Varroc Engineering Limited
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www.varrocgroup.com
CIN: L28920MH1988PLC047335

VARROC/SE/INT/2020-21/22

July 23, 2020

To,

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

NSE Symbol: VARROC

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

BSE Security Code: 541578
Security ID: VARROC

Dear Sir/Madam,

Sub: Notice of the 32nd Annual General Meeting of the Company ('AGM') and Annual Report for the Financial year ended March 31, 2020

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

1. Notice of our 32nd AGM scheduled to be held on Friday, August 14, 2020 at 11:00 a.m. (IST) through Video Conference ('VC')/Other Audio-Visual Means ('OAVM') without physical presence of the members; and
2. Annual Report for the Financial year ended March 31, 2020

In compliance with the MCA Circular dated May 5, 2020 read with Circulars dated April 8, 2020 and April 13, 2020 and SEBI circular dated May 12, 2020, Notice of the AGM and Annual Report is being sent only by electronic mode to all the Members whose email addresses are registered with the Depository Participants or the Company. The members can also access the Annual Report on the website of the Company: www.varroc.com

Key information about the AGM is reproduced below for ready reference:

Link for Live webcast of the AGM	www.evoting.nsdl.com, under EVEN of the Company
Cut-off date for e-voting	Friday, August 7, 2020
Commencement of Remote e-voting	9:00 a.m. (IST) on Tuesday, August 11, 2020
Conclusion of Remote e-voting	5:00 p.m. (IST) on Thursday, August 13, 2020
E-voting during AGM	From commencement of the AGM till conclusion of the AGM
Businesses to be transacted by voting through electronic means	Kindly refer Notice of AGM

Yours faithfully,
For Varroc Engineering Limited

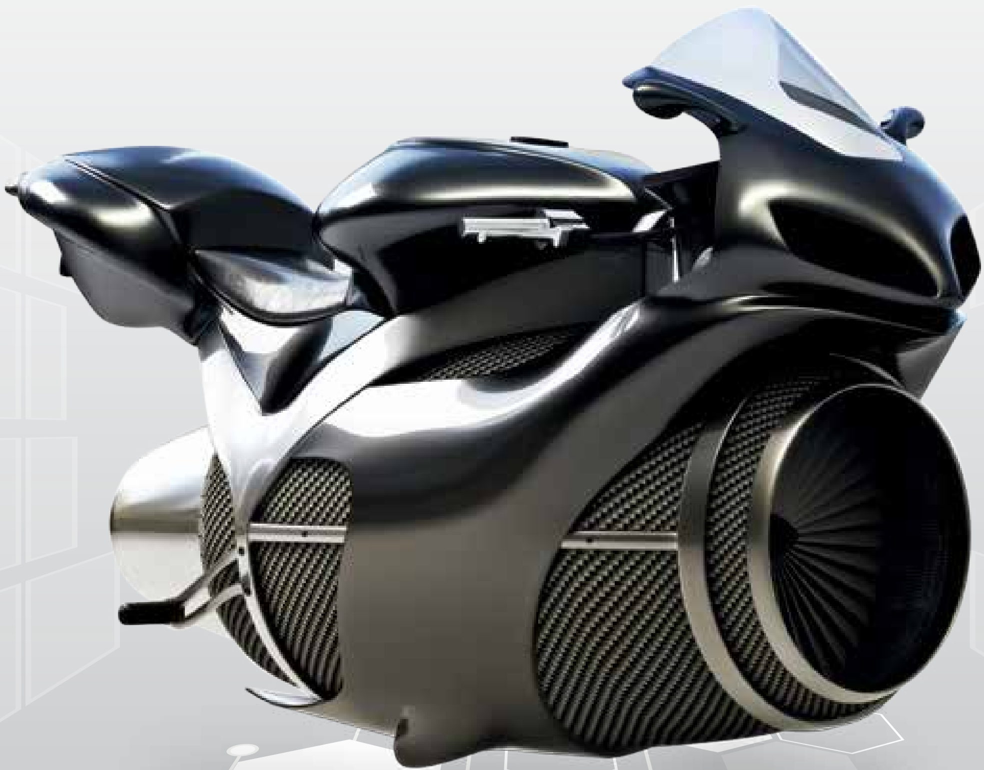
VARROC ENGINEERING LIMITED

Ajay Sharma
Group General Counsel and Company Secretary

Encl: as above

ANNUAL REPORT **2019-20**

PERFORM@CHANGE



FY20 Highlights

Financial

₹111.2 billion
Revenue

₹9.1 billion
EBITDA

₹25 million
PAT

Operational

07
New products launched

₹39 billion
Order wins (Equivalent Annual Revenue)

Environment & Social

13.3 million
Units of power generated through renewable sources

₹23.7 million
CSR spend

What's Inside

PERFORM@CHANGE

Is our motto at Varroc Engineering Limited (Varroc). It is what we live by.

For more than 32 years of our existence, we have focused on delivering a performance that outpaces change itself. It is the formula by which we have engineered our success to become:

A GLOBAL TIER-1 AUTO TECHNOLOGY SUPPLIER

SECOND-LARGEST INDIAN AUTO COMPONENT GROUP*

LEADING TIER-1 MANUFACTURER AND SUPPLIER OF DIVERSE PRODUCTS ACROSS LIGHTING, POLYMER, ELECTRICAL & ELECTRONIC AND METALLIC COMPONENTS

For us at Varroc, change is yet another opportunity. To explore, innovate, and finally, to outperform. This is our attitude and our approach through every aspect of our business: we ensure extreme precision and care in manufacturing our products, we are associated with the top OEMs worldwide, and we encourage and support our employees to excel in every possible way.

A world enabled by Varroc's products is cleaner, greener, lighter and more connected. We see ourselves as the smaller cogs of a wheel within the engine of a much larger machine that transforms energy into motion.

With our products, we make the world move. Our technical expertise empowers key players in the automotive industry to outpace the rate of change and to bring the best of automotive excellence into the market for our end-consumer. As new mobility solutions continue to emerge, Varroc is ready to disrupt the way things happen currently.

We will continue to **innovate, evolve, Perform@Change**

**According to the report on "specific auto components for Indian two and three-wheeler industry" prepared by CRISIL Research issued in March 2018*

Introduction

EVOLVE@EXCELLENCE

Varroc Engineering Limited (Varroc) is a global tier-1 automotive component group incorporated in 1988. Our riveting journey began with our polymer business in 1990. Today, the spectrum of our business covers design, manufacture and supply of exterior lighting systems, polymer components, electrical-electronic components, and precision metallic components to passenger car, commercial vehicle, two-wheeler (2W), three-wheeler (3W) and off-highway vehicle ('OHV') OEMs worldwide.

With over three decades of relentless commitment to excellence, we also offer design solutions that provide our customers with a competitive edge in their markets, comprising future-ready solutions integrated with environmental sustainability.

Two primary business lines

GLOBAL LIGHTING SYSTEMS

global supplier of exterior lighting systems to Passenger Vehicle and 2W OEMs

VARROC INDIA BUSINESS

manufacturer and supplier of a diverse range of auto components to two-wheeler, three-wheeler and four-wheeler OEMs in India

Vision

To be the supplier of innovative solutions for transportation and allied industries.

- core business sectors to be exterior lighting and two-wheelers mobility
- to be a partner of choice for vision, mobility and emission technologies
- to be the fastest growing player in our core sectors
- to be in leadership positions in both our core business sectors

Mission

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

- by delivering customised solutions with superior services
- with speed, agility and creativity
- and fostering an environment that empowers employees and encourages the pursuit of excellence

Core values

Sincerity
to speak and act from the heart

Humility
to walk with everyone

Integrity
to do what is right

Passion
to go the distance against all odds

Self-Discipline
to make it happen

Key strengths

Wide product offerings
We provide innovative end-to-end solutions for automotive OEMs through a wide range of products across lighting, polymers, metallic and electrical segments. Rooted in our technical expertise, assured by our culture of excellence, our products lend our client partners the competitive edge they need to succeed in their markets.

Extensive manufacturing footprints
We have extensive manufacturing footprints spread across the key automotive markets globally - India, Europe, North America and China. We have also expanded in Brazil, Morocco and Turkey, which is helping us not only to further diversify and therefore de-risk our business but also to help us stay on top of evolving global market trends. Moreover, the presence of our manufacturing footprint in relatively low-cost countries gives us the advantage of cost-competitiveness as compared to other players in the markets in Europe and North America.

Our business is backed a strong manufacturing base, aimed at delivering products to key customers in their preferred region. We have a pan-India presence with 26 plants, enabling us to deliver quality and reliability at scale. We have 16 plants in our global business, spread across 14 countries in five continents.

Research & Development is core to our success
Our core competencies are to design, develop and manufacture automotive components for leading OEMs. The needs of the end-user drive our designs, which transforms into demand for our customers' products. As a result, Varroc is the preferred 'early development partner' for OEMs to provide world-class, end-to-end solutions such as design, development, testing and validation, manufacturing and supply chain management. Our products such as Adaptive Driving Beam enabled Lighting Solutions, Electronic Fuel Injection, Telematics Solutions, EV Traction Motors for 2Ws and Catalytic Convertors address the growing need for reduction in emission, fuel efficiency and safety.

Strong customer base
Some of the best brands in the OEM space globally are our customers, whose trust in our products is invaluable to us. We maintain a proactive approach towards ensuring quality, which includes zero tolerance for defects. We are a fully integrated player with a diversified range of offerings, enabling us to cater to a massive clientele around the world.

Exceptional quality
Varroc lays a very strong focus on quality. We believe that each piece of every product we produce must speak of world-class performance and constantly exceed customer expectations and we endeavour to realise this standard across the board.

Key facts

185
Patents granted globally

42
Global manufacturing units

1,393
R&D engineers

124
Rank in the 2019 Fortune India 500 list

FY20 operational highlights
- Acquired 74% stake in CarIQ, a leading telematics solution provider in India
- JV in Romania for manufacturing of electronic components started operations

Business Overview

GROW@CAPABILITY

A Balanced Portfolio Creating Value

At Varroc, we design, manufacture and supply components for 2W, 3W and 4W vehicles including off-highway vehicles, manufactured by some of the world's topmost OEMs. Our product portfolio includes a wide range of polymer, electrical-electronic and precision metallic components for a wide variety of vehicles, along with exterior lighting systems.

We started three decades ago in a humble way and kept on expanding our portfolio across different categories and product lines during our journey. We are recognised for our design expertise, innovation, quality and excellence which are led by end-user experience.

1. Global Lighting Business

We are the world's 6th largest* tier-1 automotive exterior lighting manufacturer and among top three independent exterior lighting players. We design, manufacture and supply exterior lighting for passenger vehicles under the name Varroc Lighting Systems.

We supply to a wide range of OEMs across North America, Europe and Asia. Our clientele includes many marquee auto manufacturers such as Ford, Jaguar Land Rover, the VW Group, Tesla, FCA, Groupe PSA and more.

Manufacturing facilities

14 facilities – Czech (2), Mexico, Poland, Morocco, India, Brazil, China (2, in JV), Italy, Romania, Vietnam Turkey and Bulgaria

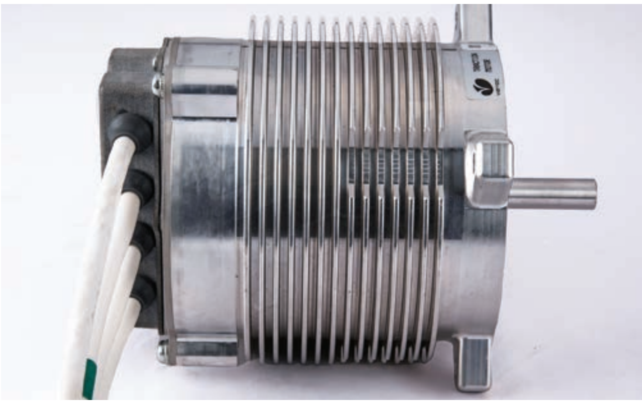
Revenue contribution

64%

Customer segment

4W, 2W

**According to Industry Report on Automotive Lighting: Market, Industry and Technologies prepared by Yole Développement dated March 20, 2018*



2. India Business

a) Electrical – Electronics Business Unit

We manufacture a wide range of electrical and electronic components used in the automotive industry. We innovate in response to automotive trends and create products that are increasingly greener, safer and smarter.

Our products and offerings are aimed at helping our client brands stay ahead of the curve in responding to evolving customer preferences. Our products such as ISG, adaptive lighting and static bending enable greater fuel efficiency and safety; our traction motors, controller, DC-DC converter and Battery Management System comprise connected vehicle solutions for electric mobility and advanced telematics. We have recently augmented our product offerings with the Thin-Film Transistor (TFT) instrument cluster that is embedded with telematics and navigation.

Manufacturing facilities

8 facilities plus one shared facility with other business units #

Revenue contribution

11%

Customer segment

2W, 3W

b) Polymer Business Unit

We manufacture automotive polymer for use in the interior and exterior systems of vehicles, aimed at providing functionality along with aesthetics. These are mainly centred around light weighting as a key criterion, wherein we replace large sheet metal parts with polymer, including micro-cellular polymers and composites in trims and other body parts, adding to fuel efficiency.

Our products include mirror assemblies, advanced air filter solutions and other body parts.

We are also working on advanced technologies like 2K moulding for injecting two materials in one shot, 3i technology for high-gloss paint finish and reduced wall thickness, and battery protection for electric vehicles.

Manufacturing facilities

13 operating facilities plus one shared facility with other business units#

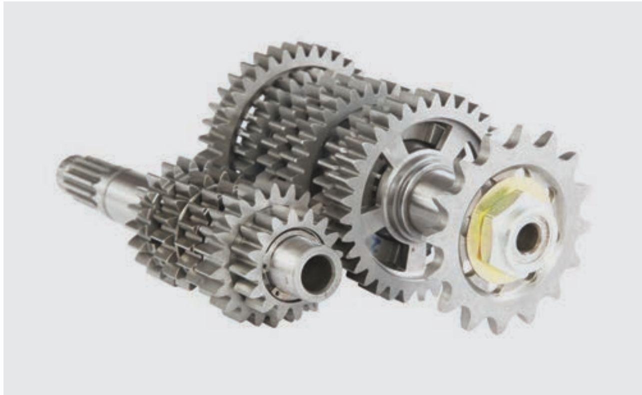
Revenue contribution

15%

Customer segment

2W, 3W, 4W

 # Pantnagar facility caters to all 3 verticals of India business.
Domestic 2W lighting is part of Electrical and Electronics business.



c) Metallic Business Unit

Comprising two lines of business – Transmission and Engine Valves, our offerings under metallics business are known for quality and precision.

Transmission

We supply in all 11 different categories of precision-forged and machined parts for engine and transmissions for 2W vehicles and four-cylinder crankshafts for commercial vehicles and stationary engines, as well as key products for 2W, 3W and 4W. Our capabilities include design as well as machining, through hot, warm and cold forging, heat treatment, post heat treatment machining and soft machining.

Engine valves

We manufacture sodium filled valves, hollow engine valves and titanium valves, for supply to all segments of the automotive industry. Our capabilities include forging, heat treatment, induction hardening, pattern hardening, precision machining, hommel inspection and ultrasonic inspection. Nearly half the engine valves we produce are exported.

Our operations are backed by state-of-the-art engineering, R&D and design capabilities. We also provide developmental support to customers in North America, Europe and Asia.

Manufacturing facilities

4

facilities plus one shared facility with other business units–India

Revenue contribution

6%

Customer segment

2W, 3W, 4W

d) Other India business

After Market Division

We have other businesses which include a small After Market Division catering to Indian 2W and 3W industry.

India business also has Solar and Windmill units.

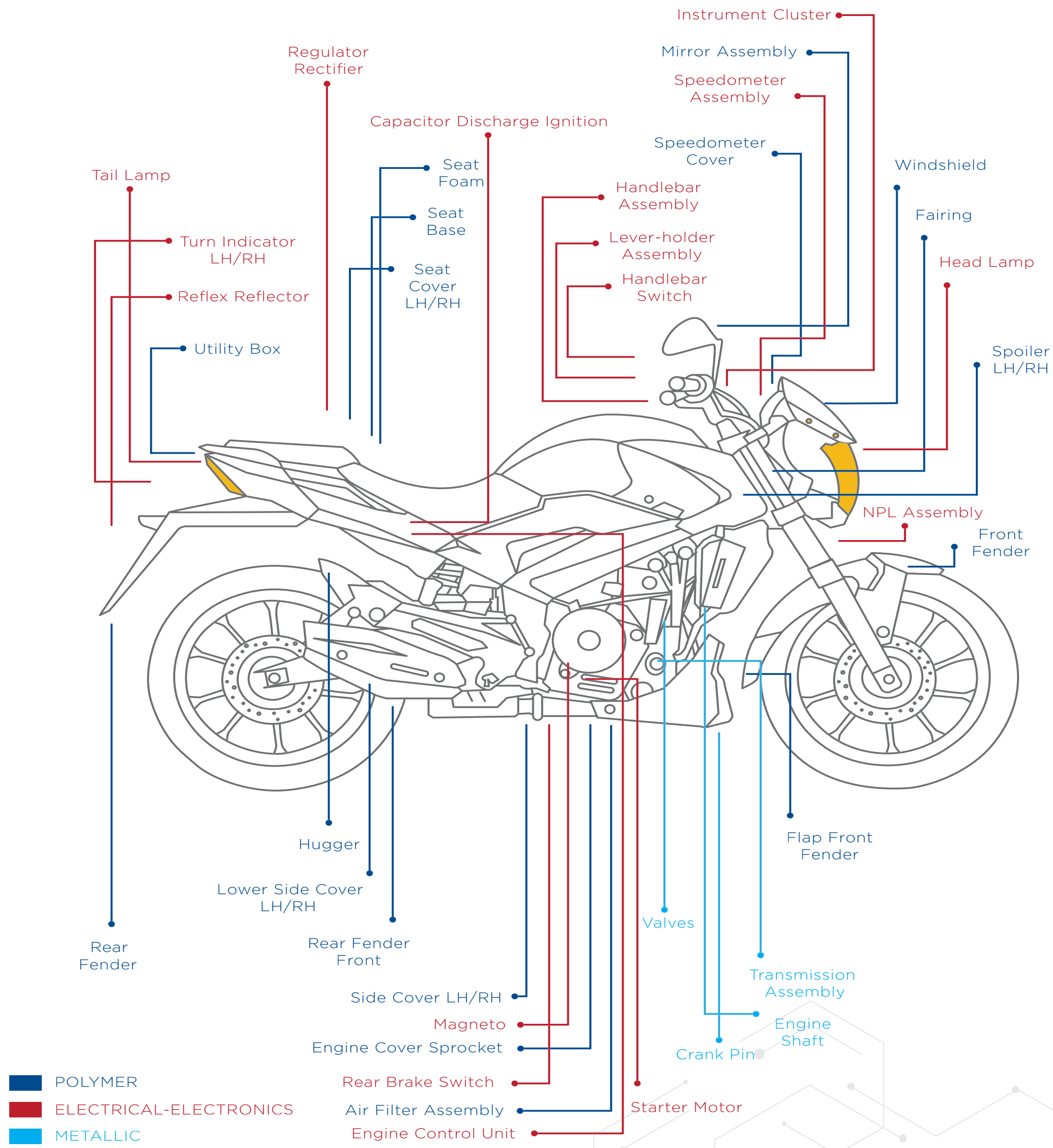
3. Others

Our group company, I.M.E.S. operates two forging units in Italy manufacturing undercarriage forged machine components for OHVs and drill bits for oil and gas sector.

Product Portfolio

INNOVATE@ TRANSFORMATION

At Varroc, we have more than 32 years of experience in manufacturing components for the automotive industry. We have continued to evolve our expansive product portfolio across lighting, polymer, electrical-electronics and metallic segments, as a result of our deep understanding of end-user needs. We deliver precision products with quality.



Automotive lighting products

We design, manufacture and supply automotive exterior lighting for passenger vehicles for global OEMs.

Product categories
- Headlamps
- Fog lamps
- Rear lamps
- Center High Mount Stop Lamps (CHMSLs)

We offer these products under Halogen, Xenon/high-intensity discharge, LED including (Matrix LED, high definition MEMS and DMD, surface LED and OLED module, Flex LED and LED Pixel headlamp) technologies.

Electrical – Electronic components

Wide range of components including Printed Circuit Boards (PCBs)

Product categories
- Lighting for 2W
- Instrument cluster
- Catalytic converter
- Switches
- Motor and magneto
- Electronics
- EV products
- Electronic fuel injections systems

Polymer components

Automotive plastics that help with light weighting, blending aesthetics with functionality.

Product categories
- Unpainted body parts
- Painted body parts
- Exterior system
- Interior system
- Seating system
- Mirror system (ORVM, IRVM)*
- Air filter
- Automotive accessories

Metallic components

Our metallic products fall under two categories:

i. Forging and Machining for engine and transmissions for 2W vehicles and four-cylinder crankshafts for commercial vehicles and stationary engines

ii. Engine valves for supply to all segments of the automotive industry

Product categories
- Forging and Machining
- Transmission gears
- Undercarriage segments
- Crank pins, links
- Connecting rods
- Crankshafts
- Engine valves

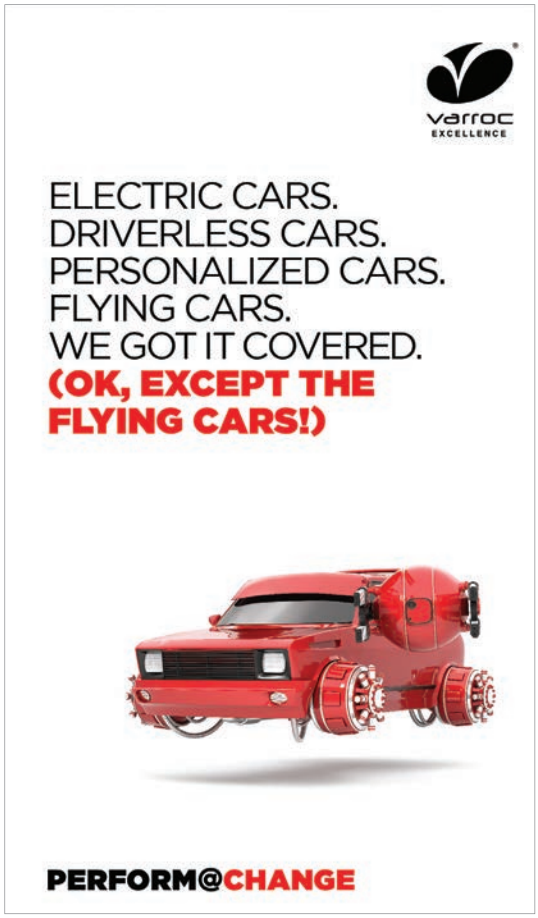
**ORVM – Outer Rear View Mirror*
IRVM – Inside Rear View Mirror

Brand Motto

PERFORM@CHANGE

At Varroc, we believe that performance is the best growth strategy. Performance that doesn't follow benchmarks but goes beyond them. Performance that lives up to commitment, no matter what it takes. Our quest is to get every OEM manufacturer in the world acquainted with our ethos, built on a solid foundation. We don't stop there. In the fast changing world of automotive design and technology, we are in a state of constant alert. We are constantly adapting, evolving and innovating.

The comfort zone is not a breeding ground for greatness. We chose to not wait for change to happen, for the future to dawn upon us; instead, our intention is to design it ourselves. And always ask ourselves - How can we do this better? This mindset allows us to be future-ready and helps us to **Perform@Change.**



Manufacturing Facilities

CREATE@ COMMITMENT

Strategically Located Global Manufacturing Footprint

Varroc is a global corporate with world-class engineering capabilities and state-of-the-art manufacturing and R&D facilities.

Varroc has 42 manufacturing facilities and 16 R&D centres across Asia, Europe, Africa, and North and South America. One more facility is coming up in Chennai.

Our facilities are strategically located across countries, where the cost of product is relatively lower, and with proximity to leading OEMs, helping to make our operations more cost-effective.

16

Global Manufacturing Facilities

across countries (including 1 in India) optimising production and distribution for VLS & IMES Business

26

Manufacturing Facilities for Varroc India Business

Co-location with customers ensures cost effectiveness and efficient delivery


Poland
Czech Republic
Germany
Romania
Italy
Bulgaria
Morocco
Turkey
China
India
Vietnam
Uttarakhand (1)
Haryana (1)
NCR (1)
Gujarat (2)
MP (1)
Maharashtra (16)
Karnataka (2)
Tamil Nadu (2)
Corporate Headquarters
VLS Headquarters
Manufacturing Plant
Upcoming Plant
R&D Centre

Business Model

EXECUTE@IDEATION

Our Capabilities

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

Manufacturing
We have extensive manufacturing capabilities across global markets, focused on operational excellence and efficiency.

People
We have a highly skilled, diverse and effective workforce. Through continuous training of our people and by hiring new talent, we secure our future development.

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

Values
We are committed to conducting business ethically and we strive to achieve the highest quality standards. This approach helps ensure our business is sustainable.

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

Our Activities

While we conduct diverse operations across different business segments and markets, they are aligned to our vision of being a supplier of innovative solutions for transportation and allied industries.

- India Business offers a diversified set of products across three product lines, namely Polymers/Plastics, Electrical/Electronic and Metallic components.
- Global Lighting Business focuses on the design, manufacture, and supply of exterior lighting for passenger vehicles.

We operate in a competitive, highly regulated industry across multiple geographies. Our diversified and integrated business model enables us to remain futuristic and agile. Our ability to deliver value depends on the participation and contribution of a wide range of different stakeholders. The value, thus created, benefits all – our customers, employees, shareholders and communities at large.

Outcomes

Customers
Value to customers by providing high-quality solutions.

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

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

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

₹111.2 billion
Revenue

Improved
Vehicle-fuel economy, lower emissions and enhanced safety

185
Patents granted globally

Continuous
Reduction in energy consumption

Growth Enablers - Our core values

- Sincerity
- Humility
- Integrity
- Passion
- Self Discipline

Strategic Priorities

ACHIEVING@EXCELLENCE

Strategy	Objective
Expand manufacturing footprints	Become a globally preferred supplier to automotive OEMs
Enhancing product portfolio	Leveraging product knowledge and capabilities to provide outstanding services to customers
Expanding customer base	Increased market share thereby de-risking due to lower dependence on a few customers
Advance and further leverage R&D and technology capabilities	Seek to benefit from key trends in automotive industry
Drive operational excellence	Improve returns in a rapidly changing technological environment
Inspire and develop a diverse workforce to drive success	– Driving the right culture through embedding our values and behaviour – Committed to creating the right working environment where each of us is able to be at our best

Our strategy aims to deliver strong returns to shareholders, excellent service to customers and consistent value to our all stakeholders.

Achievements during the year	Outlook for FY21
Expanded our manufacturing footprints to Poland. This is in addition to our recent Plants in Morocco and Brazil.	New plants to contribute meaningfully to revenue growth
– Acquired 74% stake in CarIQ Technologies, which is a leading integrated telematics solution provider – JV in Romania for manufacturing of electronic components started production this year	– BS VI products like Catalytic Convertor, EFI to contribute substantial part of growth in the future – Offerings on connected vehicle side, with more than 100,000 vehicles already on the platform is under evaluation by key OEMs' attention – The in-house production of PCBAs and other electronic components will strengthen product offerings
– VLS has set up a new manufacturing plant in Brazil, to serve the South American market, and in Morocco, to serve the Southern European and North African markets – In the process of setting up manufacturing plants in Poland and Chennai to serve key global OEMs – Gained entry into a major 2W OEM in India	We are growing strongly with the world's leading OEMs and are expanding in India with key 2W OEMs and continue to see this trend in the near future
– Expanded R&D footprint by commissioning a facility in Krakow, Poland – Developing proprietary products with continuous focus on innovation, cost-competitive designs	– Focus on low cost geographies nearby major automotive markets to expand capabilities in a cost-efficient manner – Technology solutions at cost-effective levels is our objective
– Transforming our manufacturing and supply chain to embed a lean approach across our facilities and processes – Implemented Total Preventive Maintenance (TPM) to ensure quality, low cost and on-time delivery for customers	– Optimisation of costs without compromising on quality is our objective for FY21. We expect to bring in significant savings by way of implementing operational excellence across our operations. – We intend to reduce our fixed cost base through re-designing and re-booting some of the established practices at Varroc
– Varroc's Future Ready programme aims to nurture and hone young engineering talent from campuses across the country	People are at the forefront of our growth strategy. We will continue to nurture the talent and empower them going forward

RESPONDING TO TRENDS RESHAPING OUR INDUSTRIES

We operate in a dynamic business environment. Our ability to continue creating value is thus a direct function of how effectively we respond to the existing and emerging opportunities while minimising the related risks. Although we think long term while devising our strategies, we have flexibility built in to make short-term adjustments for unanticipated developments.

Changing customer preferences

In today's highly connected and digital world, customer preferences are changing rapidly. The new-age customer, even when buying a low-price-segment car, expects superior styling and technology, usually offered in the high-end cars, as well as a premium buying experience. Therefore, it is critical for the Company to sense the evolving customer preferences ahead of competition and introduce such products, technology, and experience to maintain its first-mover advantage.

Electric vehicles (EVs) are likely to grow significantly

There has been a gradual increase in the number of electric vehicles on the streets and it is expected that in few years' time, more models will get into mass production. With the increasing consumer preference for a greener environment, a few manufacturers are making headways in the electric passenger vehicle industry. In 2030, the share of electric vehicles is expected a substantial proportion of new-vehicle sales, according to McKinsey. In the Indian electric vehicle ecosystem market analysed by BIS Research, the EV market is anticipated to grow at a robust CAGR of 43% during the forecast period from 2019 to 2030. The associated charging infrastructure is also projected to grow.

Industry experts are predicting that electric cars will soon become more cost-effective and popular than diesel and petrol models. The global market for electric passenger vehicles is starting to pick up speed. The growing adoption of electric cars is also supported by the expanding charging infrastructure and improvements in battery technology.

43%

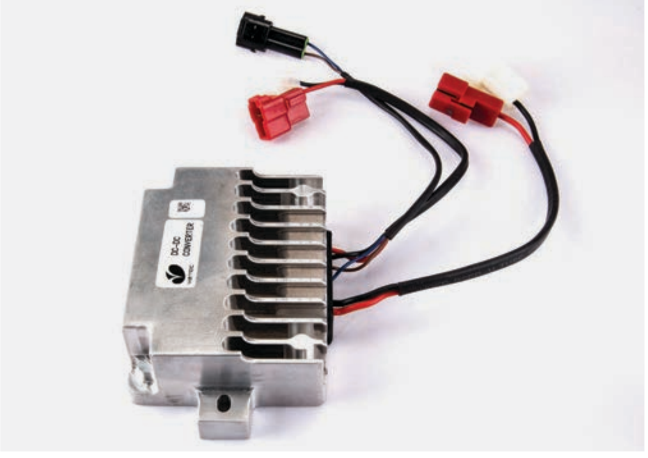
EV market growth rate during 2019-20

Technology integration

The auto industry is undergoing transformative changes not only because of regulation, but also because of emerging technologies. Technology-driven trends have always been transforming the way in which automotive industry players react to the changing behaviour of consumers, build partnerships, and bring about a change. Here are some of the emerging trends which are transforming the automotive industry:

Connected vehicles and autonomous driving

Connected vehicles are vehicles that use diverse communication technologies to communicate with the driver, other cars on the road (vehicle-to-vehicle V2V) and the roadside infrastructure. This technology can be used to not only improve vehicle safety, but also help in vehicle efficiency and reduce commute times.



Regulatory landscape

The regulations in India and globally on emissions and safety are becoming increasingly stringent. The automotive market underwent a transformation as the industry endeavoured to enhance compliance with various regulations related to emissions, safety and environment, including the transition from BS IV to BS VI in India and regulations in Europe triggered by diesel gate.

Demand for sustainable products

Consumer awareness of limited natural resources, the environmental impact of products, and social responsibility is growing, which places pressure on brand owners to pay more consideration to product and supply chain responsibility. Growing concerns over air quality, road safety, sustainability and urban congestion, among consumers and society at large, are driving the regulations and policies for motor vehicles and urban development. These will impact choice of fuel, ownership patterns and will have a significant impact on the future of the automotive industry.

Helping our Customers Build a Better World

INTELLIGENCE@CHANGE

Customer-centricity is at the heart of our strategy at Varroc. We continue to enrich our customer value proposition on the back of our strong relationships and quality offerings. Since inception, we have built our reputation to become the supplier of choice for leading OEMs such as Bajaj, Royal Enfield, Honda and others.

Our quality and delivery have helped us to strengthen our relationships over time and grow our business, which has enabled us to diversify our customer portfolio. Recently, we have grown our business with Hero Group and TVS Motors. In the global lighting business, we have meaningfully increased our business with the world's two leading OEMs – the VW Group and Renault-Nissan-Mitsubishi.

Some of our very recent initiatives to help enrich our customer value proposition include:

- Flawless product launches
- Variation reduction in our processes
- Continuous improvement using six-sigma methodology
- Robust manufacturing system in line with the best-in-class

Unique customer proposition

- **Speed**
  At Varroc, we go the extra mile to understand the implicit needs of customers. We are quick to respond and we do our best to deliver customer delight.
- **Strong customer relationships**
  Our relationships with our customers are long-term, collaborative and extremely result-oriented.
- **One-stop solution provider to key OEMs**
  Our customers rely on us for end-to-end solutions comprising design, manufacture and supply, across a wide range of products.
- **Geographical reach**
  We are an Indian company with global presence in 14 countries and counting.
- **Low-cost and comprehensive footprint**
  Our manufacturing and R&D footprints are present in low-cost geographies, enabling us to provide cost-effective solutions through high-quality.
- **Technology expertise**
  For our India business, we are bringing in the best of technology into the market. For our global lighting business, by continuously adopting as well as inventing emerging technologies in the shortest possible time, through in-house development as well as through technology tie-ups. We have positioned ourselves as early adopter and hence, have opportunity advantage.

Committed to Continuous Innovation

INNOVATION@CHANGE

At Varroc, our goal is to constantly keep enhancing our Research & Development (R&D) capabilities. Our R&D team consists of technically qualified experts, who are supported by our modern design tools and state-of-the-art manufacturing facility. Through our research, we have adopted several innovative technologies that help us in product innovations and in process re-engineering.

During the year, we have made R&D investment of ~₹6 billion which is 5.4% of our consolidated revenue.

The technological advancement has enabled upgradation of hardware and software for ease of transactions. The future is digitalisation. IoT implementation in machines is going to make our manufacturing facilities equipped to handle the processes effectively.

Focusing on new technology and innovation

a. Digitalisation in industry and our response

1. For technological advancement, we are aiming at making cars more compatible with the outside world. We are talking about cars with in-built IoT that would help the automobile connect the devices to other devices within the car/vehicles and or devices, networks and services outside the car including other cars, home, office or infrastructure. Connected car features fall into several categories, safety, navigation, infotainment, diagnostics/efficiency and payments.

2. Shared mobility is a growing trend. With services like Ola and Uber taking the market by storm, it is bound to create a big change in the way shared services are perceived.

   Varroc is collaborating with the shared services that would enable technology to improve the shared mobility experience for everyone.

3. An autonomous car is a vehicle that can guide itself without human intervention. This kind of vehicle has become a reality and may pave the way for driverless cars. We are advancing our technology to aid autonomous cars.

b. Operational excellence

Digitalisation is core to the successful functioning of a future-ready organisation. We focus on:

- Use of digital platforms in management of customer-wise product profiles, including cost structures and subsequent amendments
- Automation of capacity planning process
- Digitalisation in capex approval, debtors/creditors, working capital management system
- Employee self-service modules integrating all processes BI module and HR function. 'Real time data', of shop headcounts of each plant /process to take business decisions
- Driver telematics to explore opportunities by providing real time data to various stakeholders
- Supplier capacity planning and real time monitoring of the same

Solutions that Deliver Value to Customers

MOBILITY@ CHANGE

Varroc has one of the most diversified product portfolios in the industry. Our flexible manufacturing systems and lean production technology help us to stay competitive. Our product diversification strategy allows us to effectively cross-sell to our customers, leveraging existing relationships and also growing our brand equity.

We continue to operate across several geographies, some of which are among the most advanced automotive markets in the world, which brings us new learnings and technology. With our in-house R&D capabilities spread across USA, Czech Republic, India, China, Mexico, Germany, Poland and Italy, we have expanded at a steady pace. With 1,393 R&D engineers and 185 patents granted globally, we have been at the forefront of discovering newer ways and means of simplifying mobility.

During the year, we acquired 74% stake in CarIQ Technologies, a leading telematics solution provider. The telematics solution provided by CarIQ is a seamless combination of hardware, software and IoT platform that helps safer driving, optimising uptime in personal and commercial mobility. We can leverage this platform to increase our sales of products related to connected vehicle platform apart from its current revenue generation streams from insurance and fleet range. This acquisition is an important part of our strategy of diversifying product portfolio.

We are rapidly ramping up engineering resources to create mass-market technology products such as:

Adaptive Driving Beam (ADB)

VLS has developed ADB headlamps, which communicate with onboard cameras and sensors to allow the user to drive with high beams permanently without glaring oncoming fellow drivers. VLS also held a workshop to demonstrate technology from 10 to 1.3 million pixels to key North America OEMs and the media.

Surface-LED Technology

VLS-patented surface-LED technology uses thin layers of micro-optic filters and conventional LED light sources to achieve the homogeneous appearance generally associated with OLEDs. Each homogenously lit element is only 3.5 mm thick, with a luminous intensity that can be scaled from 2,000-13,000 cd/m^2. Unlike current automotive-qualified OLEDs in the market, surface-LED elements can be designed and produced in curved and 3-D shapes, as well as with multiple colours that enable them to achieve various functions. With this new product, VLS combines the benefits of the still-emerging OLED technology, including its ultra-thin and homogenous lighting profile, with the proven reliability, low cost and flexibility of LED. Surface-LED presents OEM designers with a new, cost-effective and high-impact avenue to create innovative lighting signatures on vehicles.

Two-wheeler business in India

The 2W segment of the auto industry in India is expected to see major changes in the near term. Some of those relate to emission norms like BS VI and some led by technology upgradations, particularly the transition to electric vehicles. We have developed futuristic technology driven products related to these trends. Some examples are:

Telematic products

The trends indicate the need for an interdisciplinary field that encompasses telecommunications, vehicular technologies and computer science. We have developed products such as turn by turn dashboards, connected two-wheeler/car devices which enable a host of analytical capabilities for multiple stakeholders apart from the drivers.

Electronic Fuel Injection (EFI)

As per the stricter BS VI norms, EFI has become mandatory for products being sold after April 1, 2020. The EFI system presents electronics hardware that can be used to integrate multiple product lines. We have developed the EFI system with our joint venture with Dell Orto and have received initial orders.

BS VI Catalytic converters

Regulatory emission norms have been the most significant factor driving the industry dynamics. Our technology is among the best in helping reduce the emission rate. As newer alternatives are being considered, it will aid us to create a more sustainable environment for all. We have developed the BS VI compliant catalytic converters with technological support from Heraeus, Germany and already secured orders.

Traction Motors for EVs

A traction motor is an electric motor used for propulsion of a vehicle, such as locomotives or electric roadway vehicle. With the impending transition to electric vehicle happening over the next couple of years, traction motors are expected to replace the traditional internal combustion engines. We have completed development of traction motor and controller with prototypes. We have gained a consignment for traction motor.

LED lamps

Varroc is the first tier-1 supplier/ ancillary to produce LED lamps for leading 2W OEMs in India. Since then, LED lamps have become a trend in the new launches. Our technological capabilities in Indian markets have enabled us to offer a variety of innovative solutions in this product category.

Technology enabling paint less polymer products

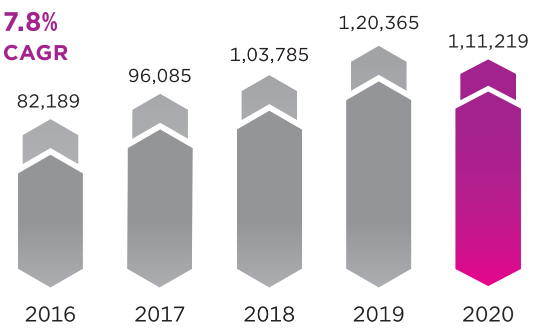
For our polymer business, we have eliminated painting process involved in a traditional painted polymer part and developed a technology to obtain similar durability and finish using our new moulding technology.

Financial Highlights

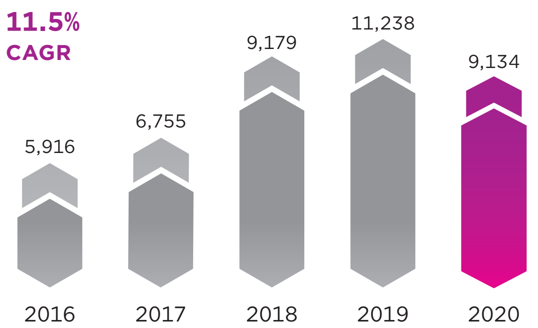
VALUE CREATION@ CONSISTENCY

Profit and Loss Metrics

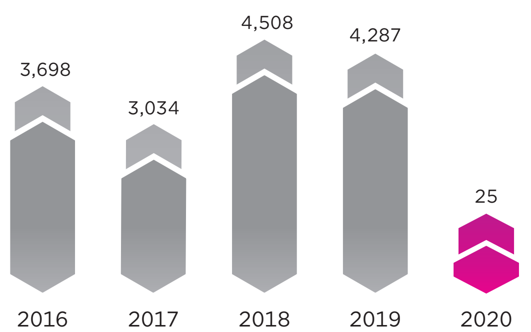
Revenue
(₹ in million)



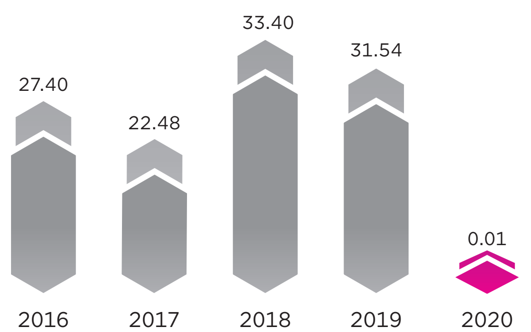
EBITDA
(₹ in million)



Profit After Tax
(₹ in million)

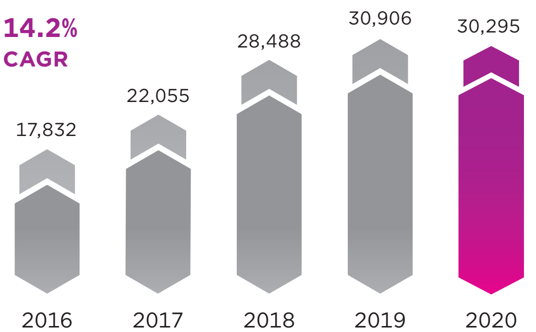


EPS (Basic)
(₹)

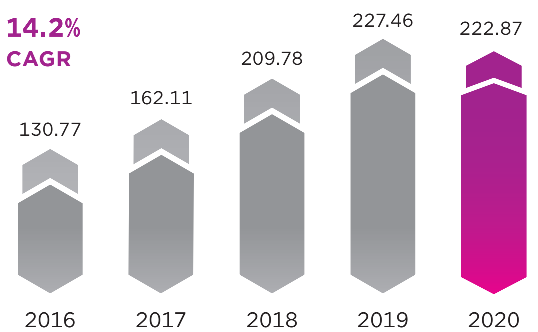


Balance Sheet Metrics

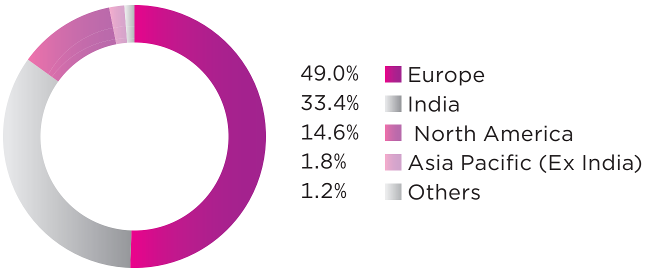
Net Worth
(₹ in million)



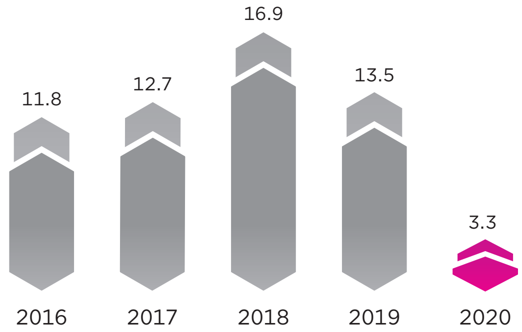
Book Value Per Share
(₹)



Revenue Spilt by Geography (in %)

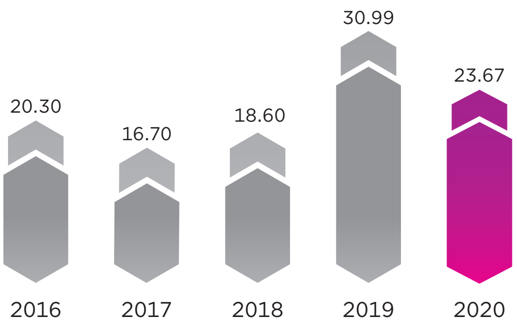


Return on Capital Employed (in %)

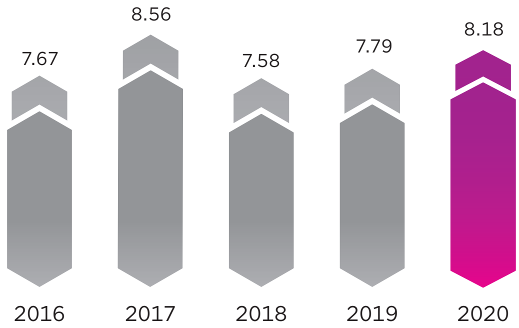


Sustainability Metrics

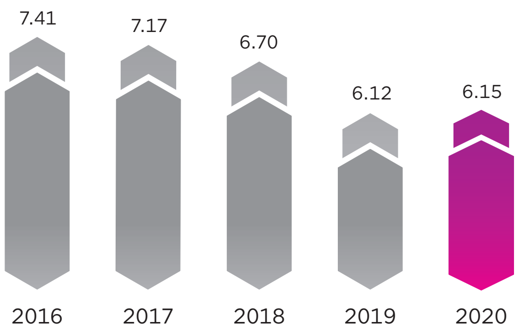
CSR Expenditure (₹ in million)



Power Generated through Wind (million units)



Power Generated through Solar (million units)



ACTION@CONVICTION

Dear Shareholders,

It is a pleasure to share our Annual Report for FY20. The automotive industry is at the cusp of rapid transformation, led by the need for greener modes of transport along with shared and autonomous mobility defining the technology imperative. At Varroc, we enable the world's leading OEMs to deliver on these expectations.

The world moves in a smarter, smoother, faster and greener way when we Perform@Change.

Industry Performance

The global automotive market was on a downtrend during FY20. Europe, North America and China showed a decline of 7.9%, 5.6% and 16.1% Y-o-Y, respectively. EU emission regulations and impact of US – China trade war continued to weigh on the industry performance. The COVID-19 outbreak and its rapid spread dampened the industry recovery. The impact of COVID-19 is likely to be felt mainly on the performance of the first quarter of FY21 and also on the rest of the financial year to some extent.

The Indian automobile industry saw consumer sentiment weaken across segments through the year with the 2W industry registering a 14.1% Y-o-Y decline in volumes as compared to a 5.8% growth in FY19. The 3W segment reported a 10.6% decline in the overall production volume during FY20.

In India, GDP growth for FY21 is estimated to remain in negative territory, with some pick-up in growth impulses from second half of FY21. The Government of India in May rolled out a substantial package of relief measures aimed at helping the country's small and medium enterprises, which is likely to benefit the economy.

The Year at Varroc

Our revenues slid 7.6% Y-o-Y to ₹111.2 billion in FY20 from ₹120.36 billion in FY19, due to the prevailing macroeconomic environment. Our India business witnessed 10.7% Y-o-Y decline and our Lighting business (VLS) declined by 5.7% as compared to FY19. Our consolidated EBITDA declined by 18.7% to ₹9.13 billion in FY20 vs ₹11.24 billion in FY19 and EBITDA margin fell to 8.2% in FY20 from 9.3% in FY19. At ₹25 million, our consolidated PAT for the year registered a steep decline.

At the same time, order wins in both the businesses were encouraging at ₹39 billion in equivalent annual revenue in both our businesses put together. In our Global Lighting Business, we received an order for the newest EV platform from one of our existing EV customers and two large orders for popular platforms from our largest customer in North America. Some of our orders in India were from new customers as well as for new products such as Traction Motor & Inverter and our range of BS VI product offerings.

That said, our sales have rapidly begun to recover globally. China is growing again and US is looking in a better position than Europe when it comes to making a recovery. The short-term outlook is positive as pent-up demand will drive sales growth, especially since consumers will attempt to avoid public transport and shared mobility solutions. Our outlook over the long term, while positive, does expect the recovery to be more gradual. The COVID-19 scenario has disrupted the supply chains and this will take a while to stabilise. We see this as an opportunity to learn and improve, and we will.

During the year, we slowly ramped-up production at our new facilities in Brazil and Morocco while also starting production in Poland facility for our Global Lighting Business.

Looking Ahead

Globally, the automotive industry is transitioning towards electrification, innovative mobility concepts and autonomous driving. Leading OEMs are exploring this space for increasingly innovative solutions. What this means to us at Varroc is the massive opportunity to create a bigger impact. We see ourselves at the forefront of this technology-driven change aimed at furthering sustainability for the business as well as the environment.

We have invested in ventures that will allow us to play a bigger role in these areas. Our R&D team is developing technologies focused on minimising the carbon footprint and manufacturing light weight products that consume less energy.

At Varroc, we are focused on leveraging our key strengths for long-term value creation: unmatched design expertise, strong adherence to quality and precision standards, and strong partnerships with the world's leading OEMs as well as automotive engineering experts. For the successes we continue to build on, I would like to thank our people, whose expertise and commitment make our organisation perform@change.

I am extremely thankful to our customers, employees, bankers and investors for their trust in us.

Tarang Jain
Managing Director

EMBEDDING GOOD GOVERNANCE IN EVERYTHING WE DO

We are committed to acting appropriately and fairly in accordance with the expectations of shareholders and continuously enhancing corporate value. We believe that good corporate governance is a critical factor in achieving business success and originates from robust systems, high ethical standards and core values.

Board of Directors

1. **Naresh Chandra**
Chairman and Non-executive Director
Mr. Naresh Chandra has over 52 years of work experience out of which 37 years are in the automobile industry, he has previously been associated with Kaycee Industries Limited. He has been associated with the Company since incorporation and became the Chairman in 1997. He holds a bachelor's degree in economics and a master's degree in history from the University of Delhi. He also holds a diploma in business administration from the City of Birmingham College of Commerce, United Kingdom.

2. **Tarang Jain**
Managing Director
Mr. Tarang Jain has over 32 years of experience in the automotive industry. He has been associated with the Company since incorporation and was appointed as the Managing Director in 2001. He holds a bachelor's degree in commerce from the Sydenham College of Commerce and Economics, University of Bombay and a diploma in business administration from the University of Lausanne, Switzerland.

3. **Marc Szulewicz**
Independent Director
Mr. Marc Szulewicz has previously worked at Valeo and served as Executive Vice-President in-charge of plastic activities at the Carnaud Metalbox, a Crown Cork & Seal Company. Later, he was also the CEO of the Auto Exterior division at Plastic Omnium. He has been on our Board since July 2017. He holds an engineering degree from the Ecole Nationale Supérieure des Arts et Métiers Paris.

4. **Gautam Khandelwal**
Independent Director
Mr. Gautam Khandelwal is the Executive Chairman of Nagpur Power & Industries Limited and the Non-executive Chairman of Informed Technologies India Limited. He has been on our Board since 2011. He holds a bachelor's degree in economics from the Mumbai University.

5. **Vijaya Sampath**
Independent Director
Mrs. Vijaya Sampath has been a lawyer for over 35 years. She has been associated with Lakshmikumaran & Sridharan Attorneys as a senior partner and with Bharti Airtel Limited as group general counsel and company secretary. She has been on our Board since July 2017. She holds a bachelor's degree in arts from the Madras University and a bachelor's degree in law from the Mysore University. She is registered as an advocate with the Bar Council of Delhi. She is also a fellow member of the Institute of Company Secretaries of India. She attended the advanced management programme of the Harvard Business School, USA and a programme on managing strategic alliances conducted by the Wharton School, University of Pennyslvania, USA.

6. **Vinish Kathuria**
Independent Director
Mr. Vinish Kathuria is the Co-founder and President of Rank Software Inc. He has previously been associated with Ericsson India Private Limited, HT Mobile Solutions Limited, Indian Angel Network Services Private Limited and has served on the Boards of Phonon Solutions Private Limited and Rank Software Inc. He has been on our Board since February 2018. He holds a bachelor's degree in chemical engineering from the Indian Institute of Technology Delhi and a master's degree in science from the Case Western Reserve University, Cleveland, Ohio. He also holds a master's degree in business administration from the Duke University's Fuqua School of Business, North Carolina.

7. **Arjun Jain**
Business Head and Whole-time Director
Mr. Arjun Jain is a Whole-time Director and the Business Head - Electrical Division of the Company. He was previously associated with Bain & Company India Private Limited. He joined Varroc in October 2013 as the General Manager - Business Excellence Division. He was appointed as the Business Head of the Electrical Division in May 2015. He holds a bachelor's degree in arts from the Vassar College, New York.

8. **Rohit Prakash**
Business Head and Whole-time Director
Mr. Rohit Prakash is Business Head for the Metallic Division and a Whole-time Director of the Company. He has overall 30 years of experience. He has worked with major four- and two-wheeler manufacturers in the country and has extensive experience in planning and executing projects for new plant set-ups. He has completed his graduation from the Punjab University and holds an MBA in marketing from the University of Pune.

Risk Management

A DISCIPLINED APPROACH TO MANAGING RISKS

We follow a well-defined approach to identifying risks, assessing their potential impact and managing and mitigating these early on implementing appropriate measures to minimise them. It is an integral part of business management, embedded in the Company's culture and practices, and tailored to fit the business functions and processes of the organisation.

The process is a continuous loop comprising context formation, risk assessment, risk treatment, communication and consultation, and finally, monitoring and review. We have established processes and guidelines, along with a strong overview and monitoring system, at the Board and senior management levels.

Nature of Risk	Definition and Impact	Mitigating Factors
Pricing Pressure from Customers	Pricing pressure from customers may adversely affect our gross margin, profitability and ability to increase our prices, which, in turn, may materially adversely affect our business, results of operations and financial condition. In addition, substantially all our products are customised to specific customer requirements, which requires us to incur significant costs in setting up our capabilities to manufacture these products.	The importance of technology and design prevents entry of new players. Additionally, we are continuously working towards achieving sufficient production cost savings to offset price reductions by the customers. These reductions are through improved operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives etc.
Market Risk	Market risk is the risk of loss related to adverse changes in market prices, including commodity risk and interest rate risk. We are exposed to risks in respect of price and availability of certain commodities that we use in the process of manufacturing our products.	The risk is mitigated to some extent as we primarily purchase raw materials back-to-back and in line with the terms and prices agreed on with our customers for our India business. For our international business, we typically agree on fixed per-unit price for raw materials for each purchase order, and thus bear the raw material price risk for such purchase order.
Credit Risk	Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities, primarily from trade receivables.	Most of our largest customers have high credit ratings, which helps to mitigate credit risk. Customer credit risk is also managed by Varroc's established policies, procedures and control relating to customer credit risk management. Further, our customers include marquee OEMs and tier-I companies, which have longstanding relationship with us. Outstanding customer receivables are regularly monitored and reconciled.

Nature of Risk	Definition and Impact	Mitigating Factors
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 changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to the fluctuation of the prevailing market interest rates relating to our long-term debt obligations with floating rates.	We continuously monitor our borrowing levels and the cost of funding these loans. We have also been able to lower our borrowing costs for a variety of reasons, including, in particular, the improvement of our credit rating in India as our financial strength has improved, which has allowed us to access cheaper sources of credit, commercial paper in particular. Additionally, decreasing interest rates have allowed us to refinance loans as they come due with cheaper sources of funding. Changes in currency exchange rates influence our results of operations. We have designated certain derivative instruments as cash flow hedges to mitigate the foreign exchange exposure of forecasted highly probable cash flows. For our India operations, we enter into forward contracts, in order to cover our foreign currency exposure, especially in the case of exports.
Loss of Major Customers	Our business is dependent on certain major customers, with whom we do not have firm agreements. Significant reduction in purchases by any of our major customers, or a lack of commercial success of a particular vehicle model or lack of commercial success of such model, of which we are a significant supplier could adversely affect our business, results of operations and financial condition.	At Varroc, we strive to meet our customer requirements with our Quality, Cost, Delivery (QCD) programme. We always try to ensure that we remain competitive through our R&D efforts and with respect to technology, design and quality. In addition, our success in expanding our business also depends on significant investments in our R&D capabilities, in order to support our growth and business strategy. We have been continuously investing in our R&D capabilities.
Safety Risk/ Cyber Security Risk	At Varroc, the use of information and telecommunication technologies are increasing, resulting in greater security threats to its digital infrastructure. These impacts may include the loss of sensitive data or information, legal and regulatory breaches and reputational damage.	We are committed to conducting all our activities in a manner so as to avoid harm to employees and the community. We continue to strengthen cyber security policies, standards, technical safeguard, ongoing monitoring of new and existing threats and IT security awareness initiatives which include IT disaster recovery, emergency response and business continuity management capabilities to enable reduction of impact of any cyber security event.
Regulatory Compliance Risk	It is the risk of change in laws and regulations materially impacting the business. Timely compliance with the ongoing frequently changing regulatory requirements can at times be challenging.	We strive to understand the changing regulatory standards, so as to strengthen the decision-making processes and integrate these in the business strategy of each of the segments in which we operate. We drive business performance through the convergence of risk, compliance processes and control mechanisms to ensure continued operational efficiency and effectiveness.
Political Risk	Social/civil unrest, act of terrorism within India or internationally can have an impact on the Company's operations. Political and civil unrest and tensions globally may have an impact on the safe and timely execution of projects, which may have financial implications.	We review our risk management practices and adherence on a quarterly basis. This includes review of risks to the achievement of key business objectives covering growth, profitability, talent aspects, operational excellence and actions taken to address these risks.

Protecting the Environment

RESPONSIBILITY@ DEVELOPMENT

Effective environment management across our operations and value chain goes beyond compliance with applicable laws and regulations. We are committed to constantly improving our business activities to achieve the highest standards of environmental sustainability.

Our initiatives to reduce the risk of accidents and prevent environmental pollution through implementing a five-pronged environment, occupational health and safety ('EOHS') plan which is based on the requirements of ISO 14001 and OHSAS 18000 are:

1. We seek to eliminate exposure to serious accidents by identifying hazards and reducing the total number of accidents
2. We work towards preserving our industrial assets by achieving compliance with all applicable legal norms
3. Through a systematic approach towards training and development, we hope to enhance our managers' skills such that these concerns will be efficiently managed
4. Remain conscious of the impact our industrial activities have on our environment, and actively monitor and minimise the environmental impact of our operations
5. Seek to prevent occupational disease and maintain employee health and safety by maintaining industrial hygiene at work places. We also maintain public liability insurance policy for some of our plants and also have a commercial general liability policy for all our locations in India

The EOHS plan is implemented at the Company level and we are committed to measuring, evaluating and continually improving our EOHS performance by establishing goals and objectives through regular periodic management reviews and guidance. EOHS performance is reviewed periodically in order to monitor the EOHS performance of our plants and strategies are developed to achieve our EOHS objectives, which include:

- Reducing the dependability of conventional energy sources through the use of renewable energy sources
- Having all our plants in India certified for environmental management systems, in accordance with the requirements of ISO 14001 and OHSAS 18001
- Proactively enriching the EOHS culture within key parts of the organisation
- Having a strong focus on the sustainability of our EOHS system and compliance with the system
- Developing EOHS competency in our organisation
- Having a proactive focus on upcoming legal requirements and internal mechanism of audits
- Driving sustainability through various initiatives

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

Communication
Actively informing stakeholders about the EHS guidelines

Collaboration
Working as a team (CFT) to provide and implement EHS practices

Commitment
Proactively promoting the EHS culture with dedication

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

To ensure compliance with occupational regulations and controlling occupational hazards that add risk to employees' life, property and the environment by investing in safe and eco-friendly technologies, we have launched EHS core values to ensure **responsibility@development.**

ZERO DEFECT

At Varroc, we believe in leading the change by staying absolutely firm in our commitment to ensure zero defects in all our products and processes. A proactive approach towards every challenge and adherence to strict regulations, unparalleled competence coupled with highly effective communication is how we look to triumph in absolute zero defects. We move forward, every Varrocian will embody this virtue through their actions. We will keep growing from strength to strength to make Varroc a true believer of the Zero-Defect philosophy.

