569**	**107**	**-**	-	-	-
	Aditya Birla Sunlife Liquid Fund – Direct Growth	**9,605**	**3**	**-**	9,605	3	-
C	**Others**	**-**	**3**	**-**	-	28	-
	Total quoted investments	**-**	**-**	**-**	-	-	-
	Total unquoted investments	**-**	**2,253**	**87**	-	875	80
	Total investments	**-**	**2,253**	**87**	-	875	80

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

10. Other Financial Assets

	As at 31 December, 2020		As at 31 December, 2019	
	Current	**Non-Current**	Current	Non-Current
Security deposits	**11**	**246**	46	188
Others	**600**	**-**	-	-
Incentive receivable	**1,012**	**-**	-	600
Total	**1,623**	**246**	46	788

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

11. Trade Receivables

	As at 31 December, 2020	As at 31 December, 2019
(a) Unsecured, considered good	**7,054**	7,368
(b) Unsecured, considered doubtful	**92**	107
Less: Allowance for doubtful debt	**(92)**	(107)
Total	**7,054**	7,368
Current portion	**7,054**	7,368
Non-Current portion	**-**	-
Of the above, trade receivables from:		
- Related Parties (Refer Note 35)	**2,813**	2,635
- Others	**4,241**	4,733
	7,054	7,368

Transferred Receivables

The carrying amount of the trade receivable includes receivables which are subject to factoring arrangement. Under this 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 late payment and credit risk. The Group therefore continues to recognize the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as borrowing. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortized cost.

The relevant carrying amounts are as follows:

	As at 31 December, 2020	As at 31 December, 2019
Transferred trade receivables	117	22
Associated short term borrowings (Note 18)	117	22

12. Loans

	As at 31 December, 2020		As at 31 December, 2019	
	Current	**Non-Current**	Current	Non-Current
Loans to related parties	**8**	**-**	10	568
-unsecured, considered good	**8**	**-**	10	568

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

13. Other Assets

	As at 31 December, 2020		As at 31 December, 2019	
	Current	**Non-Current**	Current	Non-Current
(a) Capital advances	-	**201**	-	181
(b) Other assets				
Other Deposits	-	**266**	-	325
Prepaid expenses*	**215**	**31**	182	526
Balances with government authorities	**581**	**23**	518	98
Advance to suppliers	**93**	-	44	22
Incentive receivable (grants)	**126**	-	37	-
Other advances	**222**	**12**	75	147
Total	**1,237**	**533**	856	1,299

* Prepaid expenses for the year ended 31 December, 2019 includes advance lease payment which is now disclosed under right of use of assets as per the requirements of Ind AS 116. Refer Note 6(ii) for additional disclosures.

14. Inventories

		As at 31 December, 2020	As at 31 December, 2019
(a)	Raw materials	**2,493**	2,206
(b)	Work-in-progress	**4,058**	4,364
(c)	Finished and semi-finished goods	**2,259**	2,738
(d)	Stores and spares	**928**	957
(e)	Loose Tools	**324**	301
Total		**10,062**	10,566
Included above, goods-in-transit:			
(i)	Raw materials	**6**	6
(ii)	Finished and semi-finished goods	**241**	228
Total		**247**	234

Amounts recognised in the Statement of Profit and Loss:

Write-downs in inventories of finished goods, work-in-progress & raw materials amounted to ₹ 819 million (31st December 2019: ₹ 689 million) as at the period end. Accordingly, an amount of ₹ 130 million was recognised as expense during the year.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

15. Cash and Cash Equivalents

	As at 31 December, 2020	As at 31 December, 2019
Cash and cash equivalents		
(a) Balances with banks		
i) Current Accounts	**2,080**	869
ii) EEFC Accounts	**17**	26
(b) Cheques, drafts on hand	**8**	96
(c) Cash in hand	**1**	-
(c) Fixed deposits with maturity less than 3 months	**120**	109
Total Cash and cash equivalents	**2,226**	1,100
Other Bank Balances		
(a) Earmarked balances with banks	**1**	1
(b) Balances with Banks:		
(i) On margin accounts	**118**	35
(ii) Fixed Deposits with maturity greater than 3 months but less than 12 months	**36**	363
Total Other Bank balances	**155**	399
Total cash, cash equivalents and other bank balances	**2,381**	1,499

16. Equity Share capital

	As at 31 December, 2020		As at 31 December, 2019	
	No. of shares	Amount	No. of shares	Amount
Authorized:				
Equity shares of ₹ 10/- each with voting rights	**516,592,621**	**5,166**	516,592,621	5,166
4% non-cumulative redeemable preference shares of ₹ 31/- each	**5**	-*	5	-*
Compulsory convertible Preference share of ₹10/- each	**250,000**	**2**	250,000	2
Issued:				
Equity shares of ₹ 10/- each with voting rights	**379,011,627**	**3,790**	379,011,627	3,790
Subscribed and Paid Up:				
Equity shares of ₹ 10/- each with voting rights ^	**379,010,682**	**3,790**	379,010,682	3,790

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Terms and rights attached to Equity Shares

Equity shares have a par value of ₹ 10/-. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Every holder of equity shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

		Opening Balance	Issue of Equity Shares on account of Employee Stock Option Scheme	Closing Balance
Equity Shares with voting rights				
Year Ended 31 December, 2020	**No. of Shares**	**379,010,682**	-	**379,010,682**
	Amount	**3,790**	-	**3,790**
Year Ended 31 December, 2019	No. of Shares	378,780,932	229,750	379,010,682
	Amount	3,788	2	3,790

*Shareholders of the Company had approved reclassification of authorised preference share capital vide EGM held on 13th Oct 2016. Amount is below the rounding off norm adopted by the Company.

^Mahindra Composites Limited which was merged with the company in the year 2013 had issued 1,050 equity shares and not allotted the same to the shareholders. Based on the swap ratio the Company has issued 945 equity shares and not allotted the same and the same has been kept in abeyance.

Shares reserved for issue under options

Information relating to Mahindra CIE Automotive Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 39.

Details of shares held by the holding Company, the ultimate holding Company, their subsidiaries and associates:

	Equity Shares with Voting rights
As at 31 December, 2020	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding Company	228,082,332
As at 31 December, 2019	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding Company	213,194,432

Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	**31 December, 2020**		31 December, 2019	
	Number of shares held	**% holding in that class of shares**	Number of shares held	% holding in that class of shares
Equity shares with voting rights				
Participaciones Internacionales Autometal, Dos S.L. (PIA2)	**228,082,332**	**60.18%**	213,194,432	56.25%
Mahindra Vehicle Manufacturing Limited (MVML)	**43,344,512**	**11.44%**	43,344,512	11.44%

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

17. Other Equity

(i) Securities premium reserve

	As at 31 December, 2020	As at 31 December, 2019
Opening balance	**15,285**	15,234
Addition on Exercise of options- Proceeds Received	-	51
Closing balance	**15,285**	15,285

(ii) Equity settled employees' benefits reserve

	As at 31 December, 2020	As at 31 December, 2019
Opening balance	**39**	63
Employee stock option expenses	-	2
Less: -		
Transfer to retained earnings on cancellation/lapse	**(1)**	(2)
Options exercised during the year	-	(24)
Closing Balance	**38**	39

(iii) Retained earnings

	As at 31 December, 2020	As at 31 December, 2019
Opening Balance	**11,581**	8,252
Add: -		
Profit for the year	**1,064**	3,538
Items of Other Comprehensive income recognized directly in retained earnings		
Remeasurement of post employment benefit obligation, net of tax	**20**	(209)
Closing balance	**12,665**	11,581

(iv) Capital reserves

	As at 31 December, 2020	As at 31 December, 2019
Balance as at beginning and end of the year	**7,693**	7,693

(v) Capital Redemption reserve

	As at 31 December, 2020	As at 31 December, 2019
Balance as at beginning and end of the year	**165**	165

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(vi) General Reserve

	As at 31 December, 2020	As at 31 December, 2019
Balance as at beginning and end of the year	**6,028**	6,028

(vii) Foreign currency translation reserve

	As at 31 December, 2020	As at 31 December, 2019
Opening balance	**1,757**	1,668
Other Comprehensive income	**1,659**	89
Closing balance	**3,416**	1,757
Grand Total	**45,290**	42,548

Nature and purpose of Reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilized in accordance with the provisions of the law.

Equities settled employees' benefits reserve

The Equities settled employees benefits reserve is used to recognize the grant date fair value of options issued to employees under the MCIE Stock Options Scheme.