As on March 31, 2020, we have obtained, or are in the process of renewing, all the requisite material environmental consents and licenses from the relevant governmental agencies. Our activities are subject to environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites and natural resource damages. We have an automated internal system to track laws applicable to us.

Investing in Renewable Energy

As part of our commitment to the environment, we have set up three wind power plants, a total of 12 windmills with an aggregate power generation capacity of 8.35 MW. These windmills are situated at three different locations: four at Supa (Maharashtra) with power generation capacity of 1 MW each, six at Satara (Maharashtra) with power generation capacity of 0.35 MW each and two at Jaisalmer (Rajasthan) with power generation capacities of 1 MW and 1.25 MW each. The power generated at Supa and Satara is consumed by our plants located at Waluj and Aurangabad and the power generated at Jaisalmer is sold to Rajasthan Vidyut Board as per the Power Purchase Agreement executed with the Rajasthan and Jodhpur Vidyut Nigam.

In Maharashtra, we have also set up a solar plant at Shivaji Nagar, Sakri, Dhule district, which has a power generation capacity of 5 MW. The power generated by the solar plant is used by our forging plant in Aurangabad. Further, we have set up solar panels at eight of our plants with total power generation capacity of 4.2 MW.

8.35 MW

Power generation capacity of 12 windmills

SUCCESS@EMPOWERMENT

Our employees are key to our success and we want to attract, develop and retain the very best people to deliver better outcomes for our clients. We want to have motivated people working with us and aim to inspire and develop them and provide them with a workplace that is supportive, safe and enjoyable.

Creating an inspiring and inclusive workplace for our people

It is through the diverse talent, skills and commitment of our employees that we are able to take on and solve some of our customers' most complex and demanding engineering and technology challenges. We strive to create an inclusive workplace in which all our employees give their best for our customers and are recognised and rewarded for their contribution.

Our people strategy

Our people strategy sets out how we inspire and develop high-performing teams and individuals, able to fulfil their potential in an inclusive and supportive working environment. Our people policy lays the foundations, setting out our people management expectations, including in relation to diversity and inclusion, training and development, reward and employee engagement.

Employee engagement

Engaging and motivating our people to reach their full potential and providing opportunities for their personal and professional development ensures that our business continues to grow and succeed.

Employee engagement is integral to our culture and to creating an inspiring workplace where people feel valued and included. Providing a strong employee experience, supported by open, two-way communication, positions Varroc as an attractive employer to current and future employees. There are a number of performance related pay schemes that reward employees for the pursuit and achievement of business objectives in which the majority of our employees participate. We also have long service and recognition awards across the organisation.

Strengthening talent pipeline

We have a straightforward, flat management structure, promoting knowledge sharing and encouraging entrepreneurship. We are constantly looking for opportunities where we can work collaboratively, bringing learning and expertise from a variety of disciplines together to generate new and innovative ideas.

In addition to our full-time employees, we frequently hire workers on a contractual basis through registered contractors for some of our ancillary activities. Such activities include packing, material handling, housekeeping, cleaning, gardening, driving, security and canteen services.

Training and development

By enhancing the skills of our people, we support them to realise their potential and develop an agile workforce that is capable of meeting our changing business needs. Our employee induction includes training related to the business, its strategic value drivers, products and our approach to sustainable development. During the year, we launched Higher Education Programme, aimed to provide professional enhancement and financial assistance to employees. The programme provides opportunity to employees for enhancing their educational qualification, sharpen and diversify the current skill sets.

Future-ready programme

Building functional capability and creating a talent pool to meet future challenges in operations is planned through our Graduate Engineer Trainees (GET's) programme. We hire fresh talent from various premier engineering colleges across the country and give them critical projects to work on and later evaluate them on their performance and finally design their career paths. Upon induction, they are given the opportunity to have a look at various projects. During this tenure, it is ensured that they get enough guidance through project guides and mentors and clarity of what is expected from them and what are they supposed to deliver. They are confirmed in the system through performance evaluation and psychometric profiling, mapped with the competency framework of the organisation and giving an indication of which future role he/she is likely to succeed in. To guarantee utmost exposure, they are provided with an opportunity of job rotation as per their area of interest in feeder roles. An Individual Development Plan (IDP) is prepared to action their career path and transition into the aspirational role.

HR automation

We are moving rapidly on the e-HR way and we automated various HR processes, much to the delight of the employees. We launched various HR modules, thus improving employee experience across the organisation.

Safety and well-being

Safety is non-negotiable at Varroc. It is a continually ongoing process of topmost priority to ensure a safe working environment for everyone involved. Where there are identified hazards, we provide employees exposed to these with protective equipment and regular monitoring, which allows us to understand their working environment and make it as safe as possible. We work hard to create a work environment that contributes to physical and mental well-being of our employees.

14,300

team members, including those in our JV in China as on March 31, 2020

140+

years of experience of the leadership team

PROGRESS@SOCIAL IMPACT

As a global auto component company, we recognise and actively manage our economic, social and environmental responsibilities. In FY20, we continued our efforts to have a positive impact worldwide and contribute to a more sustainable future. We have been engaged in CSR activities for more than two decades and have contributed in the areas like healthcare, education, safe drinking water, food distribution, women empowerment. etc.

Key activities undertaken during the year

Kham River Eco Restoration Project

We undertook Kham river eco restoration for 1.5 km stretch, which includes cleaning of the river and putting trapper for waste material / garbage, constructing and guarding of green bridge and beautification. The selected stretch of 1.5 km falls under Aurangabad Cantonment Board for development as a pilot project. The project involves six green bridges, eco-park, MS metal screens to clean non-degradable solid waste. We did land levelling, improved filtering patches, planted 4,000 saplings, created tube well for sustainability of plants, fencing and fixed the gate as well. The said project will maintain the natural beauty of the river and environmental sustainability. The Company is committed to maintaining environmental sustainability, ecological balance and conservation of natural resources.

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

4,000

Saplings planted

Solar Power Plant

We have invested in solar power plants and wind power plant to harness clean and sustainable energy. Our solar power plant in Dhule, known as the Surya Kiran Power Plant, generates 5 MW power and solar roof top project across various plants in India. Moreover, we have invested in windmills in Satara, Supa and Jaisalmer with a combined capacity of 8.35 MW. We have also undertaken several projects to replenish water in the areas that house our plants.

Varroc Interschool Cricket Tournament

It has been successfully organised for the past 12 years. It is the only competition which is coordinated on a large scale in the Aurangabad region. More than 40 schools participate in this tournament. The competition aims at giving boost to the cricket career of students in the Aurangabad region. We are proud to say that our cricket tournament is becoming an iconic one in the Marathwada Region.

Varroc Vengaskar Cricket Academy (VVCA)

Varroc and veteran cricketer, Dilip Vengsarkar, joined hands to start a cricket academy at Thergaon, Pune named as Varroc Vengsarkar Cricket Academy (VVCA) joined in 2008. VVCA has an indoor cricket training facility which is only the 3rd in Maharashtra and 7th in India.
In the academy, professional coaches identify talented cricketers from the selection camp every year and these players get training at the academy at no cost. Along with field training, VVCA also arranges seminars for players as well as coaches by experts in the field. Every year, VVCA organises 'Varroc Cup' cricket tournament for various categories as Under 13, Under 14 & Under 16.

Some of the achievements:

- 8 players from the academy were selected for Maharashtra State and National matches
- Academy player Ruturaj Gaikwad and Manoj Yadhav selected for Vijay Hazare Trophy
- Academy player Ruturaj Gaikwad selected for Ranji Trophy for Maharashtra team
- Academy's player Pavan Shah selected for India U-19 Captain in Asia Cup
- Varroc U-19 women clinch T20 title
- VVCA won the U-13 Varroc Cup
- At present, 200 players are given coaching in the academy in two sessions - morning and evening

Sports sponsorship

Varroc has been promoting young sports talents, enabling them to compete at national and international level. We have been sponsoring Tanisha Boramanikar - young chess sensation of India, Harshada Nithave – young pistol shooting player and Aarya Prasad – young archer for the last two years.

Learn & Earn Scheme at Varroc Academy, Aurangabad

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

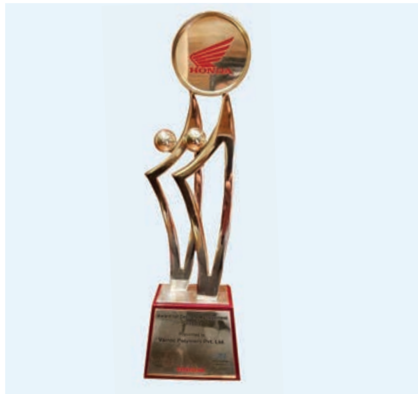
Awards and Recognition

A REWARDING JOURNEY

Consistent recognition that inspires Varroc to keep outperforming in the automotive industry.

Polymer plant team bagged two OHS-India Safety Awards for Innovation and Excellence

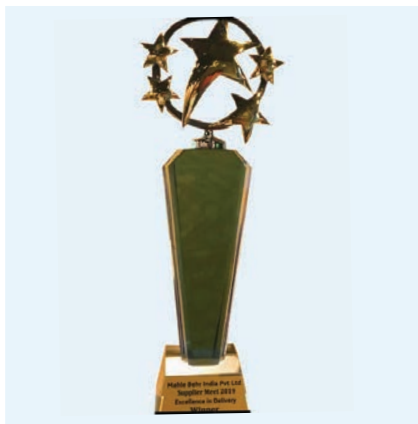
Varroc's Paper on 'ELECTRICAL MOBILITY' has been awarded the 'BEST PAPER' at SIAT 2019



Polymer division bagged the 'Award for Delivery Management 2018-19' at the Annual Supplier Conference of Honda Motors and Scooters India

Polymer division got recognised by Volvo Eicher Commercial Vehicles (VECV) with 'Outstanding Contribution in New Product Development' award

Performance Award for 'Incoming Quality Improvement' at Suzuki Motorcycles India Pvt. Ltd.'s 2019 Suppliers' Meet



Polymer division got recognised for 'Excellence in Delivery' by Mahle Behr India Pvt. Ltd., during their Supplier Meet 2019

Management Discussion and Analysis

1. Economy Review

1.1 Global Economy

Global economic growth continued to remain sluggish throughout FY2020. Trade uncertainties between the US and China, and the consequent slowdown in China adversely impacted the growth outlook. Although there was temporary resolution in the standoff, economic growth once again weakened in the last quarter of the reporting year owing to the COVID-19 outbreak in China and subsequently worldwide. While the primary impact of the outbreak was disruption in supply chains, the secondary impact of the pandemic is now gradually becoming clear, in terms of loss of lives and livelihoods. Across the world, governments and central banks have responded to the crisis promptly, using a vast array of monetary and fiscal support tools. These fiscal and monetary safeguards are expected to remain in effect for some time, with the recovery in growth likely to be sluggish and more interrupted than initially expected. The International Monetary Fund (IMF) expects the global economy to contract by 4.9% in 2020 (World Economic Outlook, June 2020).

Europe's passenger vehicle production has fallen and has been one of the main contributors to the industrial production slump in the European Union. Several structural and cyclical factors are behind the slowdown such as the tighter EU emission standards, a shift in preferences from diesel toward gasoline and other alternative fuel vehicles, and weakening global demand, especially from China. Car production remains particularly weak in Germany, while it has held up among car producers in Central Europe, such as the Czech Republic, Hungary, and the Slovak Republic.

Outlook

According to the International Monetary Fund (IMF), the global economy is projected to grow by 5.4% in 2021, as economic activity, supported by policy reform, normalises. The intensity and long-term impact of the pandemic have still not been adequately gauged; and a lot will depend on the effectiveness of control measures, the development of therapeutics and vaccines.

Global growth (%)

Particulars	Actual	Projections	
	2019	2020	2021
World Output	2.9	- 4.9	5.4
Advanced Economies	1.7	-8.0	4.8
US	2.3	-8.0	4.5
Eurozone	1.3	-10.2	6.0
Japan	0.7	-5.8	2.4
UK	1.4	-10.2	6.3
Other Advanced Economies	1.7	-4.8	4.2
Emerging Markets and Developing Economies	3.7	-3.0	5.9
China	6.1	1.0	8.2

Source: International Monetary Fund (IMF June 2020)

1.2 Indian Economy

In India, growth softened in 2019 as economic and regulatory uncertainty, together with concerns about the health of the non-banking financial sector, weighed on demand. There was a strong hope of recovery in the last quarter of the current fiscal. However, the coronavirus pandemic made this recovery extremely difficult in the near- to medium-term. The GDP growth for FY2020 touched 4.2% vis-à-vis 6.1% in FY2019.

Before the onset of the COVID-19 pandemic, the government and the RBI had already started addressing the cyclical challenges impacting the economy. The government focused on longer-term structural policies to encourage investment and job creation, while the RBI offered support with monetary policies to cut rates and push out liquidity to the real economy. Reduction of corporate tax rates on new investments to incentivise capital formation and attract foreign investment, removal of the dividend distribution tax to encourage private sector investment, simplified personal income regime, with reduced rates—a move that's in line with the streamlining of the tax code, expansion of the PM-KISAN scheme, which directly transfers money to farmers in a targeted way, higher spending on long-term initiatives, such as rural roads, irrigation, warehousing, and transportation, are some of the fiscal measures that have been implemented to improve the productivity of the economy.

The Government of India and the Reserve Bank of India (RBI) have acted swiftly to help offset the pandemic-induced disruptions. To enhance liquidity in the economy and improve the credit scenario, the RBI reduced the policy repo rates significantly. The government too has announced a ₹20 lakh crore fiscal stimulus package to help support lives and livelihoods. Supportive monetary measures such as reduction of policy repo rates, lowered reserve requirements for auto loans, lending to MSMEs and allowing banks some flexibility as well as delaying classification of commercial real estate loans, have provided the much-needed relief to these sectors.

Annual GDP growth rate (%)

2016-17	2017-18	2018-19	2019-20
8.0	6.6	6.1	4.2

Source: Central Statistics Office (CSO)

Outlook

Weaker growth is likely to be experienced across developed and emerging economies of the world, given the COVID-induced disruptions and associated value chain impacts. The high probability of recession also looms high in many countries. Repeated lockdowns by economies and consequent production shutdowns are likely to have wide-ranging impact on several sectors and result in job losses. The recovery across economies is expected to be gradual, fragile and susceptible to multiple headwinds.

The lack of clarity on the likely duration, intensity and spread of the coronavirus has brought in significant uncertainty in the global and domestic economic outlook. The concerns have shifted focus from the impact of imports from China on domestic supply chains, to the domestic and external demand impact, the duration of which remains uncertain, especially with social distancing and lockdowns raising the prospect of production shutdowns and job losses in some sectors.

2. Industry Review

Our business is directly related to our customers' vehicle sales and production levels across various segments. Automotive sales and production are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, as well as changes in interest rate levels, consumer confidence and fuel costs. According to CRISIL, supply chain disruptions in the wake of the COVID-19 outbreak, coupled with weak demand for vehicles in India and overseas, would squeeze the revenue of the automotive component sector by 16% this fiscal.

Global Lighting Business

The turbulence that hit the global auto industry in FY19 continued in FY20. Europe, North America and China continued to show a decline of 7.9%, 5.6% and 16.1% Y-o-Y, respectively*. EU emissions regulations and impact of US – China trade war continued to weigh the industry performance. The coronavirus outbreak and its rapid spread was an additional burden on industry development. The major impact of COVID-19 is likely to be felt in the first quarter of FY21. According to Moody's Investor Service, global auto sales are estimated to plummet 20% Y-o-Y in calendar 2020 before recovery in mid-to-high single-digit sales growth in FY22.

* Production volume, © IHS Markit, April 2020. All rights reserved.

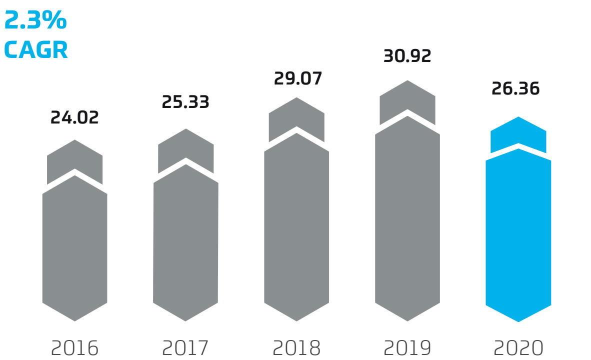
India Business

The Indian automotive industry is undergoing significant transformation, with respect to its sustainable growth and profitability. The industry is witnessing five megatrends that are expected to transform the industry in a significant way. Rapidly evolving customer needs, disruptive impact of technology, a dynamic regulatory environment, changing mobility patterns and global interconnectedness, are all impacting the way auto companies are doing business today, globally as well as in India.

Performance

The industry produced a total of 26.4 million vehicles including passenger vehicles, commercial vehicles, three-wheelers, two-wheelers and quadricycles in FY20, as against 30.9 million units in FY19, a decline of 14.7%.

Number of automobiles produced in India (₹ in million)



Source: Society of Indian Automobile Manufacturers (SIAM)

Two-wheeler sector

Indian two-wheeler production witnessed a 14.1% decrease in volume, directly impacting the auto components manufacturing industries. According to SIAM, domestic two-wheeler sales stood at 17.4 million units in FY20. Weak customer sentiments, confusion around BS IV to BS VI emission standards, increase in vehicle and oil prices, the COVID-19 outbreak later in the year, are some of the reasons for such fall in sales. Domestic sale for scooters during FY20 dropped 16.9% over that of FY19. While, the motorcycle volume dropped by 17.5% in the same period.

The only bright spot was, the two-wheeler exports which witnessed a growth of 7.3% (3.5 million units in FY20). There is clearly a significant uncertainty regarding the growth forecast for the next few years, due to the COVID-19 pandemic impact.

According to ICRA, the two-wheeler industry is expected to see another tough year, with demand further shrinking by nearly 13% in FY21. This will highly depend on the dissipation of the pandemic in the second half of calendar 2020.

Three-wheeler sector

India is one of the largest exporters of three-wheelers, and major players are continuously expanding their distribution reach in other countries to boost the growth of exports. Export destinations include emerging markets like Africa, South East Asia and Latin America. The three-wheeler segment has reported a 10.6% decline in the overall production volume in FY20, producing 1.1 million units vis-à-vis 1.3 million units in FY19. Domestic sale volume saw Y-o-Y decline of 9.2% and export sale saw, a decline of 11.5% Y-o-Y in FY20.

Weak consumer sentiment and a fall in discretionary spending, are expected to keep the sales in the passenger vehicle segment subdued. Adding to the weak demand situation are the ambiguity surrounding the availability of financing options to vehicle dealers and consumers, disruption of supply chains, and overall weakness in the global economy. Muted spending by auto companies on new launches, coupled with lack of discounts, is estimated, as companies will look to maintain cash reserves.

Megatrends driving the Indian automotive industry

Rapidly evolving customer expectations	Changing customer profile. High level of product awareness, Digitally savvy, Surge in corporate customers
Disruptive impact of technology	Rapid adoption of technology in vehicles, industry supply chain and business models, Disruption through innovative products and services
Dynamic regulatory environment	Regular but uncertain regulatory intervention (GST, shift from BS IV to BS VI, ABS for two-wheelers, higher axle loads in CVs etc.), Increasing investments in regulatory compliance by industry players
Changing face of mobility infrastructure	Efforts to enable electric vehicle infrastructure, Investment in roads and highways, Shared mobility as an alternative, Smart cities
Globally interconnected industry	Indian companies going global, Next wave of investments from global companies, Shift in economic power to countries such as India

Source: PwC – Indian automotive sector: Creating future-ready organisations

Outlook

Considering the COVID-19 outbreak and resultant lockdown, which intensified the issues faced by the economy on account of slowdown, the outlook in the near- to mid-term period remains unclear.

In the first half of FY21, consumer sentiments and demand are expected to remain muted.

Demand recovery can only be expected around the festive season in the third quarter of the year. With growing consumer preference for cheaper, personal transport, two-wheelers – motorcycles in particular, with their higher rural share – will likely be the first category to see a rebound. Prospects for China, having reopened earlier than most other economies hit by the pandemic, are looking more positive in the initial months post opening up. In the medium-term, the global automotive industry appears to be poised for a rebound as manufacturers replenish dealer inventories and meet pent-up demand, especially with many consumers expected to avoid public transport and ride-sharing.

3. Company Overview

Varroc Engineering Limited (VEL) is a global tier-1 automotive component group, incorporated in 1988. We design, manufacture and supply exterior lighting systems, plastic and polymer components, electricals, electronics components, and precision metallic components, for OEMs worldwide, which cater to the passenger car, commercial vehicle, two-wheeler, three-wheeler and off-highway vehicle segments.

In a world of unprecedented technological disruption and end market volatility, our direction for growth has always revolved around transformation, technology, innovation and the need to generate new value – to unlock new opportunities, drive growth and deliver new efficiencies. The aim is to create an effective business transformation from the traditional products to a wide range of newly developed technologically advanced components and sub-systems. We intend to integrate and align our new strategic businesses with the existing business, to differentiate and stay ahead in the industry, even as we pursue new innovation-driven opportunities that emerge, as well as respond to shifting market demands. We strive to separate ourselves from competitors and establish a platform for future growth.

We have two primary business lines:

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

(ii) The design, manufacture and supply of a wide range of auto components in India (our 'India Business'), primarily to two-wheeler and three-wheeler OEMs, including exports.

We have 42 operating manufacturing facilities and 16 R&D centres across five continents and 14 countries across the globe.

3.1 Highlights and Progress

Our focus on technology-enabled capability development has played a key role in driving growth. We continuously focus on building capabilities by establishing ourselves in new locations for manufacturing as well as R&D, focusing on select value-accretive acquisitions and expanding our customer base. During the year, many such initiatives were undertaken, which are summarised as follows:

Expanding our geographic footprint

Acquisition

Turkey

To capitalise on the growth in emerging markets and increase our global presence, we acquired a Turkey-based interior and exterior lighting manufacturer viz Sa-Ba in FY19. Being a growing market, the acquisition enhances our ability to support existing customers on a global platform. This also increases our global manufacturing presence to 14 countries.

New manufacturing facilities

Morocco, Poland and Brazil

VLS set up a new manufacturing plant in Brazil, to serve the South American market, and in Morocco, to serve the Southern European and North African markets. Both these facilities started commercial production in FY2019. We started our new manufacturing plant in Poland in FY20 to serve key customers in European markets.

Chennai

VLS is in the process of setting up a new manufacturing plant in Chennai, to serve some of the key global OEMs. Our manufacturing plant in Chennai will start production during FY21.

Japan

VEL expanded its footprints in Japan with the opening up of an office in Tokyo to increase the level of collaboration with existing and potential Japanese customers. They currently constitute a substantial portion of India revenue.

Product portfolio

During the year, we acquired CarIQ Technologies Pvt. Ltd. with 74% ownership. It is a leading integrated connected vehicle solution provider to OEMs, fleet owners and insurance companies. CarIQ's proprietary product is a seamless combination of hardware, software and IoT platform, which enables safer driving, optimising uptime and personal and commercial mobility. This acquisition is critical to our strategy of diversifying our product portfolio.

4. Research and Development

The future is always created with innovations. With our in-house R&D capabilities, spread across India, China, USA, Mexico, Germany, Italy, Romania and Poland, we have established ourselves at a steady pace. With 1,393 R&D engineers and 185 patents granted globally, we have been at the forefront of discovering newer ways and means of enabling mobility.

We plan to continue expanding our R&D, engineering, and software development capabilities in order to capture future growth trends. We seek to expand our capabilities in a cost-efficient manner, by focusing on low-cost geographies that are close to major automotive markets, in order to expand our capabilities in a cost-efficient manner. For instance, in India we established an R&D facility specifically catering to VLS, which provides support to our core R&D facility in the Czech Republic. Moreover, we have established a new R&D facility in Poland, which started operations in 2018. Recently, we have expanded our R&D footprint by commissioning a facility in Krakow, Poland, which hosts a workspace for 120 engineers, with spaces for mechanical, electrical and optical engineering.

5. Financial Review

Consolidated Profit and Loss

(₹ in million)

Particulars	FY20	FY19	% Change
Net Sales	1,11,218.7	1,20,364.7	(7.6)
EBITDA	9,133.6	11,237.8	(18.7)
EBITDA Margin	8.2%	9.3%	
Net Profit	25	4,286.8	
Net Profit Margin	0.0%	3.5%	
EPS	0.0	31.5	
Book Value Per Share	222.9	227.5	(2.0)

Consolidated Balance Sheet

(₹ in million)

Particulars	FY20	FY19	% Change
Share Capital	134.8	134.8	
Reserves and Surplus	29,910.5	30,529.4	(2.0)
Net Worth	30,045.3	30,664.2	(2.0)
Net Borrowings	24,736.8	22,758.7	8.7
Fixed Assets	52,448.2	45,592.9	15.0

Profit and Loss Account

Net Sales – Our consolidated revenue from operations declined by 7.6% to ₹1,11,219 million in FY20 from ₹1,20,365 million in FY19 primarily due to slowdown in the automobile sector.

Other Income – Other income increased to ₹989 million in FY20 from ₹908 million in FY2019. The increase was due to positive impact of foreign exchange (forex gain) and increase in miscellaneous income.

Revenue – Our India Business declined by 10.7% to ₹40,243 million in FY2020 from ₹45,065 in FY19. The global lighting business witnessed de-growth of 5.7% to ₹71,845 million in FY20 from ₹76,196 million in FY19.

Expenses Raw Material Cost – Raw material cost reduced by 7.7% to ₹70,194 million in FY20 from ₹76,023 in FY19, which is in line with the decrease in revenue.

Employee Benefit Expense – Employee Benefit Expense increased by 6.1% to ₹15,929 million in FY20 from ₹15,015 million in FY19, primarily due to the impact of annual salary increments and increase in manpower due to new facilities starting operations in FY20.

Finance Cost – Finance cost increased by 44% to ₹1,392 million in FY20 from ₹968 million in FY19, as a result of increased borrowing, attributable to capital expenditure and working capital requirement, mostly in VLS as well as the impact of the new accoutering standard Ind AS116 for lease accounting.

Depreciation and Amortisation Expense – Depreciation and Amortisation expense increased by 29.4% to ₹7,318 million in FY20 from ₹5,656 million in FY19, primarily due to incremental depreciation on capital expenditure incurred in the last two years, across our manufacturing facilities located in the VLS business and in India as well as the impact of Ind AS116.

Operating Profit and Margins – The operating Profit, as measured by EBITDA for the year, decreased to ₹9,134 million in FY20 from ₹11,239 million in FY19. The EBITDA declined by 18.7% as a result of slowdown in the automobiles sector, plant shutdowns due to COVID-19, supply chain issues, losses at new facilities in the ramp-up phase, manufacturing inefficiencies and Pune plant fire.

Net Profit – Net Profit for the year stood at ₹25 million against ₹4,278.7 million in FY19. Net profit declined by 99% Y-o-Y for the reasons stated above and increase in finance costs and increase in depreciation and amortisation cost.

Balance Sheet

Net Worth – Net Worth decreased to ₹30,045 million in FY20 from ₹30,664 million in FY19.

Pre-tax Return on Capital Employed (RoCE) – RoCE declined to 3.3% compared to 13.5% in the previous year mainly due to increase in net borrowings over FY19 and decline in profits (EBIT).

Net Borrowing – Net borrowing increased to ₹24,737 million in FY2020 from ₹22,759 million in FY2019 due to increase in fund requirement for capacity expansion and working capital financing.

Debt to Equity Ratio – Net debt to equity ratio increased to 0.82 in FY20 from 0.74 in FY19.

Fixed Assets – Investment in Fixed Assets increased to ₹52,448 million in FY20 from ₹45,593 million in FY19, due to capital expenditure on new capacity during the year.

6. Internal Control System and Adequacy

The Company has an adequate Internal Controls and System commensurate with the size, scale and complexity of its operations. Key concern areas are proactively identified by Internal Audit function for reviews, contributing towards achieving efficiency in operation and optimum utilisation of the Company's resources. Internal Audit functions is also evaluating and assessing the processes defined for effective monitoring and compliance with applicable laws and regulation. The Internal Audit function adhere to Audit plans approved by the Audit Committee however maintains flexibility to provide in-time support by conducting management audits. Adequate and appropriate coverages are given to all functions and plants. A close watch is kept on closure of audit observations and status report is also circulated to key management for their required actions. Significant audit observations and corrective actions, with status of closure, are presented to the Audit Committee of the Board.

7. Environment, Health and Safety

Health, employee safety and the environment are among our top priorities and are seen as both a right and a responsibility for all our employees. We take initiatives to reduce the risk of accidents and prevent environmental pollution through implementing a five-pronged environment, occupational health and safety ("EOHS") plan which is based on the requirements of ISO 14001 on OHSAS 18000/45001.

Health and employee safety

We are committed to maintaining high standards of workplace health and safety and we regard the safeguarding of such interests as one of our most fundamental responsibilities as an employer. We see safety as both a right and a responsibility for all employees and we aim to become a zero-accident organisation. As of March 31, 2020, 25 numbers of our plants in India have been certified for environmental management systems, in accordance with the requirements of ISO 14001:2015 revised standard and as per Safety Management System of OHSAS 18001. With revised ISO 45001:2018 version we have started implementing in plants and will be completed in FY21. We are proud to communicate that there was no fatal or disability injury to any of our employee, contract labours etc.

Environment

In addition to creating initiatives to improve workplace employee safety, we also implement initiatives to reduce the environmental impact of our operations. As an environment conservation initiative at plant level, we have completed 218 energy/ electricity saving projects from which we have saved 12,23,489 Kwa units. We have similarly completed 68 water saving projects from which we have saved 6,928 KL units of water.

8. Cautionary Statement

This report comprises facts and figures, along with assumptions, strategy, goal and intentions of the Company, which may be 'forward-looking' statements. The Company's actual results and performance may differ considerably from those presented herein. The Company's performance is dependent upon global and national economic conditions, price of commodities, business risk, change of government's rules and regulations, etc.

Board's Report

Dear Shareholders,

The Directors of your Company take pleasure in presenting the 32nd Annual Report on the business and operations of the Company together with the financial statements for the Financial Year ended March 31, 2020. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

Financial Results & Appropriation

The summarised financial results for the year ended March 31, 2020 and for the previous year ended March 31, 2019, are as follows:

Particulars	STANDALONE		CONSOLIDATED	
	Financial Year 2019-20 (in million)	Financial Year 2018-19 (in million)	Financial Year 2019-20 (in million)	Financial Year 2018-19 (in million) (Restated)
Revenue from operations	23,039.47	25,731.53	1,11,218.68	1,20,364.65
Total Income	23,722.24	26,246.37	1,12,207.54	1,21,272.53
Profit before finance cost, depreciation, exceptional items and extraordinary expenses	**2,951.19**	**3,205.94**	**9,105.17**	**11,810.07**
Depreciation and amortisation (-)	1,316.90	1,075.19	7,318.64	5,656.42
Finance cost (-)	423.76	392.01	1,391.67	968.45
Share of Net Profit/(Loss) of Investment accounted for using the Equity Method	0	0	(91.65)	314.54
PROFIT BEFORE TAX	**1,210.53**	**1,738.74**	**394.86**	**5,185.20**
Less: Current tax expense	149.16	387.60	490.75	1,381.58
Less: Short/(excess) provision for tax relating to prior periods	(24.22)	(5.68)	(146.49)	63.08
Less: Deferred tax	95.32	161.42	25.54	(546.24)
NET PROFIT FOR THE YEAR	**990.27**	**1,195.40**	**25.06**	**4,286.78**
Less: Profit attributable to Non-controlling interest	0	0	23.15	34.59
Profit attributable to owners of the Company	**990.27**	**1,195.40**	**1.91**	**4,252.19**
Add: Profit brought forward from last year	2,995.16	1,818.60	13,147.02	9,639.98
Less: Re-measurements of defined benefit plans, net of tax	18.43	11.81	205.91	46.84
Less: Impact of change in accounting policy	12.66	0	66.22	689.92
Add: Transfer from Debenture Redemption Reserve (DRR)	200.00	0	325.00	0
Appropriation: Dividend on Equity Shares	943.68	5.84	943.68	5.84
Tax on Dividend	122.27	1.19	193.99	2.55
Balance carried forward in Balance Sheet	**3,088.37**	**2,995.16**	**12,064.14**	**13,147.02**

Operations and Performance

On consolidated basis for the Financial Year 2019-20, your Company achieved total revenue of ₹ 1,12,218.68 million, resulting in a decline of 7.6 % over the revenue of ₹ 1,20,364.65 million in the previous Financial Year ended March 31, 2019. The net profit for the year was at ₹ 25.06 million.

On standalone basis for FY20, your Company achieved total revenue of ₹ 23,039.47 million, resulting in a decline of 10.46% over the total revenue of ₹ 25,731.53 million in FY19. The net profit for FY20 was ₹ 990.27 million.

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

COVID - 19

The COVID-19 pandemic has caused an unprecedented health and economic crisis across the globe. The severity of its impact on business activity is still evolving, and companies are working to protect their positions, while reviewing strategy and setting priorities for the year ahead.

The impact of COVID-19 has been comprehensively covered in the Management Discussion and Analysis Section.

Change in the Nature of Business

The Company is engaged in the business of manufacturing and supply of automotive components. There has been no change in the nature of business of the Company during the Financial Year 2020.

Dividend and Transfer to Reserve

The Board of Directors vide its resolution dated February 13, 2020 had declared and paid an Interim Dividend @ ₹3/- per equity shares for the Financial Year 2019-20. The total cash outflow on account of interim dividend of equity shares was ₹ 487.56 million, including dividend distribution tax of ₹ 83.13 million.

The Board recommends that the interim dividend, which has already been declared and paid, be considered as the final dividend for the Financial Year 2019-20. Accordingly, no transfer to the General Reserve before declaration of Dividend has been considered.

Credit Rating

During the year under review, the credit rating of the Company's short-term and long-term debt was maintained by ICRA at 'ICRA AA-' for long-term loan and 'ICRA A1+' for short-term loan. In the month of April 2020, ICRA, has put our ratings on watch with negative implications considering the impact of Covid on the automotive industry.

Shares and Share Capital

During the year under review, the Company has not altered/modified the share capital of the Company.

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

The Company has not issued any sweat equity shares during the year under review and hence no information as per provisions of Section 54(1)(d) of the Act read with Rule 8(13) of the Companies (Share Capital and Debenture) Rules, 2014 is required to be furnished.

The Company has not issued any equity shares under any Employees Stock Option Scheme during the year under review and hence, no information as per provisions of Section 62(1)(b) of the Act read with Rule 12(9) of the Companies (Share Capital and Debenture) Rules, 2014 is required to be furnished.

During the year under review, there were no instances of non-exercising of voting rights in respect of shares purchased directly by employees under a scheme pursuant to Section 67(3) of the Act read with Rule 16(4) of the Companies (Share Capital and Debentures) Rules, 2014.

Deposits from Public

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

Acquisitions of Shares

(A) CarIQ Technologies Pvt. Ltd.

The Company acquired 74% stake in telematics solutions provider CarIQ Technologies Pvt. Ltd. (CarIQ) in August, 2019.

CarIQ is one of the few Indian tech start-ups that pioneered technology solutions for connected mobility. CarIQ's proprietary solution is a seamless combination of hardware, software and IoT platform that enables safer driving, optimising uptime and personal and commercial mobility. Its data analytics platform helps gather technical data from a car into useful format for vehicle users, OEMs, fleet owners and Insurance Companies. This transaction complement Varroc's connected vehicle product offerings such as instrument clusters, telematic devices and other data based analytical products.

(B) Team Concepts Pvt. Ltd.

In September 2019, the Company's subsidiary Varroc Polymers Pvt. Ltd. ('VPPL') acquired the remaining shares of Team Concepts Pvt. Ltd. (TCPL) held by the original promoters of TCPL. By virtue of the said acquisition of shares, TCPL has become a 100% wholly owned subsidiary of VPPL.

(C) Varroc Dell'Orto Pvt. Ltd:

In September, 2019, the Company has subscribed 15,00,000 Equity Shares of ₹ 10/- each of Varroc Dell'Orto Pvt. Ltd. on rights basis. Varroc Dell'Orto is a 50:50 Joint Venture between the Company and Dell'Orto S.p.A., Italy

Merger

1. Aries Mentor Holding B.V. with VarrocCorp Holding B.V.

In order to optimise the legal entity structure more aligned with the business by reducing the number of legal entities, the Company's subsidiary in Amsterdam, Netherlands, Aries Mentor Holding B. V. ('AMHBV') was merged with VarrocCorp Holding B.V. ('VCHBV'). The said merger was effective from March 4, 2020. By virtue of the said merger, VCHBV has become the holding Company for Varroc Lighting Systems, Italy S.p.A. which is basically engaged in the business of manufacturing of 2W lighting, including its step down subsidiaries in Romania and Vietnam.

2. Varroc Lighting Systems (India) Pvt. Ltd. with Varroc Engineering Ltd.

The Board of Directors of the Company have approved the Scheme of Amalgamation of Varroc Lighting Systems (India) Pvt. Ltd. (a wholly owned subsidiary Company) with the Company under Sections 230 to 232 and other applicable provisions, if any, of the Act. The appointed date of the Scheme is April 1, 2020. The proceedings are underway before the National Company Law Tribunal, Mumbai Bench.

3. Team Concepts Pvt. Ltd. with Varroc Polymers Pvt. Ltd.

The Company's subsidiary Varroc Polymers Pvt. Ltd. ('VPPL') had filed the Scheme of Amalgamation of Team Concepts Pvt. Ltd. with VPPL under Sections 230 to 232 and other applicable provisions, if any, of the Act. The Appointed date of the Scheme is April 1, 2020. The proceedings are underway before the National Company Law Tribunal, Mumbai and Bengaluru Benches.

4. Voluntary Liquidation of TRI.O.M., Mexico

During the year under review, the Company's second level step-down subsidiary TRI.O.M., Mexico S.A.de.C.V. ('TRIOM, Mexico'), had initiated the process with the Public Registry of Commerce in Mexico for cancellation of the Company itself by virtue of the completion of the voluntary liquidation of the Company. The said Company was voluntarily liquidated by public deed dated September 27, 2019.

Consolidated Financial Statements

In accordance with the Act and Ind AS 110 – Consolidated Financial Statements read with Ind AS 28 – Investments in Associates and Ind AS 31 – Interests in Joint Ventures, the Audited Consolidated financial statements are included in the Annual Report.

The performance of the Company on consolidated basis is elaborated at length in the Management Discussion and Analysis section.

Subsidiaries, Joint Venture and Associate Companies

The Company has 21 subsidiaries including step-down subsidiaries and 6 Joint Ventures Companies as on March 31, 2020. During the year, the Board of Directors have reviewed the affairs of material subsidiaries.

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

Further, pursuant to the provisions of Section 136 of the Act, the standalone and consolidated financial statements of the Company and separate audited financial statements in respect of subsidiaries, are available on the website of the Company https://varroc.com/investors/financial-results.

The details of changes in Company's subsidiaries, joint venture or associate companies, for the FY 2019-20, are as following:

Companies which have become Subsidiaries: CarIQ Technologies Pvt. Ltd.

Companies which have ceased to be Subsidiaries of the Company: TRIOM, Mexico S.A.de.C.V. and Aries Mentor Holding B.V., The Netherlands

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

Companies which have ceased to be a Joint Venture of the Company: Nil

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

Entities which have become an Associate of the Company: Nil

In accordance with Section 129(3) of the Act, the consolidated financial statements of the Company including its subsidiaries, associate and joint venture companies form part of the Annual Report.

Fire at Hinjewadi (Pune) Plant

A major fire broke out in our Hinjewadi, Pune plant of our Global Lighting Systems business in the early hours of February 18, 2020. The plant was completely destroyed in the fire. There were minor injuries to few employees and there was no loss of life. We have shifted partial operations to our new plant in Chennai and partially to a new location at Chakan, Pune. We were able to gradually resume supplies in small quantities from March 2020 and are now able to meet customer demands to a substantial extent. The Hinjewadi plant was fully insured and the insurance claim for the loss due to fire is under settlement.

Directors

As per provisions of the Act and the Articles of Association of the Company, Mr. Tarang Jain (DIN 00027505), Managing Director of the Company, being the longest in the office amongst the Directors liable to retire by rotation, retires from the Board by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

The members, at their 29th Annual General Meeting ("AGM") held on August 29, 2017, inter-alia, appointed Mr. Gautam Khandelwal (DIN 00270717), Mr. Marc Szulewicz (DIN 01911768) and Mrs. Vijaya Sampath (DIN 00641110) as Independent Director(s) on the Board of the Company to hold office for a period of three (3) years. Based on the Performance evaluation and recommendation of the Nomination and Remuneration Committee, the Board of Directors have recommend to the members of the Company the re-appointment of Mr. Gautam Khandelwal, Mr. Marc Szulewicz and Mrs. Vijaya Sampath as Independent Director(s) for a period of 5 (Five) years, as mentioned in the notice convening the 32nd AGM of the Company, through special resolution(s).

Mr. Ashwani Maheshwari (DIN 07341295) resigned as Director/Whole-time Director and Chief Executive Officer of the Company w.e.f. April 29, 2020. The Board places on record its appreciation for the valuable contribution made and services rendered by him as Director/Whole-time Director and Chief Executive Officer of the Company.

Mr. Rohit Prakash (DIN 02425849) was appointed as Additional Director/Whole-time Director of the Company by the Board w.e.f. April 29, 2020. The Company has sought the approval of the members by way of special resolution for his appointment as Whole-Time Director and for the terms and conditions of remuneration payable to him.

The details of appointment/re-appointment of the Directors of the Company are mentioned in the Explanatory Statement under Section 102 of the Act.

Key Managerial Personnel

In terms of the provisions of Section 203 of the Act, during the Financial Year under review, the Company has the following Key Managerial Personnel:

(a) Mr. Tarang Jain, Managing Director

(b) Mr. Ashwani Maheshwari, Whole-time Director and Chief Executive Officer;

(c) Mr. Arjun Jain, Whole-time Director

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

(e) Mr. Rakesh Darji, Company Secretary till September 10, 2019

(f) Mr. Ajay Sharma was appointed as Company Secretary effective February 13, 2020.

Statement of Declaration by Independent Directors

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

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

Material changes between the end of Financial year and the date of this report

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

Number of Meetings of the Board

The Board of Directors met 5 (Five) times during the Financial Year 2019-20 and the details of same are given in the Corporate Governance Report forming part of this Annual Report. The intervening gap between consecutive meetings was not more than one hundred and twenty (120) days as prescribed by the Act, and the Listing Regulations.

Audit Committee

The Audit Committee of the Board is comprised of Mr. Gautam Khandelwal as Chairman, Mrs. Vijaya Sampath and Mr. Vinish Kathuria Independent Directors as Members and Mr. Tarang Jain, Managing Director as Member. During the year the recommendations made by the Audit Committee were duly accepted by the Board.

Formal Annual Evaluation of the Performance of the Board, its Committees and Directors

The Ministry of Corporate Affairs vide its General Circular No. 11/2020 dated March 24, 2020, has provided a relaxation for holding the Independent Directors Meeting for FY 2019-20 in view of the COVID 19 situation. Accordingly the meeting was convened on June 25, 2020.

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

The above criteria are based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India. In a separate meeting of Independent Directors held on June 25, 2020, the performance of Non-Independent Directors, the Board as a whole and the Chairman of the Company was evaluated, taking into account the views of Executive Directors and Non-Executive Directors.

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

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

Policy on Directors' Appointment and Remuneration

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

Directors' Responsibility Statement

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

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

(b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended on that date;

(c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) the Directors have prepared the annual accounts on a going concern basis;

(e) the Directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and

(f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Auditors & Auditors Report

a. Statutory Auditor

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

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

The Audit report on the Consolidated financial statements of the Company contains the following qualification:

As provided in Note no. 40 to the Consolidated Ind AS Financial Statements for the year ended March 31, 2020, the Group is disputing a warranty claim received from a customer aggregating to ₹943.68 million. Due to the technical nature of the dispute and non-availability of detailed assessment of the claim, the Auditors are unable to assess the probability of the outcome and the consequential impact on the provision for warranty and profit for the year ended March 31, 2020.

Management response: One of the overseas subsidiaries of the Group has received a warranty claim of ₹ 943.68 million from its customer. Upon a legal examination of the relevant contractual provisions and connected correspondence, the group has disputed the claim as it believes that the claim is without any substance and group does not have any warranty obligation as per the agreed contract terms. The final settlement of the above claim is not expected to have any material impact on the financial statements and hence, no provision in respect of the above claim has been recorded as at March 31, 2020

Apart from the above, there are no further qualifications, reservation or adverse remark on the financial statements for the year ended March 31, 2020. The Notes on the financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditor's Report is enclosed with the financial statements.

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

Particular	As at March 31, 2020 (₹ in million)
Fees for audit and related services	76.55
Other fees	2.64
Reimbursement of expenses	4.48
Total	**83.67**

b. Cost Auditor

As per the provisions of Section 148 of the Act and Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 ("the Rules"), the Company is required to maintain cost records with respect to certain products of the Company and get the same audited.

Based on the recommendation of the Audit Committee, the Board, at its meeting held on April 29, 2020, has appointed M/s S. R. Bhargave & Co., (Partnership Firm based in Pune – Registration No. M – 000218), Cost Accountants as Cost Auditor of the Company for the Financial Year 2020-21 at a remuneration of ₹3,50,000 (Rupees Three Lakhs Fifty Thousand only). The said fee is exclusive of applicable taxes and reimbursement of out-of-pocket expenses, which shall be payable at actuals.

A proposal for ratification of the cost audit fee for the audit of cost records for the Financial Year 2020-21 has been proposed at the forthcoming Annual General Meeting. The Cost Audit Report for the Financial Year 2018-19 was filed within the stipulated period.

c. Secretarial Auditor

In terms of the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, based on the recommendations of the Audit Committee, the Board of Directors had appointed M/s Uma Lodha & Co. (C.P. No.2593), Company Secretary in Practice, Mumbai as Secretarial Auditor to undertake the Secretarial Audit for the Financial Year 2019-20.

The Secretarial Audit Report for the Financial Year 2019-20 is annexed herewith and forms an integral part of this report. The comment made in the Secretarial audit report regarding submission of Annual Report to the Stock exchanges was later than the day of commencement of dispatch to its shareholders. However, the Company had on the date of commencement its dispatch, published the Annual Report along with the notice of Annual General Meeting on its website only the submission of the same to the Stock Exchange was made on the date of completion of dispatch.

Details in respect of frauds Reported by Auditors

During the year under review, there have not been any instances of fraud and accordingly, the Statutory Auditors have not reported any frauds either to the Audit Committee or to the Board under Section 143(12) of the Act.

Particulars of Loans, Guarantees and Investment

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

Particulars of Contracts or Arrangements with related parties

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

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

The Policy on Related Party Transactions as approved by the Board is uploaded on the Company's website. Your Directors draw attention of the members to

Note No. 47 to standalone financial statement which sets out related party disclosures.

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

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

Particulars of Employees and Related Disclosures

Disclosure of remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed herewith as **Annexure - II.**

A statement containing particulars of employees as required under Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided as separate annexure forming part of this Report. In terms of Section 136 of the Act, the Annual Report and financial statements are being sent to the Members excluding the aforesaid annexure. The said annexure is available for inspection at the registered and corporate office of the Company during business hours and will be made available to shareholder(s), on request.

The said statement is also available on your Company's website, the weblink to which is https://www.varroc.com/shareholdersinformation#tab2.

Corporate Governance

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

The Managing Director and Group Chief Financial Officer have certified to the Board with regard to financial statements and other matters as required under Regulation 17(8) read with Schedule II to the Listing Regulations.

Corporate Social Responsibility (CSR)

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

The brief terms of reference of the Corporate Social Responsibility (CSR) Committee is provided in the Corporate Governance Report. Your Company has also formulated a Corporate Social Responsibility Policy (CSR Policy) which is available on the website of the Company at https://varroc.com/investors/corporate-governance/. During the year under review the Company was required to spend ₹ 22.92 million towards CSR activities against which, the Company has spent ₹23.67 million.

The Annual Report on CSR activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided in an **Annexure – III** to this Report.

Whistle Blower Policy/Vigil Mechanism

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

Risk Management

The Company has set up a Risk Management Committee (RMC) at the Board level to periodically review operating, financial, regulatory and strategic risks in the business and their mitigating factors. The Company has adopted a Risk Management Policy in accordance with the provisions of the Act and Regulation 21 of the Listing Regulations. The policy outlines the risk management framework to help minimise the impact of uncertainty on the Company's strategic goals. The framework enables a structured and disciplined approach to risk management.

Incorporating sustainability in the process also helps to align potential exposures with the risk appetite and highlight risks associated with chosen strategies. The Audit Committee has additional oversight in the area of financial risks and controls. Major risks identified by the business and functions are being systematically addressed through mitigating actions on continuing basis. The successful management of opportunities and risks is part of operating a business and is the primary task of all management personnel. During the regular management meetings at all management levels, opportunities, risks and optimisation measures are reviewed in detail. Any exceptional situations having potential risk are identified and treated at the early stage to minimise their impact on financial and income positions.

Internal Control System

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, the work performed by the internal, statutory and secretarial auditors and external consultants, including the audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by management and the relevant board committees, including the audit committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2020.

Significant and Material Orders Passed by the Regulators or courts or Tribunal

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

Disclosure Requirement and other Statutory Information

Dividend Distribution Policy

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

Compliance with Secretarial Standards

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

Business Responsibility Report

The 'Business Responsibility Report' of your Company for the financial year 2019-20, as required under Listing Regulations, is annexed as **Annexure IV** to this report.

Policies and code Adopted by the Company

The Board of Directors has from time to time framed and approved policies as required by the Listing Regulations as well as under the Act. These policies will be reviewed by the Board at periodic intervals. Some of the key policies that have been adopted are as follows:

(i) Policy for Board Diversity Appointment Remuneration Training and Evaluation of Directors and Employees (ii) Material Subsidiary Policy (iii) Policy for determination of materiality threshold for Disclosure of Events (iv) Code for Disclosure of Unpublished Price Sensitive Information (v) Code of Conduct for Insider Trading (vi) Policy on Preservation of Information and Archival of documents (vii) Policy on Related Party Transactions (viii) Code of Conduct for Directors and Senior Management Personnel (ix) Enterprise Risk Management Policy (x) Whistle Blower Policy (xi) Dividend Distribution Policy.

The above policies are available on the Company's website on the link http://www.varroc.com/corporate_governance.

Transfer to Investor Education and Protection Fund

a) **Transfer of Unclaimed Dividend / Debenture Redemption / Debenture Interest to IEPF:**

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

b) **Transfer of Shares to IEPF**

As required under Section 124 of the Act, no equity shares, in respect of which dividend has not been claimed by the members for seven consecutive years or more, have been transferred by the Company to the Investor Education and Protection Fund Authority (IEPF) during the Financial Year 2019-20.

Extract of Annual Return

As required under Section 92(3) and 134(3)(a) of the Act and Rule 12(1) of the Companies (Management and Administration) Rules, 2014 (as amended), an extract of Annual Return in Form MGT - 9 is available on Company's website on the link https://varroc.com/investors/financial-results/.

Occupational health & safety

The organisation believes in 'Zero Harm'. The aim is to improve health and safety standards of people who are working with the organisation in their capacity as employees, contractors or in any other role. Efforts are taken to minimise activities which may affect the health and safety in working place.

Disclosure as required under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

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

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

Details of complaints with allegations of sexual harassment for Financial Year 2019-20 are as follows:

a.	Number of complaints pending as on April 1, 2019	Nil
b.	Number of complaints filed during the Financial Year	Nil
c.	Number of complaints disposed of during the Financial Year	Nil
d.	Number of complaints pending as on March 31, 2020	Nil

Green Initiatives:

In commitment to keep in line with the Green Initiative and going beyond it to create new green initiations, an electronic copy of the Notice of 32nd Annual General Meeting of the Company shall be sent to all Members whose email addresses are registered with the Company/Depository Participant(s).

Acknowledgements

Your Directors place on record their acknowledgement for the co-operation received from the Customers, Vendors, Bankers, Associates, Collaborators and the Employees of the Company, without which it would not have been possible for the Company to achieve its performance and growth.

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

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

Tarang Jain
Managing Director
(DIN 00027505)

Rohit Prakash
Whole Time Director
(DIN 02425849)

Date: 25th June, 2020
Place: Aurangabad

Annexure - I

Information as per Section 134 (3)(m) of the companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 and forming part of the Board's Report for the year ended March 31, 2020

A) CONSERVATION OF ENERGY

The Company continued to give major emphasis for conservation of Energy and the measures taken during the previous years were continued. The Efficiency of Energy Utilisation in each manufacturing unit is monitored properly, in order to achieve effective conservation of energy.

During the year under review, the windmills installed by the Company at Satara and Supa in Maharashtra State and Badabagh in Rajasthan State, generated 81,81,057 units of electricity (including 63,51,762 units of captive consumption). The Company earned an income of ₹ 59.64 million (including captive consumption ₹ 49.19 million) from the generation of wind power.

Further, Solar Plant installed by the Company at Shivaji Nagar, Dist. Dhule, Maharashtra State generated 61,51,536 units of electricity. The said units were captively consumed by the Company. The total amount of captive consumption is ₹ 48.88 million.

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

I) The steps taken or impact on Conservation of Energy:

The Company has taken various steps for Energy Conservation during the year.

The significant measures were:

- Capacitors and new APFC provided to maintain power factor to unity
- Compressed Air line leakages identification and rectification
- Variable Frequency Drivers (VFDs) provided for dust collector, cooling Tower, Air Compressor, Hydraulic power packs, STP aeration blower and Grinding wheel of Grading machines
- Air pressure optimisation in machine shops and cold forging area
- Hot forging cooling tower Energy efficient pumps installed with modified pipe-line
- Idle machine trip circuit modification in grinding machine
- Plate Type Heat Exchanger installed in place of Chillers
- Interlocks provided in CNC, SPM & Hardening machines
- LED fittings installed at machine shop/office area/street light/ transformer area etc.
- Modified Air Line main header installed to reduce load on compressors
- Ideal machine trip circuit modification in BFW & CNC machine modification done
- Chiller installation for water cooling instead of cooling tower cooling on IH machine.
- Daily monitoring of power usage throughout the year
- Magnet pre-heating oven removed from line in place of curving oven
- Air supply interlock with Auto shut off during official breaks
- Bus bar ducting for LT panel incoming to reduce the losses in Molding shop
- Air booster installed for HMT press and shop floor
- Hydraulic interlock provided for idle running of machines
- Centralised cooling system for Molding machines & Metalising machines
- Auto lights provided with Motion sensor
- Temperature controller installation done in plants
- Installed centralised coolant filtration for Grinding m/c with Cyclone filtration
- Hydraulic Press Higher HP pump replaced with lower HP pump
- Panel cooler provided instead of panel AC to machine shop & tool room machines
- Logic modification for turning off conveyor motor after completion of each cycle to avoid idle running

ii) The steps taken by the Company for utilising alternate source of energy

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

(iii) The capital investment on energy conservation equipments

The Company has opted for Opex expenditure as against capital investment on energy conservation equipments during FY 2020.

B) Technology Absorption

Research & Development:

Research & Development (R&D) department embodies long-term vision of Varroc group. R&D plays a pivotal role in delivering innovative products, new technologies and in supporting operational improvements to increase productivity. It also helps to achieve company's objectives in many areas like cost management benefits, increased market participation, Product & Process Innovation & emerging trends in the market. Our R&D team works closely with customer R&D to capture the voice of customers to enable first time right design and to achieve highest level of customer satisfaction.

(i) R&D (Electrical BU/EBU)

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

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

EBU R&D technology road map for next five years is centered around these focus areas.

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

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

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

Advance Engineering – EBU

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

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

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

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

Intellectual Property

EBU R&D also gives lots of impetus in protecting Varroc's IP, based on the insight gained from new product or technology development. In the year 2019/20 R&D has filed/ready to be filed (13) patents, two patents published, and one design registered.

A few of examples of filed patents are as follows:

- On engine starting method associated with Integrated Starter Generator
- Haptic feel design for switches
- Illuminated symbols on switches
- High beam booster for head lamps
- Smallest packaging lamp taking care of fog and cornering situations while driving
- Adaptive tail lamp based on smartly activating lamps based on ambient conditions
- Integrated lamps and switches with single electronic control unit design for handlebars for 2-wheeler
- Design registration on D lenses to meet low beam illumination with optimum lumens requirement

(ii) The benefits derived like product development, cost reduction or import substitution:

The efforts taken by your Company towards in-house technology development and absorption help deliver competitive advantage to your Company through the launch of new products and variants, introduction of new features and improvement of product performance coupled with enhanced customer delight and confidence.

(iii) Technology Imports in last three year

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

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

R&D (Metallic BU/ MBU)

(i) Technical Absorption (Metallic BU - Transmission & Valves)

MBU R&D is focusing on BS VI emission norms, obsolescence of ICEs, advent of Hybrid and EVs.

By accepting these challenges, Metallic BU R&D broadly focuses on the following technical agendas:

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

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

Year of Setup	Technology	Details of Technology	Status
2020-21	Prototyping Cell for transmission gears & shafts	Test center having: Key gear cutting processes viz. hobbing, shaving, shaping, skiving, bevel gear cutting, profile grinding & honing. Service tool room to support concept /development of jigs & fixture, preventive & detective type poka-yoke.	Work in process for the demarketed test centre

Advance Engineering

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

- For transmission components to meet stringent quality requirements of PVs & EVs close to DIN 5 level, precise pitch errors, gear flank surface pattern, micro waviness and harmonics. Accordingly, upstream technology viz. precision forging & extrusion, internal & external gear profile grinding & honing, shot peening, power skiving are the technologies of interest.
- Shaving cutter re-sharpening facility developed in-house. have improved on time.
- Lighter valve and valve train components can be used to improve the engine performance by reducing noise and friction as result, Metallic R&D team developed titanium alloy valve with weight reduction by 40% and further weight reduction by 7-8% with hollow titanium.
- Presently metallic R&D is working on development of hollow head sodium filled valves which has even more heat carrying capacity and weight reduction than the hollow stem sodium filled valves.

Technology Imports in last three year

I) Transmission:

Year of Setup	Technology	Details of Technology	Status
2019-20	Gear grinding	Generative gear grinder from Liebherr LCS300. Output meeting DIN5-7. Part up to 20 Kg., dia. 300mm, module 7mm max.	Absorbed and in production

II) Valves:

Year of Setup	Details of Technology	Status
2019-20	Development of Engine Valve test rig system to simulate the performance of Engine valves in the 4-Cylinder Engine.	Project is completed.

(iii) Expenditure on R & D:

(₹ in million)

Particulars	2019-20
Capital	226.96
Recurring	610.05
Total	**837.01**
Total R&D expenditure as a Percentage of total turnover	**3.53%**

C) Foreign Exchange Earnings & Outgo

Actual Foreign Exchange used and earned:

Sl. No	Item	Amount (₹ in million)
A	**Used for:**	
1	Capital Goods	820.58
2	Raw Materials	1,073.02
3	Components, Stores & Spares	44.05
4	Foreign Travels	8.07
5	Consultancy Charges	49.82
6	Interest on Term Loans	5.64
7	Others	49.76
	TOTAL	**2,050.94**
B	**Earned:**	
1	Exports	1,500.50
2	Others	262.20
	TOTAL	**1,762.70**

Annexure - II

Disclosure of remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

A. Ratio of remuneration of each Director to the median remuneration of the employees of the Company for the FY 2019-20 as well as the percentage change in remuneration of each Director, Chief Financial officer, Company Secretary is as under:

Name of the Director/ KMP	Designation	Remuneration (₹ in million)	Ratio to Median Remuneration	% change in Remuneration over previous year
Mr. Naresh Chandra	Chairman	0.63	NA	Nil
Mr. Tarang Jain	Managing Director	51.70	15871%	-0.01
Mr. Arjun Jain	Whole-time Director	11.98	3679%	@
Mr. Gautam Khandelwal	Independent Director	3.38	NA	Nil
Mr. Marc Szulewicz	Independent Director	2.28	NA	-47%
Mrs. Vijaya Sampath	Independent Director	3.50	NA	Nil
Mr. Vinish Kathuria	Independent Director	3.40	NA	Nil
Mr. Ashwani Maheshwari	CEO & Whole-time Director	21.23	6518%	6.71%
Mr. T. R. Srinivasan	Group Chief Financial Officer	19.82	6086%	-7.12%
Mr. Rakesh Darji $	Company Secretary	3.26	$	$
Mr. Ajay Sharma #	Group General Counsel & Company Secretary	3.53	#	#

@ Mr. Arjun Jain, was appointed as Whole-time Director during FY 2018-19 and therefore % change in remuneration over previous year is not applicable.

$ Mr. Rakesh Darji, resigned during FY 2019-20 and therefore ratio to median remuneration and % change in remuneration over previous year is not applicable.

Mr. Ajay Sharma was appointed as Group General Counsel and Company Secretary during FY 2019-20 and therefore ratio to median remuneration and % change in remuneration over previous year is not applicable.

Note: For above calculation, remuneration includes siting fee and commission. Commission relates to the Financial Year ended March 31, 2020 which will be paid during FY 2020-21.

The median remuneration of employees of the Company during FY 2019-20	₹ 3,25,758
Percentage Increase/(Decrease) in median remuneration in the FY 2019-20	(17.30%)
Number of Permanent employees on the roll of the Company as on March 31, 2020	3,090
Average percentile increase in Salary of employees other than managerial personnel	7.09%
Average percentile increase in remuneration of managerial personnel	2.68%

B. Affirmation:

It is affirmed that the remuneration paid to the Directors, Key Managerial Personnel and other employees is as per the Remuneration Policy of the Company.

C. Justification for Average increase in Salary

The average increase in Salary is in line with average industry standards and comparable to the prevalent market rates.

Annexure - III

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

FOR THE FINANCIAL YEAR 2019-20

1. The Board of Directors at their meeting held on July 28, 2014 has approved policy for Corporate Social Responsibility (CSR) with a vision to actively contribute to the social and economic development of the communities in which Company operates. The said policy was subsequently amended based on the recommendation of the CSR Committee and the amended CSR policy was adopted at the Board meeting held on July 15, 2015.

   The Policy is aimed at socio-economic welfare, uplifting quality of life of the people, maintain environment, promoting youth and young talents, providing opportunities to underprivileged and bright student, imparting vocational education etc. in line with the broad framework of Schedule VII of the Act. The Policy can be referred in detail on the Company's website www.varroc.com.

2. Composition of the CSR Committee: The CSR Committee as on March 31, 2020 comprises of three Directors - Mr. Tarang Jain, Mr. Gautam Khandelwal and Mr. Ashwani Maheshwari. At the meeting of the Board of Directors of the Company held on April 29, 2020, Mr. Arjun Jain was inducted as a Member in place of Mr. Ashwani Maheshwari.

3. Average Net Profit of the Company for last three Financial Years : ₹ 1,146.14 million

4. Prescribed CSR expenditure

   (Two percent of the amount mentioned in item 2 above) : ₹ 22.92 million

5. Details of CSR spent during the Financial Year:

   a) Total amount to be spent for the Financial Year : ₹ 22.92 million
   b) Total amount spent during the Financial Year : ₹ 23.67 million
   c) Amount unspent, if any : NIL
   d) Manner in which the amount spent during the Financial Year : Refer Annexure A

6. Reason for not spending the amount of 2% as provided in clause (3) above: NOT APPLICABLE

7. Responsibility Statement

   We hereby declare that implementation and monitoring of the CSR policy is in compliance with CSR objectives and policy of the Company.

For **Varroc Engineering Limited**

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

Date: 25th June, 2020

Annexure - A

Sr. No.	CSR project or Activity Identified	Sector in which the project is covered (clause no. of Schedule VII to the Companies Act, 2013, as amended)	Project of Program (1) Local Area or Other (2) Specify the State and district where projects or programmes were undertaken	Amount Outlay (Budget) Project or Program wise (₹ in million)	Amount spent on the Projects or Programs during the FY 2019-20 (₹ in million)	Cumulative Expenditure upto the reporting period i.e. FY 2019-20 (₹ in million)	Amount Spent Direct or through Implementing Agency
1	Skill Development	Cl. (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;	Local Area: Aurangabad (Maharashtra)	23.50	23.67	65.04	Direct/ DMCFS*
2	Promoting Young Sports Talent enabling them to compete at national and international level	Cl. (vii) training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;	Local Area: Aurangabad, Pune (Maharashtra)	2.50	0.00	5.43	Implementing Partner – Varroc Foundation***
3	Kham River Restoration Project	Cl. (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga];	Local Area: Aurangabad	2.50	0.00	1.15	Direct/Varroc Foundation***
4	Promoting Art and Culture	Cl. (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional and handicrafts:	Local Area: Aurangabad, Ajanta, Ellora	0.00	0.00	0.09	Direct/ Violin Academy**
5	Promoting Environment sustainability	Cl. (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga];	Local Area: Aurangabad	0.00	0.00	0.04	Direct/ Varroc Foundation***
6	promoting health care including preventive health care and sanitation	Cl. (i) Eradicating hunger, poverty and malnutrition, 2[“promoting health care including preventive health care”] and sanitation 4[including contribution to the Swacch Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.	Maharashtra – Mumbai, Thane, Navi Mumbai, Pune	0.00	0.00	7.20	Direct/ Implementing Partner I love Mumbai Foundation
			Total - Direct Expenses	**28.50**	**23.67**	**78.95**	
			Total – Indirect Expenses	**-**	**-**	**-**	
			Grand Total	**28.50**	**23.67**	**78.95**	

* Deccan Management Consultants Finishing School (DMCFS), and Violin Academy are non-profitable organisation having an established track record of more than 4 years in undertaking such kind of projects and programmes.

** Varroc Foundation (VF) is a Trust registered under Indian Trust Act, 1982 and has an established track record of more than 5 years in undertaking similar kind of projects and programmes with an overall aim to create and support a stronger and inclusive India.

Annexure - IV

BUSINESS RESPONSIBILITY REPORT

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L28920MH1988PLC047335
2.	Name of the Company	Varroc Engineering Limited
3.	Registered address	Plot No. L-4, MIDC, Waluj Aurangabad (M.S.) - 431136
4.	Website	http://www.varroc.com
5.	E-mail id	investors@varroc.com
6.	Financial Year reported	FY 2019-20
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Automotive Components
8.	Sector(s) that the Company is engaged in (industrial activity code-wise)	
	Name and description of main product/services Flywheel Magneto Steel Forged Products Automotive Lamps	NIC Code of the product / service 3607 3440 3758
9.	Total number of locations where business activity is undertaken by the Company	
	(a) Number of International Locations (Provide details of major 5)	Nil
	(b) Number of National Locations	The Company has 14 plants in India at below locations: i. Waluj and Shendra, Dist. Aurangabad (Maharashtra) ii. Chinchwad, Chakan and Maval, Dist. Pune (Maharashtra) iii. Sriperumbudur Taluk, Dist. Chennai (Tamil Nadu) iv. Halol, Dist. Panchmahal (Gujarat) v. Pantnagar (Uttarakhand)
10.	Markets served by the Company – Local/State/National/ International	We serve Local/State/National/International markets.

Section B: Financial Details of the Company

	Financial details of the Company	FY 2019-20 (Standalone) (₹ in million)
1.	Paid up Capital (INR)	₹134.81
2.	Total Turnover (INR) a. Revenue from operations b. Other Income	 23,039.47 682.77
3.	Total profit after taxes (INR)	990.27
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%): 2.07% (₹23.67 million) of average profit for previous three years in respect of standalone Financials of the Company (computation as prescribed by the Companies Act, 2013).	
5.	List of activities in which expenditure in 4 above has been incurred:-	Please refer Annexure III – 'Annual Report on CSR Activities' to the Board's Report for details

Section C: Other Details

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

Yes, Varroc Engineering Limited (VEL) has subsidiary companies in India and abroad.

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

Subsidiary companies of VEL conduct their standalone BR initiatives and do follow the principles of BR as per the local laws applicable to them.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]

Most of our customers are Original Equipment Manufactures (OEMs) and as per our understanding & information, all of them have their own BR initiatives. Further, the Company encourage its other stakeholders i.e. suppliers, distributors and other stakeholders in the value chain to participate in its BR initiatives, however it does not track the actual participation.

Section D: BR Information

1. Details of Director/Directors responsible for BR

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

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

(b) Details of the BR head

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

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

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

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

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

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

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

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

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

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

3. Governance related to BR

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

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

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

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

Section E: Principle-Wise Performance

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

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?**

   Varroc is guided by five core values coined as SHIPS:

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

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

Pledges that are included in the Varroc Ethics include:

- Committing to Diversity and Inclusion
- Complying with International Business and Governmental Regulations
- Ensuring Compliance with Insider Trading
- Ensuring Fair Dealing and Competition
- Ensuring the Avoidance of Conflicts of Interest
- Protecting Intellectual Property, Confidentiality and Privacy
- Protecting Safety, Health, and the Environment

The Company strongly believes that the growth is directly linked to the growth of our esteemed clients so our growth philosophy is- “being where customer wants us to be”. The Code of conduct forms an integral part of the terms of appointment letter and is signed at the time of joining the Company. The Directors and senior management sign the Code of Conduct every year. The Company has in place a Whistle Blower Policy which is communicated through various means including publication on the Company’s website.

All joint ventures, suppliers and contractors of the Company are independent entities. Therefore, the Company’s Code of Conduct and Whistle Blower Policy do not apply to them.

2. How many stakeholder complaints have been received in the past Financial Year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

There are no complaints received in the past Financial year 2019-20.

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

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

The Company is engaged in the business of manufacturing of automotive components. These products have insignificant social or environmental concern or risk. However, Social and environmental concerns are always on the fore with regard to all manufacturing processes. The Company’s operational methods are guided by the philosophy of ‘creating low cost, hi-tech products, which are suitable for Indian markets’. It has been always the endeavour of the Company to develop and deliver high quality products that apart from adding value to customers are inherently safe and have minimal impact on the environment.

The Company is continuously strengthening its R&D and technology capabilities. The Company has developed futuristic technology-driven products. Some of them are related to emission norms like BS-VI and some are led by technology upgradations, particularly the transition to EV’s. Some examples are:

- Telematics Products
- Instrument Cluster
- Electronic Fuel Injection (EFI)
- Advance Driver Assistance System (ADAS)
- BS-VI Catalytic Converters
- Traction Motors for EV’s
- Paintless Polymer Products
- LED Lamps

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

The Company always take efforts for optimum utilisation of natural resources.

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

NOT APPLICABLE

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

NOT APPLICABLE

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

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

   The Company has a procurement policy in place for purchase of goods and raw material. The Company evaluates the vendors for different components/materials based on Productivity, Quality, Cost, Delivery, Safety & Morale criteria (PQCDSM).

   Sustainability at Varroc extends to our supply chain partners and we encourage them to implement practices that optimise operations. Supply Chain at Varroc, is guided by the Standard Operating Procedure (SOP) for procurement process which is based on inclusive growth and goes beyond income to involve capacity building. The vendor evaluation process is a comprehensive exercise that assesses design, materials, manufacturing process, production, logistics, service delivery, operations and maintenance recycling and disposal. Further, it is difficult to ascertain the percentage of inputs sourced from these suppliers accounting towards total inputs due to different kind of materials being used by the Company.

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

   In order to streamline and ensure that processes are in place our suppliers are audited regularly. During these audits and other visits we discuss with the vendors on upgrading the facility, the process, recycling and disposal requirements. Suppliers are given recommendations and suggestions to comply with. The technology function assists in making processes more efficient, improve yields and recover solvents. Through Operational Excellence, we engaged with vendors for Environmental Sustainability Initiatives.

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.**

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

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

The Company ensures the well-being of its employees by creating environment which is collaborative, modern and safe. The Company focuses on upgrading skills and functional competencies of its employees by conducting various trainings.

The Company also has a policy on prevention of sexual harassment. A committee has been constituted in accordance with the requirements, under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the Financial Year 2019-20, there were no complaints filed or pending, relating to child labour, forced labour, involuntary labour or sexual harassment. The Company provides its employees subsidised food facility, assistance for transport and medical facilities. The Company provides medical support to its employees under Group Mediclaim Facility.

1. Please indicate the Total number of employees: 3,090 Nos.

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis: 6150 Nos.

3. Please indicate the Number of permanent women employees. 168 Nos.

4. Please indicate the Number of permanent employees with disabilities: Nil

5. Do you have an employee association that is recognised by management.

   Yes, we have recognised trade unions at Waluj (Aurangabad, Maharashtra), Takve & Chakan (Dist. Pune, Maharashtra) and Pantnagar (Uttarakhand).

6. What percentage of your permanent employees are members of this recognised employee association?

   As of March 31, 2020, out of total 1379 Permanent Workmen of all our Unionised Plants, 100% Workmen are members of this Recognised Employee Association / Union.

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

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

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

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

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

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

   Yes at Varroc we believe that stakeholder engagement is a key to sustainable growth which helps in fostering long-term relationship with our stakeholders. We have identified Employees, Dealers, Customers, Shareholders, Investors, suppliers, regulatory authorities, CSR beneficiaries and Knowledge Partners of our stakeholders.

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

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

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

The Company is also striving to achieve this principle through its CSR initiatives by promoting healthcare and livelihood amongst different sections of the society. The details of initiatives taken by the Company in the area of promotion of healthcare and livelihood enhancement have been provided in the Annual Report on CSR Activities.

Principle 5 : Businesses should respect and promote human rights

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

   The Company has adopted professional standards, business conduct and whistle blower policy. These policies are applicable to Varroc Group India Business employees. We ensure that human rights clauses such as collective bargaining, equal opportunities and child and forced labour are practiced and included in our contracts, wherever applicable with our vendors/suppliers. We ensure compliances with all applicable laws pertaining to human rights, to preserve the rights of its internal and external stakeholders.

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

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

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

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

   The Company has a policy on environmental protection namely Environment, Occupational Health and Safety (EOHS) in the form of a manual and is applicable to the Company and its subsidiaries in India. The Company has obtained the ISO 14001 Environmental Management System certification as well as OHSAS 18001 Occupational Health and Safety certification. EOHS is an integral part of our core values. Our goal is to be injury-free, while being eco-friendly. We believe in 'Reduce-Reuse-Recycle'. Key to the success of these certification programme is establishing annual objectives & targets and implementing improvement programmes to reduce safety risks and environmental aspects of our operations.

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

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

   The employees at all plants of the Company premises are trained to operate, conduct their activities and maintain facilities in an environmentally responsible manner. Every employee contributes in driving efficient consumption of energy and other resources.

   The emissions / wastes generated by the Company are within the permissible limits fixed by Central or State Pollution Control Bodies (CPCB / SPCB). The solid and hazardous wastes generated are disposed off strictly in adherence to the conditions of consent / authorisation received from Statutory Authorities. The Company adheres to all statutory environmental requirements and regularly strives for further improvement. Significant tree plantation activities are carried out at all of the Company's plants.

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

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

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

   The Company continues to take initiatives to reduce the risk of accidents and prevent environmental pollution through implementing a five-pronged environment, occupational health and safety ("EOHS") plan which is based on the requirements of ISO 14001 on OHSAS 18001.

- First, we seek to eliminate exposure to serious accidents by identifying hazards and reducing the total number of accidents.
- Second, we work towards preserving our industrial assets by achieving compliance with all applicable legal norms.
- Third, through a systematic approach towards training and development, we hope to enhance our managers' skills such that these concerns will be efficiently managed.
- Fourth, we remain conscious of the impact our industrial activities have on our environment, and actively monitor and minimise the environmental impact of our operations.
- Fifth, we seek to prevent occupational disease and maintain employee health and safety by maintaining hygiene at work places.

We also maintain public liability act insurance for some of our plants and also have a commercial general liability policy for all our locations in India. The EOHS plan is implemented on a group level and we are committed to measuring, evaluating and continually improving our EOHS performance by establishing goals and objectives through regular periodic management reviews and guidance. EOHS performance is reviewed periodically in order to monitor the EOHS performance of our plants and EOHS strategies are developed to achieve our EOHS objectives. However, we do not have any registration of Clean Development Mechanism projects.

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

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

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

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

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

   The Company has no pending notices from CPCB/SPCB as on March 31, 2020.

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

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

   The Company actively engages in public advocacy, in a responsible manner. The Company deals with the public officials with a proper protocol. All such engagements are through recognised industry bodies / trade associations. As on March 31, 2020, The Company is a member of leading Industry Associations, including:

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

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

   As a responsible corporate citizen, the Company's approach is to contribute to public policy formulation through recognised industry associations only.

Principle 8 : Business should support inclusive growth and equitable development

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

   The Company supports inclusive growth and equitable development through its Corporate Social Responsibility (CSR) programmes. The Company has aligned its CSR programmes with the requirements of The Companies Act, 2013. The Company has constituted a three members CSR Committee of the Board. The Company's CSR Policy has been approved by the CSR Committee and the Board. The Policy can be referred in detail on the Company's website www.varroc.com.

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

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

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

   The CSR Committee periodically reviews the progress of the initiatives for all the projects and programmes to assess the desired outcome on the society.

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

   For details on Company's contribution to its CSR projects and programmes, please refer 'Annexure – III Annual Report on CSR activities', to the Board's Report for FY 2019-20.

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

   Yes, the Company regularly monitors CSR initiatives to ensures that they are properly implemented and are sustainable within communities beyond our interactions.

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

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

   The Company has a proper system for addressing customer complaints. Customer complaints are treated very seriously in the organisation. We hear our customers through various mediums such as online portal, emails, website, letter, phone, fax etc.

   There are no complaints which are pending attention and/or requisite action at Company's end.

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

   Yes.

   We display information as required by the Legal Metrology Act, 2009 as amended from time to time. The typical information display on product includes details of manufacturers & marketed by, product part number, code, Price details, Customer Care number and email etc.

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

   There are no court cases filed against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years

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

   Customer response and customer satisfaction are one of the most important factors of any business. The Company engages with its customers at various platforms to understand their expectations. The Company obtains the customer feedback directly on regular basis to identify the areas of concerns. Accordingly, corrective measures are planned and implemented. Customer satisfaction trends are complied, monitored and reviewed by the top management at regular intervals.

FORM MR-3

SECRETARIAL AUDIT REPORT

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

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

We have conducted the Secretarial Audit of the compliance of applicable statutory provision and the adherence to good corporate practices by M/S. Varroc Engineering Limited (CIN: L28920MH1988PLC047335) (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the M/S. Varroc Engineering Limited books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended 31st March, 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:

We have examined the books, papers, minutes' books, forms and returns filed and other records maintained by M/S Varroc Engineering Limited for the Financial Year ended March 31, 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 of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

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

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

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

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

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

(vi) All Tax related laws as applicable in respective states where company is operating its business;

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

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

- The Public Liability Insurance Act, 1991 and rules made thereunder;
- The Competition Law
- The legal metrology Act, 2009 and the rules made thereunder

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

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

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

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

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

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

We further report that:

As per the explanation given by the Company, all the existing related party transactions of the Company with its related parties are in the ordinary course of business and on arm's length basis or as per the contracts existing on the commencement of the Act, 2013 and have been approved by the Audit Committee, where applicable.

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

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

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

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

1. As per Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulation,2015, A copy of annual report along with the notice of annual general meeting should be submitted to the Stock Exchange not later than the day of commencement of dispatch to its shareholders, whereas the Company has complied with the provision of submission of Annual Report to the Stock exchanges on the date of completion of dispatch made to the shareholders as against the date of commencement of dispatch.

We further report that during the audit period there were no major events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines.

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

Uma Lodha
(Proprietor)
FCS No.: 5363
C.P. No.2593
UDIN: F005363B000378582

Place: Mumbai
Date: 25.06.2020

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

ANNEXURE A (i)'

To
The Members
M/S. VARROC ENGINEERING LIMITED

Our report of even date is to be read along with this letter.

- Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- Due to restricted movement amid COVID-19 pandemic, our basis of examination for issuing Secretarial Audit Report for the financial year 2019-20 was only restricted to the information/ documents/ Confirmations/ Records provided by the Company in the electronic mode and could not be verified from the original records. The management has confirmed that the records submitted to us are the true and correct.
- Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

Uma Lodha
(Proprietor)
FCS No.: 5363
C.P. No.2593
UDIN: F005363B000378582

Place: Mumbai
Date: 25.06.2020

Compliance Certificate Under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

June 25, 2020
The Members,
Varroc Engineering Limited
Plot No. L-4, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

Sub: Compliance certificate under Regulation 17 (8) read with Part B of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is to certify that for the Financial Year ended March 31, 2020:

1. We have reviewed the financial statements and the cash flow statement for the year as aforesaid and to the best of our knowledge and belief:

    a. these financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

    b. these statements together present a true and fair view of the Company's affairs and are in compliance with Indian Accounting Standards (Ind AS), applicable laws and regulations;

2. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct for Directors and Employees;

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems for financial reporting of the Company and there were no deficiencies in the design or operation of such internal controls; and

4. We have indicated to the Auditors and the Audit Committee:

    a. that there were no significant changes in internal control, over financial reporting, during the year;

    b. all significant changes in the accounting policy during the year, if any, have been disclosed in the notes in respective place in the financial statements; and

    c. there were no instances of fraud, of which we have become aware of.

For **Varroc Engineering Limited**

Tarang Jain
Managing Director
DIN: 00027505

T. R. Srinivasan
Group Chief Financial Officer

Declaration by Managing Director Under Regulation 34(3) Read with part D of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

June 25, 2020
The Members,
Varroc Engineering Limited
Plot No. L-4, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

Sub: Declaration regarding compliance with the Company's Code of Conduct for Directors and Senior Management

I, Tarang Jain, Managing Director of Varroc Engineering Limited, hereby declare that all the members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct for Directors and Senior Management of the Company for FY 2019-20.

For **Varroc Engineering Limited**

Tarang Jain
Managing Director
DIN: 00027505

Corporate Governance Report

This Corporate Governance Report relating to the Financial Year ended on March 31, 2020 has been issued in compliance with the requirements of Regulation 34(3) read with Clause C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and forms a part of the Report of the Directors to the Members of the Company.

1. Company Philosophy:

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

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

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

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

2. Board of Directors

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

Information supplied to the Board

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

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

2.1 Composition

As on March 31, 2020, the Board of Directors of the Company consists of Eight (8) Directors of whom, Three (3) are 'Executive' Directors, One (1) is Non-Executive Director, Four (4) are Independent Directors including One (1) Woman Independent Director. There is no change in the Board of Directors since the last Annual Report.

The Chairman, Mr. Naresh Chandra is a Non-Executive Director. Mr. Tarang Jain, Managing Director, Mr. Arjun Jain, Whole time Director and Mr. Ashwani Maheshwari, CEO & Whole-time Director are the Executive Directors.

Mr. Gautam Khandelwal, Mrs. Vijaya Sampath, Mr. Marc Szulewicz and Mr. Vinish Kathuria are the Independent Directors of the Company.

The details of the Board of Directors as on March 31, 2020 are as follows:

Name of the Director	Category of Director	Particulars
Mr. Naresh Chandra (DIN 00027696)	Chairman, Non-Executive/ Non-Independent	Appointed as Non-executive director effective from March 31, 1997
Mr. Tarang Jain (DIN 00027505)	Managing Director, Executive/Non-Independent	Re-Appointed as Managing Director for 5 years effective from February 6, 2018
Mr. Arjun Jain (DIN 07228175)	Whole-time Director Executive/ Non-Independent	Appointed as Director and Wholetime Director effective from August 7, 2018
Mr. Gautam Khandelwal (DIN 00270717)	Non-Executive/Independent	Appointed as an Independent Director for 3 years effective from July 20, 2017
Mrs. Vijaya Sampath (DIN 00641110)	Non-Executive/Independent	Appointed as an Independent Director for 3 years effective from July 20, 2017
Mr. Marc Szulewicz (DIN 01911768)	Non-Executive/Independent	Appointed as an Independent Director for 3 years effective from July 20, 2017
Mr. Vinish Kathuria (DIN 01951771)	Non-Executive/Independent	Appointed as an Independent Director for 5 years effective from February 6, 2018
Mr. Ashwani Maheshwari (DIN 07341295)	CEO & Whole-time Director Executive/ Non-Independent	Re-appointed as Wholetime Director for 3 years effective from February 6, 2018 - Appointed as CEO effective from April 1, 2018

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

During the Financial Year ended on March 31, 2020, Five (5) Board meetings were held on April 3, 2019; May 24, 2019; August 9, 2019; November 12, 2019 and February 13, 2020. The Annual General Meeting was held on August 9, 2019. The attendance of the Directors at the Board meetings and the Annual General Meeting during the year is as under:

Name of the Director	No. of Board Meetings			Attendance at the AGM held on August 9, 2019
	Held	Eligible to attend	Attended	
Mr. Naresh Chandra	5	5	3	Yes
Mr. Tarang Jain	5	5	5	Yes
Mr. Arjun Jain	5	5	5	Yes
Mr. Gautam Khandelwal	5	5	5	Yes
Mrs. Vijaya Sampath	5	5	5	Yes
Mr. Marc Szulewicz	5	5	4	Yes
Mr. Vinish Kathuria	5	5	5	Yes
Mr. Ashwani Maheshwari	5	5	5	Yes

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

2.3 Directorships and Committee membership

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

Independent Directors do not serve in more than 7 listed companies. Further, each of the Independent Directors hold directorship in conformity with the provisions of Regulation 25 of Listing Regulations.

Directorships (including names of listed Companies) and membership of Committees held by Directors as on March 31, 2020 are given below:

Name of the director	No. of Directorships Held in Public companies*	No. of committees of which chairman@	No. of committees of which Member	Names of Listed Company and Category of Directorship
Mr. Naresh Chandra	2	1	1	1. Varroc Engineering Limited, Non-Executive Director (Chairman) 2. Endurance Technologies Limited, Non-Executive Director (Chairman)
Mr. Tarang Jain	1	-	1	1. Varroc Engineering Limited, Managing Director
Mr. Arjun Jain	1	-	-	1. Varroc Engineering Limited, Whole-time Director
Mr. Gautam Khandelwal	3	2	6	1. Varroc Engineering Limited, Independent Director 2. Nagpur Power and Industries Limited, Executive Director 3. Informed Technologies India Limited, Executive Director
Mrs. Vijaya Sampath	8	1	8	1. Varroc Engineering Limited, Independent Director 2. Ingersoll Rand (India) Limited, Independent Director 3. Safari Industries (India) Limited, Independent Director 4. ERIS Lifesciences Limited, Independent Director 5. Intellect Arena Design Limited, Independent Director 6. XPRO India Limited, Independent Director
Mr. Marc Szulewicz	1	-	-	1. Varroc Engineering Limited, Independent Director
Mr. Vinish Kathuria	1	-	1	1. Varroc Engineering Limited, Independent Director
Mr. Ashwani Maheshwari	1	-	1	1. Varroc Engineering Limited, CEO & Wholetime Director

Note:

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

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

2.4 Inter-se relationships among Directors

Mr. Naresh Chandra-Chairman, Mr. Tarang Jain - Managing Director and Mr. Arjun Jain - Wholetime Director are family members and related to each other as Grandfather, Father and Son.

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

2.5 Shareholding of Directors and Key Managerial Personnel

Details of the shareholding of Directors and Key Managerial Personnel in the Company as on March 31, 2020 is as under:

Name	Designation	No. of shares held
Mr. Naresh Chandra*	Chairman	1,00,00,000
Mr. Tarang Jain	Managing Director	6,07,29,800
Mr. Tarang Jain$	Managing Director	3,38,50,000
Mr. Arjun Jain	Wholetime Director	5,000
Mr. Ashwani Maheshwari&	CEO and Wholetime Director	540
Mrs. Vijaya Sampath	Independent Director	703
Mr. Marc Szulewicz	Independent Director	Nil
Mr. Vinish Kathuria	Independent Director	Nil
Mr. Gautam Khandelwal	Independent Director	Nil
Mr. T. R. Srinivasan	Chief Financial Officer	540
Mr. Ajay Sharma@	Company Secretary	Nil

* Held by Naresh Chandra in his capacity as the trustee of Naresh Chandra Holdings Trust.

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

@ Mr. Ajay Sharma had been appointed as Company Secretary with effect from February 13, 2020.

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

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

2.6 Familiarisation Programme for Independent Directors

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

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

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

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

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

2.7 Key Board qualification, expertise and attributes

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

The table below summarises the key skills/ competencies and expertise identified by the Board in the context of its business and Board is of the opinion that same are available with all the Director of the Board:

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

2.8 Director(s) seeking Appointment/ Re-appointment

In compliance with the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Mr. Tarang Jain (DIN 00027505) will retire by rotation at the ensuing Annual General Meeting and it is proposed to re-appoint him as a Director of the Company.

Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board at its Meeting held on April 29, 2020, appointed Mr. Rohit Prakash as an Additional Director (Executive, Non-Independent) of the Company, to hold office as an Additional Director upto the forthcoming Annual General Meeting of the Company. Further, he is also appointed as Whole-time Director of the Company with effect from April 29, 2020 for a period of Five (5) years, which the Board recommends for approval of shareholders at the ensuing Annual General Meeting of the Company.

Reappointment of Independent Directors

Nomination and Remuneration Committee at its Meeting held on June 25, 2020, after taking into account the external business environment, the business knowledge, acumen, experience and the substantial contribution made by Mr. Gautam Khandelwal (DIN 00270717), Mr. Marc Szulewicz (DIN 01911768) and Mrs. Vijaya Sampath (DIN 00641110) during their tenure, has recommended to the Board that their continued association as Independent Directors of the Company would be beneficial to the Company.

Accordingly, the Board recommends the re-appointment of Mr. Gautam Khandelwal, Mr. Marc Szulewicz and Mrs. Vijaya Sampath, as Independent Directors of the Company, not liable to retire by rotation, by way of special resolution as required under Section 149(10) of the Act, to hold office for a second term on the Board of the Company for a period of Five (5) consecutive years commencing from July 20, 2020 to July 19, 2025. Mr. Marc Szulewicz will attain 75 years during the course of second term of appointment as Independent Director. In line with the Listing Regulations, the appointment or continuation of directorship of such Non-Executive Director(s) must be approved by the Members by way of a Special Resolution.

The information about above Directors proposed to be re-appointed is mentioned in the Notice convening the Annual General Meeting and therefore is not mentioned separately in this Report.

2.9 Code of Conduct

The Code of Conduct adopted by the Board of Directors, is applicable to the Directors and all

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

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

2.10 Independent Directors

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

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

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

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

The Ministry of Corporate Affairs vide its General Circular No. 11/2020 dated March 24, 2020, has provided a relaxation for holding the Independent Directors Meeting for FY 2019-20 in view of the COVID 19 situation. Accordingly, the meeting has been convened on June 25, 2020. Further, the Independent Directors have regularly shared their views amongst themselves whenever deemed necessary.

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

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

2.11 Confirmation as regards independence of Independent Directors

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

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

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

2.12 Pecuniary transactions with Non-executive Directors:

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

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

2.13 Directors Remuneration:

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

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

The remuneration paid to the Managing Director and the Whole-time Director(s) has been duly approved by the Board of Directors and members.

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

3. Committees of the Board

The Board of Directors have constituted the following Committees:

3.1 Audit Committee

3.2 Nomination and Remuneration Committee

3.3 Stakeholders Relationship Committee

3.4 Corporate Social Responsibility Committee

3.5 Risk Management Committee

3.6 Finance Committee

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

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

3.1 Audit Committee:

3.1.1 Constitution and Composition

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

The constitution of the Audit Committee as on March 31, 2020 is as follows:

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

The Group Chief Financial Officer is a permanent invitee in all meetings of the Audit Committee. The Company Secretary is the Secretary of the Audit Committee. All the Directors are financially literate, and Mr. Gautam Khandelwal, Mr. Tarang Jain and Mrs. Vijaya Sampath have accounting and related financial management expertise. The Statutory Auditors and Internal Auditors are invited to the meetings to discuss with the Directors the scope of audit, their comments and recommendation on the accounts, records, risks, internal procedures and internal controls of the Company and to discuss the Internal Audit Reports. Minutes of the Audit Committee meetings are circulated to all the Directors and discussed at the Board meetings.

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

3.1.2 Terms of reference

The terms of reference of the Audit Committee cover all the areas mentioned under Section 177 of the Companies Act, 2013 and Regulation 18 read with Part C of Schedule II of Listing Regulations. The broad terms of reference of the Audit Committee therefore include all financial results, statements and disclosures and recommend the same to the Board, review the internal audit reports and discuss the same with the Internal Auditors, review internal control systems and procedures, evaluation of internal financial controls and risk management systems and their effectiveness, to meet the Statutory Auditors and discuss their findings, their scope of audit, post audit discussion, auditor's independence, adequacy of internal audit functions, audit qualifications, if any, appointment/removal and remuneration of Auditors, changes in accounting policies and practices, if any, and disclosure of all related party transactions and compliance with Company Law and other statutory provisions. Detailed terms of reference of the Committee are available on the Company's website https://varroc.com/investors/board-of-directors-committees/

3.1.3 Internal Audit

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

3.1.4 Attendance:

During the Financial Year ended on March 31, 2020, Four (4) Audit Committee meetings were held on May 24, 2019; August 9, 2019; November 12, 2019; and February 13, 2020.

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

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Gautam Khandelwal	4	4	4
Mrs. Vijaya Sampath	4	4	4
Mr. Tarang Jain	4	4	4
Mr. Vinish Kathuria	4	4	4

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

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

The functional/business representatives also attend the Committee meetings periodically and provide such information and clarifications as required by the committee members, which gives a deeper insight into the respective business and functional areas of operations. The Cost Auditors and the Statutory Auditors attend the Audit Committee Meetings for their respective agenda items relating to Cost Audit Report and Limited Review Report on Quarterly Financial Results. Mr. T. R. Srinivasan, Group Chief Financial Officer attended all Committee Meetings.

3.2 Nomination and Remuneration Committee

3.2.1 Constitution and Composition

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

The constitution of the Nomination and Remuneration Committee as on March 31, 2020 is as follows:

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

3.2.2 Terms of Reference

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

3.2.3 Attendance

During the Financial Year ended on March 31, 2020, Two (2) Nomination and Remuneration Committee meetings were held on May 24, 2019 and February 13, 2020. The Attendance of the Directors at these Committee meetings is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Gautam Khandelwal	2	2	2
Mrs. Vijaya Sampath	2	2	2
Mr. Marc Szulewicz	2	2	1

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

3.2.4 Performance Evaluation of Directors

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, and that of its Committees,

Chairperson and Directors. The manner in which such formal annual evaluation was made by the Board during the Financial Year 2019-20 is given below:

- Performance evaluation criteria for Board, Committees of the Board and Directors as approved by the Board at its meeting held on February 6, 2018 were revised on recommendation of Independent Director, in line with SEBI's Guidance Note dated January 5, 2017 on Board Evaluation, by the Board at its meeting held on November 11, 2018 and the same are placed on the Company's website www.varroc.com.
- Based on the said revised criteria, rating sheets were filled by each of the Directors towards the end of the year with regard to evaluation of the performance of the Board, its Committees, Chairperson and Directors (except for the Director being evaluated) for the year under review.
- A consolidated summary of the ratings given by each of the Directors had been prepared, based on which a report of performance evaluation was prepared by the Managing Director/ CHRO/ID in respect of the performance of the Board, its Committees, Chairperson and Directors during the year under review.

- The report of performance evaluation so arrived at was then noted and discussed by the Nomination and Remuneration Committee and the Board at their meetings held on June 25, 2020.

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

3.3. Stakeholders Relationship Committee

3.3.1 Constitution and Composition

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

The constitution of the Stakeholders Relationship Committee as on March 31, 2020 is as follows:

Name of Director	Position in the Committee	Category
Mr. Gautam Khandelwal	Chairman	Non-Executive, Independent Director
Mrs. Vijaya Sampath	Member	Non-Executive, Independent Director
Mr. Ashwani Maheshwari	Member	CEO & Whole-time Director, Non-Executive, Independent

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

3.3.2 Terms of Reference

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

3.3.3 Attendance

During the Financial Year ended on March 31, 2020, no meeting of the Stakeholders relationship Committee was held.

SEBI has vide Circular SEBI/HO/CFD/CMD1/CIR/P/2020/48 dated March 26, 2020, relaxed provisions of Reg 20(3A) of Listing Regulations regarding holding of at least One (1) meeting in a year till June 30, 2020. Accordingly, the Company has complied with the provisions of Reg 20(3A) by convening the meeting on June 25, 2020.

3.3.4 Compliance Officer

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

The Company Secretary
Varroc Engineering Limited
Regd. Office: Plot No. L-4, MIDC, Waluj, Aurangabad – 431136, Maharashtra State, India
Phone : (0240) 6653662
Email : investors@varroc.com

3.3.5 Pledge of shares

No pledge has been created over the Equity Shares held by the Promoters as on March 31, 2020.

3.3.6 Details of Complaints from Shareholders

No. of complaints remaining unresolved as on April 1, 2019	0
No. of complaints received during the year	1
No. of complaints resolved during the year	1
No. of complaints unresolved as on March 31, 2020	0

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

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

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

3.4 Corporate Social Responsibility Committee

3.4.1 Constitution and Composition

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

The constitution of the Corporate Social Responsibility Committee as on March 31, 2020 is as follows:

Name of Director	Position in the Committee	Category
Mr. Tarang Jain	Member	Managing Director
Mr. Gautam Khandelwal	Member	Non-Executive, Independent Director
Mr. Ashwani Maheshwari*	Member	CEO & Whole-time Director

* Mr. Arjun Jain has been appointed as a member in place of Mr. Ashwani Maheshwari on the CSR Committee w.e.f. April, 29, 2020.

3.4.2 Terms of Reference

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

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

3.4.3 Attendance

During the Financial Year ended on March 31, 2020, 2(Two) meetings of the Corporate Social Responsibility Committee were held on May 24, 2019 and November 12, 2019. The Attendance of the Directors at these Committee meetings is given below:

Name of the Member	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Tarang Jain	2	2	2
Mr. Gautam Khandelwal	2	2	2
Mr. Ashwani Maheshwari	2	2	2

3.5 Risk Management Committee

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

The constitution of the Risk Management Committee as on March 31, 2020 is as follows:

Name of Member	Position in the Committee	Category
Mrs. Vijaya Sampath	Chairperson	Non-Executive, Independent Director
Mr. Vinish Kathuria	Member	Non-Executive, Independent Director
Mr. Tarang Jain	Member	Managing Director
Mr. Ashwani Maheshwari	Member	CEO & Whole-time Director
Mr. T. R. Srinivasan	Member	Group CFO
Mr. Lalit Dua	Member and Convener	Chief Internal Auditor

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

3.5.2 Terms of Reference

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

3.5.3 Attendance

During the Financial Year ended on March 31, 2020, 2 (Two) meetings of the Risk Management Committee were held on November 12, 2019 and February 13, 2020. The attendance of the Members at the said Committee meeting is given below:

Name of the Member	No. of Meetings		
	Held	Eligible to attend	Attended
Mrs. Vijaya Sampath	2	2	2
Mr. Vinish Kathuria	2	2	2
Mr. Tarang Jain	2	2	2
Mr. Ashwani Maheshwari	2	2	2
Mr. T. R. Srinivasan	2	2	2
Mr. Lalit Dua	2	2	2

3.6. Finance Committee

3.6.1 Constitution and Composition

The Finance Committee was constituted on February 6, 2018. The constitution of the Finance Committee as on March 31, 2020 is as follows:

Name of Member	Position in the Committee	Category
Mr. Naresh Chandra	Chairman	Non – Executive Director
Mr. Tarang Jain	Member	Managing Director
Mr. Ashwani Maheshwari*	Member	CEO & Wholetime Director

* Mr. Arjun Jain and Mr. T R Srinivasan have been appointed as members in place of Mr. Ashwani Maheshwari on the CSR Committee w.e.f. April, 29, 2020

3.6.2 Terms of Reference

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

3.6.3 Attendance

During the Financial Year ended on March 31, 2020, 3 (Three) meetings of the Finance Committee were held on August 14, 2019, October 25, 2019 and February 13, 2020. The Attendance of the Directors at the said Committee meeting is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Naresh Chandra	3	3	0
Mr. Tarang Jain	3	3	3
Mr. Ashwani Maheshwari	3	3	3

Mr. T. R. Srinivasan, Chief Financial Officer had also attended the meetings.

4. General Body Meetings

4.1 Annual General Meetings

During the preceding three years, the Annual General Meetings (AGMs) of the Company were held at its registered office at Plot No L-4, MIDC Industrial Area, Waluj, Aurangabad – 431136, Maharashtra.

The details AGMs for preceding three years are tabulated below:

AGM	Date and time of AGM	Details of special resolution(s) passed at the AGMs
29th	August 29, 2017 11.00 A.M.	1. Reduction of issued, subscribed and paid up Share Capital
30th	September 5, 2018 10:00 A.M.	1. Re-appointment of Mr. Naresh Chandra as Chairman of the Company 2. Appointment of Mr. Arjun Jain as Whole-time Director
31st	August 9, 2019, 10:00 A.M.	1. To Increase borrowing limits of the Company upto ₹2,000 crores 2. Creation of Mortgage/Charge on the assets of the Company upto ₹2,000 crores 3. Increase in the limits applicable for making investments / extending loans and giving guarantees or providing securities in connection with loans to Persons / Bodies Corporate upto ₹1,800 crores

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

Date and time of EGM	Place	Details of special resolution(s) passed at the EGM, if any
10th March 2017, 12.00 Noon	Plot No L-4, MIDC Industrial Area, Waluj, Aurangabad, MH	1. Amendment of Article of Association 2. Increase in Authorised Share Capital 3. Variation in rights attached to Compulsorily Convertible Preference Shares
14th March 2017, 12.00 Noon	Plot No L-4, MIDC Industrial Area, Waluj, Aurangabad, MH	1. Issue of Bonus Series B Compulsorily Convertible Preference Shares 2. Issue of Bonus Series C Compulsorily Convertible Preference Shares
11th October 2017, 11.00 A.M.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. To Convert the status of the Company from Pvt Ltd to public Ltd
25th January 2018, 11.00 A.M.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. To Convert the status of the Company from Pvt Ltd to public Ltd 2. To sub-divide face value of shares and Re-classify the Authorised Share Capital
13th February 2018, 11.00 A.M.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. Appointment of Mr. Tarang Jain as Managing Director 2. Appointment of Mr. Ashwani Maheshwari as Whole time Director
25th March 2018, 11.30 A.M.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. Adoption of New set of Article of Association of the Company
28th May, 2018 11:30 A.M.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. Revision in remuneration payable to Mr. Tarang Jain, Managing Director w.e.f. April 1, 2018 2. Approval of related party transaction Revision in remuneration payable to Mr. Arjun Jain – Business Head – Electrical Division w.e.f. April 1, 2018 3. Revision in remuneration payable to Mr. Ashwani Maheshwari, CEO & Wholetime Director w.e.f. April 1, 2018

4.3 At the ensuing 32nd Annual General Meeting to be held on August 14, 2020, Five (5) resolutions are proposed to be passed as special resolution.

4.4 Postal Ballot

No Resolution was passed through Postal Ballot during FY 2019-20.

5. Means of Communication

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

Some of the modes of communication are mentioned below:

A. Quarterly Results

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

B. Presentations

Presentations made to the institutional investors/ analysts are intimated to the Stock Exchanges within the prescribed time period under the Listing Regulations and are simultaneously hosted on the website.

C. Website

The Company's website www.varroc.com contains a separate dedicated section for Investors, the link to which is https://varroc.com/investors/corporate-governance. All information and relevant policies to be provided under applicable regulatory requirements, are available in a user friendly form.

D. Annual Report

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

E. Designated Exclusive Email ID

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

6. General Shareholder Information

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

The date, time and venue of the 32nd Annual General Meeting of the Company is as under:

Date:	August 14, 2020
Time:	11:00 A.M.
Venue:	Through Video Conferencing / Other Audio Visual Means as set out in the Notice convening the Annual General Meeting

6.2 Financial year

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

6.3. Cut Off Date:

6.3.1 Cut Off Date for determining shareholders who will be entitled to vote electronically on the resolutions mentioned in the Notice convening the Annual General Meeting by remote e-Voting and also vote at the meeting is August 7, 2020.

6.4. Electronic Voting

6.4.1 Pursuant to Section 108 and other applicable provisions of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 and other applicable requirements, voting at the 32nd Annual General Meeting will be made through electronic voting. The electronic voting ("E-Voting") period will be from 9.00 a.m. on Tuesday, August 11, 2020 to 5.00 p.m. on Thursday, August 13, 2020, both days inclusive.

6.4.2 The following special resolution(s) are proposed to be conducted through electronic voting for:

i. Appointment of Mr. Rohit Prakash (DIN: 02425849) as Whole time Director of the Company for a period of 5 years and payment of remuneration

ii. Re-appointment of Mr. Gautam Khandelwal (DIN: 00270717)as Independent Director of the Company for a further period of 5 years

iii. Re-appointment of Mr. Marc Szulewicz (DIN: 01911768)as Independent Director of the Company for a further period of 5 years

iv. Re-appointment of Mrs. Vijaya Sampath (DIN: 00641110) as Independent Director of the Company for a further period of 5 years

v. Issue of Non-Convertible Debentures on Private Placement Basis

6.5 Scrutiniser for electronic voting:

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

6.6 Listing on Stock Exchanges:

The Company has listed its equity shares at the following Stock Exchanges on July 6, 2018 with ISIN INE665L01035:

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

Annual Listing Fees for FY 2020-21 has been paid and all requirements of the stock exchanges where the shares of the Company are listed, including submission of quarterly reports and certificates, have been complied with.

6.7 Market Price Data

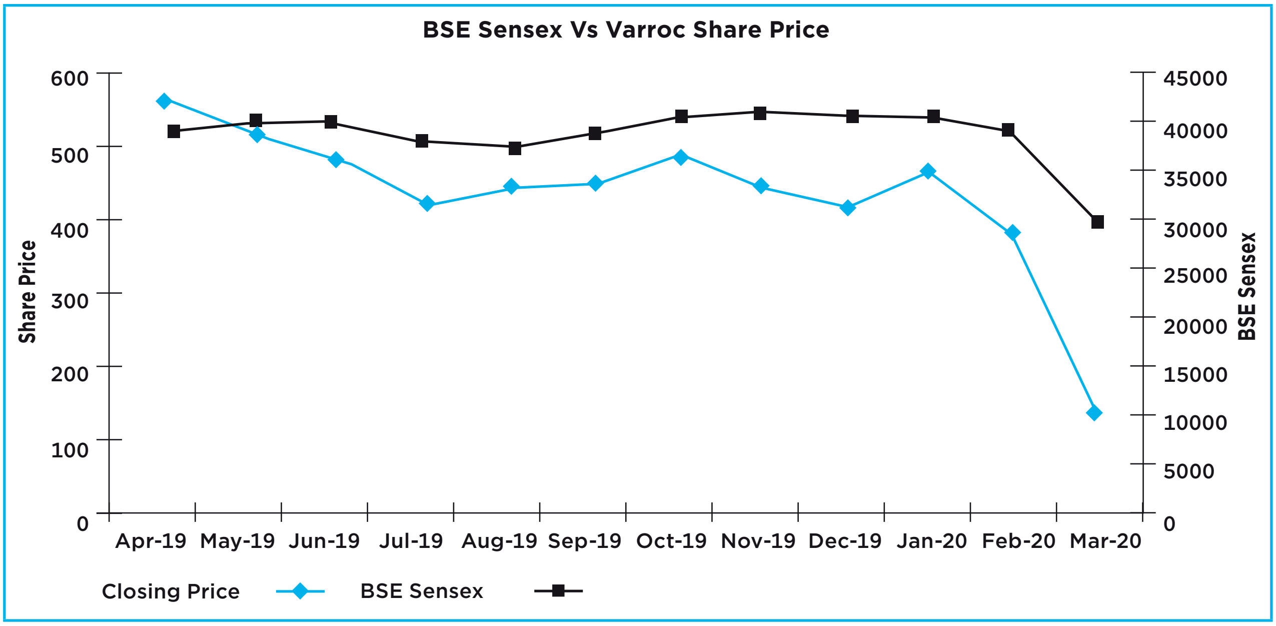
The Company got listed on Stock Exchanges i.e. NSE and BSE w.e.f. July 6, 2018.

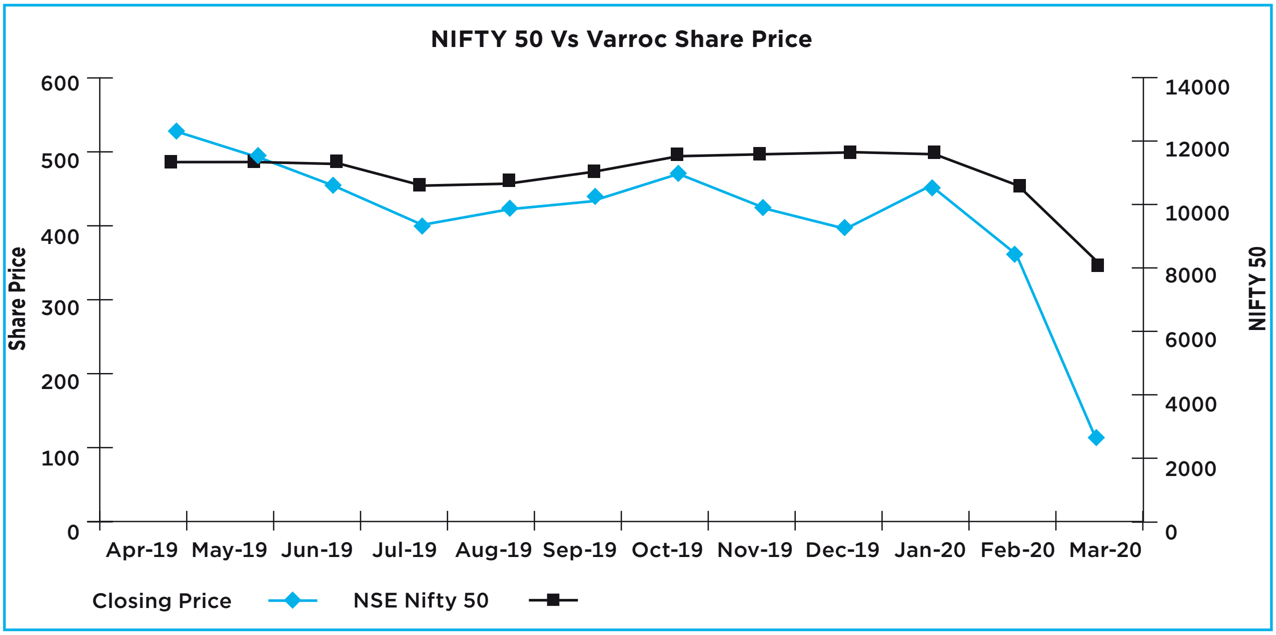
High and Low price of the Company's Equity Shares during each month of the last Financial Year 2019-20 at BSE and NSE are given below:

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April, 2019	654.90	550.05	654.50	549.00
May, 2019	554.90	477.95	556.35	475.20
June, 2019	518.65	427.65	520.00	425.75
July, 2018	488.70	401.90	494.00	402.75
August, 2019	465.80	380.05	466.80	381.30
September, 2019	503.15	418.30	507.05	418.00
October, 2019	525.00	430.05	526.60	426.00
November, 2019	494.55	426.00	495.85	434.15
December, 2019	463.65	408.40	465.00	410.00
January, 2020	525.00	410.15	524.00	411.00
February, 2020	479.65	362.65	482.00	363.25
March, 2020	390.95	129.50	395.00	127.65

Stock Performance vs S&P BSE Sensex and NIFTY 50

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





Liquidity

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

6.8 Registrar to Issue and Share Transfer Agent

The Company vide Agreement dated March 9, 2018 has appointed the following agency to act as its Registrar and Share Transfer Agent ("RTA").

Link Intime India Private Limited
C 101, 247 Park, L B S Marg,
Vikhroli West, Mumbai 400 083
Tel No: +91 22 49186270
Fax: +91 22 49186060
Contact Person: Ms. Jiny Elizabeth
SEBI Registration No.: INR000004058

The RTA is, inter alia, responsible for processing of requests pertaining to share transfers/ transmission/dematerialisation/rematerialisation and other activities related thereto for both electronic and physical shareholdings. Further, RTA also handles corporate actions such as data requirements for conduct of AGMs, dividends etc. The RTA corresponds with the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in this regard.

6.9 Share Transfer System

The entire share capital of the Company is in dematerialised form. The shares can be transferred by shareholders through their Depository Participants.

6.10 Distribution of Shareholding as on March 31, 2020

The below two tables provide details about the pattern of shareholding among various categories and number of shares held, as on March 31, 2020.

No. of Shares held			No. of shareholders	% to total no. of shareholders	No. of shares	% to total no. of shares
1	-	500	47,959	98.37	1,689,551	1.26
501	-	1000	383	0.78	284,737	0.21
1001	-	2000	183	0.37	270,345	0.20
2001	-	3000	59	0.12	149,747	0.11
3001	-	4000	28	0.06	97,133	0.07
4001	-	5000	22	0.04	101,977	0.07
5001	-	10000	33	0.07	230,935	0.17
Above	-	10001	87	0.19	131,987,105	97.91
Total			**48,754**	**100.00**	**134,811,530**	**100.00**

Equity Shares

Category	Category of shareholder	No. of fully paid up equity shares held	%
(A)	**Promoter & Promoter Group**	114,589,800	85.00
(B)	**Public**	20,221,730	15.00
	Institutions:		
	Mutual Funds	10,207,285	7.57
	Alternate Investment Funds	1,845,992	1.37
	Foreign Portfolio Investors	3,584,104	2.66
	Financial Institutions/Banks	35,213	0.03
	Insurance Companies	597,727	0.44
	Non-Institutions:		
	Individuals	2,674,845	1.98
	Others:		
	HUF	147,755	0.11
	NRIs	198,091	0.15
	Clearing Members	72,118	0.05
	Bodies Corporate	858,600	0.64
(C)	**Non-Promoter – Non-Public**		
(C1)	Shares Underlying DRs	0	0.00
(C2)	Shares Held by Employee Trust	0	0.00
	Total	**134,811,530**	**100.00**

6.11.1 Demat/Remat of shares

During the year, the RTA had received NIL request for rematerialisation of equity share.

The Company's shares are compulsorily traded in dematerialised form. The Company has arrangements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for demat facility.

As at March 31, 2020, 100% Shares of the Company are held in demat form.

Particulars	Position as on March 31, 2020	
	No. of shares	% to total shareholding
Physical	0	0
Dematerialised		
NSDL	133,496,376	99.02
CDSL	1,315,154	0.98
Total	**134,811,530**	**100.00**

6.11.2 Convertible Instruments

As on March 31, 2020, there is no convertible instruments outstanding in the Company.

6.11.3 Foreign exchange risk and hedging activities

The Company is exposed to foreign exchange risk with respect to foreign currencies, denominated mainly in Euro and US dollars, on revenue and supplies. However, the risk is naturally hedged as the Company' is engaged both in imports and exports and takes future cover as and when the situation warrants.

6.11.4 Plant Location

The details of manufacturing plants are provided separately in the Annual Report.

6.11.5 Address for correspondence

Investors and shareholders can correspond with the RTA (for share transfer/ dematerialisation/ change of address etc) or at Registered office (for general correspondence) at the following address:

Registrar and Transfer Agent - Link Intime India Private Limited	Company
C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22 49186270 Fax: +91 22 49186060 For requests pertaining to dematerialisation/ rematerialisation: Contact person: Ms. Jiny Elizabeth E-mail: rnt.helpdesk@linkintime.co.in	Registered Office Plot No L-4, MIDC Industrial Area, Waluj, Aurangabad – 431136, Maharashtra Contact person: Mr. Ajay Sharma, Group General Counsel and Company Secretary Telephone: +91 (240) 6653662 Facsimile: +91 (240) 2564540 E-mail: investors@varroc.com

6.12 Transfers during the year to the Investor Education and Protection Fund (IEPF) and Unclaimed Dividend to be transferred to IEPF:

The Company does not have any amount of unclaimed dividend to be transferred to Investor Education and Protection Fund (IEPF). The Company has uploaded details of unpaid and unclaimed dividend amounts lying with the Company as on March 31, 2020, on the Company's website https://varroc.com/investors /shareholders-information under Dividend tab.

6.13 Unclaimed Shares

As on March 31, 2020 there were no shares lying unclaimed with the Company or lying in the suspense account. The disclosure required to be given under Regulation 34(3) read with Clause F of Schedule V of Listing Regulations are therefore not applicable.

7. Other Disclosures

a) Related Party Transactions (RPT)

During the year, as required under Section 177 of the Act and Regulation 23 of Listing Regulations, all RPTs were placed before Audit Committee for approval. A statement tabulating the value and nature of transactions with related parties as required under Accounting Standard 18 (Ind AS 24) is set out separately under Note no. 47 to the financial statements in this Annual Report.

During the year, there were no material transactions entered into with related parties, which may have any potential conflict with the interests of the Company.

The Policy on determining materiality and dealing with Related Party Transactions' and Policy for determining Material Subsidiary is placed on Company's website at https://varroc.com/investors/corporate-governance/.

b) Details of Capital Market Non-Compliance, if any

The Company has listed its equity shares on July 6, 2018. There has been no non-compliance by the Company of any legal requirements; nor has there been any penalty/stricture imposed on the Company by any stock exchange, SEBI or any other statutory authority on any matter related to capital markets.

c) Whistle Blower Policy/Vigil mechanism

Pursuant to Section 177(9) of the Act, the Board has adopted the Whistle Blower Policy. The Whistle Blower Policy includes vigil mechanism as mandated under the Listing Regulations and provides a mechanism for Director and employee to report violations, any unethical behaviour, suspected or actual fraud, violation of the Code of Conduct etc. which could be detrimental to the organisation's interest. The mechanism protects whistle blower from any kind of discrimination, harassment, victimisation or any other unfair employment practice. The Whistleblower Policy was amended in line with the amendments brought in through SEBI (Prohibition of Insider Trading) (Amendments) Regulations, 2018, enabling employees to report insider trading violations as well as reporting of instances of leak of Unpublished Price Sensitive Information. The Company affirms that no employee has been denied access to the Audit Committee.

The said Policy is placed on the Company's website at https://varroc.com/investors/corporate-governance/.

d) Disclosure of material transactions

In terms of Regulation 26(5) of the Listing Regulations, Senior Management has made disclosure to the Board relating to all material financial and commercial transactions, if any, where they had personal interest that might have been in potential conflict with the interest of the Company. Based on disclosures received, none of the officials in senior management team of the Company have personal interest in any financial or commercial transactions that may have potential conflict with the interest of the Company.

e) Disclosures of the Compliance with Corporate Governance under Regulations 17 to 27 of the Listing Regulations except those which are already disclosed elsewhere in this report:

i. Orderly succession to Board and Senior Management:

The Board had satisfied itself that in the event of a requirement for addition/succession at the Board level or in the Senior Management, there is a process in place.

ii. Compliance Certificate:

Managing Director and Group Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required under Regulation 17(8), read with Part B of Schedule II to the Listing Regulations and the same is Part of this Annual Report.

iii. Report on Corporate Governance:

This Section, read together with the information given in the Board's Report, Management Discussion and Analysis Section and General Shareholder Information, constitute the compliance report on Corporate Governance during the year. The Company submits the quarterly compliance report on regular basis to the stock exchanges as required under Regulation 27 of the Listing Regulations.

iv. Certificate from Practicing Company Secretary on compliance of Corporate Governance conditions

The Company has obtained the Certificate from a Practicing Company Secretary regarding compliance with the provisions relating to corporate governance laid down in Part E of Schedule V to the Listing Regulations along with Certificate to the effect that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as Director of Company by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

These Certificate(s) are annexed to the Board's Report and will be sent to the stock exchanges, along with the Annual Report of the Company.