Capital reserve

Capital reserve is reserves generated on account of:

a. Merger under The Integrated Scheme of Amalgamation and the Composite Scheme of Amalgamation (Sections 391-395 of the Companies Act, 1956) for the merger of Mahindra Ugine Steel Group Limited (MUSCO), Mahindra Hinoday Industries Limited (MHIL), Mahindra Gears International Limited (MGIL), Mahindra Investment India Private Limited (MIIPL), Participaciones Internacionales Autometal Tres S.L. (PIA3) and Mahindra Composites Limited (MCL). The merger was approved by the Honorable High Court of Judicature at Bombay on 31st October, 2014. The Schemes came into effect on 10th December, 2014, the day on which the order was delivered to the Registrar of Companies. The reserve is capital in nature and is not available for distribution as dividend.

b. Merger under the Scheme of Amalgamation (Sections 230-234 and other applicable provisions of the Companies Act, 2013) of Mahindra Gears and Transmission Pvt Ltd, Mahindra Forging Global Limited, Mahindra Forging International Limited and Crest Geartech Pvt Ltd. The merger was approved by the Honourable National Company Law Tribunal (NCLT) at Mumbai on December 13, 2017. The reserve is capital in nature and is not available for distribution as dividend.

General reserve

General reserve created by virtue of merger of Mahindra Stokes Holding Company Limited, Mahindra Forgings Overseas Limited and Mahindra Forgings Mauritius Limited into the Group vide High Court Order dated December 27, 2007. The reserve is available for distribution as dividend.

Capital redemption reserve

Capital redemption reserve is transferred by virtue of the merger referred to above which was in the books of MUSCO and was created to redeem preference shares issued by MUSCO before merger. These shares have since been redeemed and is available for use as per the relevant provisions of Companies Act, 2013.

Other reserves – Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognized in other comprehensive income and accumulated in a separate reserve with equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed off.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

18. Borrowings

	Rate of interest % p.a.	Maturity	As at 31 December, 2020	As at 31 December, 2019
Non-current borrowings				
Measured at amortised cost				
A. Secured borrowings:*				
Term loans				
From banks	0.5% to 4.38%	2022 to 2025	**3,137**	1,469
Total secured borrowings			**3,137**	1,469
B. Unsecured borrowings				
Loans from related parties (Refer Note 35)	1.5% to 4.5%	2022 to 2024	**6,236**	6,787
Total unsecured borrowings			**6,236**	6,787
Total non-current borrowings			**9,373**	8,256
Current borrowings				
A. Secured Borrowings:*				
Loans repayable on demand				
From Banks	0.5% to 4.85%		**2,543**	3,470
Total Secured Borrowings			**2,543**	3,470
B. Unsecured Borrowings:				
Loans from related parties (Refer Note 35)	1.5% to 4.5%		**2,996**	2,021
Loans repayable on demand				
From Banks			**1,564**	944
Total Unsecured Borrowings			**4,560**	2,965
Total Current Borrowings			**7,103**	6,435
Total borrowings			**16,476**	14,691

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

Current borrowings includes current maturities of long term borrowings.

*Secured borrowings includes borrowings secured by mortgage of land and building and hypothecation of other fixed assets and current assets.

Non-current borrowings have the following maturities:	As at 31 December, 2020	As at 31 December, 2019
Between 1 and 2 years	**1,662**	1,140
Between 3 and 5 years	**7,686**	7,091
More than 5 years	**25**	25
	9,373	8,256

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Borrowing reconciliation:

	Current borrowings	Non-current borrowings	Total borrowings
Borrowings as on 31 December, 2019	6,435	8,256	14,691
Cash flows	442	64	506
Foreign Exchange adjustments	226	1,053	1,279
Interest expense	167	288	455
Interest paid	(167)	(288)	(455)
Borrowings as on 31 December, 2020	**7,103**	**9,373**	**16,476**

19. Trade Payables

	As at 31 December, 2020	As at 31 December, 2019
Trade payable - Micro and small enterprises (Refer Note 37)	**345**	261
Trade payable - Other than micro and small enterprises	**13,580**	14,213
Acceptances	**665**	297
Total	**14,590**	14,771
Of the above, trade payable from:		
- Related Parties (Refer Note 35)	**373**	417
- Others	**14,217**	14,354
	14,590	14,771

20. Other Financial Liabilities

	As at 31 December, 2020		As at 31 December, 2019	
	Current	Non-Current	Current	Non-Current
Lease Liabilities	**382**	**2,137**	-	-
Creditors for capital supplies/services	**422**	-	656	-
Total	**804**	**2,137**	656	-

21. Provisions

	As at 31 December, 2020		As at 31 December, 2019	
	Current	Non-Current	Current	Non-Current
Provision for employee benefits				
Long term Employee Benefits	**298**	**2,843**	392	2,651
Other provisions				
Provisions for Litigative Matters (Refer Note 40(c) and (d) (Other than water charges)	**245**	-	-	327
Water Charges*	-	**262**	-	262
Other Provisions #	**336**	**360**	170	368
Total provisions	**879**	**3,465**	562	3,608

* Provisions of ₹ 262 million is towards an ongoing dispute with the Irrigation Department (Water Resource Department) in respect of levy of charge for use of water for the period July 1991 to May 2012 for an aggregate amount of ₹ 587 million including penal charge of ₹ 102 million and late fee charge of ₹ 223 million. Presently the matter is being legally pursued. The group has provided ₹ 262 million towards arrears of water charges. Refer note 34 Contingent liabilities and commitments.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

This represents provisions made for probable liabilities payable to regulatory authorities. Above provisions are affected by various uncertainities and management has taken all efforts to make a best estimate. It is not practicable for the Group to estimate the timing of cash outflows accurately, if any, in respect of the above.

Details of Provision for employee benefits

	As at 31 December, 2020		As at 31 December, 2019	
	Current	Non-Current	Current	Non-Current
Provision for Gratuity (Note 33)	**119**	**71**	131	38
Provision for pension fund- non- funded (Note 33)	**126**	**2,355**	116	2,190
Provision for employee termination benefits (Note 33)	**-**	**203**	-	218
Provision for compensated absences	**53**	**214**	50	196
Provision for other personnel liabilities	**-**	**-**	31	9
Provision for voluntary retirement scheme	**-**	**-**	64	-
Total	**298**	**2,843**	392	2,651

Details of movement in other provisions – non- current	**Other provisions**
Balance at 31 December, 2018	1,050
Additional provisions recognised/(used)	(396)
Addition on account of business combination	303
Balance at 31 December, 2019	**957**
Additional provisions recognised/(used)	(90)
Movement from non-current to current	(245)
Balance at 31 December, 2020	**622**

Details of movement in other provisions current	**Other provisions**
Balance at 31 December, 2018	242
Change in consolidation scope	19
Additional provisions recognized/(used)	(91)
Balance at 31 December, 2019	**170**
Movement from non-current to current	245
Additional provisions recognized/(used)	166
Balance at 31 December, 2020	**581**

22. Other Liabilities

	As at 31 December, 2020		As at 31 December, 2019	
	Current	Non-Current	Current	Non-Current
Advances received from customers	**278**	-	329	-
Taxes payable (other than income taxes)	**758**	-	621	-
Payable to employees	**2,001**	-	1,348	-
Consideration payable for acquisition of subsidiary*	**600**	-	622	-
Deferred Income	-	**558**	-	254
Other Payables	**105**	**350**	58	276
Total	**3,742**	**908**	2,978	530

* Amount comprises of consideration payable for acquisition of Aurangabad Electricals Limited towards incentive receivable under Package Scheme of Incentive (PSI scheme).

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

23. Business combinations

On April 9, 2019, the Group has carried out the acquisition of 100% of the shares of Aurangabad Electricals Limited (AEL), for a price of ₹ 8,759 million, out of which ₹ 8,137 million has been paid on the date of the acquisition.

This acquisition allows the Group to enter the aluminium die casting technology and increase its presence in the two wheeler space.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

Purchase Consideration	**31 December, 2019**
Cash Paid	8,137
Remaining amount payable for Acquisition*	622
Total Purchase Consideration	**8,759**

*Consideration is payable based on the receipt of eligibility certificate under Package Scheme of Incentive (PSI scheme) (which management expects to receive) or 16 months from the date of acquisition, whichever is earlier.

Fair value of assets acquired	**31 December 2019**
Property, Plant and Equipment (Including CWIP)	3,429
Intangible Assets – Customer Relationship	202
Intangible Assets – Others	17
Non-Current Financial Assets – Incentive Receivable	600
Non-Current Financial Assets – Others	39
Other Non-Current Assets	192
Inventories	561
Trade Receivables	1,306
Other Current Assets	440
Cash and Cash Equivalents	66
Other Bank Balances	289
Assets acquired	**7,141**
Fair value of liabilities assumed	
Borrowings	1,643
Provisions	312
Contingent liability	51
Deferred Tax Liabilities (Net)	505
Trade Payables	1,234
Other Financial Liabilities	398
Other Current Liabilities	297
Liabilities acquired	**4,440**
Net Identifiable Assets acquired	**2,701**

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Calculation of Goodwill	
Purchase price	8,759
Less: Fair value of net identifiable assets acquired	(2,701)
Goodwill	**6,058**

The cash flow movement of the operation has been:	
Purchase price	8,759
Outstanding amount at the time of acquisition	622
Amount paid	8,137
Cash and cash equivalents in AEL at the time of acquisition	355
Outflow of cash on the acquisition	**7,782**

i. The fair value of the property, plant and equipment has been determined according to appraisals carried out by independent experts, whose estimates, which did not include limitations or additional risks to be considered, have been based on purchase or replacement market prices, and account for the residual useful lives of the various assets.

ii. The goodwill resulting from the acquisition has been attributed to the future profitability of the acquired business and the synergies expected after the acquisition by the Group.

iii. The analysis of the business combination, as well as the process of assigning the price paid to the values of the assets and liabilities acquired have been completely finalized.

iv. Revenue and Profit contribution

The acquired business contributed revenues and profit to the group for the period ended December 31, 2019 as follows:

Revenue ₹ 6,401 million and profit ₹ 243 million for the period April 9, 2019 to December 31, 2019.