Certificate on Corporate Governance

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

We have examined the compliance of conditions of Corporate Governance by M/S. VARROC ENGINEERING LIMITED (CIN: L28920MH1988PLC047335) (the Company) for the year ended March 31, 2020 as stipulated in the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively referred to as “SEBI Listing Regulations, 2015) as referred in Regulation 15(2) of the listing regulations for the period from April 1, 2019 to March 31, 2020.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with all the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations, 2015.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Uma Lodha
Proprietor
C.P. No. 2593
Membership No.5363
UDIN: F005363B000378659

Place: Mumbai
Date:25/06/2020

Certificate of Non-Disqualification of Directors

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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

We have examined the relevant registers, records, forms, returns and disclosures received from Directors of Varroc Engineering Limited having CIN No. L28920MH1988PLC047335 and having its registered office at Plot No. L-4, MIDC, Waluj, Aurangabad- 431136 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal (www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such Statutory Authority.

Sr. No.	Name of Director	DIN	Date of Appointment in the Company
1	Mr. Naresh Chandra	00027696	31/03/1997
2	Mr. Tarang Jain	00027505	11/05/1988
3	Mr. Gautam Khandelwal	00270717	24/03/2011
4	Mrs. Vijaya Sampath	00641110	20/07/2017
5	Mr. Marc Szulewicz	01911768	20/07/2017
6	Mr. Vinish Kathuria	01951771	06/02/2018
7	Mr. Arjun Jain	07228175	07/08/2018
8	Mr. Ashwani Maheshwari	07341295	29/03/2016

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Uma Lodha
Proprietor
C.P. No. 2593
Membership No.5363
UDIN: F005363B000378648

Place: Mumbai
Date:25/06/2020

Independent Auditor's Report

To the Members of Varroc Engineering Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Varroc Engineering Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone 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 audit opinion on the standalone Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 52 to the standalone Ind AS financial statements, which describes the effect of Corona Virus Disease (COVID-19) on the operations of the Company. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2020. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Independent Auditor's Report

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Transition to Ind AS 116 – Leases (as described in note 2.1 and 5A of the standalone Ind AS financial statements)</td></tr>
<tr><td>The Company has applied Ind AS 116 "Leases" from April 1, 2019 using the modified retrospective method. Accordingly, the cumulative effect of initially applying the standard retrospectively has been adjusted to the retained earnings as at April 1, 2019 and the comparative figures for the previous year have not be restated.

The Company has recognised Right of Use assets (ROU) of ₹ 518.92 million and Lease liabilities of ₹ 165.03 million as at April 1, 2019.

The application of Ind AS 116 involved significant judgements/ estimates with respect to determination of the lease term where lease contracts include extension/termination options, determination of the appropriate discount rates, identification of short-term/low value asset leases, separation of lease components and non-lease components, etc.

Accordingly, the application of Ind AS 116 in respect of the lease contracts where the Company is a lessee was determined to be a key audit matter in our audit of the standalone Ind AS financial statements.</td><td>The audit procedures performed by us included the following:

• Assessed the evaluation done by the management for sample lease contracts where the Company is lessee with respect to determination of the lease term where lease contracts include extension/ termination options, determination of the appropriate discount rates, identification of short-term/low value asset leases and separation of lease components and non-lease components.

• Enquired with senior management personnel, the key terms of sample lease contracts to understand the respective rights and obligations of the lessor and lessee.

• Tested the workings prepared by management for the application of Ind AS 116 under the modified retrospective method for accuracy and completeness of data with the underlying sample lease contracts and also checked the arithmetical calculations.

• Assessed the disclosures in the standalone Ind AS financial statements for compliance with the relevant accounting standards requirements.</td></tr>
<tr><td colspan="2">Derecognition of trade receivables under factoring arrangements (as described in note 12 of the standalone Ind AS financial statements)</td></tr>
<tr><td>The Company enters into non-recourse factoring arrangements for its trade receivables with various banks/ financial institutions.

As at March 31, 2020, the Company derecognised trade receivables amounting to ₹ 983.00 million. The Company derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables).

The assessment of de-recognition of trade receivables under the factoring arrangements is complex and requires judgement.

Accordingly, this has been identified as a key audit matter in our audit of the standalone Ind AS financial statements.</td><td>The audit procedures performed by us included the following:

• Evaluated the assessment made by management in respect of transfer of substantially all risks and rewards of ownership of the financial asset under the factoring contracts;

• Read a sample of factoring contracts to understand the terms and if they qualify as non-recourse agreements and if the accounting is in-line with Ind AS 109, "Financial Instruments";

• Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.</td></tr>
</table>

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matter
Testing of compliance with Debt covenants (*as described in note 20 of the standalone Ind AS financial statements*)	
The total borrowings of the Company as at March 31, 2020 was ₹ 5,047.99 million. Borrowings are the primary source of funding used by the Company to finance new plants/projects and for capacity expansion at existing plants and represent the largest liability on the balance sheet. The Company has availed various long-term borrowings. These borrowings have attached loan covenants with respect to debt-equity, debt service coverage, etc. non-compliance of which could lead to the lender demanding immediate repayment and/or penal interest. We identified this as a key audit matter in our audit of the standalone Ind AS financial statements considering the quantum of borrowings and the significant implications in case of non-compliance with loan covenants.	The audit procedures performed by us included the following: • Verified the Company's assessment and workings for compliance with the relevant loan covenants as applicable to various borrowings in the Company. • Tested the underlying calculations used in the Company's assessment of debt covenants for a sample of loan contracts. • In case of non-compliance with any of the debt covenants, reviewed the covenants waiver letters from lenders. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report (including the Annexures), Corporate Governance Report and Management Discussions and Analysis (but does not include the standalone Ind AS financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Corporate overview and other details to be included in the annual report, which is expected to be made available to us after that date.

Our opinion on the standalone Ind AS 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 identified above and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Corporate overview and other details included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance

Responsibilities of Management for the standalone Ind AS Financial Statements

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

Independent Auditor's Report

Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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

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.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone 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 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public

Independent Auditor's Report

disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-Section (11) of Section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

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

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

    c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

    d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

    e) The matters described in Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;

    f) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

    g With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

    h) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid/provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act;

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

        i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 51 to the standalone Ind AS financial statements;

        ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 16 to the standalone Ind AS financial statements;

        iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 20105754AAAADE7324

Place of Signature: Pune
Date: June 25, 2020

Annexure 1

referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

Re: Varroc Engineering Limited (the "Company")

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

(b) Fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The inventory has been physically verified by management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the director is interested to which provisions of Section 185 of the Companies Act, 2013 apply and hence not commented upon. In our opinion and according to the information and explanations given to us, provisions of Section 186 of the Companies Act 2013 in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable and hence, not commented upon.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013, related to the manufacture of its products and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income tax, duty of customs, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases in respect of payment of income taxes (TDS), provident fund, professional tax and employees' state insurance.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, goods and services tax, customs duty, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income tax, sales-tax, service tax, duty of customs, duty of excise, value added tax and cess which have not been deposited on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount* (₹ in)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	12.70	AY 2008-09	Bombay High Court, Aurangabad bench
Income Tax Act, 1961	Income Tax	11.06	AY 2015-16	CIT (A), Pune
The Central Excise Act, 1944	Excise Duty	118.06	FY 2011-16	Commissioner of Central Excise, Aurangabad
The Finance Act, 1994	Service tax	3.42	FY 2016-17	Deputy Commissioner, Aurangabad
The Central Excise Act, 1944 & The Finance Act, 1994	Excise duty and Service Tax	3.01	FY 2011-16	Various Tax authorities.

* Against the litigation amount as mentioned above, ₹ 0.15 million have been deposited with the respective authorities.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to information and explanations given by the management, monies raised by the Company by way of term loans were applied for the purpose for which they were raised. According to the information and explanations given by the management, the Company has not raised any money way of initial public offer/ further public offer/ debt instruments.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company and hence not commented upon.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 20105754AAAADE7324

Place of Signature: Pune
Date: June 25, 2020

Annexure 2

To The Independent Auditor's Report of even date on the Standalone Ind As Financial Statements of Varroc Engineering Limited

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Varroc Engineering Limited ("the Company") as of March 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

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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the 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 Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to these standalone financial statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 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 S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 20105754AAAADE7324

Place of Signature: Pune
Date: June 25, 2020

Standalone Balance Sheet

as at March 31, 2020

(₹ in million)

	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-Current assets			
Property, plant and equipment	3	8,926.28	8,451.40
Capital work-in-progress	3	635.23	506.15
Investment properties	4	135.16	275.05
Intangible assets	5	464.21	91.34
Intangible assets under development	5	0.05	30.01
Right of use asset	5A	572.81	-
Investments in subsidiaries and joint venture	6	4,854.73	4,647.34
Financial assets			
Investments	7	0.12	0.12
Loans	8	28.15	23.35
Other financial assets	9	130.86	125.32
Income tax assets (net)		49.80	20.52
Other non-current assets	10	259.43	420.06
Total non-current assets		**16,056.83**	**14,590.66**
Current assets			
Inventories	11	2,327.19	2,257.72
Financial assets			
Trade receivables	12	2,157.53	3,060.46
Cash and cash equivalents	13	1,056.57	65.40
Other bank balances	14	1.98	1.95
Loans	15	55.42	60.39
Other financial assets	16	20.25	17.72
Other current assets	17	514.56	330.11
Total current assets		**6,133.50**	**5,793.75**
Total Assets		**22,190.33**	**20,384.41**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	18	134.81	134.81
Other equity	19	11,048.04	11,152.84
Total equity		**11,182.85**	**11,287.65**
LIABILITIES			
Non-Current liabilities			
Financial liabilities			
Borrowings	20	2,779.49	1,560.00
Lease liabilities	5A	135.49	-
Other financial liabilities	21	0.18	-
Provisions	22	111.92	54.72
Deferred tax liabilities (net)	23	351.73	306.31
Other non-current liabilities	24	156.47	159.82
Total non-current liabilities		**3,535.28**	**2,080.85**

Standalone Balance Sheet
as at March 31, 2020

(₹ in million)

	Notes	As at March 31, 2020	As at March 31, 2019
Current liabilities			
Financial liabilities			
Borrowings	25	1,420.83	821.96
Lease liabilities	5A	72.51	-
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	26	671.98	504.25
Total outstanding dues other than micro enterprises and small enterprises	26	3,135.79	3,000.40
Acceptances		144.24	212.10
Other financial liabilities	27	1,453.25	2,024.50
Provisions	28	265.28	200.51
Other current liabilities	29	308.32	252.19
Total current liabilities		**7,472.20**	**7,015.91**
Total liabilities		**11,007.48**	**9,096.76**
Total equity and liabilities		**22,190.33**	**20,384.41**

Summary of significant accounting policies 2

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

For and on behalf of the Board of Directors

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Standalone Statement of Profit and Loss

for the year ended March 31, 2020

(₹ in million)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue			
Revenue from operations	30	23,039.47	25,731.53
Other income	31	682.77	514.84
Total income		**23,722.24**	**26,246.37**
Expenses			
Cost of materials consumed	32	14,600.24	16,993.69
Changes in inventories of work-in-progress and finished goods	33	166.86	(244.52)
Employee benefits expense	34	2,181.80	2,196.13
Depreciation and amortisation expense	35	1,316.90	1,075.19
Finance costs	36	423.76	392.01
Other expenses	37	3,822.15	4,095.13
Total expenses		**22,511.71**	**24,507.63**
Profit before tax		**1,210.53**	**1,738.74**
Income tax expense			
Current tax		149.16	387.60
Short/(excess) provision in respect of earlier years		(24.22)	(5.68)
Net current tax		**124.94**	**381.92**
Deferred Tax		**95.32**	**161.42**
Total tax expense	39	**220.26**	**543.34**
Profit for the year		**990.27**	**1,195.40**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Deferred hedging gains/(losses) on cash flow hedges		22.79	45.82
Income tax relating to these items		(1.07)	(16.01)
Deferred hedging gains/(losses) on cash flow hedges (net of tax)		21.72	29.81
Items that will not be reclassified to profit or loss			
Remeasurement gains/(losses) of defined benefit obligation		(28.33)	(18.16)
Income tax relating to these items		9.90	6.35
Remeasurement gains/(losses) of defined benefit obligation (net of tax)		(18.43)	(11.81)
Other comprehensive income for the year (net of tax)		**3.29**	**18.00**
Total comprehensive income for the year		**993.56**	**1,213.40**
Earnings per equity share [Nominal value per share: ₹ 1 (Previous year: ₹ 1)]	49		
Basic and Diluted		7.35	8.87

Summary of significant accounting policies	2

The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

For and on behalf of the Board of Directors

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Standalone Statement of Cash Flows
for the year ended March 31, 2020

(₹ in million)

Sr. No.	Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
A.	**Cash flow from operating activities**				
	Net profit before tax		1,210.53		1,738.74
	Adjustments for:				
	Depreciation and amortisation expense	1,316.90		1,075.19	
	Loss on sale of property, plant and equipment / intangible assets	17.17		56.26	
	Provision for doubtful debts/advances	(0.30)		0.45	
	Unrealised exchange loss on restatement of borrowings	-		11.48	
	Finance cost	423.76		392.01	
	Rent income from investment property	(33.64)		(50.42)	
	Provision for guarantees for loan taken by subsidiary	11.51		(5.89)	
	Provisions/liabilities no longer required written back	(0.75)		(19.89)	
	Increase in surrender value of key man insurance	(9.00)		(98.23)	
	Dividend income	(348.91)		(6.62)	
	Interest income	(11.38)		(7.16)	
	Government grant	(140.98)	1,224.38	(180.16)	1,167.02
	Operating profits before working capital changes		**2,434.91**		**2,905.76**
	Adjustments for changes in working capital				
	Trade receivables	903.11		830.42	
	Trade payables	236.01		309.24	
	Inventories	(69.47)		(310.82)	
	Other financial assets	21.16		83.38	
	Other current and non-current asset	(158.83)		(71.09)	
	Provisions	82.13		(4.16)	
	Other financial liabilities	74.53		46.11	
	Other current and non-current liabilities	35.61	1,124.25	5.78	888.86
	Cash generated from operations		**3,559.16**		**3,794.62**
	Income tax paid		(190.50)		(376.74)
	Net cash flow generated from operating activities		**3,368.66**		**3,417.88**
B.	**Cash flow from investing activities**				
	Dividend received	348.91		6.62	
	Interest received	11.35		7.10	
	Government grant received	100.21		94.67	
	(Purchase of)/proceeds from sale of current investments (net)	-		0.10	
	Proceeds from sale of property, plant and equipment	13.71		14.68	
	Rent received on investment property	33.64		50.42	
	Purchase of property, plant and equipment	(2,226.92)		(2,341.58)	
	Fixed deposits (placed)/redeemed (net)	(0.03)		(0.12)	
	Payment for non-current investments	(207.39)		(0.25)	
	Net cash used in investing activities		**(1,926.52)**		**(2,168.36)**

Standalone Statement of Cash Flows

for the year ended March 31, 2020

(₹ in million)

Sr. No.	Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
C.	**Cash flow from financing activities**				
	Repayment of long-term borrowings	(557.42)		(966.34)	
	Proceeds from long-term borrowings	1,050.00		1,000.00	
	Proceeds/(repayment) of short-term borrowings	629.21		(880.89)	
	Payment of lease liability	(65.65)		-	
	Dividend paid on equity shares and preference shares (including dividend distribution tax thereon)	(1,065.95)		(7.03)	
	Interest paid	(410.82)		(392.42)	
	Net cash flow used in financing activities		**(420.63)**		**(1,246.68)**
	Increase in cash and cash equivalents		1,021.51		2.84
	Opening cash and cash equivalents		34.23		31.39
	Closing cash and cash equivalents		**1,055.74**		**34.23**
	Cash and cash equivalents consists of				
	Cash in hand (refer note 13)		0.52		0.75
	Current accounts / deposit with maturity of less than 3 months (refer note 13)		1,056.05		64.65
	Bank overdraft (refer note 25)		(0.83)		(31.17)
			1,055.74		**34.23**

Notes:

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

The accompanying notes are an integral part of these financial statements

As per our report of even date

For and on behalf of the Board of Directors

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

per Paul Alvares
Partner
Membership No.: 105754

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Place: Pune
Date: June 25, 2020

Date: June 25, 2020

Statement of changes in equity
for the year ended March 31, 2020

A. Equity and preference share capital

(₹ in million)

Particulars	Notes	Equity Shares		Preference Shares	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Balance at the beginning of the year	17	134.81	123.13	-	11.68
Add/(less): Conversion of series "C" CCPS Preference shares into 11,683,770 equity shares.	17	-	11.68	-	(11.68)
Balance at the end of the year		**134.81**	**134.81**	**-**	**-**

B. Other equity for the year ended March 31, 2020

(₹ in million)

Particulars	Notes	Reserves and Surplus					Other Reserves	Total
		Retained earnings	General reserve	Capital reserve	Securities premium	Debenture redemption reserve	Cash flow hedge reserve	
Balance at April 1, 2018		1,818.60	1,474.38	8.52	6,481.43	200.00	(2.27)	9,980.66
Profit for the year		1,195.40	-	-	-	-	-	1,195.40
Remeasurement of defined benefit obligation (net of tax)		(11.81)	-	-	-	-	-	(11.81)
Gain/(loss) on changes in fair value of hedging instruments (net of tax)	19	-	-	-	-	-	(4.38)	(4.38)
Dividend paid [(₹0.50 per Equity share) (dividend distribution tax ₹1.19 million)]	18	(7.03)	-	-	-	-	-	(7.03)
Balance at March 31, 2019		**2,995.16**	**1,474.38**	**8.52**	**6,481.43**	**200.00**	**(6.65)**	**11,152.84**
Impact of change in accounting policy (refer note 2.1)		(12.66)						(12.66)
Balance as at April 1, 2019		**2,982.50**	**1,474.38**	**8.52**	**6,481.43**	**200.00**	**(6.65)**	**11,140.18**

Statement of changes in equity

for the year ended March 31, 2020

(₹ in million)

Particulars	Notes	Reserves and Surplus					Other Reserves	Total
		Retained earnings	General reserve	Capital reserve	Securities premium	Debenture redemption reserve	Cash flow hedge reserve	
Profit for the year		990.25	-	-	-	-	-	990.25
Remeasurement of defined benefit obligation (net of tax)		(18.43)	-	-	-	-	-	(18.43)
Gain/(loss) on changes in fair value of hedging instruments (net of tax)	19	-	-	-	-	-	1.99	1.99
Transferred from debenture redemption reserve on account of redemption of debentures		200.00	-	-	-	(200.00)	-	-
Dividend for financial year 2018-19 paid [(₹4 per equity share) (dividend distribution tax ₹104.39 million)]	18	(643.64)	-	-	-	-	-	(643.64)
Interim Dividend for financial year 2019-20 paid [(₹3 per equity share) (dividend distribution tax ₹17.88 million)]	18	(422.31)	-	-	-	-	-	(422.31)
Balance at March 31, 2020		**3,088.37**	**1,474.38**	**8.52**	**6,481.43**	**-**	**(4.66)**	**11,048.04**

The accompanying notes are an integral part of these financial statements

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

For and on behalf of the Board of Directors

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Notes to the Financial Statements

for the year ended March 31, 2020

1. Corporate information

Varroc Engineering Limited (the "Company") is engaged in the business of manufacturing of automobile components. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at L-4 M.I.D.C Area, Waluj, Aurangabad – 431 136.

The Company has 13 manufacturing plants, 3 research and development centres, 3 wind power and 1 solar power projects in India and caters to customers both in the domestic and international markets. The Company and its subsidiaries operate from manufacturing plants and technical development centres across 4 continents and 14 countries spread across the globe.

The above financial statements were authorised for issue in accordance with a resolution of the Board of directors on June 25, 2020.

2. Summary of significant accounting policies

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

Basis of preparation

(i) Compliance with Ind AS:

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

All amounts included in these financial statements are reported in million of Indian rupees (₹ in million) except earnings per share data and unless stated otherwise.

All amounts in the financial statements have been rounded off to the nearest million or decimal thereof.

(ii) Use of estimates and assumptions:

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

(iii) Historical cost convention:

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

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

(iv) Current/non-current classification:

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

A. Property, plant and equipment

Tangible assets

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Notes to the Financial Statements

for the year ended March 31, 2020

Depreciation methods, estimated useful lives and residual value

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

• Factory buildings	30 years
• Office buildings	60 years
• Plant and machinery	
• Plant and machinery, factory equipment & electrical installation and fittings	8-12 years
• Moulds	2-7 years
• Computers	3-6 years
• Vehicles	2-5 years
• Furniture and fixtures	5-10 years
• Tools and office equipment	2-5 years

The useful lives have been determined based on technical evaluation done by the management's expert which are different than those specified by Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset.

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

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

Capital work-in-progress is stated at cost, net of accumulated impairment loss, if any.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised. Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 30-50 years. The useful life has been determined based on technical evaluation performed by the management's expert.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life of the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(i) Computer software

Software is amortised over a period of 3 years.

Notes to the Financial Statements
for the year ended March 31, 2020

(ii) Technical know how

Expenditure on acquiring technical know-how (including income tax and R & D Cess) is capitalised and amortised over a period of six years.

(iii) Non-compete fee

Non-compete fee paid is capitalised and amortised over a period of 5 years.

(iv) Intellectual Property Right

Intellectual property right pertains to amount paid to acquire right to use technology for engine components which has been capitalised and amortised over a period of 10 years.

(v) Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. During the period of development, the asset is tested for impairment annually.

B. Investments in subsidiaries/joint venture

The Company accounts for its investments in subsidiaries/joint venture at cost less accumulated impairment losses (if any) in its separate financial statements. Investments accounted for at cost are accounted for in accordance with Ind AS 105, Non-Current Assets Held for Sale and Discontinued Operations, when they are classified as held for sale .

C. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right of use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building : 3 to 15 years
- Plant and machinery : 3 to 15 years
- Motor vehicles and other equipment : 3 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

D. Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future

Notes to the Financial Statements
for the year ended March 31, 2020

cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually as at the year end at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

E. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

F. Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

a) Raw materials, Stores and spare-parts, Loose tools and Packing materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

b) Finished goods and work-in-progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis.

c) Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

G. Government grants

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

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income. Government grants relating to purchase of property, plant and equipment are included in current and non-current liabilities as deferred income and are credited to profit or loss on straight-line basis over the expected lives of the related assets and presented within other income.

H. Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Amounts disclosed as revenue are net of goods and service tax (GST).

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 120 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount (like volume rebates/incentives, cash discounts etc.), the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The estimate of variable consideration for expected future volume rebates/incentives, cash discounts etc. are made on the most likely amount method. Revenue is disclosed net of such amounts.

Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Warranty obligations

The Company typically provides warranties for general repairs of defects as per terms of the contract with customers, These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section (L) Provisions.

Sale of services

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

Contract balances

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policy, refer note S – Financial instruments – Financial assets at amortised cost.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs under the contract.

Refund liabilities

A refund liability is the obligation to refund some or all the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Notes to the Financial Statements
for the year ended March 31, 2020

Wind/solar power generation

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

Export Incentives

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

I. Foreign currency translation

The Company's financial statements are presented in INR, which is also the functional currency.

Transactions and balances

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

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

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of the following: Exchange differences arising on monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

J) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liabilities for earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The Company operates the following post-employment schemes:

(a) defined benefit plans such as gratuity and

(b) defined contribution plans such as provident fund

Gratuity obligations

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

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

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Defined contribution plans

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

(iv) Bonus plans

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

(v) Termination benefits

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

K. Income tax

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements
for the year ended March 31, 2020

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

L. Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

M. Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of equity shares outstanding during the reporting period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

(ii) Diluted earnings per share

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

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

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

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

N. Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management. Bank overdraft are shown within borrowings in current liabilities in the Balance sheet.

O. Dividends

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

P. Segment reporting

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

Q. Financial Instruments

Financial Assets

Initial Recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss,

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

Subsequent measurement

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

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVTOCI).
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).
- Equity instruments measured at fair value through other comprehensive income (FVTOCI).

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included in finance costs/income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the statement of profit or loss. This category generally applies to trade and other receivables.

Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

(a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

(b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the P&L. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income under EIR method.

Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI is classified as FVTPL. In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL.

However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instruments as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such an election on an instrument-by-instrument basis.

This classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to P&L, even on the sale of the investment. However, the Company may transfer the cumulative gain or loss within equity.

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

Derecognition

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

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

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

Impairment of financial assets

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

(a) Financial assets that are debt instruments, and are measured at amortised cost e.g. loans, debt securities, deposits, trade receivables and bank balance

(b) Financial assets that are debt instruments and are measured at FVTOCI

(c) Lease receivables

(d) Trade receivables or any contractual right to receive cash or another financial asset

(e) Loan commitments which are not measured as at FVTPL

(f) Financial guarantee contracts which are not measured as at FVTPL

The Company follows ‘simplified approach’ for recognition of impairment loss allowance on:

- Trade receivables
- All lease receivables

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

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

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Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

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

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of the collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet i.e. as a liability.

Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per the impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Embedded Derivatives

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract.

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

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

Embedded foreign currency derivatives

Embedded foreign currency derivatives are not separated from the host contract if they are closely related. Such embedded derivatives are

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closely related to the host contract, if the host contract is not leveraged, does not contain any option feature and requires payments in one of the following currencies:

- the functional currency of any substantial party to that contract,
- the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world,
- a currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place (i.e. relatively liquid and stable currency) Foreign currency embedded derivatives which do not meet the above criteria are separated and the derivative is accounted for at fair value through profit and loss. The Company currently does not have any such derivatives which are not closely related.

Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

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

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

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

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

Disclosures for valuation methods, significant estimates and assumptions **(Note 2A)**

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

1. Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
2. Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
3. Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

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

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

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If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Reclassification of financial assets and liabilities

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

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

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

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

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

Original Classification	Revised Classification	Accounting Treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in P&L.
FVTPL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to P&L at the reclassification date.

R. Contingent liabilities

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

2.1 Changes in accounting policies and disclosures

New and amended standards

Ind AS 116 - Leases

Ind AS 116 supersedes Ind AS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

(a) Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 did not have an impact for leases where the Company is the lessor.

(b) The Company adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at April 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying Ind AS 17 at the date of initial application.

(c) The effect of adoption Ind AS 116 as at April 1, 2019 (increase/(decrease)) is, as follows:

(₹ million)

	Increase / (decrease)
Assets	
Right of use of asset	518.94
Property, plant and equipments	(370.20)
Prepayments/Deposits	(3.15)
Total assets	**145.59**
Liabilities	
Lease liability	(165.03)
Deferred tax liabilities	6.77
Total liabilities	**(158.25)**
Total adjustment to equity	
Retained earnings	(12.66)
Total equity	**(12.66)**

The Company has lease contracts for various land and building premises. Before the adoption of Ind AS 116, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of Ind AS 116, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2(C) Leases for the accounting policy beginning April 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

- **Leases previously classified as finance lease**

  The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under Ind AS 17). The requirements of Ind AS 116 were applied to these leases from April 1, 2019.

- **Leases previously classified as operating lease**

  The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application.

  The Company also applied the available practical expedients wherein it:

  - Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - Relied on its assessment of whether leases are onerous immediately before the date of initial application.
  - Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.

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- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at April 1, 2019:

- Right-of-use assets of ₹ 145.59 million were recognised and presented separately in the balance sheet. This includes the lease assets recognised previously under finance leases of ₹165.03 million that were reclassified from Property, plant and equipment.
- Additional lease liabilities of ₹105.90 million were recognised.
- Prepayments/Deposits of ₹3.15 million related to previous operating leases were derecognised.
- Deferred tax liabilities decreased by ₹6.77 million because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to retained earnings ₹12.66 million.

(d) The lease liabilities as at April 1, 2019 can be reconciled to the operating lease commitments as of March 31, 2019, as follows:

Particulars	₹ in million
Operating lease commitments as at March 31, 2019	241.96
Weighted average incremental borrowing rate as at April 1, 2019	10%
Discounted operating lease commitments as at April 1, 2019	165.03
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value assets	-
Add:	
Commitments relating to leases previously classified as finance leases	
Lease payments relating to renewal periods not included in operating lease commitments as at March 31, 2019	-
Lease liabilities as at April 1, 2019	**165.03**

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Appendix had an impact on its standalone financial statements.

Upon adoption of the Appendix C to Ind AS 12, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have an impact on the standalone financial statements of the Company.

Several other amendments apply for the first time for the year ended March 31, 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, amendments that have been issued but are not yet effective/notified.

Notes to the Financial Statements

for the year ended March 31, 2020

Note 2A: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, following are significant judgements made by the management:

1. **Derecognition of trade receivables under factoring arrangements**

   The Company enters into non-recourse factoring arrangements for its trade receivables with various banks/financial institutions. The Company derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables). The assessment of de-recognition of trade receivables under the factorin+A31g arrangements is complex and requires judgement. As at March 31, 2020, the Company has derecognised trade receivables amounting to ₹ 983.65 million (Previous year: ₹ Nil million).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

1. ***Defined benefit plans***

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

   Further details about gratuity obligation are given in Note 42.

2. ***Deferred taxes***

   At each reporting date, the Company assesses whether the realisation of future tax benefits is sufficiently probable to recognise/carry forward deferred tax assets (including MAT credits). This assessment requires the use of significant estimates/ assumptions with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income change or if changes in current tax regulations are enacted.

3. ***Transition to Ind AS 116 "Leases"***

   The Company has applied Ind AS 116 "Leases" from April 1, 2019 using the modified retrospective method. The application of Ind AS 116 involved significant assumptions/ estimates with respect to determination of the lease term where lease contracts include extension/termination options, determination of the appropriate discount rates, identification of short-term/low value asset leases, separation of lease components and non-lease components, etc.

4. ***Impact of COVID-19***

   Refer Note 52

Notes to the Financial Statements
for the year ended March 31, 2020

Note 3 Property, plant and equipment
Tangible Assets

(₹ in million)

Asset Class	Gross carrying amount						Accumulated depreciation						Net Carrying amount	
	As at April 1, 2019	Additions*	Reclassify from Investment Property	Reclassify to Right to use of assets	Disposals	As at March 31, 2020	As at April 1, 2019	Depreciation charge	Reclassify from Investment Property	Reclassify to Right to use of assets	Disposals	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Freehold land	68.11	0.69	-	-	-	68.80	-	-			-	-	68.80	68.11
Leasehold land	389.17	-	20.22	409.39	-	-	19.03	-	1.35	20.38	-	-	-	370.14
Factory buildings *	1,711.05	369.94	137.82	-	19.22	2,199.59	275.91	90.18	28.17	-	4.02	390.24	1,809.35	1,435.14
Office buildings	758.20	34.22	-	-	-	792.42	42.65	13.69	-	-	-	56.34	736.08	715.55
Plant and machinery *	7,111.05	1,057.46	-	-	17.52	8,150.99	2,351.57	778.92	-	-	10.49	3,120.00	5,030.99	4,759.48
Factory equipments	705.95	231.09	-	-	6.51	930.53	261.56	87.57	-	-	4.18	344.95	585.58	444.39
Electrical installations	245.64	40.78	-	-	0.22	286.20	101.33	25.12	-	-	0.22	126.23	159.97	144.31
Computers	114.98	27.96	-	-	0.29	142.65	70.86	21.33	-	-	0.29	91.90	50.75	44.12
Mould and dies	428.24	43.03	-	-	10.50	460.77	220.42	76.88	-	-	4.23	293.07	167.70	207.82
Electrical fittings	43.16	36.65	-	-	-	79.81	21.70	5.40	-	-	-	27.10	52.71	21.46
Vehicles	42.57	11.57	-	-	-	54.14	18.26	8.77	-	-	-	27.03	27.11	24.31
Furniture and fixtures	178.98	10.32	-	-	0.07	189.23	64.68	22.30	-	-	0.03	86.95	102.28	114.30
Office equipments	79.86	33.20	-	-	0.21	112.85	45.33	13.42	-	-	0.21	58.54	54.31	34.53
Tools and instruments	178.13	52.14	-	-	0.71	229.56	110.39	39.22	-	-	0.70	148.91	80.65	67.74
Total	**12,055.09**	**1,949.05**	**158.04**	**409.39**	**55.25**	**13,697.54**	**3,603.69**	**1,182.80**	**29.52**	**20.38**	**24.37**	**4,771.26**	**8,926.28**	**8,451.40**

* Additions include finance cost capitalised amounting to ₹13.67 million (March 31, 2019 : 13.40 million). Effective rate of interest for borrowing cost capitalisation was 8%.

Capital work-in-progress as at March 31, 2020	(₹ in million)
Opening capital work-in-progress	506.15
Addition during the year	2,078.13
Capitalised during the year	(1,949.05)
Closing capital work-in -progress	**635.23**

Closing CWIP primarily includes assets relating to plants under construction situated at Chennai.

Notes to the Financial Statements
for the year ended March 31, 2020

(₹ in million)

Asset Class	Gross carrying amount						Accumulated depreciation						Net Carrying amount	
	As at April 1, 2018	Additions	Reclassify from Investment property	Reclassify to Right to use of assets	Disposals	As at March 31, 2019	As at April 1, 2018	Depreciation charge	Reclassify from Investment property	Reclassify to Right to use of assets	Disposals	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Freehold land	68.11	-	-	-	-	68.11	-	-	-	-	-	-	68.11	68.11
Leasehold land	389.17	-	-	-	-	389.17	14.17	4.86	-	-	-	19.03	370.14	375.00
Factory buildings	1,360.46	350.59	-	-	-	1,711.05	210.23	65.68	-	-	-	275.91	1,435.14	1,150.23
Office buildings	755.76	2.44	-	-	-	758.20	29.41	13.24	-	-	-	42.65	715.55	726.35
Plant and machinery	6,039.74	1,177.26	-	-	105.95	7,111.05	1,706.65	680.72	-	-	35.80	2,351.57	4,759.48	4,333.09
Factory equipments	543.92	163.83	-	-	1.80	705.95	190.65	72.24	-	-	1.33	261.56	444.39	353.27
Electrical installations	205.83	40.57	-	-	0.76	245.64	81.37	20.72	-	-	0.76	101.33	144.31	124.46
Computers	88.84	26.31	-	-	0.17	114.98	56.74	14.29	-	-	0.17	70.86	44.12	32.10
Mould and dies	342.26	85.98	-	-	-	428.24	146.77	73.65	-	-	-	220.42	207.82	195.49
Electrical fittings	41.00	2.16	-	-	-	43.16	17.13	4.57	-	-	-	21.70	21.46	23.87
Vehicles	41.68	2.87	-	-	1.98	42.57	12.97	7.27	-	-	1.98	18.26	24.31	28.71
Furniture and fixtures	161.10	17.96	-	-	0.08	178.98	43.99	20.71	-	-	0.02	64.68	114.30	117.11
Office equipments	63.66	16.71	-	-	0.51	79.86	33.58	12.18	-	-	0.43	45.33	34.53	30.08
Tools and instruments	150.86	28.22	-	-	0.95	178.13	76.53	34.63	-	-	0.77	110.39	67.74	74.33
Total	**10,252.39**	**1,914.90**	**-**	**-**	**112.20**	**12,055.09**	**2,620.19**	**1,024.76**	**-**	**-**	**41.26**	**3,603.69**	**8,451.40**	**7,632.20**

Capital work-in-progress as at March 31, 2019	
Opening capital work-in-progress	217.13
Addition during the year	2,203.92
Capitalised during the year	(1,914.90)
Closing capital work-in -progress	**506.15**

Closing CWIP primarily includes assets relating to plants under construction situated at Chakan.

(i) Contractual obligations

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

(ii) Office building includes premises on ownership basis in a Co-operative Society ₹ 6.3 million, including cost of shares therein of ₹ 125/- per share.

(iii) Refer note 20 for disclosures relating to charges/securities created against PP&E .

Notes to the Financial Statements
for the year ended March 31, 2020

Note 4 Investment Properties

(₹ in million)

Asset class	Gross carrying amount				Accumulated depreciation				Net carrying amount	
	As at April 1, 2019	Additions	Transferred to property, plant and equipment *	As at March 31, 2020	As at April 1, 2019	Depreciation charge	Transferred to property, plant and equipment *	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Leasehold land	33.30	-	20.22	13.08	1.60	0.40	1.35	0.65	12.43	31.70
Factory buildings	287.06	-	137.82	149.24	43.71	10.97	28.17	26.51	122.73	243.35
Total	**320.36**	**-**	**158.04**	**162.32**	**45.31**	**11.37**	**29.52**	**27.16**	**135.16**	**275.05**

* During the year, the lease period of the investment property has expired and the Company has decided to use the said property for carrying its own business. Accordingly, the net carrying value of such investment property comprising of ₹ 18.87 million of leasehold land and ₹109.65 million of Factory Building has been transferred to property, plant and equipment and is depreciated over its remaining useful life.

(₹ in million)

Asset class	Gross carrying amount				Accumulated depreciation				Net carrying amount	
	As at April 1, 2018	Additions	Disposals	As at March 31, 2019	As at April 1, 2018	Depreciation charge	Disposals	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Leasehold land	33.30	-	-	33.30	1.20	0.40	-	1.60	31.70	32.10
Factory buildings	287.06	-	-	287.06	32.74	10.97	-	43.71	243.35	254.32
Total	**320.36**	**-**	**-**	**320.36**	**33.94**	**11.37**	**-**	**45.31**	**275.05**	**286.42**

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

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Rental income	33.64	50.42
Depreciation	11.37	11.37
Profit from investment properties	**22.27**	**39.05**

(ii) Leasing arrangements

Certain investment properties located at M139-140 MIDC Waluj Aurangabad are leased to tenants under long-term cancellable operating leases with rentals payable monthly. There is escalation of 10% in lease rentals during the lease terms.

(iii) Fair value

Fair value of the investment property as on March 31, 2020 ₹ 143.57 million. (March 31, 2019 ₹ 366.16 million).

Estimation of fair value

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

Notes to the Financial Statements
for the year ended March 31, 2020

Note 5: Intangible assets

(₹ in million)

Asset Class	Gross carrying amount			Accumulated Amortisation			Net Carrying amount	
	As at April 1, 2019	Additions	As at March 31, 2020	As at April 1, 2019	Amortisation charge	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Software	180.13	78.53	258.66	107.22	50.82	158.04	100.62	72.91
Technical Knowhow	28.06	-	28.06	9.63	4.67	14.30	13.76	18.43
Non Compete Fees	-	74.00	74.00	-	8.13	8.13	65.87	-
Intellectual Property Right	-	287.24	287.24	-	3.28	3.28	283.96	-
Total	**208.19**	**439.77**	**647.96**	**116.85**	**66.90**	**183.75**	**464.21**	**91.34**

Intangible assets under development as at March 31, 2020	(₹ in million)
Opening balance	30.01
Addition during the year	409.81
Capitalised during the year	(439.77)
Closing balance	**0.05**

Intangible assets under development includes software licences payment

(₹ in million)

Asset Class	Gross carrying amount			Accumulated Amortisation			Net Carrying amount	
	As at April 1, 2018	Additions	As at March 31, 2019	As at April 1, 2018	Amortisation charge	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Software	140.78	39.35	180.13	72.83	34.39	107.22	72.91	67.95
Technical Knowhow	28.06	-	28.06	4.96	4.67	9.63	18.43	23.10
Total	**168.84**	**39.35**	**208.19**	**77.79**	**39.06**	**116.85**	**91.34**	**91.05**

Intangible assets under development as at March 31, 2019	(₹ in million)
Opening balance	5.97
Addition during the year	63.39
Capitalised during the year	(39.35)
Closing balance	**30.01**

Intangible assets under development includes Payment of Intellectual Property Right.

Notes to the Financial Statements
for the year ended March 31, 2020

Note 5: A Right of use assets

The Company has lease contract for land and building used for its operations with lease terms of 2-5 years.

The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets. The lease contract includes extension and termination options and variable lease payments, which are further discussed below.

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (mainly Laptops) (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

(i) Amounts recognised in balance sheet

(a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

(₹ in million)

Particulars	Land and building
Balance as at April 1, 2019	-
Add: Effect of change in accounting policy (refer note 2.1)	518.92
Add: Additions during the period	105.90
Add: Transfer from Property plant and equipment	18.87
Add: Stamp duty, Prepaid rent	10.35
Less: Depreciation for the year (refer note 35)	(55.83)
Less: Depreciation capitalised during the period	(25.40)
Balance as at March 31, 2020	**572.81**

(b) Set out below are the carrying amounts of lease liabilities and the movements during the period

(₹ in million)

Particulars	Land and building
Balance as at April 1, 2019	-
Add: Effect of change in accounting policy (refer note 2.1)	165.03
Add: Addition during the period	105.90
Add: Accretion of interest (refer note 36)	15.35
Add: Accretion of interest capitalised	7.88
Less: Payments during the period	(65.08)
Less: Payments capitalised during the period	(21.08)
Balance as at March 31, 2020	**208.00**
Current	**72.51**
Non-Current	**135.49**
Total Lease liability as on March 31, 2020	**208.00**

Notes to the Financial Statements
for the year ended March 31, 2020

Following is maturity profile of lease liability:

(₹ in million)

Particulars	Effective Interest Rate	Current	Non-Current 2021-22	2022-23	2023-24	2024-25	More than 5 years	Total non-current
Leasehold premises	10%	72.51	76.27	31.37	26.38	1.47	-	135.49

(ii) Amounts recognised in statement of profit and loss account

The statement of profit or loss shows the following amounts relating to leases

(₹ in million)

Particulars	For the year ended March 31, 2020
Depreciation expense of right-of-use assets	55.83
Interest expense on lease liabilities	15.35
Amounts included in Rent expense	
Expense relating to leases of low-value assets	19.34
Total amount recognised in statement of profit and loss	**90.52**

The Company had total cash outflows for leases of ₹105.50 million for the year ended March 31, 2020. The Company does not have non-cash additions to right-of-use assets and lease liabilities for the year ended March 31, 2020.

Note 6: (a) Investments in subsidiaries and joint venture

(₹ in million)

	Face value per share	Number of Shares As at March 31,2020	Number of Shares As at March 31,2019	As at March 31, 2020	As at March 31,2019
Investment in subsidiaries- equity instruments at cost fully paid up (unquoted)					
Durovalves India Private Limited	₹10.00	3,144,730	3,144,730	324.78	324.78
Varroc Lighting Systems (India) Private Limited	₹10.00	439,997	439,997	445.09	445.09
Varroc Polymers Private Limited	₹10.00	529,100	529,100	500.00	500.00
Varroc European Holding B.V.	€ 100.00	207,670	207,670	1,300.42	1,300.42
Aries Mentor Holding B.V. (refer note below)	€ 100.00	-	102,475	-	738.34
Varroc Corp Holding B.V. (refer note below)	€ 100.00	370,712	370,712	3,609.41	2,871.08
Varroc Japan Co. Ltd	¥10.00	10,000	10,000	0.10	0.10
Cariq Technologies Private Limited	₹1.00	242,108	-	192.40	-
Total (A)				**6,372.20**	**6,179.81**
Less : Provision for impairment in equity investment instruments in subsidiaries (B)				(1,532.72)	(1,532.72)
Total non-current investment (A+B)				**4,839.48**	**4,647.09**

Note:

Merger of Aeries Mentor Holdings B.V. ('AMHBV') with VarrocCorp Holdings B.V. ('VCHBV')

During the current year, the board of directors of AMHBV and VCHBV have approved the merger of AMHBV into VCHBV and accordingly; the management has completed the merger on March 03, 2020 under the laws of Netherlands. Under the scheme of merger, entire share capital of AMHBV stands cancelled and accordingly, the Company has transferred the cost of investment in equity shares of AMHBV into cost of investment in equity shares of VCHBV.

Notes to the Financial Statements
for the year ended March 31, 2020

Note 6: (b) Investment in joint venture – equity instruments at cost

(₹ in million)

	Face value per share	Number of Shares As at March 31,2020	Number of Shares As at March 31,2019	As at March 31, 2020	As at March 31,2019
Varroc Dell'orto Private Limited	₹10.00	1,525,000	25,000	15.25	0.25
Total (C)				15.25	0.25
Total (A+B+C)				**4,854.73**	**4,647.34**

Note 7: Non-Current investments

(₹ in million)

	Face value per share	Number of Shares As at March 31,2020	Number of Shares As at March 31,2019	As at March 31, 2020	As at March 31,2019
Investment in equity instruments at FVTPL (unquoted)	₹10.00	6,000	6,000		
The Saraswat Co-operative Bank Limited				0.06	0.06
Investment in government securities at amortised cost (unquoted)					
National saving certificates				0.06	0.06
Total				**0.12**	**0.12**

Note 8: Non-Current – Loans

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Security deposits (considered good)	28.15	23.35
Total Non-Current - Loans	**28.15**	**23.35**

Note 9: Non-Current – Other financial assets

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Surrender value of keyman insurance receivable	107.23	98.23
Other assets	23.63	27.09
Total non-current other financial assets	**130.86**	**125.32**

Note 10: Other non-current assets

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Capital advances	49.21	205.93
Provision for capital advances	(2.49)	(2.41)
	46.72	**203.52**
Amount paid under protest (refer note 50)	0.38	1.46
Prepaid expenses	4.50	17.54
Vat recoverable	2.87	3.60
Government grant receivable	204.96	193.94
Total other non-current assets	**259.43**	**420.06**

Notes to the Financial Statements
for the year ended March 31, 2020

Note 11: Inventories

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Raw materials [Includes material in transit of ₹ 17.32 million (March 31, 2019 ₹ 16.37 million)	976.15	793.90
Work-in-progress	830.14	935.80
Finished goods [Includes finished goods in transit of ₹ 230.88 million (March 31, 2019 ₹ 281.42 million)	258.69	319.89
Stores and spare-parts [Includes stores-spares in transit of ₹ 1.61 million (March 31, 2019 ₹ 0.11 million)	88.34	88.09
Loose tools [Includes loose tools in transit of ₹ 0.01 million (March 31, 2019 ₹ Nil)	157.93	103.51
Packing material	15.94	16.53
Total	**2,327.19**	**2,257.72**

Note 12: Trade receivables

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Trade receivables	2,002.75	2,839.30
Receivable from related parties (refer note 47)	158.71	225.58
Total	**2,161.46**	**3,064.88**
Break-up of security details		
Unsecured, considered good*	2,157.53	3,060.46
Trade receivables - credit impaired	3.94	4.42
Total	**2,161.47**	**3,064.88**
Impairment allowance (Trade receivables - credit impaired)	(3.94)	(4.42)
Total	**2,157.53**	**3,060.46**
Non-Current portion	-	-
Current portion	**2,157.53**	**3,060.46**

* There are no trade receivables which have significant increase in credit risk as at March 31, 2020 and March 31, 2019.

Credit period

Trade receivables are non-interest bearing and are generally on payment terms of 45 to 120 days.

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Note 13: Cash and cash equivalents

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Cash in hand	0.52	0.75
Bank balances		
In current accounts	1,056.05	64.65
Total cash and cash equivalents	**1,056.57**	**65.40**

There are no restrictions with regard to cash and cash equivalents.

Notes to the Financial Statements

for the year ended March 31, 2020

Note 14: Other bank balances

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Deposits with original maturity more than 3 months but less than 12 months	1.98	1.95
Total other bank balances	**1.98**	**1.95**

Note 15: Current - Loans

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Unsecured, considered doubtful (refer note 47)		
Interest receivable from related parties	79.98	75.17
Less: Provision for doubtful interest receivable	(79.98)	(75.17)
	-	-
Unsecured, considered good		
Loan to subsidiary (refer note 47)	20.00	-
Interest on loan to subsidiary (refer note 47)	0.82	-
Security deposits	33.74	59.19
Loans to employees	0.86	1.20
Total current loans	**55.42**	**60.39**

Loan to subsidiary is non-derivative financial asset and carries interest at 10% p.a. The loan is repayable on demand and has been utilised by the subsidiary for meeting its working capital requirements.

Note 16: Other financial assets

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Derivative instruments at fair value through OCI (Cash flow hedge)		
Foreign exchange forward contracts and cross currency interest swaps	20.03	17.56
Non-derivative financial asset at amortised cost		
Earmarked balances with banks		
Balance with bank for unpaid dividend	0.04	-
Accrued interest	0.17	0.14
Others	0.01	0.02
Total other current financial assets	**20.25**	**17.72**

Note 17: Other current assets

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Advance to suppliers	67.40	25.34
Prepaid expenses	107.66	58.81
Balance with government authorities	102.94	0.90
Government grant receivable	157.82	147.05
Export and other incentives	59.73	88.43
Others	19.01	9.58
Total other current assets	**514.56**	**330.11**

Notes to the Financial Statements
for the year ended March 31, 2020

Note 18: Share capital

(₹ in million)

	Numbers of Shares March 31, 2020	Numbers of Shares March 31, 2019	As at March 31, 2020	As at March 31,2019
Authorised:				
Equity shares of ₹1 each (previous year ₹1 each)	250,000,000	250,000,000	250.00	250.00
Preference shares of ₹1 each (previous year ₹1 each)	250,000,000	250,000,000	250.00	250.00
			500.00	**500.00**
Issued, subscribed and paid-up:				
Equity shares of ₹ 1 each (previous year ₹ 1 each) fully paid up	134,811,530	134,811,530	134.81	134.81
			134.81	**134.81**

(a) Movement in share capital

	Nos. As at March 31, 2020	₹ in million As at March 31, 2020	Nos. As at March 31, 2019	₹ in million As at March 31, 2019
Equity shares				
Outstanding at the beginning of the year	134,811,530	134.81	123,127,760	123.13
0.001% series C CCPS 11,683,770 shares converted into equity shares	-	-	11,683,770	11.68
Outstanding at the end of the year	**134,811,530**	**134.81**	**134,811,530**	**134.81**
Preference shares				
Outstanding at the beginning of the year	-	-	11,683,770	11.68
Add/(Less) :- 0.0001% Series B CCPS 8.52359 shares converted in to equity shares during the year	-	-	(11,683,770)	(11.68)
Outstanding at the end of the year	**-**	**-**	**-**	**-**

(b) Rights, preferences and restrictions attached to equity shares

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

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

Name of the Shareholder	As at March 31, 2020		As at March 31, 2019	
	Numbers of shares Face value ₹ 1	% of shareholding	Numbers of shares Face value ₹ 1	% of shareholding
Equity shares				
Mr. Tarang Jain	60,729,800	45.05%	60,729,800	45.05%
TJ Holdings Trust	33,850,000	25.11%	33,850,000	25.11%
Naresh Chandra Holdings Trust	10,000,000	7.42%	10,000,000	7.42%
Suman Jain Holdings Trust	10,000,000	7.42%	10,000,000	7.42%

Notes to the Financial Statements
for the year ended March 31, 2020

(d) Aggregate number of bonus shares issued during the five years immediately preceding March 31, 2020

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

The Company during the preceding 5 years:

i. Has not allotted shares pursuant to contracts without payment received in cash.

ii. Has not issued shares by way of bonus shares except as above.

iii. Has not bought back any shares.

Note 19: Other Equity

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Reserves and surplus		
Retained earnings		
Balance at the beginning of the year	2,995.16	1,818.60
Add: Profit for the year	990.25	1,195.40
Add: items of other comprehensive income recognised directly in retained earning		
Remeasurement of post-employment benefit obligation (net of tax)	(18.43)	(11.81)
Less: Interim dividend for financial year 2019-20 of ₹3 per equity share of face value of ₹ 1 each (previous year: ₹ 0.50* per equity share of ₹1 each) [(including dividend distribution tax ₹17.88 million) (previous year ₹1.19 million)] [refer note 18 (c)]	(422.31)	(7.03)
Less: Effect of change in accounting policy (refer note 2.1)	(12.66)	
Less: Dividend for financial year 2018-19 of ₹4 per equity share of face value of ₹1 each (previous year nil) [including dividend distribution tax of ₹104.39]	(643.64)	-
Add: Transfer from debenture redemption reserve on re-payment of Non-convertible debenture	200.00	-
Balance at the end of the year	**3,088.37**	**2,995.16**
* paid in respect of CCPS converted into equity shares in the previous year		
General reserve		
Balance at the beginning of the year	1,474.38	1,474.38
Balance at the end of the year	**1,474.38**	**1,474.38**
Capital reserve		
Balance at the beginning of the year	8.52	8.52
Balance at the end of the year	**8.52**	**8.52**
Debenture redemption reserve		
Balance at the beginning of the year	200.00	200.00
Less: Transfer to retained earnings on re-payment debentures	200.00	-
Balance at the end of the year	**-**	**200.00**
Securities premium		
Balance at the beginning of the year	6,481.43	6,481.43
Balance at the end of the year	**6,481.43**	**6,481.43**
Total reserves and surplus	**11,052.70**	**11,159.49**
Other reserves		

Notes to the Financial Statements
for the year ended March 31, 2020

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Cash flow hedge reserve		
Balance at the beginning of the year	(6.65)	(2.27)
Gain/ (Loss) on changes in fair value of hedging instruments	22.79	45.82
Income tax relating to gains/loss reclassified to profit and loss	(1.07)	(16.01)
Reclassification to Statement of Profit and Loss	(19.73)	(34.19)
Balance at the end of the year	**(4.66)**	**(6.65)**
Total other equity	**11,048.04**	**11,152.84**

Nature and purpose of other reserves

General reserve

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

Capital reserve

Capital reserve is not available for distribution as dividend.

Securities premium

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

Cash flow hedge reserve

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

Note 20: Non-Current - Borrowings

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Secured		
Term loans		
Rupee loans from banks	2,742.90	1,215.28
Foreign currency loans from banks	14.27	232.83
Rupee loans from financial Institutions	-	64.32
	2,757.17	1,512.43
Unsecured		
Deferred sales tax loan	22.32	47.57
Total non-current borrowing	**2,779.49**	**1,560.00**

Notes to the Financial Statements

for the year ended March 31, 2020

Maturity profile of non-current borrowings

(₹ in million)

Particulars	Effective Interest Rate	Current (refer note 27)	Non-Current				Total
			2021-22	2022-23	2023-24	2024-25	
Term Loans	7.90% to 9.05%	823.25	929.67	859.84	667.66	300.00	2,757.17
Deferred Sales Tax Loan		25.25	16.12	6.20	-	-	22.32
		848.50	**945.79**	**866.04**	**667.66**	**300.00**	**2,779.49**

1. Rupee term loans, foreign currency loan (FCNR) are secured by:

    a) Foreign currency loan from Citi Bank N.A. is secured by first *pari passu* charge on movable fixed assets of Crankshaft unit both present and future located at M- 191/3, MIDC, Waluj, Aurangabad – 431 136

    b) Foreign currency loan from Citi Bank N.A. is secured by first *pari passu* charge on movable fixed assets of solar unit both present and future located at Village Sakri, Dist. Dhule, Maharashtra State.

2. Rupee Term Loans from Banks/Financial Institution are secured by:

    a) Rupee Term loan of ₹ 500 million availed from Bajaj Finance Limited is secured by way of first *pari passu* charge on movable fixed assets both present and future of crankshaft unit located at M-191/3 MIDC, Waluj, Aurangabad – 431 136.

    b) Rupee Term Loan of ₹ 500 million from Kotak Mahindra Bank Limited is secured by way of first *pari passu* charge on movable fixed assets both present and future of unit V located at L-6/2, MIDC, Waluj, Aurangabad – 431136.

    c) Rupee Term Loan (I) of ₹ 1,000 million from HSBC Bank is secured by way of first pari passu charge on identified movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Dist. Pune, Plot No. L-6/2, MIDC, Waluj, Aurangabad and Plot No. L-4, MIDC, Waluj, Aurangabad.

    d) Rupee Term Loan (II) of ₹ 1000 million from HSBC Bank is secured by way of exclusive/first pari passu charge on movable fixed assets both present and future located at its plant(s) I, II, IV, VEL-Corp, R&D at Chinchawad, Pune, Pantnagar, Halol, Chennai, Halol and AMD at Shendra, Aurangabad.

    e) Rupee Term Loan of ₹ 522 million from Federal Bank is secured by way of exclusive charge on movable fixed assets both present & future of its plant situated at Survey No. 44/2, 43, 42/5, 45/1(P), 481(1)(P) Pondur A Village, Sriperumbadur Tal. & Dist. Kancheepuram, 602 105 (Tamilnadu State).

    f) Rupee Term Loan of ₹ 700 million from Kotak Mahindra Bank Ltd. is secured by way of first pari passu charge on movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Dist. Pune, and Plot No. L-4, MIDC, Waluj, Aurangabad. The security creation documents are in process.

    Bank loans contain certain debt covenants relating to limitation on indebtedness, debt-equity ratio, net borrowings to EBITDA ratio and debt service coverage ratio. Some of the debt covenants in respect of non-current borrowings of ₹ 1,876 million were not complied as at March 31, 2020 for which the Company has received waiver letters subsequent to year-end from lenders agreeing not to demand repayment as a consequence of such breaches. Accordingly, the Company has not classified such loans as current. There were no breaches in the debt covenants of any interest-bearing loans and borrowings during the previous year.

Notes to the Financial Statements
for the year ended March 31, 2020

Note 21: Non-Current - Other financial liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Security deposits	0.18	-
Total other Financial liabilities	**0.18**	**-**

Note 22: Non-Current - Provisions

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Compensated absences	71.38	34.42
Provision for coupon scheme (Refer note 28)	40.54	20.30
Total non-current provisions	**111.92**	**54.72**

Note 23: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to :

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Deferred tax liabilities		
Depreciation and amortisation	733.71	612.21
Others	219.28	125.29
	952.99	**737.50**
Deferred tax assets		
Expenses allowable on payment basis	55.57	38.90
Provision for doubtful debts and advances	1.38	26.27
Others	178.76	72.25
MAT credit entitlement	365.55	293.77
	601.26	**431.19**
Total	**351.73**	**306.31**
Movement in deferred tax assets/ (liabilities)		
Opening deferred tax (assets) / liabilities	306.31	135.22
Effect of change in accounting policy (refer note 2.1)	(6.80)	-
Charged to profit or loss	95.32	161.43
Charged to other comprehensive income		
Cash flow hedge reserve	1.07	16.01
Remeasurement of defined benefit obligation	(9.90)	(6.35)
Charged to other comprehensive income	(8.83)	9.66
Short/excess provision related to MAT credit for earlier year	(34.27)	-
Closing deferred tax liability after set off	**351.73**	**306.31**

Note:

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

MAT credit is available for utilisation till March 2032. During the year, MAT credit availed was ₹ 37.51 million (previous year utilised ₹ 111.88 million).

Notes to the Financial Statements
for the year ended March 31, 2020

Note 24: Other non-current liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Deferred government grant*	156.47	159.82
Total other non-current liabilities	**156.47**	**159.82**

* For movement refer note 29.

Note 25: Current borrowings

(₹ in million)

	Maturity Date	Terms of Repayment	Interest rate	As at March 31, 2020	As at March 31,2019
Secured					
Cash credit	On Demand	On Demand	8 % to 10%	0.83	31.17
Unsecured					
Working capital facilities					
From banks (Pre-shipment credit (PCRE))	Various	6 Month	8.50%	400.00	200.00
From banks (Working capital demand loan)	Various	6 Month	8.75%	250.00	-
From financial institutions (PO financing)	Various	41 to 42 days	8.75%	770.00	-
Commercial papers		90 days	7.93%	-	590.79
Total current borrowings				**1,420.83**	**821.96**

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

(₹ in million)

Net debt reconciliation	March 31, 2020	March 31, 2019
Cash and cash equivalents including cash credit (refer note 13)	1,055.74	34.23
Current borrowings	(1,420.00)	(790.79)
Non-Current borrowings includes current maturities of non-current borrowings (refer note 20 and 27)	(3,627.99)	(3,120.59)
Interest accrued but not due (refer note 27)	(25.22)	(27.63)
Net debt	**(4,017.47)**	**(3,904.78)**

Reconciliation of net debt as at March 31, 2020

(₹ in million)

Particulars	As on April 1, 2019	Cashflows	Interest expenses/ Processing fees	Interest paid	Cash flow hedge reserve	Forex revaluation	As at March 31, 2020
Cash and cash equivalent	34.23	1,021.51	-	-	-	-	1,055.74
Current borrowings	(790.79)	(629.21)	-	-	-	-	(1,420.00)
Non-Current borrowings	(3,120.59)	(492.58)	4.91	-	(19.73)	-	(3,627.99)
Interest accrued but not due	(27.63)	-	(423.76)	426.17	-	-	(25.22)

Notes to the Financial Statements
for the year ended March 31, 2020

Reconciliation of net debt as at March 31, 2019

(₹ in million)

Particulars	As on April 1, 2018	Cashflows	Interest expenses	Interest paid	Cash flow hedge reserve	Forex revaluation	As at March 31, 2019
Cash and cash equivalent	31.39	2.84	-	-	-	-	34.23
Liquid investment	0.10	(0.10)	-	-	-	-	-
Current borrowings	(1,671.68)	880.89	-	-	-	-	(790.79)
Non-Current borrowings	(3,041.26)	(33.66)	-	-	(34.19)	(11.48)	(3,120.59)
Interest accrued but not due	(28.04)	-	(392.01)	392.42	-	-	(27.63)

Note 26: Trade payables

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Total outstanding dues of micro enterprises and small enterprises (refer note 41)	671.98	504.25
Total outstanding dues other than micro enterprises and small enterprises and related parties	2,911.13	2,925.61
Trade payables to related parties (refer note 47)	224.66	74.79
Total trade payables	**3,807.77**	**3,504.65**

Note 27: Current – Other financial liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Financial liabilities at amortised costs		
Current maturities of non-current borrowings (refer note 20)	848.50	1,560.59
Interest accrued but not due on borrowings	25.22	27.63
Payable for purchase of capital goods	301.59	234.61
Customer security deposits	67.14	49.43
Employee benefits payable	201.90	145.26
Financial liabilities at fair value through OCI (cash flow hedges)		
Cross currency interest rate swap	-	6.98
Financial liabilities at fair value through PL		
Foreign exchange forward contracts	8.90	-
Total other financial liabilities	**1,453.25**	**2,024.50**

Note 28: Current – Provisions

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Provision for employee benefits		
Gratuity (refer note 42)	36.79	4.35
Compensated absences	11.94	4.84
Others		
Provision for loan taken by subsidiary*	156.39	144.88
Provision for warranties**	33.13	32.91
Provision for coupon scheme***	27.03	13.53
Total current provision	**265.28**	**200.51**

Notes to the Financial Statements
for the year ended March 31, 2020

(₹ in million)

Particulars	Warranties		Provision for loan taken by subsidiary		Provision for coupon scheme	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Balance as at the beginning of the year	32.91	23.32	144.88	150.77	33.83	38.50
Additions during the year	32.10	34.64	11.51	-	47.94	16.57
Utilisation/Reversed during the year	(31.88)	(25.05)	-	(5.89)	(14.20)	(21.24)
Balance as at the end of the year	**33.13**	**32.91**	**156.39**	**144.88**	**67.57**	**33.83**
Current Portion	33.13	32.91	156.39	144.88	27.03	13.53
Non-Current Portion	-	-	-	-	40.54	20.30
Total	**33.13**	**32.91**	**156.39**	**144.88**	**67.57**	**33.83**

* Provision for loan taken by subsidiary – One of the foreign subsidiary had taken intercorporate loan from another subsidiary for which the Company had given a guarantee. The Company has created a provision in the financial year 2013-14 against the same. Changes in the value of provision is due to foreign exchange restatement.

** Provision for warranties – The Company provides warranties on applicable products, for their satisfactory performance during the warranty period as per the contracts with buyers. Provision for warranty claims arising out of such obligation is made based on such warranty period. The impact of discounting is not material.

*** Provision for coupon scheme – Provision is made for supplies to other than OEMs on estimated cost of coupons redemption. These coupons are expected to be redeemed with in 2-3 years. Management estimates the provision based on historical claims information and any recent trends. The impact on discounting of the provision is not material.

Note 29: Other current liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019
Advance received from customers	87.16	43.00
Statutory dues payable (includes GST, TDS, PF payables)	55.26	60.16
Unclaimed dividends	0.04	-
Other payables	101.22	104.91
Deferred government grant *	64.64	44.12
Total other current liabilities	**308.32**	**252.19**

* Deferred government grant

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

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

(₹ in million)

Particulars	March 31, 2020	March 31, 2019
Balance as at the beginning of the year	203.94	207.19
Recognised during the year	158.15	176.91
Released to statement of profit and loss (refer note 31)	140.98	180.16
Balance as at the end of the year	**221.11**	**203.94**
Current portion	64.64	44.12
Non-Current portion	156.47	159.82
Total	**221.11**	**203.94**

Notes to the Financial Statements
for the year ended March 31, 2020

Note 30: Revenue from operations

For the year ended March 31, 2020 (refer note 2(H))

(₹ in million)

Particulars	March 31, 2020	March 31, 2019
Revenue from contracts with customers	22,476.05	25,144.42
Other operating revenue	563.42	587.11
Total	**23,039.47**	**25,731.53**

Revenue from contracts with customers

A. Disaggregated revenue information

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Goods transferred at a point in time		
Finished goods		
Electrical & Lighting Auto Parts	11,837.99	13,263.99
Steel Forged Products	4,471.17	5,254.56
Polymer Auto Parts	2,110.37	2,522.86
Engine Valves	1,079.30	1,531.98
After Market Auto Parts	2,888.35	2,478.75
Toolings	69.89	70.45
Job work	18.98	21.83
Total revenue from contracts with customers	**22,476.05**	**25,144.42**
Revenue by region		
India	20,922.05	23,033.54
Asia pacific	275.42	261.75
Europe	843.93	941.67
North America	212.62	534.64
Others	222.02	372.82
Total revenue from contracts with customers	**22,476.04**	**25,144.42**

B. Contract balances

(₹ in million)

Particulars	March 31, 2020	March 31, 2019
Trade receivables	2,157.52	3,060.45
Contract liabilities	87.16	43.00

Trade receivables are non-interest bearing and are generally on payment terms of 30 to 120 days.

Contract liabilities include advances received from customers for delivery of goods and development of tools .

Set out below is the amount of revenue recognised from:

(₹ in million)

Particulars	March 31, 2020	March 31, 2019
Amounts included in contract liabilities at the beginning of the year	43.00	57.43

Notes to the Financial Statements
for the year ended March 31, 2020

C. Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price

(₹ in million)

Particulars	March 31, 2020	March 31, 2019
Revenue as per contracted price	22,610.13	25,259.29
Adjustments		
Discount	(134.08)	(114.86)
Revenue from contracts with customers	**22,476.05**	**25,144.43**

D. Performance obligation

Revenue from contracts with customers include revenue from finished goods, tooling, and Job work.

Finished goods / tooling

For the sale of finished goods the performance obligation is generally satisfied upon its delivery or as per the terms of the customer contract and payment is generally due within 30 to 120 days from delivery. For sale of toolings, the performance obligation is considered satisfied on billing after approval of the part(s) by the customer. The Company generally receives advance for toolings contracts ranging from 30% to 50% of the contracted price. The revenue from the sale of finished goods/toolings is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

The Company provides normal warranty provisions on some of its products sold, in line with the industry practice. The Company considers that the contractual promise made to the customer in the form of warranties for the parts supplied does not meet the definition of separate performance obligation as it does not give rise to additional service.

Job work revenue is recognised when the work is completed and billed to customer.

Other operating revenue

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Scrap sales	111.65	135.41
Wind and solar power generation	108.52	100.36
Export Incentives	78.31	131.19
Management fees	149.55	150.10
Others	115.39	70.05
Total other operating revenue	**563.42**	**587.11**

Notes to the Financial Statements

for the year ended March 31, 2020

Note 31: Other income

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Rent income from investment properties (refer note 4)	33.64	50.42
Dividend Income from equity investments carried at cost	348.91	6.62
Interest income from		
Financial assets measured at amortised cost	6.59	0.37
Others	2.92	4.85
Unwinding of discount on security deposit	1.87	1.94
Government grants*	140.98	180.16
Net foreign exchange gain	19.17	-
Commission on corporate guarantees	107.36	64.79
Liabilities no longer required written back	0.75	19.89
Provision for doubtful loans, advances and debts (Net)	0.30	-
Increase in surrender value of key man insurance	9.00	98.23
Miscellaneous income	11.28	87.57
Total other income	**682.77**	**514.84**

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

Note 32: Cost of materials consumed

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw material at the beginning of the year	793.90	689.70
Add: Purchases	14,782.49	17,097.89
	15,576.39	**17,787.59**
Less: Raw material at the end of the year	976.15	793.90
Total cost of materials consumed	**14,600.24**	**16,993.69**

Note 33: Changes in Inventories of work-in-progress and finished goods

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening balance		
Work-in-progress	935.80	704.76
Finished goods	319.89	306.41
Total opening balance	**1,255.69**	**1,011.17**
Closing balance		
Work-in-progress	830.14	935.80
Finished goods	258.69	319.89
Total closing balance	**1,088.83**	**1,255.69**
Total changes in inventories of work-in-progress and finished goods	**166.86**	**(244.52)**

Notes to the Financial Statements
for the year ended March 31, 2020

Note 34: Employee benefit expense

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	1,947.12	1,951.47
Contribution to gratuity and other funds (refer note 42)	130.02	121.96
Staff welfare expenses	104.66	122.70
Total employee benefits expense	**2,181.80**	**2,196.13**

Note 35: Depreciation and amortisation expense

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment (refer note 3)	1,182.80	1,024.76
Depreciation of investment property (refer note 4)	11.37	11.37
Amortisation of intangible assets (refer note 5)	66.90	39.06
Amortisation of right of use assets	55.83	-
Total depreciation and amortisation	**1,316.90**	**1,075.19**

Note 36: Finance costs

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest on debts and borrowings	398.47	374.47
Interest and finance charges paid/payable for lease liabilities	15.35	-
Exchange differences regarded as an adjustment to borrowing costs	-	3.98
Other borrowing cost	9.94	13.56
Total finance cost	**423.76**	**392.01**

Notes to the Financial Statements

for the year ended March 31, 2020

Note 37: Other expenses

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spares and loose tools	398.39	508.37
Consumption of packing materials	192.22	227.41
Repairs to		
Buildings	14.69	14.61
Machinery	101.66	96.79
Others	128.66	138.65
Communication expenses	30.92	22.16
Water and electricity charges	629.50	645.03
Rent charges	27.76	49.10
Rates and taxes	15.87	10.42
Contract labour cost	894.77	940.08
Legal and professional fees	78.59	74.59
Exchange loss (net)	-	12.72
Net loss on sale of tangible/ intangible assets	17.17	56.26
Travelling and conveyance	131.46	156.90
Insurance	21.91	14.85
Payment to auditors – refer note (a) below	9.90	9.26
Corporate social responsibility expenditure - refer note (b) below	23.67	30.99
Provision for doubtful loans, advances and debts (net)	-	0.45
Sales promotion, marketing and advertisement cost	106.84	80.78
Research and development expenses – refer note (c) below	496.74	449.12
Freight and forwarding expenses	256.98	337.68
Royalty	1.38	3.38
Intercompany Admin charges	13.17	-
Warranties	32.10	34.64
Miscellaneous expenses	197.80	180.89
Total other expenses	**3,822.15**	**4,095.13**
(a) Payment to auditors		
Statutory audit fees (including limited reviews)	8.20	8.20
Tax audit fees	0.30	0.30
Others (including certification fees)	1.10	-
Re-imbursement of expenses	0.30	0.76
Total payment to auditors	**9.90**	**9.26**

(b) Corporate social responsibility expenditure

As set out in Section 135 of the Companies Act, 2013, the Company is required to contribute ₹ 22.92 million (previous year ₹ 11.90 million) towards corporate social responsibility activities as calculated basis 2% of its average net profits of the last three financial years.

Accordingly, during the year company has contributed ₹ 23.67 million (March 31, 2019 ₹ 30.99 million) towards the eligible projects as mentioned in Schedule VII (including amendments thereto) of the Companies Act, 2013. There is no capital expenditure incurred towards corporate social responsibilities.

This includes amount of ₹ Nil (March 31 2019: ₹ 3.87 million) contributed ro Varroc Foundation in which some of the directors are trustee.

Notes to the Financial Statements
for the year ended March 31, 2020

(c) Research and development expenses

The Company concentrates its research and development to increased use of electronics in two-wheelers and three-wheelers. Research and development cost that are not eligible for capitalisation have been expensed in the year incurred, are recognised in other expenses as Research and development expenses.

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of raw materials, stores and spares	42.24	33.95
Power and fuel	10.73	10.54
Repairs and maintenance	27.18	27.25
Personnel costs	292.03	279.96
Others	124.56	97.42
Sub-Total	**496.74**	**449.12**
Depreciation	113.31	38.85
Total	**610.05**	**487.97**

Details of capital expenditure incurred for Research and Development are given below:

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Factory Building	0.37	52.31
Plant and machinery	124.04	28.23
Factory equipments and electrical installations	26.34	28.58
Office equipments	0.15	3.97
Tools and instruments	3.59	0.82
Furniture fixtures & Electrical Fitting	1.27	9.63
Vehicles	0.34	0.46
Computers	16.94	8.79
Software	53.92	32.74
Total	**226.96**	**165.53**

Note 38: Segment information

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

Note 39: Income tax expense

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(i) Profit and loss section		
Current tax		
Current tax on profits for the year	149.16	387.60
Adjustments for current tax of prior periods	(24.22)	(5.68)
Total current tax expense	124.94	381.92
Deferred tax	95.32	161.42
Total income tax expenses recognised in statement of profit and loss	**220.26**	**543.34**
(ii) Other comprehensive income (OCI) section		
(a) Deferred losses on cash flow hedges		
Income tax charged to OCI	(1.07)	(16.01)
(b) Remeasurement of defined benefit obligation		
Income tax charged to OCI	9.90	6.35
Total deferred tax charged to OCI	**8.83**	**(9.66)**

Notes to the Financial Statements
for the year ended March 31, 2020

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Reconciliation of tax expense and the accounting profit :		
Profit before tax	1,210.53	1,738.74
Tax rate	34.94%	34.94%
Income tax expense as per applicable tax rate	**423.01**	**607.59**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Weighted deduction on research and development expenditure	(104.91)	(78.02)
Corporate social responsibility expenditure	8.27	10.83
Disallowance u/s 14A of Income Tax Act, 1961	2.88	2.31
Exempt non-operating Income	(121.92)	(2.31)
Other non-deductible expenses	3.54	2.55
Tax expense of prior periods	-	(5.68)
Others	9.39	6.07
	(202.75)	**(64.25)**
	220.26	**543.34**

Note 40: Proposed merger of Varroc Lighting Systems (India) Private Limited ('VLSIPL') (being wholly owned subsidiary) with Varroc Engineering Limited ('the Company')

Pursuant to provisions of Section 230-232 of the Companies Act, 2013, the Board of Directors of the Company have approved the scheme of amalgamation of Varroc Lighting Systems (India) Private Limited ('VLSIPL') (wholly owned subsidiary of the Company) with Varroc Engineering Limited subject to requisite approvals. Accordingly, the Company has filed application for scheme of merger of VLSIPL with the Company with National Company Law Tribunal ('NCLT') with proposed appointed date of April 1, 2020.

Note 41: Dues to micro and small enterprises

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

(₹ in million)

		March 31, 2020	March 31, 2019
a)	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	671.98	504.25
b)	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	2.40	1.42
c)	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	3,926.29	3,229.68
d)	Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
e)	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
f)	Interest due and payable towards suppliers registered under MSMED Act, for payments already made*	17.92	13.06
g)	Further interest remaining due and payable for earlier years	14.60	1.54

* The above interest has not been provided for in the books of accounts.

The Company has a process of sending out confirmations to all vendors, regarding their status as MSME. Based on responses received, the Company marks vendors as MSME and others.

Notes to the Financial Statements
for the year ended March 31, 2020

Note 42: Employee benefit obligation

A. Defined contribution plans:

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

(₹ in million)

	March 31, 2020	March 31, 2019
(I) Contribution to Employees' provident fund	52.50	47.79
(II) Contribution to Employees' family pension fund	44.47	37.17
	96.97	**84.96**

B. Defined benefit plan (Gratuity)

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

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

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Change in present value of benefit obligations		
Liability at the beginning of the year	206.58	158.62
Service cost	33.43	27.47
Interest expense	15.11	12.18
Transfer of obligation	(0.34)	(0.09)
Remeasurements - Actuarial (gains)/ losses (refer note (e) below)	28.18	17.41
Benefits paid	(15.08)	(9.01)
Liability at the end of the year	**267.88**	**206.58**

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
(b) Change in fair value of plan assets		
Fair value of plan assets at the beginning of the year	202.53	158.64
Interest income	15.96	13.82
Remeasurements - Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	(0.15)	(0.75)
Contributions	27.83	39.83
Benefits paid	(15.08)	(9.01)
Fair value of plan assets at the end of the year	**231.09**	**202.53**

Notes to the Financial Statements

for the year ended March 31, 2020

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
(c) The net liability disclosed above relates to funded plan is as follows:		
Present value of defined benefit obligations	267.88	206.58
Fair value of plan assets	231.09	202.53
(Surplus)/Deficit	**36.79**	**4.05**

(₹ in million)

Particulars	Year ended March 31,2020	Year ended March 31,2019
(d) Expenses to be recognised in the Statement of Profit and Loss under employee benefit expenses		
Service cost	33.43	27.47
Net interest (income)/expense	(0.85)	(1.64)
Transfer In/(Out)	(0.34)	-
Net gratuity cost	**32.24**	**25.83**

(₹ in million)

Particulars	Year ended March 31,2020	Year ended March 31,2019
(e) Expenses to be recognised in statement of other comprehensive income:		
Remeasurement		
Experience (Gain)/ Losses on plan liabilities	2.74	9.98
(Return) / loss on plan assets excluding amounts recognised in interest (income)/expenses	0.15	0.75
(Gain)/loss from change in financial assumptions	25.44	7.43
	28.33	**18.16**

Particulars	Year ended March 31,2020	Year ended March 31,2019
(f) Valuation in respect of gratuity has been carried out by independent actuary, as at the balance sheet date, based on the following assumptions:		
Discount rate	6.80%	7.60%
Salary growth rate	7.00%	7.00%
Weighted average duration of defined benefit obligation	11.74	11.28
Expected rate of return on plan assets	7.60%	7.90%
Withdrawal Rate		
Service below 5 years	20.00%	20.00%
Service 5 years & above	2.00%	2.00%

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

Notes to the Financial Statements
for the year ended March 31, 2020

Quantitative sensitivity analysis for significant assumptions are as follows:

Change in assumption	As at March 31, 2020	As at March 31, 2019
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	11.62%	11.28%
(ii) 1% decrease in discount rate	13.97%	13.56%
(iii) 1% increase in rate of salary escalation	12.58%	12.23%
(iv) 1% decrease in rate of salary escalation	10.77%	10.47%

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

Major categories of plan assets are as follows:

(₹ in million)

Particulars	As at March 31, 2020		As at March 31, 2019	
	Amount	%	Amount	%
Funds managed by Insurer	231.09	100%	202.53	100%
Total	**231.09**	**100%**	**202.53**	**100%**

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

Actual return on assets for the year ended March 31, 2020 and year ended March 31, 2019 was ₹15.81 million and ₹13.07 million respectively.

The Company expects to contribute ₹30.00 million to the plan asset during the year ended March 31, 2021. During the year ended March 31, 2020, the Company has contributed amount of ₹27.83 million net of charges and taxes.

Maturity profile of defined benefit obligation:

(₹ in million)

Particulars	As at March 31,2020	As at March 31,2019
Within 1 year	13.70	8.03
1-2 year	8.95	9.17
2-3 year	14.84	12.08
3-4 year	15.48	17.81
4-5 year	22.16	16.42
5-10 years	145.19	136.91

RISK EXPOSURE AND ASSET LIABILITY MATCHING

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

1. **Liability Risks**

Asset-Liability Mismatch Risk –

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

Discount Rate Risk –

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

Future salary escalation and inflation risk –

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

2. **Asset Risks**

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

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

Note 43 : Fair Value Measurement

Financial instruments by category

(₹ in million)

	March 31, 2020			March 31, 2019		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	0.06	-	-	0.06	-	-
- Government securities	-	-	0.06	-	-	0.06
Trade receivables	-	-	2,157.53	-	-	3,060.46
Loans	-	-	83.57	-	-	83.74
Cash and bank balances	-	-	1,058.55	-	-	67.35
Derivative contracts	-	20.03	-	17.56	-	-
Other financial assets	-	-	131.08	-	-	125.48
Total financial assets	**0.06**	**20.03**	**3,430.79**	**17.62**	**-**	**3,337.09**
Financial liabilities						
Borrowings	-	-	5,048.82	-	-	3,942.55
Lease liabilities	-	-	208.00	-	-	-
Derivative contracts	8.90	-	-	4.22	2.76	-
Security deposits	-	-	67.32	-	-	49.43
Trade payables	-	-	3,807.77	-	-	3,504.65
Acceptances	-	-	144.24	-	-	212.10
Other financial liabilities	-	-	528.71	-	-	407.50
	8.90	**-**	**9,804.86**	**4.22**	**2.76**	**8,116.23**

Notes to the Financial Statements
for the year ended March 31, 2020

(i) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2020	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.06	-	0.06
Derivative contracts	-	20.03	-	20.03
Total	**-**	**20.09**	**-**	**20.09**
Liabilities measured at fair value				
Derivative contracts	-	8.90	-	8.90
Total	**-**	**8.90**	**-**	**8.90**

(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2019	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.06	-	0.06
Derivative contracts	-	17.56	-	17.56
Total	**-**	**17.62**	**-**	**17.62**
Liabilities measured at fair value				
Derivative contracts	-	6.98	-	6.98
Total	**-**	**6.98**	**-**	**6.98**

(ii) Valuation technique used to determine fair value

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

- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spread between the respective currencies, interest rate curves etc. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value through profit and loss.

Commentary

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

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

Note 44: Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loans and borrowings, receivables, payables, deposits, investments and derivative financial instruments.

a) Foreign currency risk

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

i) The Company's exposure to foreign currency risk as at March 31, 2020 expressed in INR, is as follows:

(₹ in million)

Particulars	March 31, 2020				
	USD	EURO	JPY	Other currencies	Total
Financial assets					
Trade receivables	108.20	139.59	-	12.72	260.51
Interest receivable	-	79.98	-	-	79.98
Financial liabilities					
Trade payables	255.07	79.71	15.07	15.91	365.76
Other liabilities	-	156.39	-	-	156.39
Net assets / (liabilities)	**(146.87)**	**(16.53)**	**(15.07)**	**(3.19)**	**(181.66)**

Notes to the Financial Statements
for the year ended March 31, 2020

ii) The Company's exposure to foreign currency risk as at March 31, 2019 expressed in INR, is as follows:

(₹ in million)

Particulars	March 31, 2019				
	USD	EURO	JPY	Other currencies	Total
Financial assets					
Trade receivables	281.80	271.34	-	-	553.14
Interest receivable	-	75.17	-	-	75.17
Financial liabilities					
Trade payables	33.53	19.70	16.22	19.37	88.82
Other liabilities	-	144.88	-	-	144.88
Net assets / (liabilities)	**248.27**	**181.93**	**(16.22)**	**(19.37)**	**394.61**

iii) Sensitivity

For the year ended March 31, 2020 and March 31, 2019, every 5% percentage point appreciation/ depreciation in the exchange rate between the Indian rupee and U.S. Dollar, would have affected the Company's incremental operating margins by approximately ₹7.34 million and ₹ 12.41 million respectively. And for Euro, every 5% percentage point appreciation/depreciation in the exchange rate would have affected the Company's incremental operating margin by approximately ₹0.83 million, previous year ₹9.10 million The sensitivity for net exposure in JPY and in other currencies does not have material impact to Statement of Profit and Loss.

Sensitivity analysis is computed based on the changes in the receivables and payables in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

b) Interest rate risk

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

Interest rate sensitivity

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

(₹ in million)

For the year ended	Currency	Increase/ decrease in base points	Effect on profit before tax	Variable rate CC balance / Term loans
March 31, 2020	INR	+100	(33.30)	3,329.60
	INR	-100	33.30	3,329.60
March 31, 2019	INR	+100	(16.21)	1,621.15
	INR	-100	16.21	1,621.15

c) Other price risk

The Company does not have material investments in equity securities other than investments in its subsidiaries. Hence, equity price risk is considered to be low. Further, the Company's operating activities require the ongoing purchase of various commodities for manufacture of automotive parts. However, the movement is commodity prices are substantially adjusted through price differences as per customer contracts and hence commodity price risk for the Company is also considered to be low.

Credit Risk Management

Credit risk arises when a customer or counterparty does not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Company only deals with parties which have good credit rating/worthiness given by external rating agencies or based on the Company's internal assessment.

Trade receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Further, Company's customers includes marquee OEMs and Tier I companies, having long standing relationship with the Company. Outstanding customer receivables are regularly monitored and reconciled. At March 31, 2020, receivable from Company's top 5 customers accounted for approximately 73.79 % (March 31, 2019: 75.76%) of all the receivables outstanding. An impairment analysis is performed at each reporting date on an individual basis based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables disclosed in Note 12. The Company does not hold collateral as security.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's corporate treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties. Credit limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the balance sheet at March 31, 2020 and March 31, 2019 is the carrying amounts as disclosed in note 13 except for financial guarantees. The Company's maximum exposure relating to financial guarantees is disclosed in note 50 (B).

d) Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. The Company's corporate treasury department is responsible for liquidity and funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows. As at March 31, 2020, cash and cash equivalents are held with major banks.

(ii) Maturities of financial liabilities

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

(₹ in million)

March 31, 2020	On demand	< 1 year	1 to 5 years	> 5 years
Borrowings	0.83	2,268.50	2,779.49	-
Lease liability	-	72.51	135.49	-
Trade Payables	-	3,807.77	-	-
Acceptances	-	144.24	-	-
Other financial liabilities	67.14	528.71	0.18	-
Derivative liabilities pending settlement	-	8.90	-	-

Notes to the Financial Statements
for the year ended March 31, 2020

(₹ in million)

March 31, 2019	On demand	< 1 year	1 to 5 years	> 5 years
Borrowings	31.17	2,351.38	1,560.00	-
Trade Payables	-	3,504.65	-	-
Acceptances	-	212.10	-	-
Other financial liabilities	49.43	407.50	-	-
Derivative liabilities pending settlement	-	6.98	-	-

The amounts disclosed in the above table are the contractual undiscounted cash flows.

For financial guarantee contracts, refer note 51 (B).

Note 45: Capital Management

(a) Risk management

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

The Company objectives when managing capital are to:

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

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

The Company monitors debt-equity ratio, which is net debt divided by total equity. Net debt comprises of long-term and short-term borrowings less cash and bank balances. Equity includes equity share capital and other equity attributable to equity shareholders. The debt-equity ratio at the end of the reporting period was as follows.

The Company's strategy is to maintain a debt-equity < 1

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
(A) Net debt		
Non-current borrowing (refer note 20)	2,779.49	1,560.00
Current maturities of non-current borrowings (refer note 27)	848.50	1,560.59
Current borrowings (refer note 25)	1,420.83	821.96
Less: Cash and cash equivalents (refer note 13)	(1,058.55)	(67.35)
Net debt (A)	**3,990.27**	**3,875.20**
(B) Total equity		
Equity share capital	134.81	134.81
Other equity	11,048.04	11,152.84
Total equity (B)	11,182.85	11,287.65
Net debt to equity ratio (A/B)	**0.36**	**0.34**

Notes to the Financial Statements
for the year ended March 31, 2020

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

Loan covenants

The Company's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Some of the financial covenants were not complied as at March 31, 2020. Refer note 20 for details. There has been no breach in the financial covenants of any interest-bearing loans and borrowing during the previous year.

(b) Dividends distributed and proposed

Dividends recognised in the financial statements

(₹ in million)

	March 31, 2020	March 31, 2019
Interim dividend for the year ended March 31, 2018 of ₹ 0.50 per preference share declared and paid on April 30, 2018	-	5.84
Final dividend for the year ended March 31, 2019 of ₹4 per equity share paid on August 14, 2019. including.	539.25	-
Interim dividend for the year ended March 31, 2020 of ₹ 3 per equity share declared and paid on February 28, 2020.	404.43	-
Dividend distribution tax	122.27	1.19
	1,065.95	**7.03**

Dividends not recognised at the end of the reporting period

The Board of Directors have not recommended any dividend other than that already declared during the current year (for March 31, 2019, the final dividend proposed by the Board was ₹4 per equity share).

Notes to the Financial Statements
for the year ended March 31, 2020

Note 46: Impact of hedging activities

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

March 31, 2020

(₹ in million)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/ rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principal and interest rate swaps	-	184.36	-	12.73	March 4, 2021	1:1	₹68.75	18.21	(14.51)
Principal and interest rate swaps	-	71.37	-	7.29	May 20, 2021	1:1	₹66.60	4.57	(5.22)
Fair value through P&L									
Foreign exchange forward contracts – EUR	152.27	-	(4.05)	-	September 30, 2020	1:1	₹81.50	4.05	(4.05)
Foreign exchange forward contracts – USD	114.78	-	(4.84)	-	August 31, 2020	1:1	₹72.89	10.05	(10.05)

March 31, 2019

(₹ in million)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/ rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principal and interest rate swaps		335.71		(5.48)	March 4, 2021	1:1	₹ 68.75	36.62	(27.32)
Principal and interest rate swaps		116.96		2.72	May 20, 2021	1:1	₹ 66.60	9.21	(6.87)
Fair value through P&L									
Option		193.87		(18.53)	July 30, 2019	1:1	₹55.50 & ₹63.50	(57.58)	57.58
Foreign exchange forward contracts		456.98		5.21	July 31, 2019	1:1	₹70.54	(4.41)	4.41

Movement in cash flow hedging reserve

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash flow hedge		
Balance at the beginning of the year	(6.65)	(2.27)
Gain/Loss on changes in fair value of hedging instrument	22.79	45.82
Income tax relating to gains/loss reclassified to profit and loss	(1.07)	(16.01)
Reclassification to Statement of Profit and Loss	(19.73)	(34.19)
Balance at the end of the year	**(4.66)**	**(6.65)**

Note 47-Related party disclosure

a) Related parties and their relationships

A. Related parties where control exists

1. Subsidiaries

Varroc Polymers Private Limited
Durovalves India Private Limited
Varroc Lighting Systems (India) Private Limited
Team Concepts Private Limited
CarIQ Technologies Private Limited (From August 31, 2019)
Varroc European Holding B.V. The Netherlands
Aries Mentor Holding B.V. The Netherlands (Till March 03, 2020) (refer note 6(a))
VarrocCorp Holding B.V. The Netherlands
Varroc Japan Co. Ltd Japan
Industria Meccanica E Stampaggio s.p.a.,Italy
Varroc Lighting Systems Italy SPA
Varroc Lighting Systems Romania S.A.
Varroc Lighting Systems Vietnam Co. Ltd.
Varroc Lighting Systems SRO, Czech Republic
Varroc Lighting Systems S.de.R.L. De. C.V., Mexico
Varroc Lighting Systems GmBH, Germany
Varroc Lighting Systems Inc. USA
Varroc Lighting Systems sp. Z o.o., Poland
Varroc Lighting Systems SA, Morocco
Varroc do Brasil Industria E Commercia LTDA
TRI.O.M. SA De. C. V.Mexico (Till September 27, 2019)
Varroc Lighting Systems, Turkey Endüstriyel Urünler Imalat Ve Ticaret Anonim Sirketi
Varroc Lighting Systems, Bulgaria EOOD

2. Jointly Controlled Entities

Varroc TYC Corporation British Virgin Islands
Varroc TYC Auto Lamps Co. Ltd., China (Subsidiaries of Varroc TYC Corporation, BVI)
Varroc TYC Auto Lamps Co. Ltd. CQ (Subsidiaries of Varroc TYC Auto Lamp Co., China)
Nuova CTS S.r.L.,Italy
Varroc Dellórto Pvt. Ltd. (w.e.f. January 10, 2019)
Varroc Elba Electronics S.r.l, Romania (w.e.f. January 14, 2019)

Notes to the Financial Statements
for the year ended March 31, 2020

B. Other related parties with whom transactions have taken place during the period

3. Key Management Personnel

Mr. Tarang Jain - Managing Director
Whole time Directors
Mr. Arjun Jain
Mr. Ashwani Maheshwari (Till April 29, 2020)
Non-executive Directors
Mr. Naresh Chandra
Independent Directors
Mr. Gautam Khandelwal
Mr. Marc Szulewicz
Mrs. Vijaya Sampath
Mr. Vinish Kathuria

4. Relatives of Key Management Personnel with whom transactions have taken place

Mr. Dhruv Jain – Son of Mr. Tarang Jain

5. Enterprises owned or controlled by/or over which parties described in para 3 & 4 or their relatives exercise significant influence where transactions have taken place [Other than those included above]

Endurance Technologies Limited
TJ Holdings Trust
Naresh Chandra Holdings Trust
Suman Jain Holdings Trust

b) Transactions with related parties and balances at year end

(₹ in million)

Description of the nature of transactions	Transactions		Balances			
	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020		As at March 31, 2019	
			Receivable	Payable	Receivable	Payable
A. Sale of goods, services and fixed assets*						
Industria Meccanica E Stampaggio s.p.a., ITALY	4.22	4.20	4.34	-	-	-
Varroc Lighting Systems Italy SPA	0.23	0.12	0.46	-	0.84	-
Varroc Polymers Private Limited	179.27	182.97	32.50	-	52.63	-
Durovalves India Private Limited	24.88	24.94	3.02	-	4.67	-
Varroc Lighting Systems (India) Private Limited	143.06	120.21	-	40.49	46.74	-
Varroc Lighting Systems SRO, Czech Republic	4.13	-	4.13			
Varroc Dellórto Pvt. Ltd.	8.14	-	10.35			
Endurance Technologies Limited	39.38	90.14	2.05	-	12.58	-
B. Purchase of goods, services and fixed assets *						
Durovalves India Private Limited	54.83	85.04	-	17.22	-	12.37
Industria Meccanica E Stampaggio s.p.a., ITALY	-	0.49	-	-	-	0.49
Varroc Lighting System,Italy	2.46	3.09	-	2.57	-	1.38
Varroc Lighting Systems Romania S.A.	-	-	-	0.14	-	0.13
Varroc Lighting Systems SRO, Czech Republic	0.30	-	-	0.21	-	0.20
Varroc Lighting System India Pvt. Ltd.	4.43	0.98	-	3.18	-	-

(₹ in million)

Description of the nature of transactions	Transactions		Balances			
	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020		As at March 31, 2019	
			Receivable	Payable	Receivable	Payable
Varroc Lighting Systems Vietnam Co. Ltd.	0.06	-		0.06		-
Varroc Japan Co. Ltd.	40.13	24.44	-	7.02		2.24
Varroc Polymers Private Limited	222.37	337.97	-	114.82	-	
C. Dividend received						
Varroc Polymers Private Limited - Equity Shares	317.46	6.61	-	-	-	-
Durovalves India Private Limited - Equity Shares	31.45	-				
D. Management consultancy fees received						
Durovalves India Private Limited	5.00	5.00	1.48	-	1.37	-
Varroc Lighting Systems Italy SPA	-	3.85	-	-	3.83	-
Varroc Lighting Systems Inc. USA	144.55	141.25	74.60	-	68.52	-
E. Rent received						
Varroc Polymers Private Limited	16.03	15.64	-	-	-	-
F. Interest received/receivable						
Varroc European Holding B.V. The Netherlands##	-	-	79.98	-	75.17	-
CarIQ Technologies Private Limited	0.91	-	0.82	-	-	-
G. Guarantee commission received						
Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	13.79	12.98	-	-	-	-
Varroc Lighting Systems Inc. USA	24.24	19.86	7.83	-	20.26	-
Varroc European Holding B.V. The Netherlands	16.44	18.15	27.59	-	9.77	-
VarrocCorp Holding B.V.The Netherlands	39.59	13.80	15.18	-	4.46	-
Varroc do Brasil Industria E Commercia LTDA	13.31	-	12.72			
H. Professional charges/ Commission Paid/ Payable						
Mr. Naresh Chandra	0.57	0.57	-	-	-	-
Mr. Gautam Khandelwal	2.08	1.90	-	1.87	-	1.80
Mr. Marc Szulewicz	1.78	3.37	-	1.78	-	3.37
Mrs. Vijaya Sampath	2.20	2.30	-	1.98	-	2.16
Mr. Vinish Kathuria	2.30	2.58	-	2.07	-	2.33

Notes to the Financial Statements

for the year ended March 31, 2020

(₹ in million)

Description of the nature of transactions	Transactions		Balances			
	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020		As at March 31, 2019	
			Receivable	Payable	Receivable	Payable
I. Directors fees paid						
Mr. Naresh Chandra	0.06	0.14	-	-	-	-
Mr. Gautam Khandelwal	1.30	1.50	-	-	-	-
Mr. Marc Szulewicz	0.50	0.90	-	-	-	-
Mrs. Vijaya Sampath	1.30	1.20	-	-	-	-
Mr. Vinish Kathuria	1.10	0.90	-	-	-	-
J. Dividend paid						
Final dividend FY2018-19 and Interim dividend FY2019-20						
Mr. Tarang Jain	425.11	5.84	-	-	-	-
Mr. Arjun Jain	0.04	-	-	-	-	-
Mr. Dhruv Jain	0.04	-	-	-	-	-
TJ Holdings Trust	236.95	-	-	-	-	-
Naresh Chandra Holdings Trust	70.00	-	-	-	-	-
Suman Jain Holdings Trust	70.00	-	-	-	-	-
K. Managerial remuneration #						
Mr. Tarang Jain	51.70	52.27	-	-	-	-
Mr. Arjun Jain (From August 7, 2018)	11.98	6.89	-	-	-	-
Mr. Ashwani Maheshwari	21.23	19.95	-	-	-	-
L. Remuneration #						
Mr. Arjun Jain (Untill August 6, 2018)	-	4.51	-	-	-	-
M. Reimbursement of (IPO related) expenses – (Payable)						
Varroc Polymers Private Limited	-	1.21		0.03		-
Industria Meccanica E Stampaggio s.p.a., ITALY	-	0.41	-	-	-	-
Varroc Lighting Systems Inc. USA	-	4.82	-	-	-	-
Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	-	2.13	-	-	-	-
Varroc Lighting Systems GMBH, Germany	-	-	-	-	-	-
Varroc Lighting Systems SRO, Czech Republic	-	0.37	-	-	-	-
Varroc Lighting Systems (India) Pvt. Ltd.	-	-	-	-	-	-
Varroc Lighting Systems Italy SPA	-	-	-	-	-	-
VarrocCorp Holding B.V.The Netherlands	-	5.28	-	-	-	-
Varroc Tyc Auto Lamps Co.China	-	0.25	-	-	-	-

Notes to the Financial Statements
for the year ended March 31, 2020

(₹ in million)

Description of the nature of transactions	Transactions		Balances			
	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020		As at March 31, 2019	
			Receivable	Payable	Receivable	Payable
N. Reimbursement of expenses (Received/ Receivable)						
Varroc Polymers Private Limited	1.09	1.24	1.13	-	-	
Durovalves India Private Limited	0.74	0.80	0.74	-		
Varroc Lighting Systems (India) Pvt. Ltd.	-	5.69				
Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	-	0.44	-	-	-	
Varroc Lighting Systems Inc. USA	0.20	0.19	0.25	-	-	
Varroc Lighting Systems SRO, Czech Republic	-	0.88	-	-	-	
Varroc Lighting Systems Vietnam Co. Ltd.	0.44	-	0.47	-	-	-
Varroc Dellórto Pvt. Ltd.	0.85	-	0.81			
O. Reimbursement of (IPO related) expenses – (Receivable)						
Mr. Tarang Jain	-	59.45	-	-	-	
P. Reimbursement of expenses (Paid/ Payable)						
Varroc Lighting Systems (India) Pvt. Ltd. (capital nature)	19.45	9.07	-	1.07	-	9.07
Varroc Polymers Private Limited	2.00	0.44		1.51		0.44
Q. Rent Paid						
Varroc Polymers Private Limited	3.16	3.15	-	0.39	-	3.40
R. Guarantees for facilities availed by subsidiaries						
Varroc Lighting Systems (India) Private Limited	150.00	150.00	-	-	-	-
Varroc Lighting Systems S.de.R.L. De. C.V., Mexico USD 20.00 million. (March 31, 2019 USD 20.75 million)	1,521.00	1,436.73	-	-	-	-
Varroc Lighting System Inc. USA USD 50 million (March 31, 2019 USD 31 million)	3,802.50	2,146.44	-	-	-	-
VarrocCorp Holding B.V.The Netherlands Euro 75.10 million (March 31, 2019: Eur 23.20 million)	6,324.92	1,810.06	-	-	-	-
Varroc do Brasil Industria E Commercia LTDA BRL 97.50 million (March 31, 2019 nil)	1,390.66	-	-	-	-	-

Notes to the Financial Statements
for the year ended March 31, 2020

(₹ in million)

Description of the nature of transactions	Transactions		Balances			
	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020		As at March 31, 2019	
			Receivable	Payable	Receivable	Payable
S. Corporate guarantees/stand by letter of credit						
Varroc European Holding B.V. The Netherlands. Euro 18.75 million(March 31, 2019 Euro 21.75 million)	1,579.13	1,696.94	-	-	-	-
T. Purchase of MEIS licenses						
Durovalves India Private Limited	-	1.87	-	-	-	-
U. Loan to Subsidiaries						
CarIQ Technologies Private Limited	20.00		20.00			
V. Sale of MEIS/ SEIS licenses						
Varroc Polymers Private Limited	11.98		0.30			
W. Admin Chares paid						
Varroc Lighting Systems Inc. USA	18.95			17.55		
X. Advance Received						
Varroc Lighting Systems (India) Private Limited	62.52			51.92		
y. Issue of equity shares						
CarIQ Technologies Private Limited	192.40	-	-	-	-	-
Varroc Dell'Orto Private Limited	15.00	0.25	-	-	-	-

* All the amounts exclusive of taxes, if any.

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

Refer note 14 for provision made for doubtful debts.

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

Notes to the Financial Statements
for the year ended March 31, 2020

Note 48 (a): Commitments

i) Estimated amount of contracts remaining to be excuted on capital account and not provided for (net of advance)

(₹ in million)

Particulars	March 31, 2020	March 31, 2019
Purchase of property, plant and equipment	688.58	1,362.43
Investment property	-	-
Intangible assets	-	-

ii) Lease commitments

Company as lessor

The Company has entered into operating leases on its investment properties, with lease terms between three to five years.

Future minimum rentals receivable under non-cancellable operating leases as at March 31, 2020 as follows.

(₹ in million)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Within one year	25.50	16.03
After one year but not more than five years	112.38	81.84

Note 49: Earnings per shares

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Earnings per share (EPS)		
Basic		
Profit attributable to ordinary equity shareholders (₹ in million)	990.27	1,195.40
Weighted average number of shares outstanding	134,811,530	134,811,530
Basic EPS (Amount in ₹)	**7.35**	**8.87**
Diluted		
Profit attributable to ordinary equity shareholders (₹ in million)	990.27	1,195.40
Weighted average number of shares outstanding	134,811,530	134,811,530
Diluted EPS (Amount in ₹)	**7.35**	**8.87**

Note 50: Interests in joint venture

Set out below is the joint venture of the Company as at March 31, 2020:

(₹ in million)

Name of entity	Place of business	% of ownership	Relationship	Accounting method	Carrying Value	
					As at March 31, 2020	As at March 31, 2019
Varroc Dell O'rto Private Limited	India	50%	Joint Venture	Equity Method	15.25	0.25
Total					**15.25**	**0.25**

The joint venture entity is primarily engaged in the business of auto components and services in the automotive industry.

Notes to the Financial Statements
for the year ended March 31, 2020

Commitments and contingent liabilities in respect of joint venture

Particulars	As at March 31, 2020	As at March 31, 2019
Varroc Dell O'rto Private Limited	-	-

Summarised financial information for joint venture

The summarised financial information for joint venture disclosed below, reflects the amounts presented in the financial statements of the relevant joint venture and not Varroc's share of those amounts.

(₹ in million)

(i) Summarised balance sheet	Varroc Dell O'rto Pvt. Ltd.	
	As at March 31, 2020	As at March 31, 2019
Current assets		
Cash and cash equivalents	29.49	0.50
Other assets	16.49	-
Total current assets	**45.98**	**0.50**
Total non-current assets	**-**	**-**
Current liabilities		
Financial liabilities	20.53	-
Other liabilities	7.81	-
Total current liabilities	**28.34**	**-**
Net assets	**17.64**	**0.50**

(₹ in million)

(ii) Summarised statement of profit and loss	Varroc Dell O'rto Pvt. Ltd.	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue	11.10	-
Cost of goods sold and other expenses	23.95	
Interest expense	0.01	-
Loss for the year	**(12.86)**	**-**
Other comprehensive income	-	
Total comprehensive income	(12.86)	-
Dividends received	**-**	**-**

Notes to the Financial Statements
for the year ended March 31, 2020

Note 51: Contingent liabilities

(A) Claims against the Company not acknowledged as debt

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Disputed excise and service tax matters	222.15	221.34
Income tax matters	23.73	23.73
Sales tax matters	-	0.65
Employee related disputes	17.44	43.72
Export promotion capital goods (EPCG)	251.90	85.53
Provident fund liability	See note (ii) below	-

(i) The Company is contesting excise and service tax demand and the management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company's financial position and results of the operations. The Company has deposited ₹0.38 million (previous year ₹ 1.46 million) with the tax authorities against the said demand to comply the order of hon'ble tax authorities. The hon'ble tax authorities have accepted the plea of Company and has given stay on entire demand after deposit of specified amount till the disposal of case.

(ii) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated February 28, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

(B) The Company has provided corporate guarantees / stand by letter of credit as at March 31, 2020:

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Corporate guarantees for loan taken by Indian Subsidiary	150.00	150.00
Corporate guarantees for loan taken by Foreign Subsidiaries [(March 31, 2020 – USD 72.75 million (March 31, 2019 – USD 51.75 million)]	5,323.50	3,583.17
Standby letter of credit and corporate guarantees given for loans taken by Foreign subsidiaries [('March 31,2020 – EURO 93.85 million (March 31, 2019 – Euro 44.95 million)]	7,904.05	3,507.00
Corporate guarantees for loan taken by Foreign Subsidiaries [(March 31, 2020 – BRL 97.50 million (March 31, 2019 – BRL Nil million)]	1,390.66	-

The loans taken by the subsidiaries against the above guarantees/standby letter of credit have been utilised by them for setting up of manufacturing facilities and/or working capital requirements.

Notes to the Financial Statements
for the year ended March 31, 2020

For above guarantees following charge is created in favour of:

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

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

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

Note 52: Impact of COVID-19

The Company has considered the possible effects of the COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, etc. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic and arriving at estimates, the Company, as at the date of approval of these standalone financial statements, has used internal and external sources of information. The Company has performed analysis on the assumptions used and based on current estimates, expects the carrying amounts of the assets to be recoverable as at March 31, 2020. The impact of COVID-19 on the Company's standalone financial statements may differ from that estimated as at the date of approval of these standalone financial statements.

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

For and on behalf of the Board of Directors

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Independent Auditor's Report

To the Members of Varroc Engineering Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Qualified Opinion

We have audited the accompanying consolidated Ind AS financial statements of Varroc Engineering Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint ventures comprising of the consolidated Balance sheet as at March 31, 2020, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and joint ventures, except for the possible effects of the matter described in the "Basis of Qualified Opinion" section of our report, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and its joint ventures as at March 31, 2020, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Qualified Opinion

As further discussed in Note 40 of the consolidated Ind AS financial statements, the Group is disputing a warranty claim received from a customer aggregating to ₹ 943.68 million. Due to the technical nature of the dispute and non-availability of detailed assessment of the claim, we are unable to assess the probability of the outcome and the consequential impact on provision for warranty and profit for the year ended March 31, 2020.

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' Section of our report. We are independent of the Group 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 obtained by us and other auditors in terms of their reports referred to in "Other Matter" paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated Ind AS financial statements.

Emphasis of Matter

i. We draw attention to Note 54 to the consolidated Ind AS financial statements, which describes the effect of Corona Virus Disease (COVID-19) on the operations of the Group;

ii. We draw attention to Note 37 to the consolidated Ind AS Financial Statements, regarding the rectification of an error in inventory valuation in an overseas subsidiary by restatement of the comparative financial information resulting in decrease in inventory by ₹ 295.41 million and retained earnings by ₹ 211.01 million as at March 31, 2019 and Profit After Tax by ₹ 211.01 million for the year ended March 31, 2019.

Our opinion is not qualified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
Recognition and Impairment of Intangible assets (Engineering, design and development costs) (*as described in note 2.1 and 5 of the consolidated Ind AS financial statements*)	
The Group has intangible assets of ₹ 7,754.53 million pertaining to capitalised Engineering, design and development costs (ED&D). As described in note 2A to the consolidated Ind AS financial statements, such costs are incurred for development of automotive parts designs and are capitalised when the criteria for capitalising are met and in particular, when it is probable that future economic benefits attributable to the project will flow to the Group. These intangible assets are amortised from the start of production of underlying parts over the programme life. ED&D-related intangible assets which are not being amortised yet, are tested for impairment on an annual basis and whenever there is an indication of impairment risk. As for ED&D-related intangible assets, which are being amortised, they are tested for impairment in case an impairment indicator has been identified. The measurement of ED&D costs to be capitalised and the valuation of ED&D related intangible assets as at balance sheet date is considered to be a key audit matter in our audit of the consolidated Ind AS financial statements due to the materiality of such costs when compared to the consolidated assets of the Group and also due to the involvement of management judgement in initially determining whether and to what extent such costs should be capitalised and subsequently when identifying the CGU to which such intangible assets can be allocated for doing impairment testing. The inputs to the impairment testing model which have the most significant impact on CGU's recoverable amount include: – Revenue forecasts and EBITDA margins during explicit forecast period of 5 years; – Growth rate and EBITDA margins for terminal value period; – Discount rates; The impairment testing model includes sensitivity testing of key assumptions, including revenue growth, EBITDA margins, terminal value and discount rates.	The audit procedures performed by us and/or by the independent auditors of the components included the following: • Tested, for a sample of programmes, whether the capitalisation criteria were met and consistently applied. Also reconciled, on a sample basis, the costs capitalised as at March 31, 2020 with the supporting documentation. • Assessed the Group's methodology applied in determining the respective CGUs to which ED&D-related intangible assets are allocated. • Assessed the assumptions around the key drivers of the recoverable amounts for the CGUs including revenue growth, EBITDA margins, terminal values and discount rates. • Assessed the recoverable value headroom by performing sensitivity testing of key assumptions used. • Assessed the arithmetical accuracy of the models. • Involved valuation specialists, where warranted. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.

Key audit matters	How our audit addressed the key audit matter
Recoverability of deferred tax assets recognised in Varroc Lighting Systems SRO ("Czech subsidiary") (*as described in note 22 of the consolidated Ind AS financial statements*)	
The Group has deferred tax assets of ₹ 1,951.58 million as at March 31, 2020 pertaining to the available tax benefit under various capital investment schemes availed by the Czech subsidiary, the recoverability of which depends on the generation of sufficient taxable income in future years, beyond the minimum threshold specified under the various schemes. The estimation of future taxable profits of Czech subsidiary involves inherent uncertainty since it is based on the achievement of business plans and the ongoing tax planning strategies. Therefore, the conclusion concerning the recoverability of deferred tax asset recognised in the consolidated balance sheet in respect of Czech subsidiary is subject to significant judgements and estimates by the management.	The audit procedures performed by us and the independent auditors of Czech subsidiary included the following: • Tested the projections which are based on business plans/ budgets approved by the Board of Directors and analysed the key assumptions used to determine growth rates and future margins, comparing them against past performance and third party contracts, wherever available. • Assessed the criteria used by the management to estimate the possibility of recovering the deferred tax assets in subsequent years, in light of the approved business plans. • Tested the key assumptions used by management. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements .
Impairment testing of Goodwill on business acquisitions *(as described in note 5(b) of the consolidated Ind AS financial statements)*	
The total carrying amount of Goodwill in the consolidated financial statements in respect of business acquisitions is ₹ 2,008.98 million. Carrying amounts of Goodwill are allocated to the respective Cash Generating Units (CGUs) Such CGUs are tested annually for impairment using discounted cash-flow models wherein each CGU's recoverable value is compared to the carrying value of the CGU's net assets. A deficit between the recoverable value and the CGU's net assets would result in impairment. The inputs to the testing model which have the most significant impact on CGU's recoverable value include: — Revenue forecasts and EBITDA margins during explicit forecast period of 5 years; — Growth rate and EBITDA margins for terminal value period; — Discount rates; The impairment testing model includes sensitivity testing of key assumptions, including revenue growth, EBITDA margins, terminal value and discount rates. The annual impairment testing for goodwill involves significant judgements and estimates because the assumptions on which the tests are based are highly judgemental and are affected by future market and economic conditions which are inherently uncertain. Accordingly, the same is determined to be a key audit matter in our audit of the consolidated Ind AS financial statements	Our audit procedures included the following: • Assessed the Group's methodology applied in determining the respective CGUs to which Goodwill amounts are allocated. • Tested the assumptions around the key drivers of the recoverable amounts for the CGU including revenue growth, EBITDA margins, terminal values and discount rates used. • Assessed the recoverable value headroom by performing sensitivity testing of key assumptions used. • Tested the arithmetical accuracy of the models. • Involved valuation specialists, where warranted. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matter
Transition to Ind AS 116 – Leases ***(as described in note 2.1, 2A and 3.2 of the consolidated Ind AS financial statements)***	
The Group has applied Ind AS 116 "Leases" from April 1, 2019 using the modified retrospective method. Accordingly, the cumulative effect of initially applying the standard retrospectively has been adjusted to the retained earnings as at April 1, 2019 and the comparative figures for the previous year have not be restated. The Group has recognised Right of Use assets (ROU) of ₹ 6,411.10 million and Lease liabilities of ₹ 5,002.24 million as at April 1, 2019. The application of Ind AS 116 involved significant judgements/estimates with respect to determination of the lease term where lease contracts include extension/ termination options, determination of the appropriate discount rates, identification of short-term/low value asset leases, separation of lease components and non-lease components, etc. Accordingly, the application of Ind AS 116 in respect of the lease contracts where the group is a lessee was determined to be a key audit matter in our audit of the consolidated Ind AS financial statements.	The audit procedures performed by us and/or by the independent auditors of the components included the following: • Assessed the evaluation done by the management for sample lease contracts where the Group is lessee with respect to determination of the lease term where lease contracts include extension/termination options, determination of the appropriate discount rates, identification of short-term/low value asset leases and separation of lease components and non-lease components. • Enquired with senior management personnel, the key terms of sample lease contracts to understand the respective rights and obligations of the lessor and lessee. • Tested the workings prepared by management for the application of Ind AS 116 under the modified retrospective method for accuracy and completeness of data with the underlying sample lease contracts and checked the arithmetical calculations. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.
Change in functional currency for Varroc Lighting Systems SRO ("Czech subsidiary") ***(as described in note 55 of the consolidated Ind AS financial statements)***	
During the year, the Group reassessed the functional currency of Czech subsidiary considering the underlying transactions, events and conditions relevant to the entity. The management assessed that majority of the contracts currently executed with customers and vendors are in Euros. The borrowings are also substantially denominated in Euros. However, payroll and certain good and services procured locally are denominated in local currency (CZK). Since the primary and other indicators given in Ind AS 21 are mixed, management has used its judgement to conclude that Euro is the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. Hence the functional currency of Czech subsidiary was changed from CZK to Euro prospectively from July 1, 2019 (when the assessment was completed) The determination of functional currency involved significant management judgement in evaluating the primary and other indicators under Ind AS 21 to assess the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. Hence the change in functional currency has been considered a key audit matter in our audit of the consolidated Ind AS financial statements.	The audit procedures performed by us and/or by the independent auditors of the components included the following: • Assessed the evaluation done by the management of the primary and other indicators given in Ind AS 21 for the determination of functional currency as well as the change in underlying transactions, events and conditions. • Tested, on a sample basis, the currencies of underlying customer and vendor contracts and the currencies for employee benefit expenses and other goods/services incurred locally in Czech Republic. • Tested the currencies in which borrowings are availed by the Czech subsidiary. • Enquired with the management with respect to the currencies which mainly influence the sales prices and prices of materials, labour and other costs. Also enquired about the country/region whose competitive forces/regulations determine the sales prices. • Enquired about the currencies in which finances are raised and in which operating receipts are retained. • Verified the workings prepared by management for change in functional currency to ensure that the same is in accordance with the methodology laid down in Ind AS 21. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matter
Accounting for assets destroyed by fire (including insurance claim receivable) at one of the lighting business plants at Pune *(as described in note 38 of the consolidated Ind AS financial statements)*	
The Group's automotive lighting plant at Pune, India was destroyed by fire on February 18, 2020. The carrying values of Property, Plant & Equipment and Inventories lost due to fire were ₹ 570.05 million and ₹ 245.41 million respectively. The management has informed us that it is in the process of filing a claim under a valid insurance policy covering the reinstatement values of assets destroyed. The Group has recognised a receivable of ₹ 815.46 million equal to the carrying values of assets lost. In March 2020, the Group received an interim amount of ₹ 500 million from the insurance company. We identified this as a key audit matter in our audit of the consolidated Ind AS financial statements considering the quantum of loss and the significant judgement involved in respect of various implications arising due to the fire, including recognition of insurance claim receivable from the insurance company as at March 31, 2020.	• Read the insurance policy and enquired with management regarding its validity and details of coverage including deductibles under the policy. • Obtained and reviewed the list of assets destroyed by fire which have been written off in the books of account. • Assessed the accounting with respect to assets destroyed, insurance claim receivable and interim claim amount received, for compliance with accounting standards. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.
Testing of compliance with Debt covenants *(as described in note 26 of the consolidated Ind AS financial statements)*	
The total borrowings of the group as at March 31, 2020 was ₹ 35,424.50 million. Borrowings are the primary source of funding used by the Group to finance new plants/projects and for capacity expansion at existing plants and represent the largest liability on the balance sheet. The Group has availed various long-term borrowings in different geographies. These borrowings have attached loan covenants with respect to debt-equity, debt service coverage, etc. non-compliance of which could lead to the lender demanding immediate repayment and/or penal interest. We identified this as a key audit matter in our audit of the consolidated Ind AS financial statements considering the quantum of borrowings and the implications in case of non-compliance with loan covenants.	The audit procedures performed by us and/or by the independent auditors of the components included the following: • Verified the Group's assessment and workings for compliance with the relevant loan covenants as applicable to various borrowings in the Group; • Tested the underlying calculations used in the Group's assessment of debt covenants for a sample of loan contracts. • In case of non-compliance with any of the debt covenants, read the covenants waiver letters from lenders where available. Else, verified the adjustments in respect of classification of the corresponding borrowing where applicable. • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.
Derecognition of trade receivables under factoring arrangements (*as described in note 2.1 (l) and 2A of the consolidated Ind AS financial statements*)	
The Group enters into non-recourse factoring contracts for its trade receivables with various banks/financial institutions. As at March 31, 2020, the group derecognised trade receivables amounting to ₹ 6,651.47 million. The Group derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables). The assessment of de-recognition of trade receivables under the factoring arrangements is complex and requires significant judgement. Accordingly, this has been identified as a key audit matter in our audit of the consolidated Ind AS financial statements.	The audit procedures performed by us and/or by the independent auditors of the components included the following: • Evaluated the assessment made by management in respect of transfer of substantially all risks and rewards of ownership of the financial asset under the factoring contracts; • Read a sample of factoring contracts to understand the terms and if they qualify as non-recourse arrangements and assessed compliance with accounting standards; • Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.

Independent Auditor's Report

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report (including the Annexures), Corporate Governance Report and Management Discussions and Analysis (but does not include the consolidated Ind AS financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Corporate overview and other details to be included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated Ind AS 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 consolidated Ind AS financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Corporate overview and other details included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS 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 Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of the Group and of its joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its joint ventures are also responsible for overseeing the financial reporting process of the Group and of its joint ventures.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated Ind AS financial statements.