If the acquisition had occurred on January 1, 2019 consolidated pro-forma revenue from operation and profit for the year ended December 31, 2019 would have been ₹ 81,163 million and ₹ 3,573 million respectively.

24. Discontinued operations

In September 2018, The Board of Directors of Mahindra CIE Automotive Limited has decided to dispose the forging business in United Kingdom, corresponding to the company Stokes Group Limited. Due to that decision, the Group has discontinued the operations of Stokes Group Limited, classifying them as disposal group, and reclassifying the profit and loss account of the Company to results from discontinued operations.

Assets and liabilities held for sale	**As at 31 December, 2020**	As at 31 December, 2019
Property, Plant and Equipment	-	43
Financial Assets		
Cash and Cash Equivalents	**5**	91
Loans given	**67**	7
Disposal group assets classified as held for sale	**72**	141
Current Financial Liabilities		
Trade Payables	-	1
Current Provisions	**73**	130
Other Current Liabilities	-	9
Disposal group liabilities classified as held for sale	**73**	140

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Profit and loss for the year		
Sale of products and services	-	455
Other operating revenues	-	11
Revenue from operations	-	466
Other Income	**43**	126
Total Revenue	**43**	592
EXPENSES		
Cost of materials consumed	-	253
Changes in stock of finished goods, work-in-progress	-	130
Employee benefit expense	**5**	113
Finance costs	-	2
Depreciation and amortisation expense	-	7
Other expenses	**40**	87
Total Expenses	**45**	592
Profit before tax		
Tax expenses	-	-
Loss for the year from discontinuing operations	**(2)**	-

Cash flow Information

	31 December, 2020	31 December, 2019
Cash used in operating activities	**(86)**	(75)
Net Cash (outflow)/ inflow from Investing activities	-	46
Net increase/ decrease in cash generated from discontinued operation	**(86)**	(29)

25. Deferred taxes

Deferred tax assets -Tax credits	**Tax losses**	**Tax credits R&D, training**	**Total**
Balance at 31 December, 2018	**1,201**	**192**	**1,393**
(Charged) against / credited to profit and loss	(1,099)	(49)	(1,148)
Conversion differences	(10)	(1)	(11)
Balance at 31 December, 2019	**92**	**142**	**234**
(Charged) against / credited to profit and loss	147	6	153
Conversion differences	12	8	20
Balance at 31 December, 2020	**251**	**156**	**407**

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Deferred tax assets – Others	**Provisions**	**Others**	**Total**
Balance at 31 December, 2018	**1,020**	**140**	**1,160**
(Charged) against / credited to profit and loss	(267)	87	(180)
Charged against / (credited) to equity	-	12	12
Others	85	-	85
Conversion differences	68	5	73
Balance at 31 December, 2019	**906**	**244**	**1,150**
(Charged) against / credited to profit and loss	(108)	(26)	**(134)**
Charged against / (credited) to equity	-	7	**7**
Conversion differences	102	3	**105**
Balance at 31 December, 2020	**900**	**228**	**1,128**

Deferred tax liabilities	**Depreciation and amortization**	**Grants**	**Others**	**Total**
Balance at 31 December, 2018	752	(9)	245	988
Charged against / (credited) to profit and loss	(19)	7	715	703
Transfers	204	-	386	590
Conversion differences	6	-	9	15
Balance at 31 December, 2019	**943**	**(2)**	**1,355**	**2,296**
Charged against / (credited) to profit and loss	381	(65)	133	449
Conversion differences	20	-	6	26
Balance at 31 December, 2020	1,344	103	1,324	2,771

Deferred income tax assets are recognised for tax loss carry-forwards and unused tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable, being its estimated recoverability less than 10 years.

Deferred tax assets that were recognised by the Group at 31st December 2020 and 2019 are as follows: -

	31 December, 2020		31 December, 2019	
	Tax losses	**Others**	Tax losses	Others
Germany	**-**	**684**	-	719
Spain	**10**	**204**	-	177
Italy	**81**	**12**	46	11
Mexico	**43**	**32**	46	25
India	**117**	**352**	-	360
	251	**1,284**	92	1,292

Certain subsidiaries of the group have undistributed earnings of INR 12,935 Million (INR 10,735 Million in Dec 2019) which, if paid out as dividends, would be subject to tax in the hands of recipients. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timings of distributions by these subsidiaries.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

26. Corporate income tax expense

(i) Income Tax recognised in Profit or loss

	Year ended 31 December, 2020	Year ended 31 December, 2019
Current Tax:		
In respect of current year	**457**	710
Deferred Tax:		
In respect of current year origination and reversal of temporary differences	**430**	2,031
Total income tax expense on continuing operations	**887**	2,741

(ii) Income tax recognised on Other comprehensive income

	Year ended 31 December, 2020	Year ended 31 December, 2019
Income taxes related to items that will not be reclassified to profit or loss	**(7)**	12

(iii) Reconciliation of income tax expense and the accounting profit multiplied by Group's domestic tax rate:

	Year ended 31 December, 2020	Year ended 31 December, 2019
Profit before tax	**1,953**	6,279
Income tax expense for the year calculated at 25.168% (Dec 19: 25.168%)	**492**	1,580
Effect of higher corporate tax rate of 34.944% applicable to the Company during January to March 2019	**-**	99
Effect of tax rates in foreign jurisdictions	**(76)**	(73)
Effect of deferred tax assets written off on carried forward losses	**279**	892
Effect of tax rate reduction during the year	**-**	(289)
Effect of income that is exempt from taxation	**-**	(5)
Effect of higher corporate tax rate applicable to Indian subsidiary	**47**	44
Effect of expenses that are non-deductible in determining taxable profit	**17**	56
Effect of MAT credit written off on account of transition to lower corporate tax rate	**-**	331
Effect of current year losses for which no deferred tax asset is recognized	**139**	53
Other Items	**(11)**	53
Income tax expense recognised in profit or loss from continuing operations	**887**	2,741

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

27. Fair value measurements

Financial instruments by category	31 December, 2020			31 December, 2019		
	FVPL	FVOCI	Amortised Cost	FVPL	FVOCI	Amortised Cost
Financial assets						
1. Non- Current Assets						
Loans	-	-	-	-	-	568
Incentive Receivable	-	-	-	600	-	-
Other Financial Assets	-	-	246	-	-	188
2. Current Assets						
Investments	2,250	-	3	847	-	28
Trade Receivables	-	-	7,054	-	-	7,368
Loans	-	-	8	-	-	10
Cash and Cash Equivalents	-	-	2,226	-	-	1,100
Other Bank balances	-	-	155	-	-	399
Other Financial Assets	-	-	1,623	-	-	46
Total financial assets	2,250	-	11,315	1,447	-	9,707
Financial liabilities						
1. Non-current Liabilities						
Borrowings	-	-	9,373	-	-	8,256
2. Current Liabilities						
Borrowings	-	-	7,103	-	-	6,435
Trade Payables	-	-	14,590	-	-	14,771
Other financial liabilities	-	-	422	-	-	656
Total financial liabilities	-	-	31,488	-	-	30,118

Financial instrument carried at amortized cost

Fair value of financial assets and financial liabilities carried at amortized cost is not materially different from the carrying amount.

Fair Value Hierarchy

	31 December, 2020			31 December, 2019		
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Mutual Funds – Growth	2,250	-	-	847	-	-
Total	2,250	-	-	847	-	-

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

28. Other Income

	Year ended 31 December, 2020	Year ended 31 December, 2019
Interest Income		
On Financial Assets at amortised cost	**59**	57
From investments measured at fair value through profit or loss	**46**	183
Profit on sale of capital assets (net of loss on assets sold / scrapped / written off)	**185**	-
Grant income*	**252**	-
Miscellaneous income	**7**	91
Total	**549**	331

* Grant income includes income recognized of ₹ 145 Million for the year ended 31 December, 2020 pursuant to receipt of eligibility certificate under Maharashtra Government Package Scheme of Incentives (PSI) 2013 by the Group's subsidiary Aurangabad Electricals Limited (AEL). This is in accordance with requirements of Ind AS 20 - Accounting for Government Grants and Disclosure of Government Assistance. This incentive is in the form of refund from the Government of Maharashtra on actual VAT/ SGST paid by the Company from the period 1 February, 2016 to 31 March, 2023 (7 years) with a maximum limit of ₹ 2,522 Million.