Independent Auditor's Report

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group and its joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint ventures of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2020 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.

Independent Auditor's Report

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of 9 subsidiaries, whose Ind AS financial statements include total assets of ₹ 73,585.76 million as at March 31, 2020, and total revenues of ₹ 71,442.48 million and net cash inflows of ₹ 6,674.48 million for the year ended on that date. These Ind AS financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net loss of ₹ 66.31 million for the year ended March 31, 2020, as considered in the consolidated Ind AS financial statements, in respect of 2 joint ventures, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and joint ventures, is based solely on the reports of such other auditors.

Certain of these subsidiaries/joint ventures are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries/joint ventures located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries/joint ventures located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

(b) The accompanying consolidated Ind AS financial statements include unaudited financial statements and other unaudited financial information in respect of 3 subsidiaries whose financial statements and other financial information reflect total assets of ₹ 612.28 million as at March 31, 2020, and total revenues of ₹ 574.03 million and net cash inflows of ₹ 2.23 million for the year ended on that date. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. The consolidated Ind AS financial statements also include the Group's share of net loss of ₹ 25.33 million for the year ended March 31, 2020, as considered in the consolidated Ind AS financial statements, in respect of 2 joint ventures, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates to amounts and disclosures included in respect of these subsidiaries and joint ventures, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries and joint ventures, is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and joint ventures, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:

(a) We/the other auditors whose report we have relied upon have sought and except for the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) The matters described in the Basis for Qualified Opinion and Emphasis of Matter paragraphs above, in our opinion, may have an adverse effect on the functioning of the Group;

(f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies and joint ventures, none of the directors of the Group's companies and its joint ventures incorporated in India is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

(g) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company and its subsidiary companies and joint ventures incorporated in India, refer to our separate Report in "Annexure 2" to this report;

(h) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries and joint ventures incorporated in India, the managerial remuneration for the year ended March 31, 2020 has been paid/provided by the Holding Company, its subsidiaries and joint ventures incorporated in India to their directors in accordance with the provisions of Section 197 read with Schedule V to the Act;

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and joint ventures, as noted in the 'Other matter' paragraph:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations on consolidated financial position of the Group and its joint ventures in its consolidated Ind AS financial statements – Refer Note 40 to the consolidated Ind AS financial statements;

ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 15 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group and its joint ventures;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and joint ventures incorporated in India during the year ended March 31, 2020.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership Number: 105754

UDIN: 20105754AAAADF6956

Place of Signature: Pune
Date: June 25, 2020

Annexure to the Independent Auditor's Report

of even date on the Consolidated Financial Statements of Varroc Engineering Limited

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Varroc Engineering Limited as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of Varroc Engineering Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies and joint venture, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

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

Opinion

In our opinion, the Holding Company and its subsidiary companies and joint venture, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements insofar as it relates to a subsidiary and a joint venture, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership Number: 105754

UDIN: 20105754AAAADF6956

Place of Signature: Pune
Date: June 25, 2020

Consolidated Balance Sheet
as at March 31, 2020

(₹ in million)

	Notes	As at March 31, 2020	As at March 31, 2019 (Restated)
ASSETS			
Non-Current assets			
Property, plant and equipment	3.1	36,697.16	29,137.15
Capital work-in-progress	3.1	3,975.92	6,662.80
Investment Properties	4	-	134.40
Goodwill	5 (b)	2,008.98	1,992.53
Other Intangible assets	5 (a)	5,840.75	4,334.14
Intangible assets under development	5 (a)	3,925.40	3,331.90
Right of use of asset	3.2	8,282.42	-
Investments accounted for using the equity method	53	3,262.14	3,433.86
Financial assets			
Investments	6	0.20	0.20
Loans	7	160.89	127.88
Other financial assets	8	231.93	374.90
Income tax assets (net)		672.12	152.03
Deferred tax assets (net)	22	2,180.76	1,843.64
Other non-current assets	9	1,373.42	2,422.09
Total non-current assets		68,612.09	53,947.52
Current assets			
Inventories	10	10,758.16	8,903.83
Financial assets			
Investments	11	40.23	186.41
Trade receivables	12	10,893.33	13,495.13
Cash and cash equivalents	13(a)	10,659.74	1,608.42
Other bank balances	13(b)	27.93	25.86
Loans	14	121.62	179.48
Other financial assets	15	21.16	18.72
Other current assets	16	8,888.47	8,958.20
Total current assets		41,410.64	33,376.05
Total Assets		110,022.73	87,323.57
EQUITY AND LIABILITIES			
Equity			
Equity share capital	17	134.81	134.81
Other equity	18	29,910.45	30,529.42
Equity attributable to equity holders of the parent		30,045.26	30,664.23
Non-controlling interests		249.24	241.31
Total equity		30,294.50	30,905.54

Consolidated Balance Sheet
as at March 31, 2020

(₹ in million)

	Notes	As at March 31, 2020	As at March 31, 2019 (Restated)
LIABILITIES			
Non-Current liabilities			
Financial Liabilities			
Borrowings	19	9,002.04	4,571.96
Lease liabilities	3.2	6,522.15	-
Other financial liabilities	20	232.59	127.17
Provisions	21	1,181.65	978.19
Deferred tax liabilities (net)	22	985.83	913.31
Other non-current liabilities	23	1,831.75	2,117.94
Total non-current liabilities		19,756.01	8,708.57
Current liabilities			
Financial liabilities			
Borrowings	24	17,004.44	12,014.65
Lease liabilities	3.2	603.97	-
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	25	866.28	658.70
Total outstanding dues other than micro enterprises and small enterprises	25	22,780.07	19,663.32
Acceptances		157.47	240.37
Other financial liabilities	26	13,598.80	11,418.94
Provisions	27	575.12	382.02
Income tax liabilities (net)		111.81	279.90
Other current liabilities	28	4,274.26	3,051.56
Total current liabilities		59,972.22	47,709.46
Total liabilities		79,728.23	56,418.03
Total equity and liabilities		110,022.73	87,323.57

Summary of significant accounting policies 2

The accompanying notes are an integral part of these consolidated financial statements

As per our report of even date

For and on behalf of the Board of Directors

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Consolidated Statement of Profit and Loss
for the year ended March 31, 2020

(₹ in million)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Revenue			
Revenue from operations	29	111,218.68	120,364.65
Other income	30	988.86	907.88
Total income		**112,207.54**	**121,272.53**
Expenses			
Cost of materials consumed	31	70,193.63	76,023.42
Changes in inventories of work-in-progress and finished goods	32	(332.12)	(264.05)
Excise duty		-	
Employee benefits expense	33	15,929.19	15,014.93
Finance costs	34	1,391.67	968.45
Depreciation and amortisation expense	35	7,318.64	5,656.42
Other expenses	36	17,220.02	19,002.70
Total expenses		**111,721.03**	**116,401.87**
Profit before share of net profit/(loss) of investments accounted for using equity method and tax		486.51	4,870.66
Share of net profit/(loss) of investments accounted for using the equity method		(91.65)	314.54
Profit before tax		**394.86**	**5,185.20**
Income tax expense	39		
Current tax		490.75	1,381.58
Short/(excess) provision in respect of earlier year		(146.49)	63.08
Net current tax		**344.26**	**1,444.66**
Deferred tax		25.54	(546.24)
Total tax expense		**369.80**	**898.42**
Profit for the year		**25.06**	**4,286.78**
Other comprehensive income			
Items that will be reclassified to profit or loss in subsequent periods			
Deferred hedging gains/(losses) on cash flow hedges (net of tax of ₹7.90 million, (previous year ₹ 16.01 million))		21.72	29.81
Exchange differences in translating the financial statements of foreign operations		786.92	(1,041.46)
		808.64	**(1,011.65)**
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement of defined benefit obligation (net of tax of ₹151.62 million, (previous year ₹ 11.60 million))		(207.15)	(47.61)
Other comprehensive income for the year		**601.49**	**(1,059.26)**
Total comprehensive income for the year		**626.55**	**3,227.52**
Profit attributable to:			
Owners		1.91	4,252.19
Non-controlling interests		23.15	34.59

Consolidated Statement of Profit and Loss
for the year ended March 31, 2020

(₹ in million)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Other comprehensive income attributable to:			
Owners		602.72	(1,058.49)
Non-controlling interests		(1.23)	(0.77)
Total comprehensive income attributable to:			
Owners		604.63	3,193.70
Non-controlling interests		21.92	33.82
Earnings per equity share attributable to Owners [Nominal value per share: ₹ 1 (Previous year : ₹ 1)]	51		
Basic and diluted (in Rupees)		0.01	31.54

Summary of significant accounting policies 2

The accompanying notes are an integral part of these consolidated financial statements

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

For and on behalf of the Board of Directors

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Consolidated Statement of Cash Flows
for the year ended March 31, 2020

(₹ In million)

Sr. No.	Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019 (restated)	
A.	**Cash flow from operating activities**				
	Profit before tax		394.86		5,185.20
	Adjustments for:				
	Depreciation and amortisation expense	7,318.64		5,656.42	
	Loss/(Profit) on sale of Property, plant and equipment/Intangible assets	210.44		(40.91)	
	Provision for doubtful debts and advances	174.93		41.18	
	Finance costs	1,391.67		968.45	
	Gain on sale of current investments	(11.37)		(6.91)	
	Share in (profit)/loss of Joint Venture accounted for using the equity method	91.65		(314.54)	
	Liabilities no longer required written back	(20.68)		(124.54)	
	Other non-cash income	(27.65)		(157.44)	
	Government grants	(227.52)		(271.65)	
	Interest income	(21.89)	8,878.22	(12.98)	5,737.08
	Operating profits before working capital changes		**9,273.08**		**10,922.28**
	Adjustments for changes in:				
	Inventories	(1,695.05)		(228.32)	
	Trade receivables	2,969.57		615.85	
	Other Assets	2,470.99		(5,111.65)	
	Trade payables	2,345.40		1,005.53	
	Other liabilities and provisions	55.35		(1,187.66)	
			6,146.26		(4,906.27)
	Cash generated from operations	-	**15,419.34**		**6,016.01**
	Taxes paid		(1,282.46)		(1,276.52)
	Net cash flow from operating activities		**14,136.88**		**4,739.49**
B.	**Cash flow from investing activities**				
	Dividend received	265.61		404.93	
	Interest received	21.80		12.98	
	Government grant received during the year	384.01		154.27	
	Rent received on investment properties	17.61		47.40	
	(Purchase)/proceeds from sale of current investments (net)	157.55		(149.18)	
	Acquisition of minority stake	(25.51)		(165.00)	
	Acquisition of business	(188.55)		(3,469.29)	
	Investment in Joint Venture	(99.67)		-	
	Proceeds from sale of Property, plant and equipment	(3.96)		168.51	
	Purchase of Property, plant and equipment	(9,773.93)		(11,091.56)	
	Costs incurred on intangible assets	(4,093.42)		(3,322.37)	
	Advance received against Insurance Claim	500.00		-	
	Fixed deposits redeemed/(Purchase) (net)	156.38		(162.75)	
	Net cash used in investing activities		**(12,682.08)**		**(17,572.06)**

Consolidated Statement of Cash Flows
for the year ended March 31, 2020

(₹ In million)

Sr. No.	Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019 (restated)	
C	**Cash flow from financing activities**				
	Proceeds from long-term borrowings	7,280.38		5,758.32	
	Repayment of long-term borrowing	(1,243.39)		(2,189.45)	
	Repayment of lease liability	(794.23)		-	
	Proceeds/(repayments) of short-term borrowings (net)	4,445.00		8,681.79	
	Dividend on equity and preference shares including tax thereon	(1,151.34)		(8.39)	
	Interest paid	(1,205.20)		(952.83)	
	Net cash flow from /(used in) financing activities		7,331.23		11,289.45
	Net increase/ (decrease) in Cash and Cash Equivalents (A+B+C)		**8,786.03**		**(1,543.12)**
	Opening cash and cash equivalents		1,455.28		3,117.05
	Effect of exchange difference on translation of foreign currency cash and cash equivalents		89.67		(118.65)
	Total		1,544.95		2,998.40
	Closing cash and cash equivalents		**10,330.98**		**1,455.28**
	Cash and cash equivalents consists of				
	Cash in hand		1.13		2.26
	Bank balances				
	Current accounts and deposits with maturity of less than three months		10,658.61		1,606.16
	Bank overdraft (Refer note 24)		(328.76)		(153.13)
			10,330.98		**1,455.28**

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

Summary of significant accounting policies

The accompanying notes are an integral part of these consolidated financial statements

As per our report of even date

For and on behalf of the Board of Directors

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

per Paul Alvares
Partner
Membership No.: 105754

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Place: Pune
Date: June 25, 2020

Date: June 25, 2020

Consolidated Statement of changes in equity
for the year ended March 31, 2020

A. Equity and preference share capital

(₹ in million)

	Equity Shares		Preference Shares	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Balance at the beginning of the year	**134.81**	**123.13**	**-**	**11.68**
Add: Conversion of series "C" CCPS Preference shares into 11,683,770 equity shares	-	11.68	-	(11.68)
Balance at the end of the year	**134.81**	**134.81**	**-**	**-**

B. Other equity

(₹ in million)

	Reserves and Surplus							Other Reserves		Equity attributable to Owners	Non-controlling interests	Total equity
	Retained earnings	General reserve	Debenture redemption reserve	Capital redemption reserve	Capital Reserve	Statutory reserves	Securities premium	Foreign currency translation reserve	Cash flow hedge reserve			
Balance as at April 1, 2018	8,950.06	4,194.73	325.00	11.30	5,335.08	410.80	6,190.08	1,963.52	(2.26)	27,378.31	207.67	27,585.98
Profit for the year (restated) (refer note 37)	4,252.19	-	-	-	-	-	-	-	-	4,252.19	34.59	4,286.78
Other comprehensive income (restated) (refer note 37)	(46.84)	-	-	-	-	-	-	(1,041.46)	(4.39)	(1,092.69)	(0.77)	(1,093.46)
Total comprehensive income (restated)	**4,205.35**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,041.46)**	**(4.39)**	**3,159.50**	**33.82**	**3,193.32**
Dividend paid (including dividend distribution tax ₹ 2.55 million)	(8.39)	-	-	-	-	-	-	-	-	(8.39)	-	(8.39)
Other	-	-	-	-	-	-	-	-	-	-	(0.18)	(0.18)
Balance at March 31, 2019 (Restated)	**13,147.02**	**4,194.73**	**325.00**	**11.30**	**5,335.08**	**410.80**	**6,190.08**	**922.06**	**(6.65)**	**30,529.42**	**241.31**	**30,770.73**

Consolidated Statement of changes in equity
for the year ended March 31, 2020

(₹ in million)

	Reserves and Surplus							Other Reserves		Equity attributable to Owners	Non Controlling Interests	Total Equity
	Retained earnings	General reserve	Debenture redemption reserve	Capital redemption reserve	Capital Reserve	Statutory reserves	Securities premium	Foreign currency translation reserve	Cash flow hedge reserve			
Balance as at April 1, 2019 (restated)	**13,147.02**	**4,194.73**	**325.00**	**11.30**	**5,335.08**	**410.80**	**6,190.08**	**922.06**	**(6.65)**	**30,529.42**	**241.31**	**30,770.73**
Effect of change in accounting policy (refer note 2.1)	(66.22)	-	-	-	-	-	-	-	-	(66.22)	-	(66.22)
As at April 1, 2019	**13,080.80**	**4,194.73**	**325.00**	**11.30**	**5,335.08**	**410.80**	**6,190.08**	**922.06**	**(6.65)**	**30,463.20**	**241.31**	**30,704.51**
Profit for the year	1.91	-	-	-	-	-	-	-	-	1.91	23.15	25.06
Other comprehensive income	(205.91)	-	-	-	-	-	-	786.92	1.99	583.00	(1.23)	581.77
Total comprehensive income	**(204.00)**	**-**	**-**	**-**	**-**	**-**	**-**	**786.92**	**1.99**	**584.91**	**21.92**	**606.83**
Dividend paid (including dividend distribution tax ₹196.41 million)	(1,137.67)	-	-	-	-	-	-	-	-	(1,137.67)	(14.18)	(1,151.85)
Transferred from debenture redemption reserve on account of redemption of debentures	325.00	-	(325.00)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	0.20	0.20
Balance at March 31, 2020	**12,064.13**	**4,194.73**	**-**	**11.30**	**5,335.08**	**410.80**	**6,190.08**	**1,708.98**	**(4.66)**	**29,910.44**	**249.25**	**30,159.69**

The accompanying notes are an integral part of these consolidated financial statements

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

For and on behalf of the Board of Directors

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

1. Corporate information

Varroc Engineering Limited ("the Company") is engaged in the business of manufacturing of Automobile components. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at L-4 M.I.D.C. Area, Waluj, Aurangabad – 431 136.

The Company and its subsidiaries (collectively, the Group) are primarily engaged in the business of auto components and services in the automotive industry to Indian and global customers. The Company, its subsidiaries and jointly controlled entities operate from manufacturing plants and technical development centres across 4 continents and 14 countries spread across the globe. The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of directors on June 25, 2020.

2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements comprise financial statements of the Company, its subsidiaries and its jointly controlled entities.

a) Basis of preparation

(i) Compliance with Ind AS:

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

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

(ii) Use of estimates and assumptions:

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

(iii) Historical cost convention:

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

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

(iv) Current – Non-Current classification:

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

b) Principles of consolidation and equity accounting

The Consolidated Financial Statements comprise the financial statements of the Company, its subsidiaries and joint ventures as at and for the year ended March 31, 2020.

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

Notes to the Consolidated Financial Statements

for the year ended March 31, 2020

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

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

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

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e. year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

(i) Subsidiaries

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

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

(ii) Joint arrangements

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

a) Joint ventures

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

b) Joint operations

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

(iii) Equity Method

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

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

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

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 2(i) below.

(iv) Changes in ownership interests

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

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

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

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

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

c. Foreign currency translation

The Group's Consolidated Financial Statements are presented in INR, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of the following:

- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g. Consolidated Financial Statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- Exchange differences arising on monetary items that are designated as part of the hedge

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of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

– Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising in the acquisition/business combination of a foreign operation on or after April 1, 2015 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Any goodwill or fair value adjustments arising in business combinations/acquisitions, which occurred before the date of transition to Ind AS (April 1, 2015), are treated as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

Gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition but includes only translation differences arising after the transition date.

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

d) Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Amounts disclosed as revenue are net of goods and service tax (GST). The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2A.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. Product development/Engineering services primarily pertaining to global automotive lighting business are considered as relating to sale of parts rather than a separate performance obligation. As a result, revenue from product development/engineering services is recognised over the period of production from the start of production date and is included in the revenue from sale of finished goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration If the consideration in a contract includes a variable amount (like volume rebates/incentives, cash discounts etc.), the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The estimate of variable consideration for expected future volume rebates/incentives, cash discounts etc. are made on the most likely amount method. Revenue is disclosed net of such amounts.

Significant financing component Generally, the Group receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Warranty obligations The Company typically provides warranties for general repairs of defects as per terms of the contract with customers, These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section (t) Provisions

Customer prepayments are amortised in Revenue over the life of the respective project.

Sale of services

Income from services is recognised on the basis of time/work completed as per contract with the customers. The Group collects taxes on services (where applicable) on behalf of the government and, therefore, they are not economic benefits flowing to the Group. Hence, they are excluded from revenue.

Tooling Revenue

Development of toolings for customers is considered as a separate performance obligation. Revenue from toolings primarily pertaining to global automotive lighting business is recognised over time based on the progress towards complete satisfaction of that performance obligation. Such progress is measured based on the proportion that the aggregate costs incurred for work done till the balance sheet date bear to the estimated total costs. For other tooling contracts, the performance obligation is satisfied at a point in time or over time based on the specific terms of the contract.

Determination of toolings revenues to be recognised over time necessarily involves making estimates by the Management (some of which are a technical nature) of the costs of completion, the expected revenues from each contract and the foreseeable losses to completion.

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

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policy (l) Financial instruments – Financial assets at amortised cost.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment

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is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

Refund liabilities

A refund liability is the obligation to refund some or all the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Wind/solar power generation

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

Export Incentives

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

e) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income. Government grants relating to purchase of property plant and equipment are included in current and non-current liabilities as deferred income and are credited to profit or loss on straight-line basis over the expected lives of the related assets and presented within other income.

f) Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

Sales/value added taxes paid on acquisition of assets or on incurring expenses– Expenses and assets are recognised net of the amount of sales/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of tax included

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The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

g) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right of use of asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building: 3 to 25 years
- Plant and machinery: 3 to 15 years
- Motor vehicles and other equipment: 3 to 5 years

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e.

those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

h) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of

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whether other assets or liabilities of the acquiree are assigned to those units.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

i) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

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

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

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

j) Cash and cash equivalents

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

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

k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials, Stores and spare-parts, Loose tools and Packing materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Finished goods and work-in-progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

l. Financial instruments

Financial Assets

Initial Recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, transactions costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A ‘debt instrument’ is measured at the amortised cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Debt instrument at FVTOCI

A ‘debt instrument’ is classified as at FVTOCI if both of the following criteria are met:

(a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

(b) The asset’s contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Group recognises

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interest income, impairment losses and reversals and foreign exchange gain or loss in the P&L. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income under EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI is classified as FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instruments as at FVTPL.

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

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such an election on an instrument-by-instrument basis. This classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to P&L, even on the sale of the investment. However, the Group may transfer the cumulative gain or loss within equity.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

(a) Financial assets that are debt instruments, and are measured at amortised cost e.g. loans, debt securities, deposits, trade receivables and bank balance

(b) Financial assets that are debt instruments and are measured at FVTOCI

(c) Lease receivables

(d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115

(e) Loan commitments which are not measured as at FVTPL

(f) Financial guarantee contracts which are not measured as at FVTPL.

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract assets; and
- Lease receivables

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

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

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

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

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of the collateral held or other credit enhancements that are integral to the contractual terms.

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

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

- Financial assets measured at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.
- Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet i.e. as a liability.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount

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is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e. financial assets which are credit impaired on purchase/origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/losses are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Group has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per the impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Embedded Derivatives

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Group does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract.

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the hose contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

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

Embedded foreign currency derivatives

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

- the functional currency of any substantial party to that contract,
- the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world,
- a currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place (i.e. relatively liquid and stable currency).

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

Reclassification of financial assets and liabilities

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

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

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

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

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

Original Classification	Revised Classification	Accounting Treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in P&L.
FVTPL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to P&L at the reclassification date.

m) Offsetting of financial instruments

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

n) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

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

- Disclosures for valuation methods, significant estimates and assumptions (note 43)
- Quantitative disclosures of fair value measurement hierarchy (note 43)
- Financial instruments (including those carried at amortised cost) (note 43)

o) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the group's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges that qualify for hedge accounting

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Group uses derivative contracts as hedges of its exposure to foreign currency risk in

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forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

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

p) Property, plant and equipment

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

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

Depreciation methods, estimated useful lives and residual value

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

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

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

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

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

Capital work-in-progress is stated at cost, net of accumulated impairment loss, if any. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

q) Investment properties

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

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

r) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

(i) Goodwill

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

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

(ii) Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Separately acquired software are shown at transaction cost, software acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation. Computer software are amortised on a straight-line basis over a period of 3 to 5 years

(iii) Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. During the period of development, the asset is tested for impairment annually.

Capitalised development expenditure is amortised on a straight-line basis from the start of production over a period of 3 years or project life whichever is lower.

(iv) Technical knowhow fees

Expenditure on acquiring Technical Know-how (including Income Tax and R & D Cess) is capitalised and amortised on a straight-line basis over a period of five to ten years

(v) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the

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acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer relationships are amortised on a straight-line basis over a period of 10-12 years

(vi) Patents and others

Costs of intangible assets other than those internally generated, including patents, brand and licenses, are valued at acquisition cost and amortised on a straight-line basis over their estimated future useful lives being 10 years.

(vii) Non-compete fee

Non-compete fee paid is capitalised and amortised over a period of 10 years.

s) Borrowing costs

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

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

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

t) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Provision for onerous contracts

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

Contingent liabilities recognised in a business combination

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

u) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Post-employment obligations

The group operates the following post-employment schemes:

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

(b) defined contribution plans such as provident fund.

Pension and Gratuity obligations

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

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

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

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

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

Defined contribution plans

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

(iv) Bonus plans

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

(v) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee

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

v) Dividends

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

w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of equity shares outstanding during the reporting period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

(ii) Diluted earnings per share

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

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

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

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

x) Contingent liabilities

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

y) Treasury Shares

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

z). Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ('CODM'). The CODM is responsible for allocating resources and assessing performance of the operating segments.

2.1 Changes in accounting policies and disclosures

New and amended standards

A. Ind AS 116 – Leases

Ind AS 116 supersedes Ind AS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the consolidated balance sheet.

(a) Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. In cases where Group is acting as lessors, it will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 did not have an impact for leases where the Group is the lessor.

(b) The Group adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at April 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying Ind AS 17 at the date of initial application.

(c) The effect of adoption Ind AS 116 as at April 1, 2019 (increase/(decrease)) is, as follows:

(₹ in million)

	Increase / (decrease)
Assets	
Right of use of asset	6,411.10
Property, plant and equipments	(1,487.43)
Prepayments/Deposits	(9.75)
Deferred tax assets	22.09
Total assets	**4,936.01**
Liabilities	
Lease liabilities	5,002.23
Total liabilities	5,002.23
Total adjustment to equity	**66.22**
Retained earnings	66.22
Non-controlling interest	-
Total equity	**66.22**

The Group has lease contracts for various land, building premises; plant and machineries and vehicles. Before the adoption of Ind AS 116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of Ind AS 116, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.3 (l) Leases for the accounting policy beginning April 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance lease

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under Ind AS 17). The requirements of Ind AS 116 were applied to these leases from April 1, 2019.

Leases previously classified as operating lease

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at April 1, 2019:

- Right-of-use assets of ₹ 6,411.10 million were recognised and presented separately in the balance sheet. This includes the lease assets recognised previously under finance leases of ₹1,487.43 million that were reclassified from Property, plant and equipment.
- Additional lease liabilities of ₹5,002.23 million were recognised.
- Prepayments/Deposits of ₹9.75 million related to previous operating leases were derecognised.
- Deferred tax assets increased by ₹22.09 million because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to retained earnings ₹66.22 million.

(d) The lease liabilities as at April 1, 2019 can be reconciled to the operating lease commitments as of March 31, 2019, as follows:

Particulars	₹ in million
Operating lease commitments as at March 31, 2019	3,382.16
Weighted average incremental borrowing rate as at April 1, 2019 *	3.89%
Discounted operating lease commitments as at April 1, 2019	2,886.63
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value assets	-
Add:	
Commitments relating to leases previously classified as finance leases	145.20
Lease payments relating to renewal periods not included in operating lease commitments as at March 31, 2019	1,970.40
Lease liabilities as at April 1, 2019	5,002.23

*Above rate is weighted average incremental borrowing rate for the Group. The incremental borrowing rates range from 1.6% to 25.5% within the Group entities.

B. Appendix C to Ind AS 12 - Uncertainty over income tax treatments

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Appendix, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Appendix did not have an impact on the consolidated financial statements of the Group.

Several other amendments apply for the first time for the year ended March 31, 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, amendments that have been issued but are not yet effective/notified.

Note 2A: Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

1. Revenue from contracts with customers

"The Group provides product development/ engineering services to its customers. Under Ind AS 115, the group has determined that such services generally do not constitute a separate performance obligation under the contracts with customers but are part of the performance obligation of the group to supply finished goods to the customer. Accordingly, under Ind AS 115, revenue from product development/ engineering services is recognised over the period of production from the start of production (SOP) date. Payments received from customers in respect of such services before SOP date are considered as contract liability. Further, the group has determined that the costs incurred in respect of product development/engineering services are eligible to be capitalised as intangible assets and accordingly such costs have been presented as 'Capitalised development expenditure' under Intangible assets.

Development of toolings for the customers has been identified by the group to be a separate performance obligation. Further, the group has determined that the performance obligation in respect of development of toolings primarily pertaining to global automotive lighting business is generally satisfied over time. For other tooling contracts, the performance obligation is satisfied at a point in time or over time based on the specific terms of the contract.

2. Non-recognition of deferred tax liability on undistributed profits of subsidiaries

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

3. Determining the lease term of contracts with renewal/termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has certain lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

4. Change in functional currency for subsidiaries

During the year, the Group reassessed the functional currencies for its subsidiaries. Since the primary and other indicators given in

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Ind AS 21 "The Effects of Changes in Foreign Exchange Rates" are mixed for two subsidiaries located at Czech Republic and Morocco, the management has used its judgement as required under para 12 of Ind AS 21 to conclude that Euro is the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions of these entities. Refer Note 55 for further details.

5. Derecognition of trade receivables under factoring arrangements

The Group enters into non-recourse factoring arrangements for its trade receivables with various banks/financial institutions. The Group derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables). The assessment of de-recognition of trade receivables under the factoring arrangements is complex and requires judgement.

Estimates and assumptions

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

The group tests whether goodwill has suffered any impairment atleast on an annual basis irrespective of whether there is any indication of impairment. The recoverable amount of a cash generating unit (CGU) to which goodwill balance is allocated is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth, consistent with industry forecasts. The key assumptions used to determine the recoverable amounts for the different CGUs to which goodwill amounts have been allocated, including a sensitivity analysis, are disclosed and further explained in Note 5 (b).

2. Deferred Tax Assets

Deferred tax assets are recognised when it is probable that these amounts can be utilised against future taxable surpluses and against fiscal, temporary differences. At each balance sheet date, the group assesses whether the realisation of future tax benefits is sufficiently probable to recognise/carry forward deferred tax assets (including MAT credit). This assessment requires the use of significant estimates with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income or if changes in current tax regulations are enacted. Refer note 22 for details.

3. Recognition of tooling revenue over time

In respect of tooling contracts where revenue is recognised over time, the measurement of progress towards completion requires the group to estimate the work performed to date as a proportion of the total work to be performed which is based on the proportion of actual costs incurred to total estimated costs. Such estimates are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

4. Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. Recognition and Impairment of Intangible assets relating to Engineering, design and development

Engineering, design and development costs (ED&D) are capitalised when the criteria for capitalising are met and in particular, when it is probable that future economic benefits attributable to the project will flow to the Group. These intangible assets are amortised from the start of production of underlying parts over the programme life. ED&D-related intangible assets which are not being amortised yet, are tested for impairment on an annual basis and whenever there is an indication of impairment risk. As for ED&D-related intangible assets, which are being amortised, they are tested for impairment in case an impairment indicator has been identified. Management estimates and assumptions are involved in determining to what extent such costs should be capitalised; when identifying the CGU to which such intangible assets can be allocated for doing impairment testing and in respect of the inputs to the impairment testing model including revenue forecasts and EBITDA margins during explicit forecast period of 5 years, growth rate and EBITDA margins for terminal period, discount rates, etc.

6. Defined benefit plans

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

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The mortality rate is based on publicly available mortality tables based on the country where the entity operates. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates of the respective country.

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

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 3.1 Property, plant and equipment

(₹ in million)

Particulars	Gross carrying amount							Accumulated depreciation						Net Carrying amount	
Asset Class	As at April 1, 2019	Business combination (Refer Note 56a)	Additions	Effect of change in accounting policy (refer note 2.1)	Translation adjustment	Deductions / adjustments ##	As at March 31, 2020	As at April 1, 2019	Depreciation for the year	Effect of change in accounting policy (refer note 2.1)	Translation adjustment	On Deductions / adjustments ##	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Owned assets															
Freehold Land	980.71	-	23.99	-	42.81	-	1,047.51	-	-	-	-	-	-	1,047.51	980.71
Factory Building**	7,210.62	-	1,707.18	-	297.92	100.30	9,115.42	820.72	323.06	-	18.81	19.62	1,142.97	7,972.45	6,389.90
Office Building	1,108.35	-	46.65	-	13.59	-	1,168.59	105.11	24.59	-	4.01	-	133.71	1,034.88	1,003.24
Plant & Machinery *	23,170.54	0.10	9,482.18	-	1,089.16	1,537.61	32,204.37	7,434.01	2,817.84	-	303.48	884.79	9,670.54	22,533.83	15,736.53
Factory Equipment	2,563.51	-	406.37	-	51.53	100.83	2,920.58	962.80	300.98	-	19.27	96.03	1,187.02	1,733.56	1,600.71
Electrical Installation	462.52	-	98.26	-	0.29	0.22	560.85	190.44	48.52	-	0.14	0.22	238.88	321.97	272.08
Mould & Dies	751.60	-	98.24	-	3.69	11.89	841.64	355.64	112.09	-	2.13	5.78	464.08	377.56	395.96
Electrical Fitting	65.15	-	38.27	-	-	0.03	103.39	33.05	9.09	-	-	0.03	42.11	61.28	32.10
Office Equipment	188.16	0.06	41.22	-	3.28	3.23	229.49	112.88	23.01	-	2.09	1.80	136.18	93.31	75.28
Tools & Instrument	1,467.42	-	403.63	-	92.77	24.23	1,939.59	979.86	277.47	-	63.30	24.18	1,296.45	643.14	487.56
Furniture and fixtures	377.41	0.17	55.46	-	-	30.51	402.53	141.30	48.73	-	-	8.89	181.14	221.39	236.11
Computers	792.20	0.09	195.17	-	41.28	32.73	996.01	396.85	206.26	-	23.21	27.33	598.99	397.02	395.35
Vehicles	90.00	-	223.16	-	7.93	3.78	317.31	45.81	16.80	-	0.51	5.07	58.05	259.26	44.19
Leased assets															
Leasehold Land	850.60	-	-	(850.60)	-	-	-	76.65	-	(76.65)	-	-	-	-	773.95
Buildings	716.98	-	-	(716.98)	-	-	-	295.56	-	(295.56)	-	-	-	-	421.42
Plant & Machinery	398.19	-	-	(398.19)	-	-	-	111.22	-	(111.22)	-	-	-	-	286.97
Office Equipment	12.22	-	-	(12.22)	-	-	-	7.13	-	(7.13)	-	-	-	-	5.09
Grand Total	**41,206.18**	**0.42**	**12,819.78**	**(1,977.99)**	**1,644.25**	**1,845.36**	**51,847.28**	**12,069.03**	**4,208.44**	**(490.56)**	**436.95**	**1,073.74**	**15,150.12**	**36,697.16**	**29,137.15**

* Additions include finance cost capitalised amounting to ₹ 20.07 million (March 31, 2019 ₹ 13.40 million).

** Additions in factory building include amount of ₹ 109.79 million transferred from investment properties. Refer note 4.

Deductions include following amount of property, plant and equipments pertaining to group's automotive lighting plant in Pune which was destroyed by fire on February 18, 2020. These amounts have been written off and corresponding insurance claim receivable has been recognised as at March 31, 2020. (refer note 38).

Notes to the Consolidated Financial Statements
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(₹ in million)

Particulars	As at February 18, 2020		
	Gross carrying amount	Accumulated depreciation	Net Carrying amount
Factory buildings	74.17	12.59	61.58
Plant and machinery	821.35	327.96	493.39
Computers	13.46	8.16	5.30
Vehicles	0.72	0.72	-
Furniture and fixtures	17.59	8.58	9.01
Office equipments	2.04	1.27	0.77
Total	**929.33**	**359.28**	**570.05**

(i) Capital work-in-progress	(₹ in million)
Opening capital work-in-progress	6,662.80
Addition during the year ended March 31, 2020	10,132.90
Capitalised during the year ended March 31, 2020	12,819.78
Closing capital work-in -progress	**3,975.92**

Closing CWIP primarily includes assets relating to plants under construction/expansion

(ii) Property, plant and equipment pledged as security

Refer to note 53 for information on property, plant and equipment pledged as security by the group.

(iii) Contractual obligations

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

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

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 3.1 Property, plant and equipment

(₹ in million)

Particulars	Gross carrying amount						Accumulated depreciation					Net Carrying amount	
Asset Class	As at April 1, 2018	Business combination (Refer Note 56(b))	Additions	Translation adjustment	Deductions / adjustments	As at March 31, 2019	As at April 1, 2018	Depreciation for the year	Translation adjustment	On Deductions / adjustments	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Owned assets													
Freehold Land	950.54	53.83	8.99	(17.25)	15.40	980.71	-				-	980.71	950.54
Factory Building*	5,880.04	116.03	1,413.91	(196.78)	2.58	7,210.62	580.80	250.73	(10.63)	0.18	820.72	6,389.90	5,299.24
Office Building	949.22	-	167.78	(8.65)		1,108.35	82.95	22.13	0.03		105.11	1,003.24	866.27
Plant & Machinery	19,143.26	411.74	4,202.72	(437.19)	149.99	23,170.54	5,316.25	2,317.74	(120.80)	79.18	7,434.01	15,736.53	13,827.01
Factory Equipment	2,203.63	-	423.55	(52.05)	11.62	2,563.51	717.56	273.01	(17.94)	9.83	962.80	1,600.71	1,486.07
Electrical Installation	417.08	-	46.98	(0.12)	1.42	462.52	148.12	43.74	(0.06)	1.36	190.44	272.08	268.96
Mould & Dies	589.57	-	164.13	(1.88)	0.22	751.60	239.68	117.36	(1.18)	0.22	355.64	395.96	349.89
Electrical Fitting	62.81	-	2.34	-		65.15	25.62	7.43	-	-	33.05	32.10	37.19
Office Equipment	165.18	-	25.59	(2.06)	0.55	188.16	88.08	26.52	(1.25)	0.47	112.88	75.28	77.10
Tools & Instrument	1,269.40	-	253.61	(54.08)	1.51	1,467.42	705.55	313.91	(38.26)	1.34	979.86	487.56	563.85
Furniture and fixtures	296.78	31.10	61.24	(11.59)	0.12	377.41	81.16	63.05	(2.87)	0.04	141.30	236.11	215.62
Computers	538.36	-	268.11	(10.07)	4.20	792.20	258.76	146.87	(4.58)	4.20	396.85	395.35	279.60
Vehicles	92.32	4.31	6.18	(0.70)	12.11	90.00	37.71	16.49	(0.06)	8.33	45.81	44.19	54.61
Leased assets													
Leasehold Land	852.75	-	-	(2.15)	-	850.60	53.72	22.93	-	-	76.65	773.95	799.03
Buildings	693.99	63.80	-	(40.81)	-	716.98	235.15	78.77	(18.36)	-	295.56	421.42	458.84
Plant & Machinery	417.70	-	-	(19.51)	-	398.19	90.96	25.40	(5.14)	-	111.22	286.97	326.74
Office Equipment	8.38	-	4.06	(0.22)	-	12.22	5.73	1.48	(0.08)	-	7.13	5.09	2.65
Grand Total	**34,531.01**	**680.80**	**7,049.19**	**(855.11)**	**199.72**	**41,206.18**	**8,667.80**	**3,727.56**	**(221.18)**	**105.15**	**12,069.03**	**29,137.15**	**25,863.21**

* Additions include finance cost capitalised amounting to ₹ 13.40 million (March 31, 2018 : Nil).

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

(i) Capital work-in-progress	(₹ In million)
Opening capital work-in-progress	2,440.47
Add: Acquired through business combination (refer note 56(b))	30.54
Addition during the year ended March 31, 2019	11,240.98
Capitalised during the year ended March 31, 2019	7,049.19
Closing capital work-in -progress	**6,662.80**

Closing CWIP primarily includes assets relating to plants under construction/expansion.

(ii) Contractual obligations

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

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

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 3.2 - Leases

(i) Amounts recognised in consolidated balance sheet

(a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

(₹ In million)

Particulars	Land and building	Plant and machinery	Vehicles	Other equipments	Total
Balance as at April 1, 2019	-	-	-	-	-
Add: Effect of change in accounting policy (refer note 2.1)	5,813.07	193.63	172.96	231.44	6,411.10
Add: Additions during the year	1,952.33	305.48	43.89	-	2,301.70
Less: Deletion during the year	(62.86)	-	-	-	(62.86)
Less: Depreciation for the year (refer note 35) *	(575.48)	(67.09)	(61.77)	(22.34)	(726.68)
Add/(Less): Effect of change in exchange rate	321.26	14.16	9.45	14.30	359.17
Balance as at March 31, 2020	**7,448.32**	**446.18**	**164.52**	**223.40**	**8,282.42**

* Includes amount of ₹ 25.40 million capitalised to property plant and equipment during construction period in accordance with Ind AS 16.

The Group has lease contracts for various items of Land, Building, plant, machinery, vehicles and other equipment used in its operations. Leases of land and building generally have lease terms between 2 and 30 years, Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(b) Set out below are the carrying amounts of lease liabilities and the movements during the period

	(₹ In million)
Balance as at April 1, 2019	141.94
Add: Effect of change in accounting policy (refer note 2.1)	5,002.24
Add: Additions during the period	2,272.61
Add: Accretion of interest (refer note 34)#	175.29
Less: Payments during the period	795.12
Add/(less) : Effect of change in exchange rates	329.16
Balance as at March 31, 2020	**7,126.12**
Presented as -	
Current	603.97
Non-Current	6,522.15
Total lease liability as on March 31,2020	**7,126.12**

\# Includes amount of ₹ 7.88 million capitalised to property plant and equipment during construction period in accordance with Ind AS 16.

Lease liabilities carry interest rate ranging from 1.6% to 25.5% depending upon the applicable interest rate in respctive location. Maturity profile of lease liabilities have been disclosed in note 44.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2020

(ii) Amounts recognised in consolidated statement of profit and loss account

The statement of profit or loss shows the following amounts relating to leases

(₹ In million)

Particulars	For the year ended March 31, 2020
Depreciation expense of right-of-use assets	701.28
Interest expense on lease liabilities	165.07
Amounts included in Rent expense	
Expense relating to short-term leases	37.58
Expense relating to leases of low-value assets	206.30
Total amount recognised in consolidated statement of profit and loss	**1,110.23**

The Group had total cash outflows for leases of ₹ 1,039.00 million for the year ended March 31, 2020. The future cash outflows relating to leases that have not yet commenced are Nil.

(iii) Extension and termination options

The Group has certain lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group’s business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised .

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

(₹ In million)

	Within five years	More than five years	Total
Extension options expected not to be exercised	150.26	153.45	303.71
Termination options expected to be exercised	21.80	-	21.80
	172.06	**153.45**	**325.51**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 4 Investment Properties

(₹ in million)

Asset class	Gross carrying amount				Accumulated depreciation				Net carrying amount
	As at April 1, 2019	Additions	Transferred to property, plant and equipment *	As at March 31, 2020	As at April 1, 2019	Depreciation for the period	Transferred to property, plant and equipment *	As at March 31, 2020	As at March 31, 2020
Leasehold land	20.09	-	20.09	-	1.12	0.23	1.35	-	-
Factory buildings	137.83	-	137.83	-	22.40	5.64	28.04	-	-
Total	**157.92**	**-**	**157.92**	**-**	**23.52**	**5.87**	**29.39**	**-**	**-**

* During the year, the lease period of the investment property has expired and the Group has decided to use the said property for carrying its own business. Accordingly, the net carrying value of such investment properties of ₹ 18.74 million pertaining to leasehold land and ₹ 109.79 million pertaining to Factory Building has been transferred to Right to Use asset and property, plant and equipments respectively and is depreciated over its remaining useful life.

(₹ in million)

Asset class	Gross carrying amount				Accumulated depreciation				Net carrying amount
	As at April 1, 2018	Additions	Deletion	As at March 31, 2019	As at April 1, 2018	Depreciation charge	Deletion	As at March 31, 2019	As at March 31, 2019
Leasehold land	20.09	-	-	20.09	0.60	0.52	-	1.12	18.97
Factory buildings	137.83	-	-	137.83	16.77	5.63	-	22.40	115.43
Total	**157.92**	**-**	**-**	**157.92**	**17.37**	**6.15**	**-**	**23.52**	**134.40**

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

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Rental income	17.61	37.93
Depreciation	5.87	6.15
Profit from investment properties	**11.74**	**31.78**

(ii) Leasing arrangements

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

(iii) Fair value

Fair value of the investment property as at March 31, 2020 was Nil (March 31, 2019 ₹ 223.60 million)

Estimation of fair value

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

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 5 (a) Other Intangible Assets

(₹ in million)

Particulars	Gross carrying amount						Accumulated Amortisation					Net Carrying amount	
Asset Class	As at April 1, 2019	Business combination (Refer Note 56 (a))	Additions	Translation adjustment	Deductions /adjustments	As at March 31, 2020	As at April 1, 2019	Amortisation for the year	Translation adjustment	Deductions / adjustments	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Computer software	1,819.23	0.07	290.52	122.03	34.03	2,197.82	1,251.61	312.16	92.88	33.36	1,623.29	574.53	567.62
Technical know how fees	578.14	96.00	335.21	32.67	-	1,042.02	334.48	113.94	23.02	-	471.44	570.58	243.66
Customer relationship	850.72	8.30	-	(55.87)	-	803.15	56.68	83.64	(5.57)	17.44	117.31	685.84	794.04
Patents and others	94.12	49.10	-	(0.74)	-	142.48	54.99	13.69	3.34	44.34	27.68	114.80	39.13
Non Compete Fees	-	-	74.00	-	-	74.00	-	8.13	-	-	8.13	65.87	-
Capitalised development costs	4,435.02	-	2,871.01	345.29	1,169.11	6,482.21	1,745.33	1,871.49	139.32	1,103.06	2,653.08	3,829.13	2,689.69
Grand Total	**7,777.23**	**153.47**	**3,570.74**	**443.38**	**1,203.14**	**10,741.68**	**3,443.09**	**2,403.05**	**252.99**	**1,198.20**	**4,900.93**	**5,840.75**	**4,334.14**

Intangible assets under development	(₹ in million)
Opening balance	3,331.90
Addition during the year ended March 31, 2020	4,164.24
Capitalised during the year ended March 31, 2020	3,570.74
Closing balance	**3,925.40**

(₹ in million)

Particulars	Gross carrying amount						Accumulated Amortisation					Net carrying amount	
Asset Class	As at April 1, 2018	Business combination (Refer Note 56 (b))	Additions	Translation adjustment	Deductions / adjustments	As at March 31, 2019	As at April 1, 2018	Amortisation for the year	Translation adjustment	Deductions / adjustments	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Computer software	1,528.65	-	283.46	7.12	-	1,819.23	992.49	263.59	(4.47)	-	1,251.61	567.62	536.16
Technical know how fees	597.88	-	40.11	(31.96)	27.89	578.14	237.66	116.22	(19.40)	-	334.48	243.66	360.22
Customer relationship	190.30	802.50	-	(142.08)	-	850.72	12.69	48.00	(4.01)	-	56.68	794.04	177.61
Patents and others	84.13	24.08	3.63	(10.10)	7.62	94.12	6.57	51.05	(0.15)	2.48	54.99	39.13	77.56
Capitalised development cost	3,392.25	-	1,196.02	(153.25)	-	4,435.02	385.53	1,443.85	(84.05)	-	1,745.33	2,689.69	549.50
Grand Total	**5,793.21**	**826.58**	**1,523.22**	**(330.27)**	**35.51**	**7,777.23**	**1,634.94**	**1,922.71**	**(112.08)**	**2.48**	**3,443.09**	**4,334.14**	**1,701.05**

Intangible assets under development	(₹ In million)
Opening balance	1,532.75
Addition during the year ended March 31, 2019	3,322.37
Capitalised during the year ended March 31, 2019	1,523.22
Closing balance	**3,331.90**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 5 (b) Goodwill

Goodwill acquired through business combinations has been allocated to the CGUs below, which are part of automotive segment, for impairment testing:

- Varroc Lighting Systems Turkey Endüstriyel Ürünler Imalat Ve Ticaret Anonim Şirketi. ('VLS Turkey')
- Team Concepts Private limited ('TCPL')
- CarIQ Technologies Private Limited ('CarIQ')
- Others

Carrying amount of goodwill allocated to each of the CGUs:

As at March 31, 2020

(₹ in million)

Particulars	CarIQ	VLS Turkey	TCPL	Others	Total
Balance at the beginning of the year	-	1,657.81	183.90	150.82	1,992.53
Add: Acquisitions during the year (refer note 56 a)	154.10	-	-	-	154.10
Add/(less): Translation adjustment	-	(137.65)	-	-	(137.65)
Balance at the end of the year	**154.10**	**1,520.16**	**183.90**	**150.82**	**2,008.98**

As at March 31, 2019

(₹ in million)

Particulars	VLS Turkey	TCPL	Others	Total
Balance at the beginning of the year	-	183.90	150.82	334.72
Add: Acquisitions during the year (refer note 56 b)	2,007.96	-	-	2,007.96
Add/(less): Translation adjustment	(350.15)	-	-	(350.15)
Balance at the end of the year	**1,657.81**	**183.90**	**150.82**	**1,992.53**

The Group performed its annual impairment test for years ended March 2020 and March 2019 on March 31, 2020 and March 31, 2019 respectively. The Group considers the relationship between the fair value (based on DCF) of each CGU and its book value, among other factors, when reviewing for indicators of impairment.

The recoverable amounts of each of the CGU below, have been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering the period of 5 years. As a result of the analysis, management did not identify impairment.

(₹ in million)

CGU	Recoverable amount	
	March 31, 2020	March 31, 2019
VLS Turkey	4,320.56	6,469.79
TCPL	756.90	821.90
CarIQ	428.70	-

Key assumptions used for value in use calculations and the sensitivity to changes in these assumptions are as follows:

CGU	Basis	March 31, 2020		March 31, 2019	
		Assumption used	Sensitivity	Assumption used	Sensitivity
VLS Turkey	WACC	11.33%	Increase by 3.97% would result in impairment	10.23%	Increase by 4.36% would result in impairment
	Growth rate	For first 5 years: 0% to 18.3% Terminal Growth rate: 1.6%	Decrease by 4.16% would result in impairment	For first 5 years: 4.92% to 23% Terminal Growth rate: 1.9%	Decrease by 11.8% would result in impairment
	EBITDA Margin	For first 5 years: 7.5% to 14.4%	Decrease by 5.48% would result in impairment	For first 5 years: 20% to 24.4%	Decrease by 7.96% would result in impairment
	Terminal EBITDA	13.3%	Decrease by 1.82% would result in impairment	22.7%	Decrease by 11.15% would result in impairment
TCPL	WACC	14.25%	Increase by 6.44% would result in impairment	14%	Increase by 1.9% would result in impairment
	Terminal Growth rate	5%	Decrease by 6.19% would result in impairment	5%	Decrease by 2.64% would result in impairment
CarIQ	WACC	16.5%	Increase by 2.42% would result in impairment	-	-
	Terminal Growth rate	5%	Decrease by 3.37% would result in impairment	-	-

Note 6: Non-Current investments

(₹ in million)

	Face value per share	Number of Shares		As at March 31, 2020	As at March 31,2019 (Restated)
		As at March 31,2020	As at March 31,2019		
Investment in equity instruments at FVPL (unquoted)					
The Saraswat Co-operative Bank Limited	₹10.00	13,500	13,500	0.14	0.14
Investment in Government securities at amortised cost (unquoted)					
National saving certificates				0.06	0.06
Total non-current investment				**0.20**	**0.20**
Aggregate amount of unquoted investments				**0.20**	**0.20**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 7: Non-Current – Loans

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Security deposits (considered good)	103.87	127.88
Loans to related party (Refer note 49)	57.02	-
Total non-current loans	**160.89**	**127.88**

Note 8: Non-Current – Other financial assets

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Bank deposits with maturity of more than 12 months from balance sheet date [lien with bank is ₹ 88.22 million (March 31, 2019: ₹244.92 million)]	88.22	244.95
Surrender value of keyman Insurance Receivable	120.08	110.04
Others	23.63	19.91
Total non-current other financial assets	**231.93**	**374.90**

Note 9: Other non-current assets

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Capital advances	109.48	334.65
Provision for capital advance	(2.49)	(2.41)
	106.99	**332.24**
Contract assets	35.57	175.21
Advance to suppliers	24.17	670.64
Government grant receivable	394.95	352.02
Prepaid expenses	4.50	19.55
Balances with Government Authorities	2.37	90.81
Customer prepayments	795.92	765.94
Others	8.95	15.68
Total other non-current assets	**1,373.42**	**2,422.09**

Note 10: Inventories

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Raw materials [Includes material in transit of ₹ 216.63 million (March 31, 2019: ₹ 287.64 million)]	5,824.67	4,457.35
Work-in-progress	2,111.56	2,246.17
Finished goods [Includes finished goods in transit of ₹281.01 million (March 31, 2019: ₹336.55 million)]	1,840.48	1,373.76
Stores and spares [Includes stores and spares in transit of ₹1.61 million (March 31, 2019: ₹ 0.43 million)]	511.67	465.26
Loose tools [Includes loose tools in transit of ₹ 0.01 million(March 31, 2019: Nil)]	426.14	325.23
Packing material	43.63	36.07
Total Inventories	**10,758.15**	**8,903.84**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 11: Current investment

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Investment in mutual funds (valued at fair value through profit or loss) (quoted)		
Nippon India Liquid Fund-Growth Plan- Growth Option (March 31, 2020 : 2,073.026 Units, March 31, 2019: Nil)	10.00	-
SBI Magnum Growth Fund (March 31, 2020: 4229.131 Units, March 31, 2019 : Nil)	18.81	-
Reliance Liquid Fund-Direct Plan Growth Plan - Growth Option (March 31, 2020 : Nil ; March 31, 2019: 23,120.099 units)	-	105.47
Reliance Fixed Horizon Fund - XII - Series 2-Direct Growth Plan (March 31, 2020 : Nil ; March 31, 2019 : 2,000,000 units)	-	20.09
Nippon India Monthly Interval Fund - Series II-Direct Growth Plan Growth Option (IMAGG) (March 31, 2020: 434453.935 units, March 31, 2019 : 434,453.935 units)*	11.42	10.80
LIC MF Liquid Fund - Direct Plan - Growth (March 31, 2020: Nil and March 31, 2019: 14,769.292 units)	-	50.05
Aggregate fair value of quoted investment	**40.23**	**186.41**

Note 12: Trade receivables

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Current		
Trade receivables	10,928.39	13,329.53
Receivable from related parties (refer note 49)	83.81	165.60
Total	**10,893.34**	**13,495.13**
Break-up of trade receivables		
Unsecured, considered good	10,893.34	13,495.13
Trade Receivables credit impaired	118.86	136.60
Total	**11,012.20**	**13,631.73**
Less: Impairment Allowance (Allowance for doubtful debts)	(118.86)	(136.60)
Total	**10,893.34**	**13,495.13**
Non-Current Portion		-
Current Portion	**10,893.34**	**13,495.13**
Credit period		
Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.		
No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.		
Transferred Receivables		
The carrying amounts of trade receivables include receivable which are subject to a factoring arrangement. Under the arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained credit risk and late payment risk. The Group therefore continues to recognise the transferred assets in its balance sheet. The amount repayable under the factoring agreement is presented as secured/unsecured borrowing.		
The relevant carrying amounts are as follows:		
Total transferred receivables (Refer note 24)	680.08	283.50

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 13: (a) Cash and cash equivalents

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Cash in hand	1.13	2.26
Bank balances		
In current accounts	10,505.14	1,517.69
Deposit with maturity of less than three months	153.47	88.47
Total Cash and cash equivalents	**10,659.74**	**1,608.42**

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

Note 13: (b) Other bank balances

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Deposits with original maturity more than three months but less than twelve months	27.93	25.86
Total other bank balances	**27.93**	**25.86**

Note 14: Current – Loans

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Unsecured, considered good		
Loans to employees	7.11	11.33
Security deposit	114.51	168.15
Total Current loans	**121.62**	**179.48**

Note 15: Other financial assets (Current)

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Derivative instruments at fair value through OCI (Cash Flow Hedge)		
Foreign exchange forward contracts and cross currency interest swaps	19.92	17.55
Non-derivative financial assets at amortised cost		
Interest receivable other than on fixed deposits	1.24	1.15
Others	0.01	0.02
Total other current financial assets	**21.17**	**18.72**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 16: Other current assets

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Advance to suppliers	805.84	2,201.76
Contract assets *	5,004.07	4,776.44
Prepaid expenses	521.56	397.82
Export and other incentives	69.91	101.49
Balance with government authorities	1,029.73	963.69
Government grant receivable	261.13	229.04
Customer prepayments	272.93	186.23
Insurance claim receivable (Refer Note 38)	815.46	-
Others	107.84	101.73
Total other current assets	**8,888.47**	**8,958.20**

* Pertains to revenue recognised in respect of tooling contracts

Note 17: Share capital

(₹ in million)

	Numbers of Shares		As at March 31, 2020	As at March 31,2019 (Restated)
	As at March 31, 2020	As at March 31, 2019		
Movement in authorised capital				
Authorised:				
Equity shares of ₹1 each (previous year ₹1 each)	250,000,000	250,000,000	250.00	250.00
Preference shares of ₹1 each (previous year ₹1 each)	250,000,000	250,000,000	250.00	250.00
			500.00	**500.00**
Issued, subscribed and paid-up:				
Equity shares of ₹1 each (previous year ₹ 1 each) fully paid up	134,811,530	134,811,530	134.81	134.81
			134.81	**134.81**
Equity Shares of ₹ 1 each			134.81	134.81
Preference Shares of ₹10 each			-	-
			134.81	**134.81**

(a) Movement in share capital

	Nos.	₹ In million	Nos.	₹ In million
	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019	As at March 31, 2019
Equity shares				
Outstanding at the beginning of the year	134,811,530	134.81	123,127,760	123.13
Add: 0.001% series C CCPS 11,683,770 shares converted into equity shares	-	-	11,683,770	11.68
Outstanding number of shares before considering the impact of sub-division of equity shares	134,811,530	134.81	134,811,530	134.81
Adjusted closing number of shares on account of sub-division of equity shares (Refer Note 17 (e))				1,348
Outstanding at the end of the year	**134,811,530**	**134.81**	**134,811,530**	**1,348**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

	Nos.	₹ In million	Nos.	₹ In million
	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019	As at March 31, 2019
Preference shares				
Outstanding at the beginning of the year	-	-	11,683,770	11.68
Less: 0.0001% series C CCPS 11,683,770 shares converted into equity shares during the year	-	-	(11,683,770)	(11.68)
Outstanding number of shares before considering the impact of sub-division of equity shares	-	-	-	-

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

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

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

Name of the Shareholder	As at March 31, 2020		As at March 31, 2019	
	Numbers of shares Face value ₹ 1	% of shareholding	Numbers of shares Face value ₹ 1	% of shareholding
Equity Shares				
Mr. Tarang Jain	60,729,800	45.05%	60,729,800	45.05%
TJ Holdings Trust	33,850,000	25.11%	33,850,000	25.11%
Naresh Chandra Holdings Trust	10,000,000	7.42%	10,000,000	7.42%
Suman Jain Holdings Trust	10,000,000	7.42%	10,000,000	7.42%

(d) Aggregate number of bonus shares issued during the five years immediately preceding March 31, 2020

	No of Shares
0.0001% Series B CCPS and Series C CCPS allotted as fully paid up bonus shares out of securities premium during the year ended March 31, 2017.	2,020,736

The Company during the preceding 5 years:

i. Has not allotted shares pursuant to contracts without payment received in cash.

ii. Has not issued shares by way of bonus shares except as mentioned above.

iii. Has not bought back any shares.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 18: Other Equity

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Reserves and surplus		
Retained earnings		
Balance at the beginning of the year	13,147.02	8,950.06
Less: Impact of change in accounting policy (refer note 2.1)	(66.22)	-
Add: Profit for the year	1.92	4,252.19
Add: Transferred from debenture redemption reserve on account of redemption of debentures	325.00	-
Less: Remeasurement of post-employment benefit obligation (net of tax)	(205.91)	(46.84)
Less: Dividend paid (including dividend distribution tax ₹193.99 million (March 31,2019 ₹ 2.25 million))	(1,137.67)	(8.39)
Balance at the end of the year	**12,064.14**	**13,147.02**
General reserve		
Balance at the beginning and at end of the year	**4,194.73**	**4,194.73**
Debenture redemption reserve		
Balance at the beginning of the year	325.00	325.00
Less: Transferred to retained earnings on account of redemption of debentures	325.00	-
Balance at the end of the year	**-**	**325.00**
Capital Redemption Reserve		
Balance at the beginning and at end of the year	**11.30**	**11.30**
Capital Reserve		
Balance at the beginning and at end of the year	**5,335.08**	**5,335.08**
Statutory reserves		
Balance at the beginning and at end of the year	**410.80**	**410.80**
Securities premium		
Balance at the beginning and at end of the year	**6,190.08**	**6,190.08**
Total Reserves and surplus	**28,206.13**	**29,614.01**
Other reserves		
Foreign Currency Translation Reserve		
Balance at the beginning of the year	922.06	1,963.52
Add/(Less): Exchange differences in translating the financial statements of foreign operations	786.92	(1,041.46)
Balance at the end of the year	**1,708.98**	**922.06**
Cash flow hedge reserve		
Balance at the beginning of the year	(6.65)	(2.26)
Gain on changes in fair value of hedging instruments	22.79	45.82
Income tax relating to gains/loss reclassified to profit and loss	(1.07)	(16.01)
Reclassification to Statement of Profit and Loss	(19.73)	(34.20)
Balance at the end of the year	**(4.66)**	**(6.65)**
Total other reserves	**1,704.32**	**915.41**
Total other equity	**29,910.45**	**30,529.42**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Nature and purpose of other reserves

General reserve

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

Debenture redemption reserve

The Group is required to create a debenture redemption reserve in respect of Indian entities out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

Capital redemption reserve

Capital redemption reserve is not available for distribution as dividend.

Capital Reserve

Capital reserve is not available for distribution as dividend.

Statutory reserves

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

Securities premium

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

Foreign Currency Translation Reserve

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

Cash flow hedge reserve

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

Note 19: Non-Current – Borrowings

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Secured		
Debentures		
Nil (March 31, 2019: 500) Non-convertible debentures of ₹ 1,000,000 each	-	500.00
Term loans		
From banks		
Rupee loans from banks	2,742.90	1,245.10
Foreign currency loans from bank	6,186.30	2,508.35
From Financial Institutions		
Rupee loans from financial institution	-	121.73
Finance lease obligations (Refer note 52)	-	79.40
Unsecured		
Deferred sales tax loan	72.84	117.38
Total non-current borrowing	**9,002.04**	**4,571.96**

Maturity profile of non-current borrowings

(₹ in million)

Particulars	Effective Interest Rate	Current Refer Note 26)	Non-Current					Total of Non-Current
			2021-22	2022-23	2023-24	2024-25	More than 5 years	
Rupee loans from banks and financial institutions	8% to 10%	1,081.79	915.40	859.85	667.66	300.00	-	2,742.90
Foreign currency loans from bank (Indian entities)	9% to 11% (fully hedged)	241.46	14.27	-	-	-	-	14.27
Foreign currency loans from bank (Overseas entities)	See note below	8,050.31	4,125.96	521.68	513.88	505.25	505.25	6,172.03
Deferred Sales Tax Loan		44.46	33.28	20.44	14.04	5.08		72.84

Note: Czech Republic : EURIBOR (1M/3M)+0.9% to 1.4%; Morocco: EURIBOR (6M)+1.6%; Netherlands: EURIBOR (3M/6M) + 1.6% to 1.75%; Italy EURIBOR (3M/6M/12M)+0.95% to 3%

Nature of Security

Indian entities

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

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

   b) Foreign currency loan from Citi Bank N.A. is secured by first *pari passu* charge on movable fixed assets of solar unit both present and future located at Village Sakri, Dist. Dhule, Maharashtra State.

3. Rupee Term Loans from Banks/Financial Institution are secured by:

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

b) Rupee Term Loan of ₹ 500 million from Kotak Mahindra Bank Limited is secured by way of first pari passu charge on movable fixed assets both present and future of unit V located at L-6/2, MIDC, Waluj, Aurangabad – 431136.

c) Rupee Term Loan (I) of ₹ 1000 million from HSBC Bank is secured by way of first pari passu charge on identified movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Dist. Pune, Plot No. L-6/2, MIDC, Waluj, Aurangabad and Plot No. L-4, MIDC, Waluj, Aurangabad.

d) Rupee Term Loan (II) of ₹ 1000 million from HSBC Bank is secured by way of exclusive/first pari passu charge on movable fixed assets both present and future located at its plant(s) I, II, IV, VEL-Corp, R&D at Chinchawad, Pune, Pantnagar, Chennai, Halol and AMD at Shendra, Aurangabad.

e) Rupee Term Loan of ₹ 522 million from Federal Bank is secured by way of exclusive charge on movable fixed assets both present & future of its plant situated at Survey No. 44/2, 43, 42/5, 45/1(P), 481(1)(P) Pondur A Village, Sriperumbadur Tal. & Dist. Kancheepuram, 602105 (Tamilnadu State).

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f) Rupee Term Loan of ₹ 700 million from Kotak Mahindra Bank Ltd. is secured by way of first pari passu charge on movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Dist. Pune, and Plot No. L-4, MIDC, Waluj, Aurangabad. The security creation documents are in process.

g) Term Loan facility from Citibank N.A. of ₹500 million is secured by way of first *pari passu* charge on property, plant and equipment both present and future of Chennai, Pithampur, Bangalore and Karsanpura, Gujarat plants. Security creation documents are in process.

Overseas entities

1. Secured borrowings of the foreign entities located in Morocco and Czech Republic are secured by way of charge on tangible and Intangible assets of the respective entities.

2. In case of Foreign subsidiaries located in Netherlands, loans are secured by way of Standby letter of credit issued by Indian banks which is secured by certain assets specified in point (1) above and corporate guarantee given by Varroc Engineering Limited.

3. In case of Foreign subsidiary located in Italy, loans are secured by way of specific charge on assets purchased from these loans.

Note 20: Non-Current – Other financial liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Security deposits	1.50	-
Payable for capital goods	1.06	0.40
Employee benefits payable	161.01	126.77
Redemption liability related to non controlling interest (refer note 56 a)	69.02	-
Total non-current other financial liabilities	**232.59**	**127.17**

Note 21: Non-Current – Provisions

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Provision for employee benefits		
Employee defined benefit obligation (refer note 42)	825.52	616.48
Compensated absences	131.19	65.62
Others		
Provision for warranties*	184.08	261.37
Others#	40.86	34.72
Total non-current provisions	**1,181.65**	**978.19**

Notes to the Consolidated Financial Statements
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(₹ in million)

	Warranties		Others	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Balance as at the beginning of the year	558.14	531.13	86.83	89.89
Additions	399.87	458.64	45.55	20.39
Utilisation/Reversed during the year	(433.75)	(414.57)	(5.33)	(22.04)
Foreign exchange translation difference	35.14	(17.06)	0.10	(1.41)
Balance as at the end of the year	**559.40**	**558.14**	**127.15**	**86.83**
Current Portion	375.32	296.77	86.29	52.11
Non-Current Portion	184.08	261.37	40.86	34.72
Total	**559.40**	**558.14**	**127.15**	**86.83**

* Provision for warranties:- The Group provides warranties on applicable products, for their satisfactory performance during the warranty period as per the contracts with buyers. Provision for warranty claims arising out of such obligation is made based on such warranty period. The impact of discounting of these provisions is not material.

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

Note 22: Deferred tax

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Deferred tax Liabilities (Gross)		
Depreciation and amotisation	2,222.07	1,897.35
Revenue recognised under percentage of completion method	41.48	82.65
Government grants	83.01	71.30
Others	-	116.56
	2,346.56	**2,167.86**
Offset with deferred tax asset to the extend they relate to same governing law	(1,360.73)	(1,254.55)
Deferred tax liabilities (net)	**985.83**	**913.31**
Deferred tax assets (Gross)		
Revenue recognised under percentage of completion method	120.19	101.37
Provision for inventory	57.44	90.43
Expenses allowable under Income Tax on payment basis	248.97	454.41
Provision for doubtful debts and advances	39.56	41.07
Unabsorbed tax depreciation and losses	-	160.70
Provision for employee benefits	336.63	238.69
Investment Allowance*	1,951.58	1,453.23
MAT Credit Entitlement	547.67	460.01
Others	239.47	98.28
	3,541.51	**3,098.19**
Offset with deferred tax liabilities to the extent they relate to same governing law	(1,360.75)	(1,254.55)
Deferred tax assets(net)	**2,180.76**	**1,843.64**

* Pertain to deferred tax asset recognised on tax incentive on eligible investments by the subsidiary in Czech Republic which can be utilised against future taxable income over 10 years from the date of investment.

Notes to the Consolidated Financial Statements
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(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Movement in deferred tax assets		
Opening deferred tax assets (net)	930.33	709.67
Recognised in the Statement of Profit and Loss	(25.54)	546.24
Recognised in other comprehensive income	151.62	(27.61)
Tax effect of movement in cash flow hedge reserve	1.07	16.01
Exchange Differences	152.61	(32.34)
Others	1.06	1.78
Effect of change in accounting policy (refer note 2.1)	22.09	-
Deferred tax liability acquired on business combination (refer note 56)	(38.31)	(283.42)
Closing deferred tax assets (Net)	**1,194.93**	**930.33**

Note 23: Other non-current liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Advance received from customer	1,484.12	1,799.98
Deferred government grant (refer note 28)	347.63	317.96
Total other non-current liabilities	**1,831.75**	**2,117.94**

Note 24: Current borrowings

(₹ in million)

	Maturity Date	Terms of Repayment	Interest rate	As at March 31, 2020	As at March 31,2019 (Restated)
Cash Credit	Various	Various	8% to 11.80%	328.76	153.13
Working capital facilities					
Working Capital Loans	Various	Various	0.85% to 7.7%	14,825.60	10,275.00
Factored Receivables (Refer note 12)	Various	Various	1.5% to 6%	430.08	283.50
Unsecured					
Working Capital Loans	Various	Various	8.75%	250.00	-
Pre-shipment credit in foreign currency (PCFC)	Various	Various	8.50%	400.00	200.00
Short term loan from financial institutions	Various	41 to 42 days	8.75%	770.00	20.00
Commercial Papers	Various	Various	6.75%-7.93%	-	1,083.02
Total current borrowings				**17,004.44**	**12,014.65**

Working capital facilities availed from banks, are secured by charge by way of hypothecation of stocks of raw materials, work in process, finished goods, consumables, stores and spares, packing materials, receivables and mortgage of certain land and buildings of the group.

(₹ in million)

Net Debt	March 31, 2020	March 31,2019
Cash and Cash equivalents (refer note 13 (a))	10,330.98	1,455.29
Liquid Investments	40.23	186.41
Current borrowings	(16,675.68)	(11,861.52)
Non-Current borrowings (includes current maturities of non-current borrowings (refer note 19 and 26)	(18,420.06)	(12,378.37)
Interest accrued but not due (refer note 26)	(92.44)	(71.04)
Net debt	**(24,816.97)**	**(22,669.23)**

Reconciliation of Net Debt for the year ended March 31, 2020

(₹ in million)

Particulars	As on April 1, 2019	Cashflows	Acquired on purchase of business	Interest Expenses	Interest Paid	Cash flow hedge Reserve	Translation Difference	Gain on sale of investments	As at March 31, 2020
Non-Current borrowings	12,378.37	6,036.99	-	-	-	19.73	(15.03)	-	18,420.06
Liquid Investment	186.41	(157.55)	-	-	-	-	-	11.37	40.23
Current borrowings	11,861.52	4,445.00	-	-	-	-	369.16	-	16,675.68
Cash and cash equivalent	1,455.29	8,786.03	3.85	-	-	-	85.81	-	10,330.98
Interest accrued but not due	71.04	-	-	1,226.60	(1,205.20)	-	-	-	92.44

Reconciliation of Net Debt for the year ended March 31, 2019

(₹ in million)

Particulars	As on April 1, 2018	Cashflows	Acquired on purchase of business	Interest Expenses	Interest Paid	Cash flow hedge Reserve	Translation Difference	Gain on sale of investments	As at March 31, 2019
Non-Current borrowings	8,550.91	3,568.87	373.46	-	-	34.20	(149.06)	-	12,378.37
Liquid Investment	30.32	149.18	-	-	-	-	-	6.91	186.41
Current borrowings	3,290.54	8,681.79	-	-	-	-	(110.81)	-	11,861.52
Cash and cash equivalent	3,117.05	(1,543.12)	-	-	-	-	(118.64)	-	1,455.29
Interest accrued but not due	52.26	-	-	968.45	(952.83)	-	3.16	-	71.04

Note 25: Trade payables

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Total outstanding dues of micro enterprises and small enterprises* (refer note 41)	866.28	658.70
Total outstanding dues other than micro enterprises and small enterprises		
Trade payables to Related Parties (refer note 49)	12.43	51.91
Others	22,767.64	19,611.41
Total trade payables	**23,646.35**	**20,322.02**

*Pertains to Indian entities

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 26: Current – Other financial liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Current maturities of non-current borrowings (refer note 19)		
Debentures		
Nil (March 31, 2019: 800) Non-convertible debentures of ₹ 1,000,000 each	-	800.00
Term loans		
From banks		
Rupee loans from banks*	1,017.52	213.62
Foreign currency loans from banks*	8,291.77	6,488.74
From financial institution		
Rupee loans from financial institution	64.27	175.64
Term loans – From financial Institutions	44.46	57.10
Finance lease obligations (refer note 52)	-	71.31
	9,418.02	**7,806.41**
Interest accrued but not due on borrowings	92.44	71.04
Payable for capital goods	1,719.86	1,732.85
Customer security deposits	67.32	49.43
Employee benefits payable	1,792.27	1,726.72
Financial liabilities at fair value through OCI (cash flow hedges)		
Cross currency interest rate swap	8.90	6.98
Redemption liability related to non controlling interest	-	25.51
Advance against Insurance Claim (Refer Note 38)	500.00	-
Total other financial liabilities	**13,598.81**	**11,418.94**

*The Group has not complied with some covenants under loan agreements. Accordingly non-current loans of ₹ 5,329.50 million (previous year ₹ 3,707.58 million) have been reclassified as current.The management does not expect any material impact on the financial statements/cash flows due to the above.

Note 27: Current – Provisions

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Provision for Employee benefits		
Employee defined benefit obligation (refer note 42)	91.56	24.19
Compensated absences	21.95	8.95
Others		
Provision for warranties (refer note 21)	375.32	296.77
Others (refer note 21)	86.29	52.11
Total current provision	**575.12**	**382.02**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 28: Other current liabilities

(₹ in million)

	As at March 31, 2020	As at March 31,2019 (Restated)
Advance received from customers	3,337.46	2,354.32
Deferred government grant **	269.99	67.87
Prepayment received from vendors	59.44	17.21
Statutory Dues Payable	374.69	283.52
Other payables	232.68	345.86
Total Other current liabilities	**4,274.26**	**3,068.78**

**** Deferred government grant**

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

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

(₹ in million)

	March 31, 2020	March 31,2019
Balance as at the beginning of the year	385.83	339.44
Received during the year	459.31	318.04
Released to statement of profit and loss (refer note 30)	227.52	271.65
Balance as at the end of the year	**617.62**	**385.83**
Current Portion	**269.99**	**67.87**
Non-Current Portion	**347.63**	**317.96**
Total	**617.62**	**385.83**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 29: Revenue from operations

(₹ in million)

Particulars	March 31, 2020	March 31, 2019 (Restated)
Revenue from contracts with customer	110,443.09	119,445.98
Other operating revenue	775.60	918.67
Total	**111,218.69**	**120,364.65**

Revenue from contracts with customer

A. Disaggregated revenue information

(₹ in million)

Segment	For the year ended March 31, 2020			For the year ended March 31, 2019 (Restated)		
	Automotive	Others	Total	Automotive	Others	Total
Timing of revenue recognition						
Goods/services transferred at a point in time						
Finished goods						
Global four wheeler automotive lighting	60,349.59	-	60,349.59	65,146.59	-	65,146.59
Automotive components (mainly 2 wheeler and 3 wheeler business in India)	36,619.04	-	36,619.04	41,261.21	-	41,261.21
Others	3,118.37	2,151.60	5,269.97	2,394.01	2,880.13	5,274.14
Toolings	242.09	-	242.09	188.60	-	188.60
Job Work	93.51	22.31	115.82	95.09	32.71	127.80
Goods transferred over time						
Toolings	7,846.58	-	7,846.58	7,447.64	-	7,447.64
Total revenue from contracts with customer	**108,269.18**	**2,173.91**	**110,443.09**	**116,533.14**	**2,912.84**	**119,445.98**
Revenue by region						
India	36,939.63	-	36,939.63	40,909.44	0.52	40,909.97
Asia pacific	1,979.90	-	1,979.90	911.71	-	911.71
Europe	52,108.85	1,995.06	54,103.91	53,502.55	2,722.16	56,224.71
North America	15,902.47	178.85	16,081.32	19,920.66	190.15	20,110.82
Others	1,338.33	-	1,338.33	1,288.78	-	1,288.78
Total revenue from contracts with customer	**108,269.18**	**2,173.91**	**110,443.09**	**116,533.14**	**2,912.84**	**119,445.98**

B. Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

(₹ in million)

	For the year ended March 31, 2020			For the year ended March 31, 2019 (Restated)		
	Automotive	Others	Total	Automotive	Others	Total
Revenue						
External Customer	108,967.12	2,251.58	111,218.70	117,313.96	3,050.69	120,364.65
Inter-segment	-	-	-	4.30	-	4.30
	108,967.12	**2,251.58**	**111,218.70**	**117,318.27**	**3,050.69**	**120,368.95**
Less: Inter-segment adjustment and elimination	-	-	-	4.30	-	4.30
Less: Other operating revenue	697.93	77.67	775.60	780.82	137.85	918.67
Total revenue from contracts with customers	**108,269.19**	**2,173.91**	**110,443.10**	**116,533.14**	**2,912.84**	**119,445.98**

C. Contract balances

(₹ in million)

Particulars	March 31, 2020	March 31, 2019 (Restated)
Trade receivables	10,893.33	13,495.13
Contract asset	5,039.64	4,951.65
Contract liabilities	4,821.58	4,154.29

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities include advances received from customers for performing engineering design and development services. The outstanding balances of these accounts increased in 2019-20 due to the continuous increase in the Group's customer base.

Set out below is the amount of revenue recognised from:

(₹ in million)

Particulars	March 31, 2020	March 31, 2019 (Restated)
Amount of revenue recognised from amounts included in contract liabilities at the beginning of the year	1,332.34	1,532.56

D. Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price

(₹ in million)

Particulars	March 31, 2020	March 31, 2019 (Restated)
Revenue as per contracted price	110,763.41	119,619.05
Adjustments		
Discount	(134.08)	(114.86)
Amortisation of customer prepayments	(186.23)	(58.20)
Revenue from contract with customers	**110,443.10**	**119,445.98**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

E. Performance obligation

Revenue from contracts with customers include revenue from finished goods, tooling and job work services.

Information about the above Group's performance obligations are summarised below:

Finished goods:

For the sale of finished goods the performance obligation is generally satisfied upon its delivery and payment is generally due within 30 to 120 days from delivery. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

The Group provides normal warranty provisions on some of its products sold, in line with the industry practice. The Group considers that the contractual promise made to the automaker in the form of warranties for the parts supplied does not meet the definition of separate performance obligation as it does not give rise to additional service.

Product development/engineering services are considered as related to sale of parts rather than a separate performance obligation. As a result, revenue from engineering services is recognised over the period of production from the date of start of production. Costs incurred in respect of providing engineering services are recognised as intangible assets and amortised over the period of production from the date of start of production. Payments received from customers in respect of product development/engineering services are presented as contract liabilities.

Supply of toolings

Development of toolings for the customers has been identified by the group to be a separate performance obligation. Further, the group has determined that the performance obligation in respect of development of toolings primarily pertaining to global automotive lighting business is generally satisfied over time. For other tooling contracts, the performance obligation is satisfied at a point in time or over time based on the specific terms of the contract.

Job work revenue is recognised when the work is completed and billed to customer.

Other operating revenue

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Scrap sales	355.21	419.67
Wind and solar power generation	108.52	111.14
Export Incentives	97.10	182.55
Royalty (refer note 49)	87.36	121.45
Others	127.41	83.86
Total other operating revenue	**775.60**	**918.67**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 30: Other income

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Rent Income		
- from Investment properties	17.61	37.93
- from Others	-	9.47
Dividend Income from equity investments carried at cost	-	0.01
Interest Income		
- from financial assets measured at amortised cost	0.37	1.36
- Others	21.89	11.62
Unwinding of discount on security deposit	1.87	1.94
Net gain on disposal of property, plant and equipment	-	40.91
Net gain on sale of investments	11.37	6.91
Government grants	227.52	271.65
Net foreign exchange gain	479.21	-
Liabilities no longer required written back	20.68	124.54
Increase in surrender value of keyman insurance policy	10.04	110.04
Recovery of obsolete Material	-	93.88
Miscellaneous income	208.32	197.62
Total Other income	**998.88**	**907.88**

Note 31: Cost of materials consumed

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Raw material at the beginning of the year	4,457.35	4,625.24
Add: On account of business acquisition (refer note 56b)	-	259.02
Add: Purchases	71,560.95	75,596.51
	76,018.30	**80,480.77**
Less: Raw material at the end of the year	5,824.67	4,457.35
Total cost of materials consumed	**70,193.63**	**76,023.42**

Note 32: Changes in Inventories of work-in-progress and finished goods

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Opening balance		
Work-in-progress	2,246.17	1,957.75
Finished goods	1,373.75	1,398.12
Total opening balance	**3,619.92**	**3,355.87**
Closing balance		
Work-in-progress	2,111.56	2,246.17
Finished goods	1,840.48	1,373.75
Total closing balance	**3,952.04**	**3,619.92**
Total changes in inventories of work-in-progress and finished goods	**(332.12)**	**(264.05)**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 33: Employee benefit expense

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Salaries, wages and bonus	12,805.81	11,620.22
Contribution to Gratuity and other funds (Refer Note 42)	1,002.33	1,068.18
Staff welfare expenses	2,121.06	2,326.53
Total employee benefit expense	**15,929.20**	**15,014.93**

Note 34: Finance costs

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Interest and finance charges on financial liabilities not at fair value through profit or loss	1,008.49	824.26
Exchange differences regarded as an adjustment to borrowing costs	-	4.20
Interest and finance charges paid/payable for lease liabilities	165.07	-
Other borrowing costs	218.11	139.99
Total finance costs	**1,391.67**	**968.45**

Note 35: Depreciation and amortisation expense

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Depreciation of property, plant and equipment	4,208.44	3,727.56
Depreciation on Investment properties	5.87	6.15
Amortisation of intangible assets	2,403.05	1,922.71
Amortisation of right of use assets	701.28	-
Total depreciation and amortisation expenses	**7,318.64**	**5,656.42**

Notes to the Consolidated Financial Statements
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Note 36: Other expenses

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Consumption of stores and spares and loose tools	1,087.28	1,501.69
Consumption of packing materials	1,182.32	1,274.62
Repairs to		
Buildings	201.55	174.81
Machinery	568.59	667.87
Others	474.33	446.11
Telephone and communication expenses	162.31	204.53
Water and electricity charges	2,343.49	2,433.54
Rental charges	243.88	509.05
Rates and taxes	139.29	129.56
Contract labour cost	3,519.21	4,166.90
Legal and professional fees	753.62	439.28
Net foreign exchange loss	-	126.72
Net loss on sale of property, plant & equipment	44.37	-
Travelling and conveyance	600.39	773.32
Insurance	230.94	158.22
Corporate social responsibility expenditure *	46.62	49.03
Provision for doubtful loans, advances and debts (Net)	174.93	41.18
Sales promotion, marketing and advertisement cost	133.18	127.83
Research and development expenses	684.39	691.13
Freight and forwarding expenses	2,628.31	2,902.93
Warranties	399.87	458.64
IT related cost	652.76	736.56
Miscellaneous expenses	948.36	989.18
Total other expenses	**17,219.99**	**19,002.70**

* Includes amount of ₹ 11.95 million (March 31, 2019: ₹16.42 million) contributed to Varroc Foundation in which some of the directors are trustee.

Note 37: Correction of error in inventory valuation in an overseas subsidiary

The Group while preparing current year financials identified an inadvertent error in previous year in inventory valuation in an overseas subsidiary which resulted in an overstatement of inventory by approx. ₹ 295.41 million as at March 31, 2019 and Retained earnings as at March 31, 2019 and Profit after tax for the year ended March 31, 2019 by approx. ₹ 211.01 million. In accordance with Ind AS 8 - Accounting Policies, Changes in Accounting, Estimates and Errors, the Group has corrected the above by restating each of the line items in the comparative financial information as at March 31, 2019 and for the year ended March 31, 2019 as follows:

(₹ in million)

Balance Sheet (extract)	As at March 31, 2019	Increase/ (decrease)	As at March 31, 2019 (restated)
Inventories	3,915.33	(295.41)	3,619.93
Deferred tax assets	1,755.02	88.62	1,843.64
Net assets	**5,670.35**	**(206.79)**	**5,463.57**
Retained earnings	13,358.03	(211.01)	13,147.02
Other Reserves	917.84	4.22	922.06
Total equity	**14,275.87**	**(206.79)**	**14,069.08**

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(₹ in million)

Statement of profit and loss (extract)	For the year ended March 31, 2019	Increase/ (decrease)	For the year ended March 31, 2019 (restated)
Cost of materials consumed	76,017.39	6.03	76,023.42
Changes in Inventories of work-in-progress and finished goods	(559.46)	295.41	(264.05)
Income tax expense	(455.81)	(90.43)	(546.24)
Profit for the year	4,497.79	(211.01)	4,286.78
Other comprehensive income for the year	(1,063.48)	4.22	(1,059.26)
Total comprehensive income for the year	3,434.31	(206.79)	3,227.52
Basic and diluted (in Rupees)	33.11	(1.57)	31.54

Note: The effect of restatement of above error did not have any effect on share of non-controlling interest.

Note 38: Fire incident at the plant of an Indian subsidiary

On February 18, 2020, one of the plants of an indian subsidiary located at Hinjewadi, Pune caught major fire. There were no human casualties reported. Evacuation team conducted successful evacuation of all persons present in the factory at the time of fire. After preliminary investigation, it was found that the cause of fire was due to short circuit.

Except for a small amount of inventory, fixed assets and certain toolings, all other assets, documents, vouchers, etc were lost in the fire. The Group has adequately covered its assets by a fire policy and the Group is in the process of filing insurance claim for the loss incurred.

During the year ended March 31, 2020, the carrying value of inventories of ₹ 245.41 million (including expenses incurred and GST reversals) and carrying value of property; plant and equipment of ₹ 570.05 million has been written off in the consolidated statement of profit and loss. Since the group has a valid insurance policy which adequately covers the above loss, the same has been shown as receivable as at March 31, 2020 (refer note 16).

Further, the Group has also received an interim amount of ₹ 500 million against the above loss incurred, pending finalisation and approval of the insurance claim which has been shown as an advance/liability in books as at March 31, 2020 (refer note 26).

Note 39: Income tax expense

(₹ in million)

	For the year ended March 31, 2020	For the year ended March 31, 2019 (Restated)
Current tax	344.26	1,444.66
Deferred tax expense	25.54	(546.24)
Income tax expense	**369.80**	**898.42**
Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:		
Profit before tax & share of net profits of investments accounted for using equity method	486.51	4,870.66
Tax at the Indian tax rate of 34.944% (March 31, 2019 - 34.944%)	170.01	1,702.00
Weighted deduction on research and development expenditure	(152.18)	(132.91)
Investment Allowance	(389.24)	(546.94)
Non-deductible expenses	120.08	90.96
Other items	(66.67)	24.67
Deferred tax asset not recognised on losses	559.61	174.30
Difference in overseas tax rates	128.19	(413.66)
	369.80	**898.42**

Note 40: Contingent liabilities

(₹ in million)

Contingent liabilities not provided for	March 31, 2020	March 31, 2019
a) Claim against the group not acknowledged as debt		
Disputed Excise and Service Tax matters	266.45	285.54
Income Tax matters	23.73	24.14
Sales Tax matters	2.11	5.30
Warranty claim Liability (Refer note (ii))	943.68	-
b) Other money for which the Group is contingently liable/Employees Related Disputes	29.86	55.10
c) Export promotion capital goods (EPCG) Export obligation	251.90	203.58
d) Provident fund liability	See note (iii) below	

(i) The Group is contesting excise and service tax demand and the management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Group's financial position and results of the operations.

(ii) One of the overseas subsidiaries of the Group has received a warranty claim of ₹ 943.68 million from one of its customers. Upon a legal examination of the relevant contractual provisions and connected correspondence, the group has disputed the claim as it believes that the claim is without any substance and group does not have any warranty obligation as per the agreed contract terms. Any final settlement of the above claim is not expected to have any material impact on the financial statements and hence, no provision in respect of the above claim has been recorded as at March 31, 2020.

(iii) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

Note 41: Dues to micro and small enterprises

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

(₹ in million)

		March 31, 2020	March 31, 2019
a)	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	866.28	658.70
b)	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	6.79	1.68
c)	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	5,378.39	4,475.46
d)	Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
e)	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
f)	Interest due and payable towards suppliers registered under MSMED Act, for payments already made*	21.68	16.98
g)	Further interest remaining due and payable for earlier years	29.22	9.03

* The above interest has not been provided for in the books of accounts.

** The information has been given in respect of such vendors to the extend they could be identified as Mirco and Small Enterprises on the basis of information available with the Group.

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Note 42: Employee benefit obligation

A. Defined contribution plans:

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

The expense recognised during the year towards defined contribution plan are as under:

(₹ in million)

	March 31, 2020	March 31, 2019
(a) Indian Entities		
(I) Contribution to Employees' provident fund	99.87	98.22
(II) Contribution to Employees' family pension fund	81.17	64.56
Total	**181.04**	**162.78**
(b) Foreign Entities		
Contribution to defined employees contribution plan	61.82	146.27
	61.82	**146.27**

B. Defined Benefit Plan (Gratuity) (Indian entities)

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

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

(a) Change in present value of benefit obligations

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Liability at the beginning of the year	407.29	320.86
Add: Additions on account of business combination (refer note 56)	1.04	
Service cost	62.77	53.00
Interest expense	29.82	24.51
Remeasurements - Actuarial (gains)/losses (refer note (e) below)	41.33	30.01
Benefits paid	(31.86)	(21.07)
Liability at the end of the year	**510.39**	**407.29**

(b) Change in fair value of plan assets

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets at the beginning of the year	380.65	307.19
Interest income	29.48	26.31
Remeasurements- Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	(0.43)	(1.30)
Contributions	46.02	72.84
Morality Charges and Taxes	(3.49)	(3.32)
Benefits paid	(31.86)	(21.07)
Fair value of plan assets at the end of the year	**420.37**	**380.65**

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for the year ended March 31, 2020

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

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of funded obligations	510.39	407.29
Fair value of plan assets	420.37	380.65
Deficit of funded plan	**90.02**	**26.64**

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

(₹ in million)

Particulars	Year ended March 31,2020	Year ended March 31,2019
Service cost	62.77	53.00
Net interest (income)/expense	0.34	(1.81)
Net gratuity cost	**63.11**	**51.19**

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

(₹ in million)

Particulars	Year ended March 31,2020	Year ended March 31,2019
Remeasurement		
Experience (Gain)/Losses on plan liabilities	(3.03)	20.43
Financial (Gain)/Losses on plan liabilities	43.74	9.45
(Gain)/loss from change in demographic assumptions	0.62	0.13
Experience (Gain)/Losses on plan assets	(0.73)	3.60
(Gain)/loss from change in financial assumptions	-	(0.01)
Financial (Gain)/Losses on plan assets	1.16	(2.29)
	41.76	**31.32**

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

Particulars	As of March 31, 2020	As of March 31, 2019
Discount rate	6.80%	7.60%
Salary growth rate	7.00% -8.00 %	7.00% -9.50 %
Weighted average duration of defined benefit obligation	4.48-12.82	7.89-12.80

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

Quantitative sensitivity analysis for significant assumptions are as follows:

Increase/(decrease) in present value of defined benefit obligation as at the end of the year

	March 31,2020	March 31,2019
(i) 1% increase in discount rate	-11.30%	-10.93%
(ii) 1% decrease in discount rate	13.53%	13.06%
(iii) 1% increase in rate of salary (escalation)	12.08%	11.67%
(iv) 1% decrease in rate of salary (escalation)	-10.41%	-10.09%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 1%, keeping all other actuarial assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method(present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied while calculating the defined benefit liability recognised

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in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Maturity profile of defined benefit obligation:

(₹ in million)

	As at March 31,2020	As at March 31,2019
Within 1 year	26.62	18.59
1-2 year	18.34	17.58
2-3 year	26.45	23.18
3-4 year	31.08	32.24
4-5 year	44.61	36.24
5-10 years	283.70	278.11

C. Pension Plans (Overseas Entities)

The group operates defined benefit pension plans in Mexico, Germany, Italy, Poland and Turkey under broadly similar regulatory frameworks. All of the plans are salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members length of services and their salary in the final years leading up to retirement.

The group funds the pension liability as per legal requirements of respective countries. Plan assets are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition.

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

(a) Change in present value of benefit obligations:

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Liability at the beginning of the year	1,074.93	1,054.31
Service cost	76.27	67.08
Interest expense	44.60	35.60
Curtailment gain	(52.23)	-
Remeasurements - Actuarial (gains)/ losses (refer note (e) below)	310.17	(6.32)
Benefits paid	(47.89)	(37.32)
Effect of Foreign exchange rate	72.68	(38.41)
Liability at the end of the year	**1,478.53**	**1,074.93**

(b) Change in fair value of plan assets:

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets at the beginning of the year	564.28	511.66
Interest income	14.82	12.74
Transfer of assets	9.43	8.06
Remeasurements - Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	(7.49)	(11.12)
Contributions	69.94	94.70
Benefits paid	(31.63)	(26.23)
Effect of Foreign exchange rate	32.13	(25.55)
Fair value of plan assets at the end of the year	**651.48**	**564.28**

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

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of funded obligations	1,478.53	1,074.93
Fair value of plan assets	651.48	564.28
Deficit of funded plan	**827.06**	**510.66**

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

(₹ in million)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Service cost	76.27	68.18
Net interest (income)/expense	29.78	22.86
Curtailment gain	(52.23)	-
Net gratuity cost	**53.81**	**91.04**

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

(₹ in million)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Remeasurement		
Experience (Gain)/Losses on plan liabilities	41.39	13.51
Financial (Gain)/Losses on plan liabilities	9.52	(50.06)
(Return) / loss on plan assets excluding amounts recognised in interest (income)/ expenses	4.36	4.76
(Gain)/loss from change in demographic assumptions	41.01	13.13
Experience (Gain)/Losses on plan assets	4.24	(1.64)
(Gain)/loss from change in financial assumptions	217.98	24.33
Financial (Gain)/Losses on plan assets	(1.12)	0.66
	317.39	**4.69**

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

Mexico

Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2020	As of March 31, 2019
Discount rate	8.50%	8.75%
Salary growth rate	4%	4%
Weighted average duration of defined benefit obligation	10.81	19

Change in Assumption	March 31, 2020	March 31, 2019
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	-9.08%	-8.77%
(ii) 1% decrease in discount rate	10.53%	9.92%
(iii) 1% increase in rate of salary escalation	11.43%	10.69%
(iv) 1% decrease in rate of salary escalation	-9.60%	-6.27%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 1%, keeping all other actuarial assumptions constant.

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When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied while calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Germany

Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2020	As of March 31, 2019
Discount rate	0.61%	1.90%
Salary growth rate	3.00%	2.75%
Weighted average duration of defined benefit obligation	22	20.82

Change in Assumption	March 31,2020	March 31,2019
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 0.5 % increase in discount rate	-10.19%	-0.96%
(ii) 0.5 % decrease in discount rate	11.77%	1.10%
(iii) 0.5 % increase in rate of salary escalation	2.04%	0.23%
(iv) 0.5 % decrease in rate of salary escalation	-3.39%	-0.37%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 0.5 %, keeping all other actuarial assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method(present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied while calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Italy

Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2020	As of March 31, 2019
Discount rate	1.60%	2.80%
Salary growth rate	0.10%	1.0%
Weighted average duration of defined benefit obligation	8.89-15.05	9.63-15.43

Change in Assumption	March 31,2020	March 31,2019
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 0.1% increase in discount rate	-1.06%	-0.90%
(ii) 0.1% decrease in discount rate	1.08%	1.30%
(iii) 0.1% increase in rate of salary escalation	0.04%	1.00%
(iv) 0.1% decrease in rate of salary escalation	-0.04%	-0.99%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 0.1%, keeping all other actuarial assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method(present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied while calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Poland

Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2020
Discount rate	2.70%
Salary growth rate	3.00%
Weighted average duration of defined benefit obligation	24.89

Change in Assumption	March 31,2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year	
(i) 0.50 % increase in discount rate	-7.11%
(ii) 0.50 % decrease in discount rate	7.89%
(iii) 0.50 % increase in rate of salary escalation	7.31%
(iv) 0.50 % decrease in rate of salary escalation	-6.69%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 0.5%, keeping all other actuarial assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method(present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied while calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Turkey

Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2020
Discount rate	11.82%
Salary growth rate	11.0%
Weighted average duration of defined benefit obligation	16.35

Change in Assumption	March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year	
(i) 1% increase in discount rate	-12.40%
(ii) 1% decrease in discount rate	14.84%
(iii) 1% increase in rate of salary escalation	0.03%
(iv) 1% decrease rate of salary escalation	-0.03%

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

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Maturity profile of defined benefit obligation:

(₹ in million)

	As at March 31,2020	As at March 31,2019
Within 1 year	21.43	23.21
1-2 year	27.24	19.27
2-3 year	26.44	29.29
3-4 year	43.79	35.07
4-5 year	61.54	46.11
5-10 years	408.50	359.15

RISK EXPOSURE AND ASSET LIABILITY MATCHING

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

1. Liability Risks

Asset-Liability Mismatch Risk –

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

Discount Rate Risk –

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

Future Salary Escalation and Inflation Risk –

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

2. Asset Risks

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

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

Note 43 : Fair Value Measurement

Financial instruments by category

(₹ in million)

	March 31, 2020			March 31, 2019		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	0.14	-	-	0.14	-	-
- Mutual funds	40.23	-	-	186.41	-	-
- Government securities	-	-	0.06	-	-	0.06
Loans	-	-	282.51	-	-	307.36
Trade receivables	-	-	10,893.34	-	-	13,495.13
Cash and bank balances	-	-	10,775.89	-	-	1,879.23
Derivative contracts	-	19.92	-	-	17.55	-
Other financial assets	-	-	144.94	-	-	131.12
Total financial assets	**40.37**	**19.92**	**22,096.74**	**186.55**	**17.55**	**15,812.90**
Financial liabilities						
Borrowings	-	-	35,424.50	-	-	24,393.02
Lease liabilities	-	-	7,126.12	-	-	-
Derivative contracts	8.90	-	-	4.22	2.76	-
Security deposits	-	-	68.82	-	-	49.43
Trade payables	-	-	23,646.35	-	-	20,322.02
Acceptances	-	-	157.47	-	-	240.37
Capital Creditors	-	-	1,720.92	-	-	1,733.25
Employee benefits payable	-	-	1,953.28	-	-	1,853.49
Other financial liabilities	-	-	661.47	-	-	96.55
Total financial liabilities	**8.90**	**-**	**70,758.93**	**4.22**	**2.76**	**48,688.13**

(i) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets/liabilities as at March 31, 2020:	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.14	-	0.14
Derivative contracts	-	19.92	-	19.92
Investments - Mutual funds	40.23	-	-	40.23
Total	**40.23**	**20.06**	**-**	**60.29**
Liabilities measured at fair value				
Derivative contracts	-	8.90	-	8.90
Total	**-**	**8.90**	**-**	**8.90**

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(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets/liabilities as at March 31, 2019:	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.14	-	0.14
Derivative contracts	-	17.55	-	17.55
Investments - Mutual funds	186.41	-	-	186.41
Total	**186.41**	**17.69**	**-**	**204.10**
Liabilities measured at fair value				
Derivative contracts	-	6.98	-	6.98
Total	**-**	**6.98**	**-**	**6.98**

(ii) Valuation technique used to determine fair value

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

- The fair values of the mutual funds are based on price quotations at the reporting date.
- The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spread between the respective currencies, interest rate curves etc. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value through profit and loss.
- The fair value of forward foreign exchange contracts and principal swap is determined using forward exchange rates at the balance sheet date.

(iii) Fair value of non-current financial assets and liabilities measured at amortised cost

(₹ in million)

	March 31,2020		March 31,2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments				
- Government securities	0.06	0.06	0.06	0.06
Loans	160.89	160.89	127.88	127.88
Other financial assets	231.93	231.93	374.9	374.90
Total	**392.88**	**392.88**	**502.84**	**502.84**
Financial liabilities				
Borrowings	9,002.04	9,002.04	4,571.96	4,571.96
Lease liabilities	6,522.15	6,578.25	-	-
Other financial liabilities	232.59	232.59	127.17	127.17
Total financial liabilities	**15,756.78**	**15,812.88**	**4,699.13**	**4,699.13**

- The fair value of the non-current financial assets and liabilities measured at amortised costs is determined using discounted cash flow basis.
- The carrying amounts of current financial assets and liabilities including trade receivables, loans, trade payables, cash and bank balances, security deposits, other financial assets, other financial liabilities, acceptances measured at amortised costs are considered to be the same as their fair values, due to their short-term nature.

Note 44: Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, lease liabilities, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

A. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loans and borrowings, receivables, payables, deposits, investments and derivative financial instruments.

a) Foreign currency risk

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

The group's exposure to foreign currency risk as of March 31, 2020 expressed in INR, is as follows:

(₹ in million)

	March 31, 2020					
	USD	EURO	JPY	CZK*	Other currencies	Total
Financial assets						
Trade receivables	166.14	829.96	-	838.86	0.02	1,834.97
Other assets	194.19	547.20	-	2,299.61	1.90	3,042.91
Financial liabilities						
Borrowings	-	196.78	-	833.20	-	1,029.98
Trade payables	744.06	541.74	18.25	2,879.65	77.19	4,260.89
Other liabilities	100.71	457.45	-	1,201.30	60.25	1,819.72
Net assets / (liabilities)	**(484.45)**	**181.20**	**(18.25)**	**(1,775.69)**	**(135.52)**	**(2,232.71)**

* During the current year; the Group has changed the functional currency of two of its subsidiaries located in European region from their respective local currency to Euro. Refer note 2A

Notes to the Consolidated Financial Statements
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The group's exposure to foreign currency risk as of March 31, 2019 expressed in INR, is as follows:

(₹ in million)

	March 31, 2019				
	USD	EURO	JPY	Other currencies	Total
Financial assets					
Trade receivables	519.01	3,672.79	-	-	4,191.80
Other assets	142.40	3,439.98	0.45	10.89	3,593.72
Financial liabilities					
Borrowings	8.22	10,533.06	-	-	10,541.28
Trade payables	369.35	10,137.33	24.04	775.73	11,306.45
Other liabilities	60.52	3,588.18	-	-	3,648.70
Net assets / (liabilities)	**223.32**	**(17,145.80)**	**(23.59)**	**(764.84)**	**(17,710.91)**

Sensitivity

For the year ended March 31, 2020 and March 31, 2019, every percentage point appreciation/depreciation in the exchange rate between the Indian rupee and U.S. Dollar has affected the Group's incremental operating margins by approximately ₹4.84 million and ₹ 2.23 million respectively, Euro by approximately ₹1.81 million and ₹ 171.46 million, respectively and CZK by approximately ₹ 17.76 million and previous year ₹ Nil.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period..

b) Interest rate risk

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

Interest rate sensitivity

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

(₹ in million)

For the year ended	Currency	Increase/ decrease in basis points	Variable rate Cash Credit and Term loans balances	Effect on profit before tax
March 31, 2020	INR	+100	31,287.72	(312.88)
March 31, 2020	INR	-100	31,287.72	312.88
March 31, 2019	INR	+100	18,323.82	(183.24)
March 31, 2019	INR	-100	18,323.82	183.24

c) Other price risk

The Group does not have material investments in equity securities other than investments in Joint Ventures. Hence equity price risk is considered to be low. Further, the Group's operating activities require the ongoing purchase of various commodities for manufacture of automotive parts. However, the movement is commodity prices are substantially adjusted through price differences as per customer contracts and hence commodity price risk for the Group is also considered to be low.

B. Credit Risk Management

Credit risk arises when a customer or counterparty does not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group only deals with parties which have good credit rating/worthiness given by external rating agencies or based on the Group's internal assessment.

Trade receivables

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Further, Group's customers includes marquee OEMs and Tier I companies, having long standing relationship with the Group. Outstanding customer receivables are regularly monitored and reconciled. At March 31, 2020, receivable from Group's top 18 customers accounted for approximately 80% (March 31, 2019: top 11 customers accounted 84%) of all the receivables outstanding. An impairment analysis is performed at each reporting date on an individual basis based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables disclosed in Note 12.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's corporate treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Credit limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for the components of the balance sheet at March 31, 2020 and March 31, 2019 is the carrying amounts as disclosed in Note 13.

C. Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. The Group's corporate treasury department is responsible for liquidity and funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows. As of March 31, 2020, cash and cash equivalents are held with major banks.

Maturities of financial liabilities

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

(₹ in million)

March 31, 2020	On demand	< 1 year	1 to 5 years	> 5 years
Non- derivative				
Borrowings	15,154.36	11,268.10	8,496.79	505.25
Lease liabilities		603.97	2,795.84	3,726.31
Trade Payables	-	23,646.35	-	-
Acceptances	-	157.47	-	-
Other financial liabilities	67.32	4,104.57	232.59	-
Derivative liabilities pending settlement	-	8.90	-	-

Notes to the Consolidated Financial Statements
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(₹ in million)

March 31, 2019	On demand	< 1 year	1 to 5 years	> 5 years
Non- derivative				
Borrowings	16,154.85	3,666.21	3,967.58	604.38
Trade Payables	-	20,322.02	-	-
Acceptances	-	240.37	-	-
Other financial liabilities	49.43	3,556.12	127.17	-
Derivative liabilities pending settlement	-	6.98	-	-

- The amount disclosed in the table are the contractual undiscounted cash flows.

Note 45: Capital Management

(a) Risk management

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

The group's objectives when managing capital are to:

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

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

The Group monitors debt-equity ratio, which is net debt divided by total equity. Net debt comprises of long-term and short-term borrowings less cash and bank balances. Equity includes equity share capital and other equity attributable to equity shareholders. The debt-equity ratio at the end of the reporting period was as follows.

The group's strategy is to maintain a net debt equity ratio below 1:1

(₹ in million)

	As at March 31, 2020	As at March 31, 2019
Net debt	24,736.83	22,758.74
Total Equity	30,045.26	30,664.23
Net debt to equity ratio	**0.82**	**0.74**

* Total equity does not include share of non controlling interest.

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

(i) Loan covenant

The group capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Some of the financial covenants were not complied as at March 31, 2020 and March 31, 2019. Refer note 26 for details.

(b) Dividends

(₹ in million)

	As at March 31, 2020	As at March 31, 2019
Interim dividend for the year ended March 31, 2020 of ₹ 3 per equity share declared and paid on February 28, 2020.	404.43	-
Final dividend for the year ended March 31, 2019 of ₹4 per equity share paid on August 14, 2019.	539.25	
Interim dividend for the year ended March 31, 2018 of ₹ 0.50 per preference share paid on April 30, 2018	-	5.84
Dividend Distribution tax	196.41	2.55

Dividend not recognised at the end of reporting period

Directors have recommended that the payment of interim dividend of ₹ 3 per equity share will be treated as final dividend for the year ended March 31, 2020 (March 31, 2019: ₹4 per equity share).

Notes to the Consolidated Financial Statements
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Note 46: Impact of hedging activities

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

March 31, 2020

(₹ in million)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/ rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principal and interest rate swaps	-	184.36	-	12.73	March 4, 2021	1:1	₹68.75	18.21	(14.51)
Principal and interest rate swaps	-	71.37	-	7.29	May 20, 2021	1:1	₹66.60	4.57	(5.22)
Principal and interest rate swaps (Czech)	-	1,889.52	-	2.31	September 30, 2021	1:1	0%	(2.31)	2.31
Principal and interest rate swaps (Mexico)	-	1,492.00	-	2.73	April 27, 2020	1:1	4.90%	(2.73)	2.73
Fair value through P&L									
Option	152.27		(4.05)		September 30, 2020	1:1	₹81.50	4.05	(4.05)
Foreign exchange forward contracts	114.78		(4.84)		August 31, 2020	1:1	₹72.89	10.05	(10.05)

March 31, 2019

(₹ in million)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principal and interest rate swaps	-	335.71	-	(5.48)	March 4, 2021	1:1	₹68.75	36.62	(27.32)
Principal and interest rate swaps	-	116.96	-	2.72	May 20, 2021	1:1	₹66.60	9.21	(6.87)
Fair value through P&L									
Option		193.87		(18.53)	July 30, 2019	1:1	₹55.5 & ₹63.5	(57.58)	57.58
Foreign exchange forward contracts		456.98		5.21	July 31,2019	1:1	₹70.54	(4.41)	4.41

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Movement in cash flow hedging reserve

(₹ in million)

	As at March 31, 2020	As at March 31, 2019
Cash flow hedge		
Balance at the beginning of the period/year	(6.65)	(2.26)
Gain/Loss on changes in fair value of hedging instrument	22.79	45.82
Income tax relating to gains/loss reclassified to profit and loss	(1.07)	(16.01)
Reclassification to Statement of Profit and Loss	(19.73)	(34.20)
Balance at the end of the period/year	**(4.66)**	**(6.65)**

Note 47: Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), which is the Board of Directors.

The “Automotive” segment consists of the business of automobile products consisting of auto parts for two-wheelers, three-wheelers and four-wheelers and related design, development and engineering activities and other services. “Others” comprise of forging components for off road vehicles and components for mining and oil drilling industry which is below the thresholds for reporting as separate operating segment. Investment in Joint Venture and corresponding share of profit from joint venture is considered under unallocated assets and profit respectively.

(a) Operating segment

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2020			For the year ended March 31, 2019		
		Automotive	Others	Total	Automotive	Others	Total
	Segment revenue						
1	Revenue from operations	108,967.10	2,251.58	111,218.68	117,322.57	3,050.69	120,368.95
	Less: Inter segment revenue	-	-	-	4.30	-	4.30
	Total revenue (external)	**108,967.10**	**2,251.58**	**111,218.68**	**117,318.27**	**3,050.69**	**120,364.65**
2	Segment results before other income, finance cost and tax	1,724.16	(95.76)	1,628.40	5,405.86	148.62	5,554.48
3(i)	Other income (Net of unallocated expense)			249.78			284.63
3(ii)	Finance costs			1,391.67			968.45
	Profit before tax and share of net profit of joint ventures accounted for using the equity method			486.51			4,870.66
3(iii)	Share of net profit of joint ventures accounted for using the equity method			(91.65)			314.54
4	**Profit before tax**			**394.86**			**5,185.20**
5	Tax expenses including deferred tax			369.80			898.42
6	**Profit after tax**			**25.06**			**4,286.78**
		As at March 31, 2020			As at March 31, 2019		
7	Segment assets	100,808.11	2,113.75	102,921.86	78,346.96	2,402.58	80,749.54
	Unallocable assets			7,100.87			6,574.03
	Total Assets			**110,022.73**			**87,323.57**
8	Segment liabilities	41,935.98	551.15	42,487.13	29,608.00	839.35	30,447.35
	Unallocable liabilities			37,241.10			25,970.68
	Total Liabilities			**79,728.23**			**56,418.03**
9	Other Information						
	Cost to acquire fixed assets (including on acquisition of business)			16,544.41			10,079.79
	Depreciation and amortisation			**7,318.64**			**5,656.42**

Notes to the Consolidated Financial Statements
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(b) Geographical information

(i) Segment revenue by geographical area based on geographical location of customers:

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
	Revenue within:		
1	India	37,395.72	41,622.13
2	Asia Pacific	2,019.72	911.71
3	Europe	54,383.59	56,437.23
4	North America	16,081.32	20,082.50
5	Others	1,338.33	1,288.78
	Total	**111,218.68**	**120,342.34**

(ii) Total of non-current assets other than financial instruments, investments accounted for using equity methods and deferred tax assets broken down by location of the assets, is shown below:

(₹ in million)

Sr. No.	Particulars	March 31, 2020	March 31, 2019
1	India	19,029.99	17,495.00
2	Asia Pacific	191.04	143.13
3	Europe	37,352.31	25,876.17
4	North America	4,685.67	3,836.37
5	Others	845.04	664.35
	Total	**62,104.05**	**48,015.01**

(c) Revenue from 3 customers amounted to ₹ 20,803.7 million (March 31, 2019: ₹ 22,199.5 million), ₹13,797.9 million (March 31, 2019: ₹ 14,166.5 million) and ₹10,963.8 million (March 31, 2019: ₹ 13,732.1 million) arising from sales in the Automotive segment

Note 48 A: Interests in Subsidiaries

(a) Subsidiaries

The subsidiaries at March 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Direct subsidiaries					
Varroc Polymers Private Limited	India	100%	100%	-	-
Durovalves India Private Limited	India	72.78%	72.78%	27.22%	27.22%
Varroc Lighting Systems (India) Private Limited	India	100%	100%	-	-
Varroc European Holding B.V.	Netherlands	100%	100%	-	-
Aries Mentor Holding B.V. *	Netherlands	-	100%	-	-
VarrocCorp Holding B.V.	Netherlands	100%	100%	-	-
Varroc Japan Co. Limited	Japan	100%	100%	-	-
CarIQ Technologies Private Limited	India	74%	-	26%	-

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Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Step down subsidiaries					
Team Concepts Private Limited	India	100%	95%	0%	5%
Industrial Meccanica E Stampaggio S.p.a.	Italy	100%	100%	-	-
Varroc Lighting Systems, Italy S.p.A. (previously known as "TRI.O.M., S.p.A")	Italy	100%	100%	-	-
Varroc Lighting Systems, Vietnam Co. Ltd. (earlier known as "TRI.O.M., Vietnam Co. Ltd.")	Vietnam	100%	100%	-	-
Varroc Lighting Systems, Romania S.A. (earlier know as "Electromures SA")	Romania	98.23%	98.23%	1.77%	1.77%
TRI.O.M. Mexico SA De. C.V.	Mexico	-	100%	-	-
Varroc Lighting Systems SRO	Czech Republic	100%	100%	-	-
Varroc Lighting Systems Inc.	USA	100%	100%	-	-
Varroc Lighting Systems GmBH.	Germany	100%	100%	-	-
Varroc Lighting Systems S.de.R.L. De. C.V.	Mexico	100%	100%	-	-
Varroc Lighting Systems S.A., Morocco	Morocco	99.87%	99.87%	0.13%	0.13%
Varroc do Brasil Industria E Commercia LTDA (earlier know as Varroc do brasil Comercio, Importacao e Exportacao de Maquinas, Equipamento e Pecas Ltd., Brazil)	Brazil	100%	100%	-	-
Varroc Lighting Systems sp. Z o.o.	Poland	100%	100%	-	-
VARROC LIGHTING SYSTEMS TURKEY ENDÜSTRİYEL ÜRÜNLER İMALAT VE TİCARET ANONİM ŞİRKETİ.	Turkey	100%	100%	-	-
Varroc Lighting Systems Bulgaria EOOD	Bulgaria	100%	100%	-	-

* Merged with VarrocCorp Holding B.V. during the year.

Principal activities

All the group companies are primarily engaged in the business of auto components and services in the automotive industry to Indian and global customers.