29. Cost of material consumed

	Year ended 31 December, 2020	Year ended 31 December, 2019
Opening stock of raw materials	**2,206**	3,916
Add: Purchases	**27,078**	34,880
	29,284	38,796
Less: Closing stock of raw materials	**(2,493)**	(2,206)
Cost of materials consumed	**26,791**	36,590

30. Employee benefit expenses

	Year ended 31 December, 2020	Year ended 31 December, 2019
Salaries and wages, including bonus	**10,524**	10,764
Contribution to provident and other funds (Note 33)	**236**	345
Staff welfare expenses	**1,858**	1,971
Total	**12,618**	13,080

31. Finance costs

	Year ended 31 December, 2020	Year ended 31 December, 2019
Interest expense	**452**	469
Interest on Lease Liabilities	**71**	-
Other borrowing cost	**25**	54
Total	**548**	523

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

32. Other expenses

	Year ended 31 December, 2020	Year ended 31 December, 2019
Tools & Stores consumed	**2,520**	3,090
Power & Fuel	**3,380**	3,905
Repairs and maintenance	**1,964**	1,946
Subcontracting, Hire and Service Charges	**3,896**	5,259
Expenditure on corporate social responsibility (CSR) under section 135 of the Companies Act, 2013. (Note 39)	**74**	18
Auditors remuneration and out-of-pocket expenses		
(i) Audit fee	**10**	9
(ii) Tax audit fee	**-**	2
(iii) Other services	**2**	1
(iv) For reimbursement of expenses*	**-***	1
Other Expenses	**2,958**	4,603
Total	**14,804**	18,834

* Amount below rounding off norm adopted by the Company

33. Defined benefits and contribution

(a) Defined Contribution plan

The Group's contribution to Provident Funds and other fund aggregating ₹ 157 Million (₹ 289 Million) has been recognised in the statement of Profit or Loss under the head Employee Benefit expenses.

(b) Defined benefit plans

(i) Gratuity

The Group operates gratuity plan covering qualifying employees in India. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Group scheme applicable to the employee. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The Group makes annual contribution to the Group gratuity scheme administered by the Life Insurance Corporation of India through its Gratuity Trust Fund.

(ii) Voluntary Retirement Scheme

Onetime expenses incurred towards voluntary retirement scheme are charged off in the statement of Profit or loss.

(iii) Compensated absences

Group's liability towards leave encashment are determined using the Projected Unit Credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognised on straight line basis over the statement of Profit or loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(iv) Pension provisions are for operations in Germany and are entirely unfunded. These benefits are in the nature of long term service awards and lifetime pension and retirement plans. Liabilities are determined using projected unit credit method together with mortality tables. Obligation is measured at the present value of estimated future cash flow using the discount rate that is determined by reference to average market yields of ten years.

(c) Risks

Through its defined benefit plans the Group is exposed to risks, the most significant of which are detailed below:

(i) Asset Volatility

The plan liabilities are calculated using a discount rate set with references to government bond yields; if plan assets under perform compared to the government bonds discount rate, this will create or increase a deficit.

(ii) Changes in Bond Yields

A decrease in government bond yields will increase plan liabilities, although this is expected to be partially offset by an increase in the value of the plans' bond holdings.

1. Provisions for Gratuity, Voluntary Retirement Scheme (VRS) and Pension: -

	Funded Plan-Gratuity		Unfunded Plans-VRS		Unfunded Pension	
	31 December, 2020	31 December, 2019	**31 December, 2020**	31 December, 2019	**31 December, 2020**	31 December, 2019
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:						
Service Cost						
Current Service Cost	**65**	54	-	64	**58**	57
- Past service cost and (gains)/ losses from settlements	-	-	-	-	-	70
Net interest expense	**14**	11	-	-	**4**	35
Components of defined benefit costs recognised in profit or loss	**79**	65	-	64	**62**	162
Re-measurement on the net defined benefit liability						
Actuarial gains and loss arising from changes in financial assumptions	**22**	(1)	-	-	**(42)**	184
Actuarial gains and loss arising from experience adjustments	**1**	38	-	-	-	-
Actuarial gains and loss arising from Demographic assumptions	-	-	-	-	-	-
Components of defined benefit costs recognised in other comprehensive income	**23**	37	-	-	**(42)**	184
Total	**102**	102	-	64	**20**	346

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	Funded Plan-Gratuity		Unfunded Plans-VRS		Unfunded Pension	
	31 December, 2020	31 December, 2019	**31 December, 2020**	31 December, 2019	**31 December, 2020**	31 December, 2019
I. Net Asset/(Liability) recognised in the Balance Sheet as at 31 December						
1. Present value of defined benefit obligation as at 31 December	**(803)**	(740)	-	(64)	**(2,481)**	(2,306)
2. Fair value of plan assets as at 31 December	**613**	571	-	-	-	-
3. Surplus/(Deficit)	**(190)**	(169)	-	(64)	**(2,481)**	(2,306)
4. Current portion of the above	**(119)**	(131)	-	(64)	**(126)**	(116)
5. Non-current portion of the above	**(71)**	(38)	-	-	**(2,355)**	(2,190)
II. Change in the obligation during the year ended 31 December						
1. Present value of defined benefit obligation at the beginning of the year	**740**	569	**64**	3	**2,306**	2,060
2. Add/(Less) on account of Scheme of Arrangement/ Business	-	75	-	-	-	-
3. Expenses Recognised in Profit and Loss Account						
- Current Service Cost	**65**	54	-	64	**58**	57
- Past Service Cost	-	-	-	-	-	70
- Interest Expense (Income)	**52**	46	-	-	**4**	35
4. Recognised in Other Comprehensive Income						
Re-measurement (gains) / losses						
- Actuarial (Gain)/ Loss arising from:						
i. Demographic Assumptions	-	-	-	-	-	-
ii. Financial Assumptions	**25**	(1)	-	-	**(42)**	184
iii. Experience Adjustments	**1**	38	-	-	-	-
5. Benefit payments	**(80)**	(41)	**(64)**	(3)	**(119)**	(114)

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	Funded Plan-Gratuity		Unfunded Plans-VRS		Unfunded Pension	
	31 December, 2020	31 December, 2019	**31 December, 2020**	31 December, 2019	**31 December, 2020**	31 December, 2019
6. Others- Currency translation impact on opening	**-**	-	**-**	-	**274**	14
7. Present value of defined benefit obligation at the end of the year	**803**	740	**-**	64	**2,481**	2,306
III. Change in fair value of assets during the year ended 31 December						
1. Fair value of plan assets at the beginning of the year	**571**	420	**-**	-	**-**	-
2. Add/(Less) on account of Scheme of Arrangement/ Business Transfer	**-**	71	**-**	-	**-**	-
3. Expenses Recognised in Profit and Loss Account						
- Expected return on plan assets	**38**	35	**-**	-	**-**	-
4. Recognised in Other Comprehensive Income						
Re-measurement gains / (losses)						
- Financial Assumptions	**3**	-	**-**	-	**-**	-
- Experience Adjustments	**-**	-	**-**	-	**-**	-
5. Contributions by employer (including benefit payments recoverable)	**74**	79	**-**	-	**-**	-
6. Benefit payments	**(73)**	(34)	**-**	-	**-**	-
7. Fair value of plan assets at the end of the year	**613**	571	**-**	-	**-**	-
IV. The Major categories of plan assets						
- List the plan assets by category here						
Funds managed by Insurer	**613**	571				
% to total assets	**100%**	100%				

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

	Funded Plan-Gratuity		Unfunded Plans-VRS		Unfunded Pension	
	31 December, 2020	31 December, 2019	**31 December, 2020**	31 December, 2019	**31 December, 2020**	31 December, 2019
V. Actuarial assumptions						
1. Discount rate	**5% to 6.60%**	6.60% to 7.2%	**-**	6.90%	**0.53%**	0.86%
2. Expected rate of return on plan assets	**7% to 7.20%**	5.97% to 7.9%	**-**	-	**-**	-
3. Attrition rate	**2% to 15.94%**	2% to 15.94%	**-**	-	**-**	-
4. Salary Escalation	**5% to 8%**	5.0% to 9.0%	**-**	-	**2.30%**	1% to 2.3%

Other Information:

	India	Germany
Life Expectancy of a person retiring at the year end		
Men	15-17 years	13-19 years
Women	12-17 years	19- 23 years

Percentage of variation of the defined benefit commitment to changes in the assumptions weighted is as follows:-