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Note 48 B: Additional information as on March 31, 2020 required by Schedule III of the Companies Act, 2013

(₹ In million)

Sr. no.	Name of the entity in the group	Net assets (Total assets minus total liabilities)		Share in profit or (loss)		Share in other comprehensive income		Share in total comprehensive income	
		as % of consolidated net assets	Amount	as % of consolidated profit or loss	Amount	as % of consolidated other comprehensive income	Amount	as % of consolidated total comprehensive income	Amount
	Parent								
	Varroc Engineering Limited	36.91%	11,182.85	3951.6%	990.27	0.5%	3.29	158.58%	993.56
	Indian Subsidiaries								
1	Varroc Polymers Private Limited	16.96%	5,139.29	2047.6%	513.13	-0.99%	(5.94)	80.95%	507.19
2	Durovalves India Private Limited	2.94%	891.22	337.0%	84.45	-0.75%	(4.53)	12.76%	79.92
3	Varroc Lighting Systems (India) Private Limited	2.09%	632.51	193.4%	48.48	0.24%	1.42	7.96%	49.90
4	Team Concepts Private Limited	0.56%	168.85	237.4%	59.49	0.00%	0.01	9.50%	59.50
5	CarIQ Technologies Private Limited	-0.03%	(8.50)	-10.0%	(2.51)	0.03%	0.19	-0.37%	(2.32)
	Foreign Subsidiaries								
1	VarrocCorp Holding B.V.	15.56%	4,715.18	67.2%	16.84	0.00%	-	2.69%	16.84
2	Varroc Lighting Systems S.R.O.	45.86%	13,892.66	3455.3%	865.90	0.00%	-	138.20%	865.90
3	Varroc Lighting Systems S.de.R.L.de.C.V.	4.92%	1,489.29	819.3%	205.31	-5.71%	(34.36)	27.28%	170.95
4	Varroc Lighting Systems INC	13.53%	4,097.35	-116.7%	(29.25)	0.00%	-	-4.67%	(29.25)
5	Varroc Lighting Systems GmBH	-0.34%	(103.76)	306.5%	76.80	-20.80%	(125.13)	-7.71%	(48.33)
6	Varroc Lighting Systems S.A., Morocco	-3.65%	(1,105.71)	-3358.6%	(841.67)	0.00%	-	-134.33%	(841.67)
7	Varroc do Brasil Industria E Commercia LTDA	-0.65%	(195.61)	-2328.8%	(583.60)	0.00%	-	-93.14%	(583.60)
8	Varroc Lighting Systems sp. Z o.o.	-2.35%	(711.99)	-2433.8%	(609.92)	-1.85%	(11.13)	-99.12%	(621.05)
9	VARROC LIGHTING SYSTEMS TURKEY ENDÜSTRİYEL ÜRÜNLER İMALAT VE TİCARET ANONİM ŞİRKETİ.	5.05%	1,529.35	876.3%	219.60	-1.67%	(10.03)	33.45%	209.57
10	Varroc Lighting Systems Bulgaria EOOD	-0.40%	(121.99)	-458.5%	(114.90)	-	-	-18.34%	(114.90)
11	Varroc Japan Co. Ltd	0.03%	8.83	14.2%	3.55	0.00%	-	0.57%	3.55
12	Varroc European Holding B.V.	-2.84%	(860.71)	-24.6%	(6.16)	0.00%	-	-0.98%	(6.16)
13	Industria Meccanica e Stampaggio S.p.A.	-0.36%	(110.36)	-489.5%	(122.68)	0.32%	1.90	-19.28%	(120.78)
14	Varroc Lighting Systems, Italy S.p.A.	3.11%	941.43	554.7%	139.02	-0.19%	(1.12)	22.01%	137.90
15	Varroc Lighting Systems, Romania S.A.	0.72%	217.36	36.7%	9.20	0.00%	-	1.47%	9.20
16	Varroc Lighting Systems, Vietnam CO. Ltd.	1.26%	381.57	473.3%	118.62	0.00%	-	18.93%	118.62

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for the year ended March 31, 2020

(₹ In million)

Sr. no.	Name of the entity in the group	Net assets (Total assets minus total liabilities)		Share in profit or (loss)		Share in other comprehensive income		Share in total comprehensive income	
		as % of consolidated net assets	Amount	as % of consolidated profit or loss	Amount	as % of consolidated other comprehensive income	Amount	as % of consolidated total comprehensive income	Amount
	Joint Venture								
	(Investment accounted as per equity method)								
1	Varroc TYC Corporation, BVI	10.22%	3,094.67	-239.0%	(59.89)	0.00%	-	-9.56%	(59.89)
2	Nuova CTS S.r.l	0.26%	77.54	19.7%	4.95	0.00%	-	0.79%	4.95
3	Varroc ELBA Electronics SRL, Romania	0.27%	81.10	-120.8%	(30.28)	0.00%	-	-4.83%	(30.28)
4	Varroc Dellerto Private Limited	0.03%	8.82	-25.6%	(6.43)	0.00%	-	-1.03%	(6.43)
	Non-controlling interests in subsidiaries	0.82%	249.24	92.38%	23.15	-0.20%	(1.23)	3.50%	21.92
	Sub-Total		**45,580.47**		**971.47**		**(186.65)**		**784.84**
	Adjustment arising out of consolidation	-50.46%	(15,285.97)	-3776.56%	(946.41)	131.03%	788.14	-25.26%	(158.29)
	Total	**100%**	**30,294.50**	**100.00%**	**25.06**	**100.00%**	**601.49**	**100.00%**	**626.55**

Note 48 B: Additional information as on March 31, 2019 required by Schedule III of the Companies Act, 2013

(₹ In million)

Sr. no.	Name of the entity in the group	Net assets (Total assets minus total liabilities) (Restated)		Share in profit or (loss) (Restated)		Share in other comprehensive income (Restated)		Share in total comprehensive income (Restated)	
		as % of consolidated net assets	Amount	as % of consolidated profit or loss	Amount	as % of consolidated other comprehensive income	Amount	as % of consolidated total comprehensive income	Amount
	Parent								
	Varroc Engineering Limited	36.52%	11,288.00	27.9%	1,195.41	1.12%	(11.81)	36.67%	1,183.59
	Indian Subsidiaries								
1	Varroc Polymers Private Limited	16.13%	4,984.09	9.2%	395.32	0.61%	(6.45)	12.05%	388.87
2	Durovalves India Private Limited	2.79%	863.40	2.1%	92.15	0.19%	(2.06)	2.79%	90.08
3	Varroc Lighting Systems (India) Private Limited	1.92%	592.82	3.1%	133.35	-0.04%	0.41	4.14%	133.76
4	Team Concepts Private Limited	0.95%	293.77	2.0%	84.62	-0.02%	0.19	2.63%	84.81
	Foreign Subsidiaries		-						
1	VarrocCorp Holding B.V.	13.02%	4,022.72	16.3%	698.72	0.00%	-	21.65%	698.72
2	Varroc Lighting Systems S.R.O.	38.98%	12,048.05	27.4%	1,174.73	0.00%	-	36.40%	1,174.73
3	Varroc Lighting Systems S.de.R.L.de.C.V.	3.89%	1,202.75	8.5%	362.96	-4.37%	46.32	12.68%	409.28
4	Varroc Lighting Systems INC	12.35%	3,817.00	13.9%	593.95	0.00%	-	18.40%	593.95

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for the year ended March 31, 2020

(₹ In million)

Sr. no.	Name of the entity in the group	Net assets (Total assets minus total liabilities) (Restated)		Share in profit or (loss) (Restated)		Share in other comprehensive income (Restated)		Share in total comprehensive income (Restated)	
		as % of consolidated net assets	Amount	as % of consolidated profit or loss	Amount	as % of consolidated other comprehensive income	Amount	as % of consolidated total comprehensive income	Amount
5	Varroc Lighting Systems GmBH	-0.16%	(49.47)	4.1%	174.75	8.74%	(92.56)	2.55%	82.19
6	Varroc Lighting Systems S.A., Morocco	-0.72%	(221.83)	-5.0%	(214.04)	0.00%	-	-6.63%	(214.04)
7	Varroc do Brasil Industria E Commercia LTDA	-0.01%	(4.45)	-6.0%	(257.30)	0.00%	-	-7.97%	(257.30)
8	Varroc Lighting Systems sp. Z o.o.	-0.21%	(64.95)	-1.4%	(58.12)	0.00%	-	-1.80%	(58.12)
9	VARROC LIGHTING SYSTEMS TURKEY ENDÜSTRİYEL ÜRÜNLER İMALAT VE TİCARET ANONİM ŞİRKETİ.	4.76%	1,469.87	6.8%	291.45		-	9.03%	291.45
10	Varroc Lighting Systems Bulgaria EOOD	-0.01%	(3.00)	0.2%	8.65		-	0.27%	8.65
11	Varroc Japan Co. Ltd	0.02%	5.48	0.1%	4.14	0.00%	-	0.13%	4.14
12	Varroc European Holding B.V.	-2.60%	(802.99)	-0.2%	(6.50)	0.00%	-	-0.20%	(6.50)
13	Industria Meccanica e Stampaggio S.p.A.	-0.01%	(1.66)	1.9%	80.42	-1.27%	13.43	2.91%	93.85
14	Aries Mentor Holding BV	1.27%	391.31	-0.2%	(9.89)	0.00%	-	-0.31%	(9.89)
15	Varroc Lighting Systems, Italy S.p.A.	2.44%	754.57	1.2%	50.86	-0.54%	5.70	1.75%	56.56
16	Varroc Lighting Systems, Romania S.A.	0.64%	197.01	0.2%	7.05	0.00%	-	0.22%	7.05
17	Varroc Lighting Systems, Vietnam CO. Ltd.	0.78%	241.32	2.6%	110.18	0.00%	-	3.41%	110.18
18	Triom Mexico SA DE CV	0.00%	0.04	0.0%	-	0.00%	-	0.00%	-
	Joint Venture								
	(Investment accounted as per equity method)								
1	Varroc TYC Corporation, BVI	10.77%	3,329.48	7.1%	302.70	0.00%	-	9.38%	302.70
2	Nuova CTS S.r.l	0.27%	82.69	0.3%	11.68	0.00%	-	0.36%	11.68
3	Varroc ELBA Electronics SRL, Romania	0.07%	21.45	0.0%	-	0.00%	-	0.00%	-
4	Varroc Dellerto Private Limited	0.00%	0.25	0.0%	-	0.00%	-	0.00%	-
	Non-controlling interests in subsidiaries	0.78%	241.31	0.81%	34.59	0.07%	(0.77)	1.05%	33.82
	Sub-Total		**44,699.03**		**5,261.83**		**(47.60)**		**5,214.21**
	Adjustment arising out of consolidation	-44.63%	(13,793.49)	-22.75%	(975.05)	95.51%	(1,011.66)	-61.55%	(1,986.69)
	Total	**100%**	**30,905.54**	**100.00%**	**4,286.78**	**100.00%**	**(1,059.26)**	**100.00%**	**3,227.52**

Note 49: Related Party Disclosure.

a) Related parties and their relationships

1.	Jointly Controlled Entities	Nuova CTS S.r.l, Italy Varroc TYC Corporation, British Virgin Islands Varroc TYC Auto Lamps Co. Ltd., China (Subsidiary of Varroc TYC Corporation, BVI) Varroc TYC Auto Lamps Co. Ltd. CQ, China (Subsidiary of Varroc TYC Auto Lamps Co Ltd China) Varroc Dell'Orto Private Limited Varroc ELBA Electronics SRL, Romania
2.	Key Management Personnel	**Managing Director** Mr. Tarang Jain **Whole time Directors** Mr. Arjun Jain Mr. Ashwani Maheshwari **Non-executive Directors** Mr. Naresh Chandra **Independent Directors** Mr. Gautam Khandelwal Mr. Marc Szulewicz Mrs. Vijaya Sampath Mr. Vinish Kathuria
3.	Relatives of Key Management Personnel with whom transactions have taken place	Mr. Dhruv Jain - Son of Mr. Tarang Jain
4.	Enterprises Owned or controlled by key management personnel and/or their relatives with whom transactions have taken place	Endurance Technologies Limited TJ Holdings Trust Naresh Chandra Holdings Trust Suman Jain Holdings Trust MS Consulting services

Notes to the Consolidated Financial Statements
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b) Transactions with related parties and balances at year end

(₹ in million)

Description of the nature of transactions	Transactions		Balances			
	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020		As at March 31, 2019	
			Receivable	Payable	Receivable	Payable
A. Sale of goods, services and fixed assets*						
Endurance Technologies Limited	39.38	90.14	2.05		12.58	-
Varroc TYC Auto Lamps Co. Limited	0.94	25.36	57.48		89.86	-
Nuova CTS S.r.l	0.93	0.79	0.21		0.11	-
Varroc Dell'Orto Private Limited	8.14	-	10.35		-	-
B. Purchase of goods, services and fixed assets *						
Nuova CTS S.r.l	54.70	67.52		7.76		22.38
Varroc TYC Auto Lamps Co. Limited.	8.39	12.42		4.67		1.12
C. Royalty received						
Varroc TYC Auto Lamps Co. Limited.	81.33	121.45	12.91		63.04	
D. Professional charges paid						
Mr. Naresh Chandra	0.57	0.57		-		-
Mr. Gautam Khandelwal	2.08	1.90		1.87		1.80
Mr. Marc Szulewicz	1.78	3.37		1.78		3.37
Mrs. Vijaya Sampath	2.20	2.30		1.98		2.16
Mr. Vinish Kathuria	2.30	2.58		2.07		2.33
MS Consulting services	6.31	4.05		-		-
E. Interest paid						
Nuova CTS S.r.l	-	-		-		2.46
F. Directors fees paid						
Mr. Naresh Chandra	0.12	0.22		-		-
Mr. Gautam Khandelwal	1.40	1.60		-		-
Mr. Marc Szulewicz	0.58	0.92		-		-
Mrs. Vijaya Sampath	1.30	1.20		-		-
Mr. Vinish Kathuria	1.20	0.92		-		-
G. Reimbursement of Initial Public Offer expenses (Receivable)						
Mr. Tarang Jain	-	59.45	-			

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for the year ended March 31, 2020

(₹ in million)

Description of the nature of transactions	Transactions		Balances			
	For the year ended March 31, 2020	For the year ended March 31, 2019	As at March 31, 2020		As at March 31, 2019	
			Receivable	Payable	Receivable	Payable
H. Dividend paid						
Mr. Tarang Jain	425.11	5.84		-		-
Mr. Arjun Jain	0.04	-		-		-
Mr. Dhruv Jain	0.04	-		-		-
TJ Holdings Trust	236.95	-		-		-
Naresh Chandra Holdings Trust	70.00	-		-		-
Suman Jain Holdings Trust	70.00	-		-		-
I. Managerial remuneration #						
Mr. Tarang Jain	83.65	84.58		-		-
Mr. Arjun Jain	11.98	6.89		-		-
Mr. Ashwani Maheshwari	21.23	19.95		-		-
J. Remuneration #						
Mr. Arjun Jain	-	4.51		-		-
Mr. Dhruv Jain	6.44	-				
K. Dividend received						
Varroc TYC Auto Lamps Co. Limited.	251.16	388.74		-		-
Nuova CTS S.r.l	11.04	16.19		-		-
L. Reimbursement of expenses - received						
Varroc TYC Auto Lamps Co. Limited.	-	0.25		-		-
MS Consulting services	-	1.08		-		-
M. Reimbursement of expenses (Received/ Receivable)						
Varroc Dell'Orto Private Limited	0.85		0.81			
N. Loan to joint venture						
Varroc-Elba Electronics S.R.L	57.02	-	57.02	-	-	-
O. Investment in joint venture						
Varroc-Elba Electronics S.R.L	90.36	21.45				
Varroc Dell'Orto Private Limited	15.00	0.25				

Notes:

* All the amounts exclusive of taxes, if any.

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

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 50 : Commitments

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

(₹ in million)

	March 31, 2020	March 31, 2019
Estimated amount of contract remaining to be executed on capital account and not provided for (Net of advances)	2,497.98	4,842.58

Note 51: Earnings per shares

(₹ in million)

	Year ended March 31, 2020	Year ended March 31, 2019 (Restated)
Earnings per share (EPS)		
Basic		
Profit attributable to equity shareholders (₹ in million) (A)	1.91	4,252.19
Weighted average number of shares outstanding (B)	134,811,530	134,811,530
Basic EPS (Amount in ₹) (A/B)	**0.01**	**31.54**
Diluted		
Profit attributable to equity shareholders (₹ in million) (C)	1.91	4,252.19
Weighted average number of equity shares and potential equity shares used as the denominator in calculating diluted earnings per share (D)	134,811,530	134,811,530
Diluted EPS (Amount in ₹) (C/D)	**0.01**	**31.54**

Note 52: Commitments with respect to leases

The Group has adopted Ind AS 116 with effect from April 1, 2019 with modified retrospective approach which replaces Ind AS 17 "Leases". Following disclosure has been given in accordance with Ind AS 17 for year ended March 31, 2019. For disclosures with respect to Ind AS 116 refer note 3.2.

Group as lessee

(A) Operating leases :

The group has obtained various offices and warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Lease payments in respect of operating leases included in the Statement of Profit and Loss for the year ended March 31, 2019 ₹ 509.05 million.

(₹ in million)

	As at March 31, 2019
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	
Not Later than one year	397.93
Later than one year and not later than five years	1,653.39
Later than five years	1,330.84
Total (A)	**3,382.16**

Notes to the Consolidated Financial Statements
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(B) Finance leases:

The Group has taken certain plant and machinery on finance lease. The disclosure as required by Ind AS 17 is as follows:

(₹ in million)

	As at March 31, 2019
(a) Minimum future Finance lease payments	
Not Later than one year	73.91
Later than one year and not later than five years	83.49
Total (a)	**157.40**
(b) Present value of minimum lease rentals payable	
Not later than one year	71.31
Later than one year but not later than five years	79.40
Total (b)	**150.70**
(c) Reconciliation of minimum lease payments and present value	
Minimum lease rentals payable as per (a) above	157.40
Less: Finance charges to be recognised in subsequent years.	6.69
Present value of minimum lease rentals payable as per (b) above.	**150.71**

Apart from the above, some of land and building located in Czech Republic and India is taken on finance lease. The total obligation towards the lease payments has been made in advance as on the date of Balance Sheet.

Note 53: Interests in joint ventures

Set out below are the joint ventures of the group as at March 31, 2020 :

(₹ in million)

Name of entity	Place of business	% of ownership	Relationship	Accounting method	Carrying Value	
					As at March 31, 2020	As at March 31, 2019
Varroc TYC Corporation, BVI and its subsidiaries	China/British Virgin Islands	50%	Joint Venture	Equity Method	3,094.68	3,329.48
Nuova CTS S.r.l	Italy	50%	Joint Venture	Equity Method	77.54	82.69
Varroc-Elba Electronics S.R.L	Romania	70%	Joint Venture	Equity Method	81.10	21.45
Varroc Dell O'rto Private Limited	India	50%	Joint Venture	Equity Method	8.82	0.25
Total					**3,262.14**	**3,433.86**

The joint venture entities are primarily engaged in the business of auto components and services in the automotive industry.

Commitments and contingent liabilities in respect of joint ventures

(₹ in million)

Particulars	As at March 31, 2020	As at March 31, 2019
Commitments – joint ventures		
Varroc TYC Corporation, BVI and its subsidiaries	178.05	63.68

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 53: Interests in joint ventures
Summarised financial information for joint ventures

The summarised financial information for joint ventures disclosed below, reflects the amounts presented in the financial statements of the relevant joint ventures and not Varroc's share of those amounts.

(i) Summarised balance sheet

(₹ in million)

	Varroc TYC Corporation, BVI (Consolidated)		Nova CTS srl		Varroc-Elba Electronics S.R.L		Varroc Dell O'rto Pvt. Ltd.	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Current assets								
Cash and cash equivalents	1,610.58	402.98	8.93	18.11	45.47	30.64	29.49	0.50
Other assets	4,438.68	5,523.08	27.72	42.73	12.93	-	16.49	-
Total current assets	**6,049.26**	**5,926.06**	**36.65**	**60.84**	**58.40**	**30.64**	**45.98**	**0.50**
Total non-current assets	**5,951.20**	**5,831.44**	**3.02**	**1.57**	**169.50**	**-**	**-**	**-**
Current liabilities								
Financial liabilities	1,410.50	1,254.82	-	-	25.83	-	-	-
Other liabilities	3,996.42	3,434.24	13.61	25.34	4.69	-	28.34	-
Total current liabilities	**5,406.92**	**4,689.06**	**13.61**	**25.34**	**30.52**	**-**	**28.34**	**-**
Non-Current liabilities								
Financial liabilities	282.02	305.24	-	-	81.53	-	-	-
Other liabilities	184.38	166.44	0.33	1.05	-	-	-	-
Total non-current liabilities	**466.40**	**471.68**	**0.33**	**1.05**	**81.53**	**-**	**-**	**-**
Net assets	**6,127.14**	**6,596.76**	**25.73**	**36.02**	**115.85**	**30.64**	**17.64**	**0.50**

(ii) Summarised statement of profit and loss

(₹ in million)

	Varroc TYC Corporation, BVI (Consolidated)		Nova CTS srl		Varroc-Elba Electronics S.R.L		Varroc Dell O'rto Pvt. Ltd.	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue	7,962.34	9,470.74	125.18	161.44	-	-	11.10	-
Depreciation and amortisation	545.02	527.22	0.77	0.54	0.27	-	-	-
Interest expense	75.66	37.20	-	-	0.09	-	0.01	-
Income tax expense	(40.52)	(12.18)	4.05	8.14	-	-	-	-
Profit for the period	(119.78)	605.40	9.89	23.35	(43.26)	-	(12.86)	-
Total comprehensive income	(119.78)	605.40	9.89	23.35	(43.26)	-	(12.86)	-
Dividends received	509.14	388.74	22.08	16.19	-	-	-	-

(iii) Reconciliation of carrying amounts

(₹ In million)

	Varroc TYC Corporation, BVI		Nova CTS srl		Varroc-Elba Electronics S.R.L		Varroc Dell O'rto Pvt. Ltd.	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Closing net assets	**6,127.14**	**6,596.76**	**25.73**	**36.03**	**115.86**	**30.64**	**17.64**	**0.50**
Group's share in %	50%	50%	50%	50%	70%	70%	50%	50%
Group's share in INR	3,063.58	3,298.38	12.87	18.02	81.10	21.45	8.82	0.25
Goodwill	31.10	31.10	64.67	64.67	-	-	-	-
Carrying amount	**3,094.68**	**3,329.48**	**77.54**	**82.69**	**81.10**	**21.45**	**8.82**	**0.25**

Note 54: COVID-19 impact assessment

The Group has considered the possible effects of the COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, deferred tax assets, etc. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic and arriving at estimates, the Group, as at the date of approval of these financial statements, has used internal and external sources of information. The Group has performed analysis on the assumptions used and based on current estimates, expects that the carrying amounts of the assets to be recoverable as at March 31, 2020. The impact of COVID-19 on the Group's consolidated financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

Note 55: Change in Functional Currency

During the year, the Group reassessed the functional currencies for its subsidiaries. In case of the subsidiaries located in Czech Republic and Morocco, such reassessment was done after taking into account the underlying transactions, events and conditions relevant to the entity since the primary economic and business environment, in which these entities operate, have evolved over time. As part of management's functional currency assessment, changes in economic facts and circumstances were considered. The Group assessed that majority of the contracts of these entities currently executed with customers and vendors are in Euros. The borrowings are also substantially denominated in Euros. However, payroll costs and certain good and services procured locally are still denominated in local currencies (i.e. CZK and MAD).

Since the primary and other indicators given in Ind AS 21. "The Effects of Changes in Foreign Exchange Rates" are mixed, management has used its judgement as required under para 12 of Ind AS 21 to conclude that Euro is the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions of theses entities and it best reflects the currency of the primary economic environment in which these entities currently operate. Hence based on completion of these assessments, the functional currencies of Czech Republic and Morocco subsidiaries were changed from CZK and MAD to Euro prospectively from July 1, 2019 and from January 1, 2020 respectively.

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for the year ended March 31, 2020

Note 56: (a) - Business combination

Summary of acquisition during the year ended March 31, 2020

During the year group has acquired the new business. The net assets and liabilities of the acquired companies are as under:

On August 30, 2019, the Group has acquired “CarIQ Technologies Private Limited”, engaged in supply of connected car platforms. The Group has performed allocation of the purchase consideration of ₹ 258.61 million to assets and liabilities based on their acquisition date fair values. The consideration in excess of fair values of the assets and liabilities acquired has been allocated to Goodwill.

The assets and liabilities recognised at fair value as a result of the acquisition as at the acquisition date are as follows:

	(₹ In million)
Non-Current Assets	
Property plant & equipment	0.42
Intangible assets	153.47
Non-Current Financial Assets	
Other financial assets	0.18
Current Asset	
Inventories	1.72
Financial Assets	
Trade receivables	6.68
Cash and cash equivalents	3.85
Other current assets	6.14
Total Asset	**172.46**
Non-Current liabilities	
Other financial liabilities	
Provisions	0.95
Deferred tax liabilities (Net)	38.32
Borrowings	
Other current liabilities	0.96
Current Liabilities	
Financial liabilities	
Trade payables	5.44
Provisions	0.13
Current tax liabilities (Net)	
Other current liabilities	19.34
Total Liabilities	**65.14**
Net identifiable asset acquired	**107.32**
Calculation of Goodwill	
Fair value of consideration	261.42
Add: Fair value of Non controlling interest (NCI)	
Less: Net identifiable assets acquired	(107.32)
Goodwill on acquisition	**154.10**

From the date of acquisition, CarIQ Subsidiary has contributed ₹ 63.93 million of revenue and ₹ (2.93) million to the profit/(loss) before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been ₹ 122.01 million and the profit/(loss) before tax from continuing operations for the Group would have been ₹ (32.85) million.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

Note 56: (b) - Business combination

Summary of acquisition during the year ended March 31, 2019

On July 2, 2018, the Group acquired “SA-BA Endustriyel Urunler Imalat ve Ticaret Anonim Sirketi” (“Turkey Subsidiary”), a Turkey based company engaged in the manufacture and supply of interior and exterior lighting products mainly for the automotive sector for a purchase consideration of ₹ 3,453.07 million (Eur 43.30 million) paid in cash.

The assets and liabilities recognised at fair value as a result of the acquisition as at the acquisition date are follows:

	(₹ In million)
Non-Current Assets	
Property plant & equipment	680.80
Intangible assets	826.58
Capital work-in-progress	30.54
Non-Current Financial Assets	
Other financial assets	126.32
Current Asset	
Inventories	259.02
Financial Assets	
Trade receivables	406.63
Cash and cash equivalents	8.29
Other current assets	209.98
Total Asset	**2,548.17**
Non-Current liabilities	
Other financial liabilities	
Provisions	91.79
Deferred tax liabilities (Net)	283.42
Borrowings	373.46
Current Liabilities	
Financial liabilities	
Trade payables	262.69
Provisions	
Current tax liabilities (Net)	67.55
Other current liabilities	24.16
Total Liabilities	**1,103.07**
Net identifiable asset acquired	**1,445.10**
Calculation of Goodwill	
Fair value of consideration	3,453.07
Less: Net identifiable assets acquired	(1,445.10)
Goodwill on acquisition	**2,007.96**

As part of the purchase price allocation, the Group recognised Customer relationships and Brand (presented under Patents and others in note 5(a)) at their acquisition date fair values which assets were not recognised in the acquiree’s books before the acquisition. (Refer note 5(a) for details)

Notes to the Consolidated Financial Statements
for the year ended March 31, 2020

From the date of acquisition, Turkey Subsidiary contributed ₹ 2,037.6 million of revenue and ₹ 376.96 million to the profit before tax from continuing operations of the Group for the year ended March 31, 2019. If the combination had taken place at the beginning of the previous year, revenue from continuing operations would have been ₹ 2,593.6 million and the profit before tax from continuing operations would have been ₹ 505.75 million.

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 25, 2020

For and on behalf of the Board of Directors

Tarang Jain
Managing Director
(DIN 00027505)
Place: Aurangabad

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Rohit Prakash
Whole Time Director
(DIN 02425849)
Place: Aurangabad

Tharuvai R. Srinivasan
Group CFO
Place: Aurangabad

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Aurangabad

Date: June 25, 2020

Notice to Members

NOTICE is hereby given that the 32nd Annual General Meeting of the Members of Varroc Engineering Limited will be held on Friday, August 14, 2020 at 11:00 a.m. through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact, the following business. The venue of the meeting shall be deemed to be Registered office of the Company situated at L-4, MIDC Industrial Area, Waluj, Aurangabad-431136, Maharashtra, India:

ORDINARY BUSINESS:

1. **To receive, consider and adopt:**

   (a) the Audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2020 and the reports of the Board of Directors and Auditors thereon;

   (b) the Audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2020 and the report of the Auditors thereon; and in this regard, to consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

(a) **"RESOLVED THAT** the Standalone Audited Financial Statements of the Company for the Financial Year ended March 31, 2020 along with reports of the Board of Directors and Independent Auditors thereon as circulated to the Members, be and are hereby received, considered, approved and adopted."

(b) **"RESOLVED THAT** the Audited Consolidated of the Company for the Financial Year ended March 31, 2020 along with report of the Independent Auditors thereon as circulated to the Members, be and are hereby received, considered, approved and adopted."

2. To confirm the Interim Dividend of ₹3/- per Equity Share declared and paid by the Company for the Financial Year 2019-20 as the Final Dividend.

3. To appoint Mr. Tarang Jain who retires by rotation as a Director and being eligible, offers himself for re-appointment and in this regard, to consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Tarang Jain (DIN 00027505), who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment, be and is hereby re-appointed as Director of the Company, liable to retire by rotation."

SPECIAL BUSINESS:

4. **Appointment of Mr. Rohit Prakash as Whole time Director of the Company**

   To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 and other applicable provisions of the Companies Act, 2013 ("Act) read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification or re-enactment thereof for the time being in force) and Schedule V of the Act, approval of the members be and is hereby accorded to the appointment of Mr. Rohit Prakash (DIN 02425849) as Whole-time Director ["WTD"] of the Company, liable to retire by rotation with effect from April 29, 2020 for a period of 5 years, on such terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee and reproduced hereunder:

   TERM OF APPOINTMENT : 5 years i.e. from April 29, 2020 to April 28, 2025

   TERM OF REMUNERATION : 3 years from the date of appointment

REMUNERATION / SALARY:

A. Basic Salary

Basic Salary in the scale of ₹5,00,000 to ₹8,00,000 per month, with power to grant annual increment by the Board of Directors as they may deem fit, based on the recommendation of the Nomination and Remuneration Committee. For the current

Financial Year 2020-21, Mr. Rohit Prakash draws basic salary of ₹5,25,000/- per month.

B. Allowances

(a) House Rent Allowance payable monthly, equivalent to 50% of basic salary;

(b) Other allowances in the scale of ₹8,00,000/- to ₹12,00,000/- per month;

(c) Reimbursement of Leave Travel Expenses ₹10,000/- per month.

C. PERQUISITES

i. Health Insurance Policy as per the policy of the Company and/or reimbursement of medical expenses incurred in India/abroad where no cashless facility is available.

ii. Provision of Car with Driver for official as well as personal use.

iii. Contribution towards Provident Fund as per the rules of the Company.

iv. Gratuity as per rules of the Company.

v. Payment/Re-imbursement of entertainment expenses incurred in the normal course of business of the Company.

vi. Leave with full pay as per the Rules of the Company, un-availed leave can be encashed as per the rules of the Company.

vii. Other benefits including Long Term Incentives as may be applicable to senior executives of the Company.

D. Variable Pay

Based on the performance evaluation, Mr. Rohit Prakash will be entitled to a variable pay equivalent to 20% of his gross salary payable at the end of the year, as per the rules of the Company.

VALUATION OF PERQUISITES ETC.

The perquisites/allowances shall be valued as per the Income-tax Rules, wherever applicable, in the absence of such rules, perquisites/allowances shall be valued at actual cost.

Provided that the total annual remuneration (including annual increments) payable to Mr. Rohit Prakash shall not exceed Rupees three crore during the tenure for which remuneration is approved. PROVIDED FURTHER THAT the limits referred to herein shall not apply to those components of his perquisites which, as per Company Policy in force from time to time, are reimbursable at actuals;"

"RESOLVED FURTHER THAT subject to the applicable provisions of the Companies Act, 2013, as amended, Board of Directors be and is hereby authorised to re-designate him and/ or reallocate his duties and responsibilities vary/alter/modify or increase the remuneration including salary, perquisites, allowances, etc. payable to Mr. Rohit Prakash from time to time, based on the recommendation of the Nomination and Remuneration Committee."

"RESOLVED FURTHER THAT the remuneration including benefits, amenities and perquisites as recommended by the Nomination and Remuneration Committee shall nevertheless be paid and allowed to Mr. Rohit Prakash as minimum remuneration during the term of his appointment for any Financial Year in case of absence or inadequacy of profits for such year, subject to the provisions prescribed under Section 197 read with Schedule V to the Companies Act, 2013 and rules framed thereunder and any other applicable provisions of the Act or any statutory modification or re-enactment thereof if and to the extent necessary, with the approval of the Central Government."

"RESOLVED FURTHER THAT any Director of the Company and/ or Mr. Ajay Sharma, Group General Counsel and Company Secretary of the Company be and are hereby severally authorised to do all the acts, deeds and things which are necessary for the appointment of Mr. Rohit Prakash as Whole-time Director of the Company, including filing of necessary forms with the regulatory authorities and executing and signing all relevant documents, agreements, certificates etc., as may be required in order to give effect to these resolutions."

5. **Re-appointment of Mr. Gautam Khandelwal as an Independent Director**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualifications of Directors) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force], Mr. Gautam Khandelwal (DIN 00270717), whose term of office as an Independent Director expires on July 19, 2020 and who is eligible for re-appointment as an Independent Director and in respect of whom the Company has received a Notice in writing from a Member under Section 160 of the Act proposing his candidature for the office of Director, being so eligible, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of Five (5) consecutive years commencing from July 20, 2020 to July 19, 2025."

6. **Re-appointment of Mr. Marc Szulewicz as an Independent Director**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualifications of Directors) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force], Mr. Marc Szulewicz (DIN 01911768) whose term of office as an Independent Director expires on July 19, 2020, and who is eligible for re-appointment as an Independent Director and in respect of whom the Company has received a Notice in writing from a Member under Section 160 of the Act proposing his candidature for the office of Director, being so eligible, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of Five (5) consecutive years commencing from July 20, 2020 to July 19, 2025."

7. **Re-appointment of Mrs. Vijaya Sampath as an Independent Director**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the Provisions of Sections 149, 150, 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualifications of Directors) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force], Mrs. Vijaya Sampath (DIN 00641110), whose term of office as an Independent Director expires on July 19, 2020, and who is eligible for re-appointment as an Independent Director and in respect of whom the Company has received a Notice in writing from a Member under Section 160 of the Act proposing her candidature for the office of Director, being so eligible, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of Five (5) consecutive years commencing from July 20, 2020 to July 19, 2025."

8. **Ratification of remuneration of Cost Auditor**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the Companies (Audit and Auditors) Rules, 2014 [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force], M/S. S. R. Bhargave & Co., Cost Accountants (Firm Registration M - 000218) appointed by the Board of Directors of the Company, to conduct audit of the cost records of the Company for the Financial Year ending March 31, 2021 or extended Financial Year as may be decided by the Board, be paid the remuneration of ₹3,50,000 (Rupees Three Lakh Fifty thousand only) and applicable taxes thereon and reimbursement of out of pocket expenses, if any for the Financial Year ending on March 31, 2021."

"**RESOLVED FURTHER THAT** the Managing Director, Group CFO and Company Secretary of the Company be and are hereby severally authorised to do all acts, deeds and things as may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid resolution."

9. Issue of Non-Convertible Debentures on Private Placement Basis

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act'), read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force], and subject to the provisions of the Articles of Association of the Company and subject to compliance with such other provisions of law as may be applicable, approval of the Members be and is hereby accorded to the Board of Directors of the Company ('the Board', which term shall include its duly empowered Committee(s) constituted/to be constituted by it for this purpose), to offer or invite subscriptions for secured/ unsecured non-convertible debentures ('Debentures'), of an amount not exceeding ₹500 Crore (Rupees Five Hundred Crore only) in one or more series/tranches, on private placement basis, on such terms and conditions as the Board may, from time to time, determine and consider proper and most beneficial to the Company, including as to when the Debentures be issued, the consideration for the issue, utilisation of the issue proceeds and all matters connected therewith or incidental thereto PROVIDED THAT the total amount that may be so raised in the aggregate, by such offer or invitation for subscriptions of the Debentures, and outstanding at any point of time, shall be within the overall borrowing limit as approved by the Members under Section 180(1)(c) of the Act;

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or expedient for or in connection with this resolution and to settle any question or difficulty that may arise in this regard in the best interest of the Company."

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

Ajay Sharma
Group General Counsel and
Company Secretary
ACS: 9127

Place : Aurangabad
Date : June 25, 2020

Notes:

1. In view of the ongoing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") vide its Circular dated May 5, 2020 read with Circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") and SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 have permitted convening of the Annual General Meeting ("AGM") through Video Conference/ Other Audio Visual Means, without the physical presence of the Members at a common venue.

   Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Circulars issued by MCA and SEBI, 32nd AGM of the Company is being held through VC / OAVM. National Securities Depositories Limited ('NSDL') will be providing facility for remote e-voting, participation in the AGM through VC / OAVM and e-voting during the AGM.

2. The Board of Directors, at their meeting held on June 25, 2020, has decided that the special business set out under item nos. 4 to 9, being considered unavoidable, be transacted at the 32nd AGM of the Company. Further, explanatory statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto and forms part of this notice.

3. Pursuant to the Circular No. 14/2020 dated April 8, 2020, issued by the Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the Body Corporates are entitled to appoint authorised representatives to attend the AGM through VC/OAVM and participate thereat and cast their votes through e-voting. Since the AGM will be conducted through VC / OAVM, Proxy Form and Attendance Slip including Route Map are not annexed to this Notice.

4. Institutional / Corporate Members (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorisation etc., authorising its representative to attend the AGM through VC / OAVM and vote on its behalf. The said Resolution/Authorisation shall be sent to the Company at investors@varroc.com or to Link Intime India Pvt Ltd, Registrar and Share Transfer Agent at rnt.helpdesk@linkintime.co.in with a copy marked to evoting@nsdl.co.in.

5. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

6. The details required under Regulations 26(4) and 36(3) of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, in respect of Director seeking appointment/re-appointment at this AGM forms part of the Notice.

Dispatch of Annual Report through email and Registration of email IDS

7. In compliance with MCA Circular No. 20/2020 dated May 5, 2020 and SEBI Circular No. SEBI/HO/ CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and owing to the difficulties involved in dispatching of physical copies of the Financial Statements including Board's Report, Auditor's report or other documents required to be attached therewith (together referred to as Annual Report), the Annual Report for FY 2019-20 and Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s).

8. Members holding shares in dematerialised mode are requested to register / update their email addresses with their Depository Participants or alternatively, temporarily register/update their email addresses with the Company by writing to the Company's Registrar and Share Transfer Agent, Link Intime India Pvt Ltd at rnt.helpdesk@linkintime.co.in. Members are requested to submit request letter mentioning the Folio No. and Name of Member and self-attested copy of PAN card for updation of email address.

9. The Notice of AGM along with Annual Report for FY 2019-20, is available on the website of the Company at www.varroc.com, on the website of Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of NSDL at www.evoting.nsdl.com.

Procedure for Attending the AGM through VC / OAVM:

10. Members will be able to attend the AGM through VC / OAVM or view the live webcast of AGM provided by NSDL at https://www.evoting.nsdl.com by using their remote e-voting login credentials and selecting the EVEN for Company's AGM.

11. Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further, Members can also use the OTP based login for logging into the e-voting system of NSDL.

12. Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. Members are requested to join the Meeting through Laptops for better experience and will be required to allow camera and use internet with a good speed to avoid any disturbance during the

meeting. Please note that participants connecting from Mobile Devices or Tablets or through Laptop connected via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of glitches.

13. Members may note that the VC / OAVM facility, provided by NSDL, allows participation of atleast 1,000 Members on a first-come-first-served basis. The large Members (i.e. shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the AGM without any restriction on account of first-come-first-served principle.

14. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in/ 1800-222-990 or contact Mr. Amit Vishal, Senior Manager, NSDL at amitv@nsdl.co.in/+91 9920264780 or Ms. Pallavi Mhatre, Manager, at pallavid@nsdl.co.in/ +91-75066 82281.

Procedure to raise questions/seek clarifications with respect to the Annual Report:

15. As the AGM is being conducted through VC/ OAVM, members are encouraged to express their views/send their queries in advance mentioning their name, DP Id and Client Id/Folio No., e-mail id, mobile number at investors@varroc.com to enable smooth conduct of proceedings at the AGM. Questions/queries received by the Company on or before August 7, 2020 on the aforementioned e-mail id shall only be considered and responded to during the AGM.

16. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP Id and Client Id, PAN, mobile number at investors@varroc.com on or before August 7, 2020. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. Speakers are requested to submit their questions at the time of registration, to enable the Company to respond appropriately.

17. The Company reserves the right to restrict the number of questions and number of speakers, as appropriate, to ensure the smooth conduct of the AGM.

18. **Procedure For Remote E-Voting and E-Voting During The AGM**

The remote e-voting period begins on

Commencement of Remote e-voting	9.00 a.m. (IST) on Tuesday, August 11, 2020
Conclusion of Remote e-voting	5.00 p.m. (IST) on Thursday, August 13, 2020

The remote e-voting shall not be allowed beyond the aforesaid date and time and the remote e-voting shall be disabled by NSDL for voting thereafter.

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

i. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

ii. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.

iii. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL e-services i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

iv. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************

v. Your password details are given below:

a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

c) How to retrieve your 'initial password'?

(i) If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

(ii) If your email ID is not registered, please follow steps mentioned below in process for those Members whose email ids are not registered

vi. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

vii. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

viii. Now, you will have to click on "Login" button.

ix. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

i. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

ii. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

iii. Select "EVEN" of company for which you wish to cast your vote.

iv. Now you are ready for e-Voting as the Voting page opens.

v. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

vi. Upon confirmation, the message "Vote cast successfully" will be displayed.

vii. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

viii. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Procedure for E- Voting on the day of the AGM:

i. Only those members who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions by remote e-voting prior to the AGM shall be entitled to cast their vote through the e-voting system at the AGM.

ii. The procedure for e-voting on the day of the AGM is the same as the instructions mentioned above for remote e-voting.

iii. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

General Information for Members

19. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on https://www.evoting.nsdl.com/ to reset the password.

20. In case of any queries relating to e-voting you may refer to the FAQs for Members and e-voting user manual for Members available at the download section of https://www.evoting.nsdl.com/ or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in. In case of any grievances connected with facility for remote e-voting or e-voting at the AGM, please contact Ms. Pallavi Mhatre, Manager, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Email: evoting@nsdl.co.in/pallavid@nsdl.co.in Tel: +91 22 2499 4545/ 1800-222-990/ +91 75066 82281

21. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. Friday, August 7, 2020 may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if he/ she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

22. The Company has appointed Mrs. Uma Lodha, Practicing Company Secretary (Membership No. FCS 5363) as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

23. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, unblock the votes cast through Remote e-voting and e-voting at the AGM and submit, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.

24. The result declared along with the Scrutinizer's Report shall be placed on the Company's website: www.varroc.com and on NSDL's website: https://www.evoting.nsdl.com immediately. The Company shall simultaneously forward the results to National Stock Exchange of India Limited and BSE Limited, where the shares of the Company are listed.

Procedure for Inspection of Documents:

25. All the documents referred to in the accompanying Notice shall be available for inspection at the registered office of the Company situated at Plot No: L-4, MIDC Industrial Area, Waluj, Aurangabad - 431136 (M.S.) from Monday to Friday from 10:00 a.m. to 12:00 Noon, except holidays, up to the date of the AGM and through electronic mode, basis the request being sent on investors@varroc.com.

26. During the AGM, the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which Directors are interested under Section 189 of the Act alongwith Documents referred to in the notice and the explanatory statement will be available for inspection upon login at NSDL e-voting system at https://www.evoting.nsdl.com.

Investor Education and Protection Fund (IEPF) Related Information:

27. Pursuant to the provisions of Section 124 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules') including any statutory modification(s) or re-enactment thereof for the time being in force, as of now no dividend for the Financial Year ended March 31, 2013 and onwards, which is unpaid or unclaimed for a period of seven (7) years from the date of its transfer to the unpaid dividend account of the Company is required to be transferred to Investor Education and Protection Fund (IEPF).

28. Members who have so far not yet claimed their Dividend for the previous years are advised to submit their claim to the Company's Registrar and Transfer Agent at their address given herein below, quoting their / DP Id and Client Id:

    Link Intime India Private Limited
    Unit : Varroc Engineering Limited
    C-101, 1st Floor, 247 Park, LBS Marg,
    Vikhroli West, Mumbai 400083.
    Tel:- +91 22 49186270
    Fax: - +91 22 49186060
    E-mail: - rnt.helpdesk@linkintime.co.in

29. There was no dividend which has remained unclaimed/ unpaid as on the date of the 31st AGM held on August 9, 2019. Further, the details of unpaid and unclaimed amounts lying with the Company as on March 31, 2020 is available on the website of the Company www.varroc.com.

Other Information:

30. To prevent fraudulent transactions, members are advised to exercise due diligence and notify any change in information to Registrar and Share Transfer Agent or Company as soon as possible. Members are also advised not to leave their Demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.

31. Members holding shares in dematerialised form may please note that, while opening a depository account with Participants they may have given their bank account details. However, if Members want to change/correct the bank account details, they should send the same immediately to the Depository Participant concerned. Members are also requested to give the MICR code of their bank to their Depository Participant. The Company will not entertain any direct request from Members for cancellation/change in the bank account details furnished by Depository Participants to the Company.

32. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts.

33. Pursuant to Section 72 of the Companies Act, 2013. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility may contact their Depository Participant for recording the nomination in respect of their holdings.

34. All documents, requests and other communications in relation thereto should be addressed directly to the Company's Registrar and Transfer Agent, Link Intime India Private Limited, at the address mentioned below:

    Link Intime India Private Limited
    Unit: Varroc Engineering Limited
    C-101, 1st Floor, 247 Park, LBS Marg,
    Vikhroli West, Mumbai 400083
    Tel:- +91 22 49186270
    Fax: - +91 22 49186060
    E-mail: - rnt.helpdesk@linkintime.co.in

35. Pursuant to provisions of the Listing Regulations, the Company is maintaining an E-mail Id: investors@varroc.com exclusively for quick redressal of members/ investors grievances.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.4

Appointment of Mr. Rohit Prakash as Whole time Director of the Company

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Rohit Prakash (DIN 02425849) as an Additional Director of the Company and also as an Whole-time Director, liable to retire by rotation, for a term of 5 years i.e. from April 29, 2020 up to April 28, 2025, and approved the terms and conditions of his appointment, including payment of remuneration, subject to the requisite approval of Members. Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 ('the Act') and the Articles of Association of the Company, Mr. Rohit Prakash holds office up to the date of this Annual General Meeting ('AGM').

The terms of remuneration of Mr. Rohit Prakash are in accordance with the Nomination and Remuneration Policy of the Company.

The Company has also received a Notice in writing from a member under Section 160 of the Act, proposing his candidature for the office of Whole-time Director of the Company. Mr. Prakash is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has provided requisite consent to act as a whole-time Director of the Company & Further, the Board has confirmed that he is not debarred from holding the office of a Director by virtue of any SEBI Orders or any such Authority pursuant to circular dated June 20, 2018, issued by BSE Limited and the National Stock Exchange of India Limited pertaining to enforcement of SEBI Orders regarding appointment of Directors by listed companies.

Further details relating to Mr. Rohit Prakash as required to be provided pursuant to Regulation 36(3) of the Listing Regulations and SS – 2 (Secretarial Standards on General Meetings) are provided as an Annexure to this Notice.

Save and except for Mr. Rohit Prakash and his relatives to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board of Directors recommends the Special Resolution set out at Item No. 4 of the Notice, being unavoidable to be considered at the e-AGM, for approval by the Members.

Item Nos.5 to 7

Re-appointment of Independent Directors

In line with the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 including the Rules made thereunder ('the Act'), the following Independent Directors of the Company were appointed at the Annual General Meeting of the Company held on August 29, 2017, to hold office for Three (3) consecutive years for a term up to July 19, 2020. Section 149(11) of the Act provides that Independent Directors shall not hold office for more than two consecutive terms.

The Board of Directors of the Company has evaluated the performance of the Independent Directors and on the basis of the said evaluation has concluded that the Independent Directors fulfil their responsibilities towards the Company in a professional and ethical manner, actively participate in discussions during the Board and Committee meetings and act objectively and constructively while bringing an independent opinion during deliberations at the said meetings.

The Board of Directors, on the recommendation of Nomination and Remuneration Committee, have recommended the re-appointment of Mr. Gautam Khandelwal (DIN 00270717), Mr. Marc Szulewicz (DIN 01911768) and Mrs. Vijaya Sampath (DIN 00641110) as Independent Director(s), not liable to retire by rotation, for a term of 5 years i.e. from July 20, 2020 up to July 19, 2025, subject to approval of the Members.

The Company has also received declarations from all the above Directors that they meet with the criteria of independence as prescribed both under Section 149(6) of the Act and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). Further, none of the Directors are disqualified from being appointed as a Director in terms of Section 164 of the Act and have given their respective consent to act as a Director. Further, the Board has confirmed that they not debarred from holding the office of a Director by virtue of any SEBI Orders or any such Authority pursuant to circular dated June 20, 2018, issued by BSE Limited and the National Stock Exchange of India Limited pertaining to enforcement of SEBI Orders regarding appointment of Directors by listed companies. AND THAT they are in compliance with Rules 6(1) and 6(2) of the Companies (Appointment and Qualification of Directors) Rules, 2014, with respect to their registration with the data bank of Independent Directors maintained by the Indian Institute of Corporate Affairs.

The Company has also received separate notices in writing from member(s) under Section 160 of the Act, proposing the candidature of each of the aforenamed Directors for the office of Independent Director of the Company.

In the opinion of the Board, they also fulfill the conditions for their re-appointment as Independent Directors as specified in the Act and the Listing Regulations. They are independent of the management. These Directors will not be paid any remuneration other than sitting fee for attending meetings of the Board and Committees thereof of which he/she is a member/Chairperson and/or commission which may be approved by the Board of Directors and/or the Nomination and Remuneration Committee of the Board.

Details of the Directors as required to be provided pursuant to Regulation 36(3) of the Listing Regulations and SS – 2 (Secretarial Standards on General Meetings) are provided as an Annexure to this Notice. A copy of the draft letter for appointment of the Independent Director setting out the terms and conditions of appointment is available for inspection by the Members.

Mr. Marc Szulewicz will complete 75 years of age during the course of his second term of appointment as Independent Director. In line with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the appointment or continuation of directorship of Non-Executive Directors must be approved by the Members by way of a Special Resolution. As regards Mr. Gautam Khandelwal and Mrs. Vijaya Sampath, they will not be attaining 75 years of age during the course of their second term. Nevertheless, a special resolution is proposed for them as well, as the same is also required under Section 149(10) of the Act.

The Board acknowledges that each of the Independent Directors are stalwarts in their respective areas of operation and leaders par-excellence. They bring to the table rich and varied expertise including financial and technological expertise and unmatched business acumen. The re-appointment of the above-named Independent Directors will therefore be in the best interest of the Company.

Save and except for the aforesaid Independent Directors and their relatives to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolutions set out at Item Nos. 5 to 7 of the Notice.

The Board of Directors recommends the Special Resolutions set out at Item Nos. 5 to 7 of the Notice, being unavoidable to be considered at the e-AGM, for approval by the Members.

ITEM NO.8

Ratification of remuneration payable to Cost Auditors

The Board of Directors, on the recommendation of the Audit Committee has approved the appointment and remuneration of M/s. S. R. Bhargave & Co., Cost Accountants, as Cost Auditors of the Company for auditing the cost accounts of the Company relating to the products of the Company, as applicable, for the FY 2020-21, at a remuneration of ₹3,50,000 (Rupees Three Lakh Fifty thousand only) and applicable rate of taxes and reimbursement of out of pocket expenses, if any. In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and as approved by the Board of Directors, has to be ratified by the Members of the Company.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

The Board of Directors recommends the Ordinary Resolution as set out at item No.8 of the Notice, being unavoidable to be considered at the e-AGM, for the approval by the Members.

ITEM NO.9

Issue of Non-Convertible Debentures on Private Placement Basis

In terms of Sections 42 and 71 of the Companies Act, 2013 ('the Act') read with Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, in case an offer of or invitation to subscribe to Non-Convertible Debentures ('NCDs') is made by the Company on a Private Placement Basis, the Company is required to seek the prior approval of its members by means of a Special Resolution, on an annual basis for all the offers or invitations for such debentures during the year.

For the purpose of availing financial assistance (including borrowings) for its business operations, the Company may offer or invite subscription to secured /unsecured NCDs on private placement basis (within the meaning of Section 42 of the Act) of an amount not exceeding ₹500 Crore (Rupees Five Hundred Crore only) in one or more series/tranches.

The issue price and rate of interest depends, inter alia, on the market rates, tenor and security. In case of secured NCDs, security proposed to be offered would be by way of mortgage over the identified immoveable property(ies) of the Company and additionally by way of hypothecation of movable fixed assets and current assets of the Company. The NCDs will be issued on private placement basis in accordance with the provisions of the Companies Act, 2013 and relevant SEBI guidelines.

Hence, the Board of Directors seeks approval of the Members to offer or invite subscription to NCDs, within the overall borrowing limits as approved by the Members under Section 180(1) (c) of the Act, as may be required by the Company, from time to time, for a year.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in this resolution.

The Board recommends the Special Resolution set out at Item No. 9 of the Notice, being unavoidable to be considered at the e-AGM, for approval of the Members.

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

Ajay Sharma
Group General Counsel and
Company Secretary
ACS: 9127

Place : Aurangabad
Date : June 25, 2020

Annexure to Notice

Additional details of Directors seeking re-appointment at the 32nd Annual General Meeting [Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SS – 2 (Secretarial Standards on General Meetings)] are as follows:

Particulars	Mr. Tarang Jain	Mr. Rohit Prakash	Mr. Gautam Khandelwal	Mr. Marc Szulewicz	Mrs. Vijaya Sampath
Age	**58**	**53**	**58**	**73**	**67**
Qualification and Experience (including expertise in specific functional area) / Brief Resume	Mr. Tarang Jain holds a bachelor's degree in commerce from Sydenham College of Commerce and Economics, University of Bombay and a diploma in business administration from the University of Lausanne, Switzerland. He has approximately 32 years of experience in the automotive industry. He has been associated with our Company since incorporation and was appointed as the Managing Director in the year 2001.	Mr. Rohit Prakash has completed his Graduation from Punjab University and holds an MBA in Marketing from University of Pune. Mr. Rohit Prakash has overall 30 years of experience. He has worked with major four & two-wheeler manufacturers in the country and carries extensive experience in planning & executing projects for new plant set ups, handling the initial start-up operations, developing new business opportunities and building organisational capabilities. His expertise lies in Business turnarounds, Strategic management, M&A, building high performing teams and operations excellence. Leading and transforming diverse businesses into progressive organisations by developing and integrating all functions, is an area in which he has done extensive work. His analytical ability coupled with hands-on approach and excellent management skills will drive sustainable and profitable relationships with all our stakeholders.	Mr. Gautam Khandelwal, holds a bachelor's degree in Economics from the University of Mumbai. He is having vast business experience across various industries. He had served as a Director of Punjab National Bank (Second largest Nationalised Bank in India) appointed by the Government of India as a Nominee Director. He has been associated with Nagpur Power and Industries Limited since 1996. He is currently the Executive Chairman of Nagpur Power & Industries Limited and the Non-executive Chairman of Informed Technologies India Limited, BSE listed companies, Chairman of the Motwane Manufacturing Company Private Limited, a R&D Company. He has been on Varroc Board since March, 2011.	Mr. Marc Szulewicz holds an engineering degree from the Ecole Nationale Supérieure des Arts et Métiers, Paris. He has served as Executive Vice President in-charge of plastic activities at Crown Cork & Seal Europe. Later, he was also the CEO of the Auto Exterior division at Plastic Omnium. He has been on Varroc Board since July 2017.	Mrs. Vijaya Sampath holds a bachelor's degree in English Literature from Madras University and in law from Mysore University. She is registered as an Advocate with the Bar Council of Delhi. She is also a Fellow Member of the Institute of Company Secretaries of India. She attended the Advanced Management programme at Harvard Business School, USA and a programme on Managing Strategic Alliances conducted by Wharton School, University of Pennsylvania, USA. She has been associated with Lakshmikumaran & Sridharan Attorneys as a senior partner, and previously she has been associated with J Sagar Associates as a Corporate Partner and with the Bharti Airtel Limited as Group General Counsel and Company Secretary. She is an Independent Director on the Board of listed and unlisted public companies. She has been on the Varroc Board since July 2017.

Particulars	Mr. Tarang Jain	Mr. Rohit Prakash	Mr. Gautam Khandelwal	Mr. Marc Szulewicz	Mrs. Vijaya Sampath
Terms and Conditions of Re-appointment	No change proposed for re-appointment.	As provided in the Resolution	Term : 20-07-2020 to 19-07-2025	Term : 20-07-2020 to 19-07-2025	Term : 20-07-2020 to 19-07-2025
Date of first appointment on the Board	11/05/1988	29/04/2020	24/03/2011	20/07/2017	20/07/2017
Shareholding in the Company as on March 31, 2020	60,729,800	Nil	Nil	Nil	703
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	Mr. Tarang Jain is son of Mr. Naresh Chandra, Chairman and father of Mr. Arjun Jain, Whole-time Director and is also Promoter of the Company.	None	None	None	None
Number of meetings of the Board attended during the Financial Year	Attended 5 out of 5 Board Meeting held during FY 2019-20	NA	Attended 5 out of 5 Board Meeting held during FY 2019-20	Attended 4 out of 5 Board Meeting held during FY 2019-20	Attended 5 out of 5 Board Meeting held during FY 2019-20
Directorships of other Boards as on June 25, 2020	1. Varroc Engineering Limited 2. Durovalves India Private Limited 3. Varroc Dell'Orto Private Limited 4. Varroc Lighting Systems (India) Private Limited 5. Ruditara Properties Private Limited 6. Marathwada Auto Cluster 7. Varroc Polymers Private Limited	1. Varroc Engineering Limited 2. Durovalves India Private Limited	1. Varroc Engineering Limited 2. Nagpur Power and Industries Limited 3. Informed Technologies India Limited	1. Varroc Engineering Limited 2. Varroc Polymers Private Limited	1. Varroc Engineering Limited 2. Ingersoll Rand (India) Limited 3. Safari Industries (India) Limited 4. Eris Lifesciences Limited 5. Intellect Arena Design Limited 6. Craftsman Automation Limited 7. L&T- MHPS Boilers Private Limited 8. L&T - MHPS Turbine Generators Private Limited 9. Nabha Power Limited 10. GVS Envicon Tegnologies Private Limited

Particulars	Mr. Tarang Jain	Mr. Rohit Prakash	Mr. Gautam Khandelwal	Mr. Marc Szulewicz	Mrs. Vijaya Sampath
Membership / Chairmanship of Committees of other Boards as on June 25, 2020	**I. Audit Committee :** 1. Varroc Engineering Limited 2. Durovalves India Private Limited	Nil	**I. Audit Committee :** 1. Varroc Engineering Limited (C) 2. Nagpur Power and Industries Limited 3. Informed Technologies India Limited 4. Durovalves India Private Limited (C) 5. Varroc Polymers Private Limited (C) **II. Stakeholder Relationship Committee :** 1. Varroc Engineering Limited (C) 2. Nagpur Power and Industries Limited 3. Informed Technologies India Limited	**I. Audit Committee:** 1. Varroc Engineering Limited	**I. Audit Committee :** 1. Eris Lifesciences Limited (C) 2. Varroc Engineering Limited 3. Intellect Design Arena Limited 4. Ingersoll-Rand India Limited 5. Craftsman Automation Limited **II. Stakeholder Relationship Committee :** 1. Eris Lifesciences Limited 2. Varroc Engineering Limited 3. Intellect Design Arena Limited 4. Ingersoll-Rand India Limited

Notes:

* Other Directorships: excluding foreign companies, and Section 8 companies

Membership of Audit and Stakeholders Relationship Committee

Details of last drawn remuneration and other relevant details are provided in the Report on Corporate Governance forming part of the Annual Report

Manufacturing facilities

India Business

VEL PN
Products: Electrical, Polymer, Metallic
Plot No. 20, Sector – 9, IIE, Pantnagar, Tehsil Kichcha, Dist. Udham Singh Nagar – 263 153

VEL - I
Products: Lighting
Plot No. E – 4,
MIDC Industrial Area,
Waluj, Aurangabad – 431 136

VEL - II
Products: Electrical
Plot No. K – 101 & 102,
MIDC Industrial Area,
Waluj, Aurangabad – 431 136

VEL-III
Products: Electrical
Plot No. B – 24 / 25, MIDC Chakan,
Tal. Khed. Dist. Pune – 410 501

VEL - IV
Products: Electrical
Plot No. M – 140 / 141,
MIDC Industrial Area,
Waluj, Aurangabad – 431 136

VEL - VI
Products: Electrical
Gut No. 390, At Post. Takve Dist.
Pune - 412 106

VEL - Exhaust
Products: Electrical
B14, MIDC Area Chakan, Tal. Khed, Dist.
Pune – 410 501

VEL - CN
Products: Electrical
Survey No. 128-1B/129/1B Ezhichur,
Tal. Sriperumbudur, Dist. Kanchipuram,
Tamil Nadu – 603 204

VEL - Halol
Products: Electrical
Plot No. 103/4 Maswad, GIDC
Expansion Estate,
Halol-II, Dist. Panchmahal,
Gujarat – 389 350

VEL - V
Products: Metallic
Plot No. L – 6/2, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

VEL - VII
Products: Metallic
Plot No. L – 4, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

VEL - VIII
Products: Metallic
Plot No. M – 191/3, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

DIPL
Products: Valves
Plot No. F – 57 / 58, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

VPPL - I
Products: Polymer
Gut No. 390, Takve BK,
Tal. Maval, Dist, Pune – 412 106

VPPL - II
Products: Polymer
E-88, MIDC Industrial Area,
Ranjangaon, Tsl. Shirur, Dist Pune – 412 220

VPPL - III
Products: Polymer
Plot No. M – 165/167, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

VPPL - IV
Products: Polymer
Gut No. 99, Village Pharola,
Tq. Paithan, Dist. Aurangabad – 431 136

VPPL - TR
Products: Polymer
Plot No. M – 138/139, MIDC
Industrial Area,
Waluj, Aurangabad – 431 136

VPPL – GJ
Products: Polymer
Survey No: 154/1,154/3,155/2,
Karsanpura, TQ, Mandal Dist,
Ahmedabad - 382 140

VPPL - BG
Products: Polymer
Plot No.271 & 272(P),
Narasapura Industrial Area,
Kolar District, PIN – 563 133

TCPL
Products: Polymer
Plot No. 136 / B, Harohalli Industrial Area,
Tal. Kanakapura,
Dist. Ramanagara - 562 112

VPPL – IN
Products: Polymer
Plot No. 601-A&B Sector-III, Industrial
Area, Pithampur, Dist. Dhar – 454 775

VPPL – GN
Products: Polymer
Plot No. 35A Uduog Vihar, Greater Noida,
Dist – Gautam Budh Nagar, 201 306

VPPL – BN
Products: Polymer
58th Milestone, Near Mittal
Orchide Resorts,
NH8, Binola, Gurgaon, 122 413

VPPL - CK
Products: Polymer
C-III, Phase-II, MIDC Chakan, Village
Bhamboli, Taluka Khed,
Dist. Pune – 410 501

VPPL - Chennai
Products : Ploymer
Survey No. 128-1B & 129-1B,
Ezhichur Village, Sriperambudur taluk,
Kancheepuram Dist. 603 204

Varroc Lighting Systems
- **Novy Jicin, Czech Republic**
- **Rychvald, Czech Republic**
- **Monterrey, Mexico**
- **Chakan, Pune, India**
- **Tangier, Morocco**
- **Tuzla, Turkey**
- **Dimitrovgrad, Bulgaria**
- **Sorocaba, Brazil**
- **Niemce, Poland**
- **Cambiano (TO), Italy**
- **TG-Mures, Romania**
- **Hanoi, Vietnam**

Varroc Lighting Systems - China JV
- **Chongqing, China**
- **Changzhou, China**

Other Business
- **Sumirago, Italy**
- **Vignola, Italy**

varroc
EXCELLENCE

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