	Change	India	Germany
Decrease in Discount rate	1%	Increase by 8%	Increase by 0.25%
Increase in Discount rate	1%	Decrease by 7%	Decrease by 0.25%
Decrease in Salary increment	1%	Decrease by 7%	Decrease by 0.25%
Increase in Salary increment	1%	Increase by 7%	Increase by 0.25%

2. Provision for Employee Termination benefits:

	31 December, 2020	31 December, 2019
Balance at the beginning of the year	**218**	222
Add:-		
Interest Expense/(income)	**1**	2
Provided during the year	**-**	12
Less:-		
Benefits paid	**(32)**	(19)
Re-measurement (gains) / losses	**(8)**	-
Exchange differences	**24**	1
Balance at the end of the year	**203**	218

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

34. Contingent Liabilities and Commitments

	Year ended 31 December, 2020	Year ended 31 December, 2019
Contingent liabilities (to the extent not provided for):		
(a) Claims against the Company not acknowledged as debt		
Income tax claims against which the Company has preferred an appeal	**359**	423
Excise cases against the Company	**124**	124
Service Tax	**67**	66
Sales Tax and VAT	**93**	39
MSEDCL Related Litigations *	**504**	-
Stamp Duty, Government Cess and others	**183**	198
Water Charges	**325**	325
Labour matters	**1**	1
The Group had imported capital goods under the Export Promotion Capital Goods (EPCG), of the Government of India, at concessional rate of duty on an understanding to fulfill quantified exports against future obligation	**5**	5
(b) Commitment		
Capital expenditure contracted for at the end of the reporting period but not recognized as liabilities.	**1,007**	898

* Maharashtra State Electricity Distribution Company Limited (MSEDCL) has levied the Cross Subsidy Surcharge (CSS) and Additional Surcharge levied (ASC) on the units of power consumed by the Company from two Captive Generating Plant (CGP) Units of Sai Wardha Power Generation Limited (SWPGL) as a captive consumer. The Hon'ble Maharashtra Electricity Regulatory Commission vide its separate orders dated October 22, 2020 and October 29, 2020 has rejected the captive status of the said two CGP units of SWPGL for the year 2016-17 and the year 2017-18 respectively. MSEDCL has raised supplementary invoices of ₹ 208 million (including interest) for the year 2016-17 and of ₹ 263 million (including interest) for the year 2017-18 towards this surcharge applicable for non-captive power consumption. The Group has challenged the impugned orders before Hon'ble Appellate Authority of Electricity (APTEL) and is sub-judice.

The Hon'ble MERC vide its Order dated March 19, 2018 had upheld the captive status of the units of SWGPL. However, it had treated the units supplied by SWGPL from other two non-CGP units of SWGPL, as non-contracted power. MSEDCL has accordingly raised a supplementary bill of ₹ 33 million for the year 2015-16 towards the units supplied by SWGPL from non-CGP units. The impugned order has been challenged to the extent it deals with the issue of treating the units supplied by SWGPL from non-CGP units as non-contracted energy by an appeal preferred before Hon'ble Appellate Authority of Electricity (APTEL) and is sub-judice.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

35. Related Party Transactions

Names of Related Parties:

(a) Ultimate Holding Company - CIE Automotive S.A.

Principal Shareholder of the Holding Company - CIE Berriz, S.L
Holding Company - Participaciones Internacionales Autometal , DOS S.L

(b) Names of Fellow Subsidiaries where transactions have taken place during the year

1. CIE Praga Louny, a.s
2. Componentes de Automoción Recytec, S.L.U
3. Componentes de Dirección Recylan S.L.U.
4. Nova Recyd, S.A.U.
5. CIE Metal CZ, s.r.o.
6. Nanjing Automotive Forging Co., Ltd
7. Forjas de Celaya, S.A. de C.V.
8. Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V
9. Gameko Fabricación de Componentes, S.A.
10. Pintura y Ensambles de México, S.A. de C.V.
11. CIE Autometal de Mexico, S.A. de C.V
12. Leaz Valorización, S.L.U
13. Pintura, Estampado y Montaje, S.A. de C.V.
14. Servicat S. Cont., Adm. y Técnicos, S.A. de C.V
15. CIE Automotive Goiain, S.L.U
16. Century Plastics LLC
17. Somaschini North America, LLC
18. Somaschini SRL
19. Somaschini S.p.A
20. Plasfil Plasticos da Figueira, S.A
21. Transformaciones Metalurgicas Norma, S.A
22. Egana 2, S.L

(c) Name of Associate Companies where transactions have taken place during the year

1. Gescrap India Private Limited
2. Galfor Eólica, S.L (Associate of Galfor)
3. Clean Max Deneb Power LLP (w.e.f. March 21, 2019)
4. Sunbarn Renewables Private Limited (w.e.f. November 25, 2020)

(d) Name of Associates of Ultimate Holding Company where transactions have taken place during the year

1. Gescrap GmbH
2. Dominion Digital S.L.U.

(e) Names of the Companies exercising significant influence over the Company where transactions have taken place during the year

1. Mahindra Vehicle Manufacturers Limited(MVML) (investing company in respect of which the Company is an Associate)
2. Mahindra & Mahindra Limited (M&M) (Holding Company of the investing company in respect of which the Company is an Associate.)

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(f) Names of other related parties where transactions have taken place during the year

Subsidiary Companies of the investing company (MVML) in respect of which the Company is an Associate

1. Mahindra Intertrade Limited
2. Mahindra Steel Service Centre Limited
3. Mahindra Auto Steel Private Limited
4. Mahindra Electric Mobility Limited
5. Mahindra Heavy Engines Limited
6. Mahindra MiddleEast Electrical Steel Service Centre
7. Mahindra Two Wheelers Limited
8. Mahindra MSTC Recycling Private Limited

Fellow Subsidiary Companies of the investing company (MVML)

1. Mahindra Trucks & Buses Private Limited.
2. Gromax Agri Equipments Limited (Formerly known as Mahindra Gujarat Tractor Limited)
3. Mahindra Integrated Business Solutions Private Limited
4. NBS International Limited
5. Mahindra Sanyo Special Steels Private Limited
6. Mahindra Consulting Engineers Limited
7. Mahindra Defence Naval Systems Limited (Formerly known as Mahindra Defence Naval Systems Private Limited)
8. Mahindra Logistics Limited
9. Bristlecone Limited

(f) Key Managerial Personnel (KMP)

Sr. No.	Name	Designation
1	Mr. Hemant Luthra	Non-Executive Director (Chairman) upto 23rd October, 2019
2	Mr. Shriprakash Shukla	Non-Executive Director (Chairman- w.e.f. 23rd October, 2019)
3	Mr. Ander Arenaza Alvarez	Executive Director
4	Mr. Romesh Kaul	Executive Director upto 16th October, 2019
5	Mr. Manoj Mullassery Menon	Executive Director (w.e.f. 17th October, 2019) and Chief Executive Officer - Stampings, Composites, Foundry, Magnetics and Gears Divisions
6	Mr. Anil Haridass	Executive Director w.e.f. 10th December, 2019
7	Mr. Jesus Maria Herrera Barandiaran	Non-Executive Director
8	Mr. Zhooben Dossabhoy Bhiwandiwala	Non-Executive Director
9	Mr. Daljit Mirchandani	Independent Director (upto 28th September, 2019)
10	Mr. Juan Maria Bilbao Ugarriza	Independent Director (upto 28th September, 2019)
11	Mrs. Neelam Deo	Independent Director (upto 28th September, 2019)
12	Mr. Manojkumar Maheshwari	Independent Director
13	Mr. Dhananjay Narendra Mungale	Independent Director
14	Mr. Kadambi Narahari	Independent Director (w.e.f. 29th September, 2019)
15	Mrs. Roxana Meda Inoriza	Independent Director (w.e.f. 29th September, 2019)
16	Mr. Alan Savio D'Silva Picardo	Independent Director (w.e.f. 29th September, 2019)
17	Mr. Suhail Amin Nathani	Independent Director
18	Mr. Hari Krishnan	Chief Executive Officer - Forgings and Bill Forge Divisions (w.e.f. 17th October, 2019)
19	Mr. K. Jayaprakash	Chief Financial Officer
20	Mr. Krishnan Shankar	Company Secretary and Head - Legal (upto 31st March, 2019)
21	Mr. Pankaj Vijay Goyal	Company Secretary and Compliance Officer (w.e.f. 1st April, 2019)

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(g) Transactions with Related parties during the year

Nature of transactions with Related Parties	For the year ended	Ultimate holding company	Holding company	Entities having joint control/ significant influence over Group (Note 1)	Fellow Subsidiaries of Ultimate Holding Company	Subsidiaries of Entities having joint control/ significant influence over Group	Associate companies	Associates of ultimate holding company
Sale of goods and services	**31 December, 2020**	-	-	**9,073**	**381**	**383**	**672**	**280**
	31 December, 2019	-	-	13,671	361	330	648	437
Purchase of goods	**31 December, 2020**	-	-	**18**	**96**	**743**	-	-
	31 December, 2019	-	-	144	154	1,444	-	-
Purchase of property and other assets	**31 December, 2020**	-	-	-	-	-	-	-
	31 December, 2019	-	-	-	-	-	-	-
Receiving of services	**31 December, 2020**	**161**	**16**	-	**126**	**78**	-	**1**
	31 December, 2019	209	16	-	118	103	-	13
Rent received	**31 December, 2020**	-	-	-	-	**1**	-	-
	31 December, 2019	-	-	-	-	1	-	-
Rent paid	**31 December, 2020**	-	-	**36**	-	-	-	-
	31 December, 2019	-	-	36	-	-	-	-
Interest received	**31 December, 2020**	-	**9**	-	-	-	-	-
	31 December, 2019	10	-	-	-	-	-	-
Interest paid	**31 December, 2020**	**66**	**151**	-	**79**	-	-	-
	31 December, 2019	51	179	-	92	-	-	-
Reimbursements paid	**31 December, 2020**	-	-	-	**98**	-	-	-
	31 December, 2019	-	-	10	103	-	-	-
Investment in Associate	**31 December, 2020**	-	-	-	-	-	**7**	-
	31 December, 2019	-	-	-	-	-	37	-

Note 1:

Sales to Mahindra Vehicle Manufacturers Limited (MVML) (Company holding more than 10% of Equity share capital) amounts to INR 809 Million and INR 1,528 Million and during period ended 31 December 2020 and 31 December 2019 respectively and balance outstanding as at year end amounts to INR 234 Million and INR 272 Million as at 31 December 2020 and 31 December 2019 respectively.

(h) Balances with Related parties at the end of the year

Nature of Balances with Related Parties	Balance as on	Ultimate holding company	Holding company	Entities having joint control/ significant influence over Group (Note 1)	Fellow Subsidiaries of Ultimate Holding Company	Subsidiaries of Entities having joint control/significant influence over Group	Associate companies	Associates of ultimate holding company
Trade payables	**31 December, 2020**	-	**2**	**1**	**39**	**331**	-	-
	31 December, 2019	-	3	28	44	339	-	3
Trade receivables	**31 December, 2020**	-	-	**2,534**	**138**	**110**	-	**31**
	31 December, 2019	-	-	2,454	78	71	-	32
Loans & advances taken	**31 December, 2020**	**2,984**	**4,314**	-	**1,934**	-	-	-
	31 December, 2019	3,053	3,966	-	1,789	-	-	-
Loans & advances given	**31 December, 2020**	-	**75**	-	-	-	-	-
	31 December, 2019	228	350	-	-	-	-	-
Advances received	**31 December, 2020**	-	-	-	-	-	**3**	-
	31 December, 2019	-	-	40	-	-	4	-
Other balances	**31 December, 2020**	-	-	**9**	**37**	-	-	-
	31 December, 2019	-	-	9	-	-	-	-

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

(i) Remuneration to Key Managerial Personnel

Details of Remuneration	31 December, 2020	31 December, 2019
Short term employment benefits	55	44
Share based payments	-	13
Professional fees paid	-	23
Director sitting fees	14	14
Total	69	94

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.

36. Earnings per share

a) Calculation of basic and diluted earnings per share

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

	31 December, 2020 ₹ Per Share	31 December, 2019 ₹ Per Share
Basic earnings per share	2.80	9.34
From continuing operations	2.81	9.34
From discontinuing operations	(0.01)	-
Diluted earnings per share	2.80	9.33
From continuing operations	2.81	9.33
From discontinuing operations	(0.01)	-

b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

(i) Basic earnings per share

	31 December, 2020	31 December, 2019
Profit for the year attributable to owners of the Group	1,064	3,538
- from continuing operations	1,066	3,538
- from discontinuing operations	(2)	-
Weighted average number of equity shares	379,010,682	378,744,708
Earnings per share – Basic	2.80	9.34
- from continuing operations	2.81	9.34
- from discontinuing operations	(0.01)	-

(ii) Diluted earnings per Share

The diluted earnings per share has been computed by dividing the Net profit after tax available for Equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants and Stock options for the respective periods. Since, the effect of the conversion of Preference shares was anti-dilutive, it has been ignored.

	31 December, 2020	31 December, 2019
Profit for the year	1,064	3,538
- from continuing operations	1,066	3,538
- from discontinuing operations	(2)	-
Weighted average number of equity shares used in the calculation of Basic EPS	379,010,682	378,744,708
Add: Effect of Stock Options	124	125,938
Weighted average number of equity shares used in the calculation of Diluted EPS	379,010,806	378,870,646
Diluted EPS	2.80	9.33
- from continuing operations	2.81	9.33
- from discontinuing operations	(0.01)	-

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

37. Other information

The identification of suppliers as micro and small enterprises covered under the "Micro Small and Medium Enterprises Development Act 2006" was done on the basis of the information to the extent provided by the supplier to the Group. Total outstanding to Micro and Small Enterprises, which were outstanding are given below:

Particulars	31 December, 2020	31 December, 2019
Principal amount due at year end	**338**	257
Interest due and remaining unpaid	**7**	4
Principal amount paid beyond due date	**95**	243
Interest paid in terms of section 16 of the Act	-*	-*
Amount of interest due and payable for period of delay in payment made beyond the appointed day	**7**	2
Amount of interest accrued and remaining unpaid for earlier year	**6**	2

*Amount is below rounding off norm adopted by the Group

38. Employees Stock Options Scheme

The Company instituted the Employees Stock Options Scheme 2007 (ESOS 2007) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on July 25, 2007, amended by special resolution dated July 29, 2008, August 02, 2011 and pursuant to the Integrated scheme of Amalgamation and Composite Scheme of Amalgamation in terms of High Court dated October 13, 2014. Further, the company instituted the Employees Stock Options Scheme 2015 (ESOS 2015) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on September 15, 2015.

Pursuant to the schemes, the Company has granted options to eligible employees at various exercise prices per equity share of ₹10 each. Under the terms of scheme, the vesting period will be spread equally over 4 years (ESOS 2007) and 3 years (ESOS 2015). Options will vest at 25% (ESOS 2007) and 33% (ESOS 2015) from the grant date. When exercisable, each option is convertible into one equity share of the Company.

Movement of share options are as under:

	Opening Balance		Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable at the end of the year
Date of the Tranche	**Number of Options**	**Weighted average exercise price**	**Number of Options**	**Number of Options**	**Number of Options**	**Number of Options**
On 1st April , 2011	48,017	57	48,017	-	-	-
On 20th January, 2012	348	44	160	-	188	188
On 22nd February, 2016	372,200	150	8,334	-	363,866	363,866
	420,565		56,511	-	364,054	364,054

39. Corporate Social Responsibility (CSR)

The Group is required to spend a sum ₹ 127 Million (PY ₹ 98 Million) as part of CSR during the year. The details of actual expenses are as under:

	31 December, 2020	31 December, 2019
Construction of assets	**18**	7
On the purpose other than above	**56**	11
Total	**74**	18

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

40. Exceptional Items

Particulars	31 December, 2020	31 December, 2019
a. Bill Forge Private Limited (BFPL) entered into a settlement agreement dated August 21, 2019 with Donald J. Ulrich Associates, Inc. ("DJU") (a former Independent sales agent of BFPL) to pay USD 3 million in full settlement against the damages claimed of USD 10 million. Hence, excess provision amounting to USD 7 million was reversed during the year.	-	(473)
b. Provision for impairment of one of Company's investment during the year. The Company did not anticipate any amount to be recovered from this investment. Hence, the Company had recognised full impairment loss on the said investment.	-	49
c. Based on management assessment, provision has been recognised for Provident Fund liability basis Supreme Court judgement in 'Regional provident fund commissioner (II) West Bengal vs Vivekananda Vidyamandir and Others' in accordance with Ind AS-37.	-	145
d. Provision against levy of cross subsidy charges and additional surcharge by Maharashtra State Electricity Distribution Company Limited during the year on account of power consumption from non-captive generating plant.	-	100
e. Onetime payment made to employees opting for early retirement under the Voluntary Retirement Scheme declared in Oct 2019 in Bill Forge Division.	-	60
f. Under a restructuring plan for GSA (subsidiary of MFE), employees were offered additional benefits/ redundancy payments in case of voluntary leave. The cost incurred towards restructuring amounted to EUR 2.1 million (INR 165 million).	-	165
Total	-	**46**

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

41. Additional information of subsidiaries as required by schedule III of Companies Act, 2013

Sr. No.	Name of the entity	Net assets		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
		Amount	As a % of consolidated	Amount	As a % of consolidated	Amount	As a % of consolidated	Amount	As a % of consolidated
	Parent								
1	Mahindra CIE Automotive Limited	39,450	81%	740	70%	(17)	0%	723	25%
	Subsidiaries								
	Indian								
1	Aurangabad Electricals Limited (Subsidiary of MCIE)	2,353	5%	460	43%	-	0%	460	16%
2	BF Precision Private Limited (Subsidiary of MCIE)	139	0%	29	3%	-	0%	29	1%
	Foreign								
1	Stokes Group Limited (SGL)	1	0%	-	0%	-	0%	-	0%
2	Stokes Forgings Dudley Limited (Subsidiary of SGL- Dissolved on July 30, 2020)	-	0%	-	0%	-	0%	-	0%
3	Stokes Forgings Limited (Subsidiary of SGL- Dissolved on August 1, 2020)	-	0%	-	0%	-	0%	-	0%
4	Mahindra Forgings Europe AG (MFE) (subsidiary of Galfor)	(1,490)	(3%)	(366)	(34%)	-	0%	(366)	(13%)
5	Jeco Jellinghaus GmbH (subsidiary of MFE)	741	2%	194	18%	(28)	(1%)	166	6%
6	Gesenkschmiede Schneider GmbH (subsidiary of MFE)	1,022	2%	(589)	(55%)	69	3%	(520)	(-8%)
7	Falkenroth Unformtechnik GmbH (subsidiary of MFE)	40	0%	(167)	(16%)	-	0%	(167)	(6%)
8	Schonoeweiss& Co GmbH (subsidiary of MFE)	888	2%	(239)	(22%)	(13)	(1%)	(252)	(9%)
9	Metalcastello S.p.A (MC) (subsidiary of Galfor)	681	1%	107	10%	9	0%	116	4%
10	UAB CIE Galfor SA (Galfor)	11,392	23%	1,132	106%	-	0%	1,132	39%
11	CIE Legazpi SA (subsidiary of Galfor)	290	1%	(44)	(4%)	-	0%	(44)	(2%)
12	UAB CIE LT Forge (subsidiary of Galfor)	1,015	2%	256	24%	-	0%	256	9%
13	AE Deutschland GmBH (subsidiary of AEL)	(28)	0%	-	0%	-	0%	-	0%
14	Bill Forge Mexico S.A de C.V (subsidiary of MCIE)	(718)	(1%)	(136)	(13%)	-	0%	(136)	(5%)
	Adjustment on consolidation	(6,696)	(14%)	(313)	(29%)	1,659	99%	1,346	51%
	Associates								
1	Gescrap India Private Limited								
2	Galfor Eólica, S.L (Associate of Galfor)								
3	Clean Max Deneb Power LLP								
4	Sunbarn Renewables Private Limited								

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

Company	Subsidiary Relationship	Activity	Registered office	Direct Holding %	Indirect Holding %
Mahindra CIE Automotive, Ltd.	Participaciones Internacionales Autometal Dos S.L.	Manufacture of automotive components	India	0%	0%
Stokes Group Limited	Mahindra CIE Automotive Limited.	Manufacture of automotive components	UK	100%	0%
Stokes Forgings Limited (Dissolved on August 1, 2020)	Stokes Group Limited	Investment Company	UK	0%	100%
Stokes Forgings Dudley Limited (Dissolved on July 30, 2020)	Stokes Group Limited	Investment Company	UK	0%	100%
Mahindra Forgings Europe AG	CIE Galfor, S.A.U.	Holding Company	Germany	0%	100%
Gesenkschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	0%	100%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	0%	100%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	0%	100%
Schoneweiss& Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	0%	100%
CIE Galfor, S.A.U.	Mahindra CIE Automotive Limited.	Manufacture of automotive components	Spain	100%	0%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Spain	0%	100%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	0%	100%
Metalcastello S.p.A.	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	0%	99.96%
Aurangabad Electricals Limited	Mahindra CIE Automotive Limited	Manufacture of automotive components	India	100%	0%
AE Deutschland GMBH	Aurangabad Elecricals Limited	Manufacture of automotive components	Germany	0%	100%
BF Precision Private Limited	Mahindra CIE Automotive Limited	Manufacture of automotive components	India	100%	0%
Bill Forge Mexico S.A de C.V	Mahindra CIE Automotive Limited	Manufacture of automotive components	Mexico	100%	0%
Associates					
Gescrap India Private Limited -					
Galfor Eólica, S.L (Associate of Galfor)					
Clean Max Deneb Power LLP					
Sunbarn Renewables Private Limited					

Notes to the Consolidated Financial Statements as at and for the year ended 31 December, 2020

(₹ in Million)

42. The spread of Covid-19 had severely impacted businesses globally, including India especially during Q2 2020 due to lockdown restrictions. The Group resumed its operations in a phased manner as and when lockdown restrictions were relaxed. In subsequent months, the Group witnessed an upside in demand resulting in increase in revenue. The operations have been stabilised since July 2020 and are now almost back to pre covid levels. Considering the above the management does not envisage any significant impact due to Covid-19 in the foreseeable future.

43. Events occurring after reporting period

    The Government of India has proposed changes in the Income Tax Act in the Union Budget 2021. The management is in the process of evaluating the impact of these proposed changes on the consolidated financials of the Company. As per Ind AS 10 "Events after the Reporting Period", changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities, are considered as non-adjusting events. Hence, the impact due to such change is not given in the consolidated financials for year ended December 31, 2020.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner

Membership No. 48125

Pune
19 February, 2021

For and on behalf of the Board of Directors of
MAHINDRA CIE AUTOMOTIVE LIMITED

Ander Arenaza Alvarez
Executive Director

Manoj Menon
Executive Director & CEO-Business Division

K. Jayaprakash
Chief Financial Officer

Pune
19 February, 2021

Dhananjay Mungale
Director

Hari Krishnan
CEO- Business Divisions

Pankaj Goyal
Company Secretary and Compliance officer

Form AOC-1

PART -A- Statement containing salient features of the financial statement of Subsidiaries

Name of Subsidiary	Date of acquisition	Reporting Currency	Exchange Rate	Share Capital	Reserves & Surplus (including equity)	Total Assets	Total Liabilities	Investment (Other than subsidiaries)	Gross Turnover	Profit before tax	Provision for Tax	Profit after tax	Proposed Dividend	Existing shareholding in%
Stokes Group Limited (SGL)	1st April 2007	GBP	99.76	-	-	-	-	-	-	-	-	-	-	100%
Stokes Forgings Dudley Limited (subsidiary of SGL)	1st April 2007	GBP	99.76	-	-	-	-	-	-	-	-	-	-	100%
Stokes Forgings Limited (subsidiary of SGL)	1st April 2007	GBP	99.76	1,318	(1,317)	-	-	-	-	-	-	-	-	100%
Mahindra Forgings Europe AG (MFE) (subsidiary of Galfor)	1st April 2007	EURO	89.64	424	(2,374)	6,386	8,760		115	(721)	(230)	(951)	-	100%
Jeco Jellinghaus GmbH (subsidiary of MFE	1st April 2007	EURO	89.64	435	111	738	627		-	-		(198)	-	100%
Gesenkschmiede Schneider GmbH (subsidiary of MFE	1st April 2007	EURO	89.64	1,040	644	3,787	3,143	4	6,276	(578)	(0)	(578)	-	100%
Falkenroth Unformtechnik GmbH (subsidiary of MFE)	1st April 2007	EURO	89.64	87	119	837	718		2,051	(172)	0	(172)	-	100%
Schonoeweiss& Co GmbH (subsidiary of MFE)	1st April 2007	EURO	89.64	312	746	3,701	2,955		5,514	(345)	99	(246)	-	100%
Metalcastello S.p.A (MC) (subsidiary of Galfor)	1st Oct 2013	EURO	89.64	740	(59)	4,273	4,332		3,411	72	36	107	-	99.96%
UAB CIE Galfor SA (Galfor)	1st Oct 2013	EURO	89.64	195	11,198	19,094	7,895	6	9,102	1,468	(336)	1,132	-	100%
CIE Legazpi SA (subsidiary of Galfor)	1st Oct 2013	EURO	89.64	195	96	3,586	3,489		3,347	(54)	9	(44)	-	100%
UAB CIE LT Forge (subsidiary of Galfor	1st Oct 2013	EURO	89.64	584	431	2,930	2,499		2,588	297	(41)	256	-	100%
Aurangabad Electricals Limited (AEL)	9th April 2019	INR	1	29	2,324	6,358	4,035		7,266	695	(236)	460	-	100%
AEL Deutschland GmBH (subsidiary of AEL)	9th April 2019	INR	1	2	(30)	2	32		2	-*	-	-*	-	100%
BF Precision Private Limited	1st Oct 2016	INR	1	-*	139	180	41		176	39	(11)	29	-	100%
Bill Forge Mexico S. DE R. L. DE C V	1st Oct 2016	INR	1	7	(726)	1,599	2,325		796	(143)	7	(136)	-	100%

*Amount is below the rounding off norm adopted by the Group.

Stokes Forgings Limited dissolved on 1st August, 2020 and Stokes Forgings Dudley Limited dissolved on 30th July, 2020. Jeco Jellinghaus GmbH has been operationally closed. AE Deutschland Gmbh is under liquidation.

PART -B- Statement containing salient features of the financial statement of Associates

Name of Associate	Last audited Balance Sheet day	Shares of Associate held by the company on the year end			Description of there is significant influence	Reasons why the Associate is not consolidated	Networth attributable to shareholding as per latest Balance Sheet (INR Mio.)	Profi/ (loss) for the year	
		No.	Amount of investment in associate in INR Mio.	Holding %				Consolidated	not consolidated
Gescrap India Private Limited	31st March, 2020	3,720,000	37	30%	Significant shareholding	#	34.7	0.8	NA
Galfor Eolica S.L.	31st December, 2020	68,000	5	25%	Significant shareholding	#	-*	-*	NA
(Associate of Galfor)									
Clean Max Deneb Power LLP	31st December, 2020	NA	32	26%	Significant shareholding	#	33.7	-*	NA
Sunbarn Renewables Private Limited	NA	87,500	7	27.67%	Significant shareholding	#	7	-*	NA

The share of net profit/loss of associates is not material, hence not been consolidated.

*Amount is below the rounding off norm adopted by the Group.

For and on behalf of the Board of Directors of
MAHINDRA CIE AUTOMOTIVE LIMITED

Ander Arenaza Alvarez
Executive Director

Manoj Menon
Executive Director & CEO-Business Division

K. Jayaprakash
Chief Financial Officer

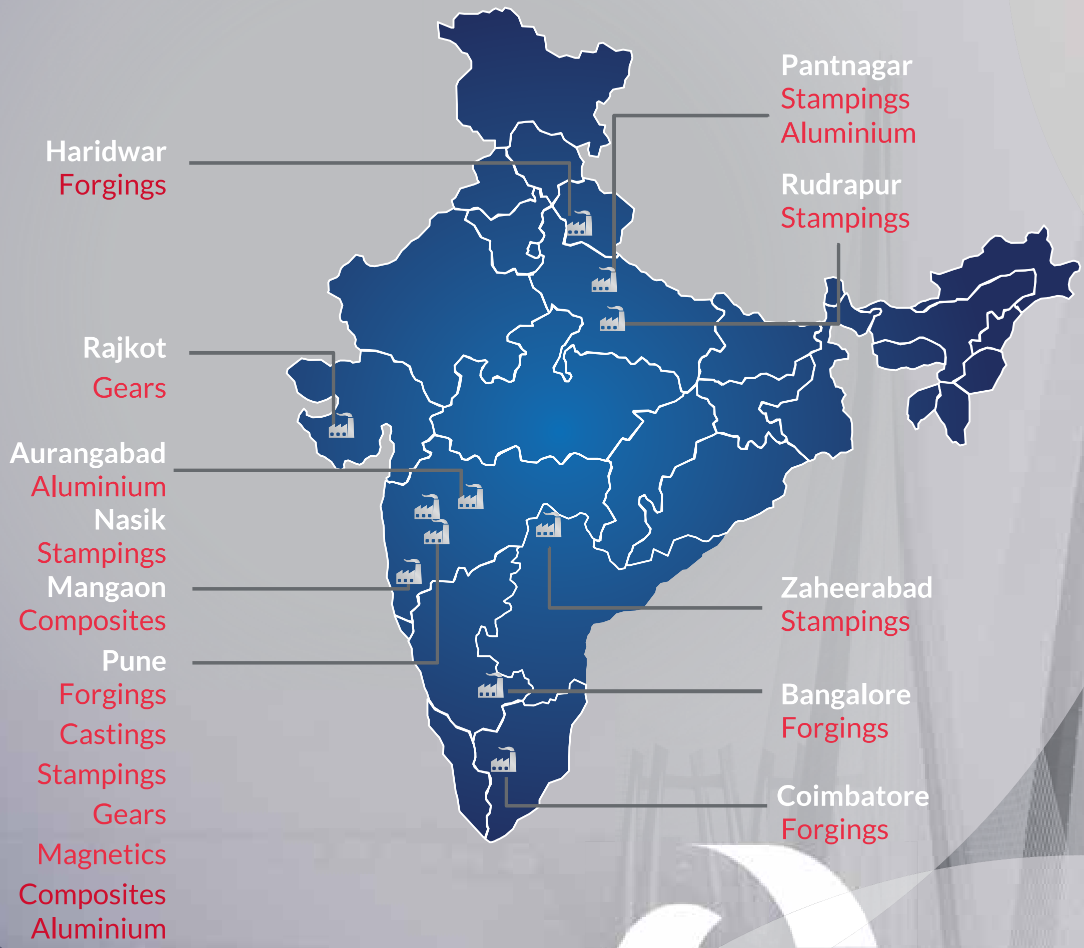
Pune
19 February, 2021

Dhananjay Mungale
Director

Hari Krishnan
CEO- Business Divisions

Pankaj Goyal
Company Secretary
and Compliance officer

Notes



Haridwar
Forgings
Pantnagar
Stampings
Aluminium
Rudrapur
Stampings
Rajkot
Gears
Aurangabad
Aluminium
Nasik
Stampings
Mangaon
Composites
Pune
Forgings
Castings
Stampings
Gears
Magnetics
Composites
Aluminium
Zaheerabad
Stampings
Bangalore
Forgings
Coimbatore
Forgings

Germany
Forgings
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Germany
Forgings
Spain
Forgings
Italy
Gears
Lithuania
Forgings

Forgings

Castings

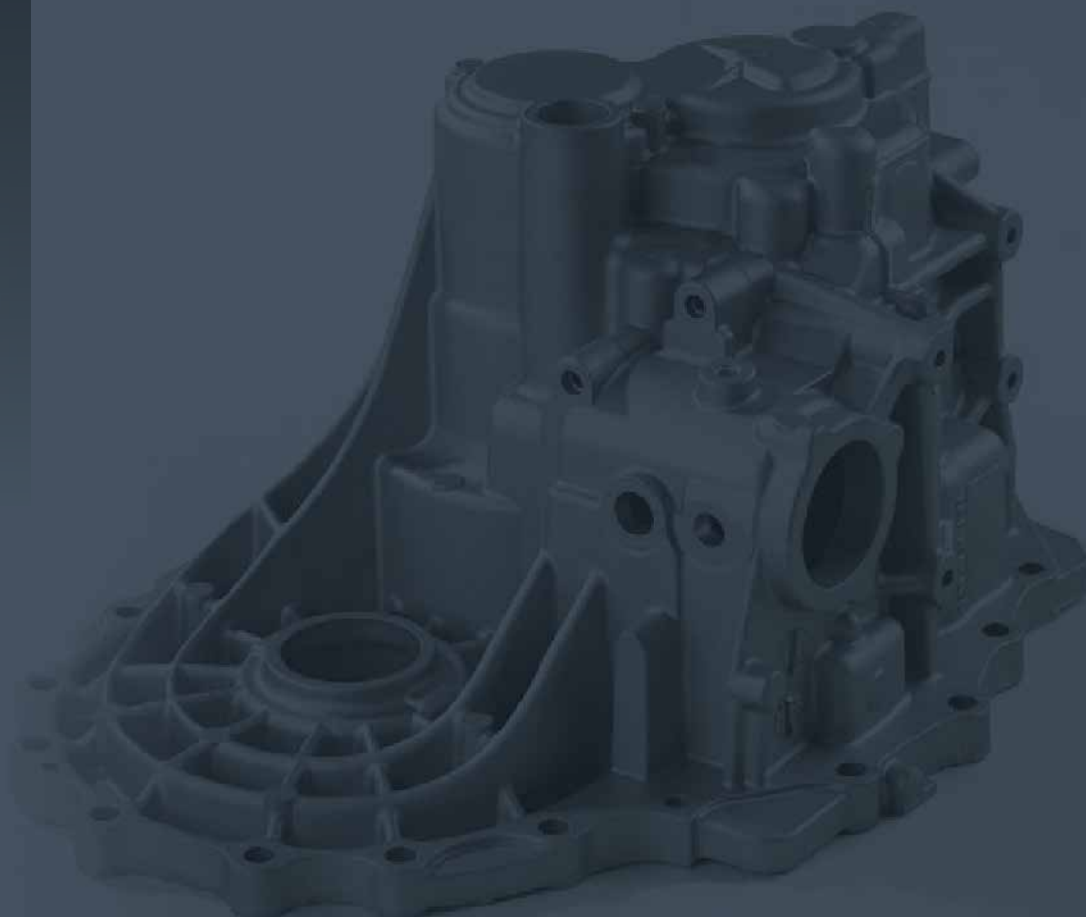
Stampings

Gears

Composites

Magnetics

Aluminium



ANNUAL REPORT 2020

Mahindra CIE

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