Varroc Engineering Ltd.
Regd. & Corp. Office

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Waluj, Aurangabad 431 136,
Maharashtra, India

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email: varroc.info@varroc.com
www.varroc.com
CIN: L28920MH1988PLC047335

VARROC/SE/INT/2020-21/74

March 22, 2021

To,

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

NSE Symbol: VARROC

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

BSE Security Code: 541578

Sub: Approval of the Unaudited Condensed Interim Consolidated Financial Statements of the Company for nine months ended on December 31, 2020

Dear Sir/Madam,

We wish to inform you that the Board of Directors of the Company vide a circular resolution passed today, have approved the Unaudited Condensed Interim Consolidated Financial Statements of the Company, prepared in accordance with the Indian Accounting Standards 34 'Interim Financial Reporting' prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other relevant provisions of the Act along with Limited Review Report of Statutory Auditors for the nine months ended on December 31, 2020. A Copy of the same is attached herewith as **Annexure A**. Further, these Financial Statements will be uploaded on the Company's website www.varroc.com.

We request you to take the above on record, and the same be treated as compliance under Regulation 29 and 30 and other applicable regulations of the Listing Regulations.

Thanking you

For Varroc Engineering Limited

Varroc Engineering Ltd.

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a

S R B C & CO LLP
Chartered Accountants

Ground Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006, India

Tel : +91 20 6603 6000

Review Report

Review Report to
The Board of Directors
Varroc Engineering Limited

We have reviewed the special purpose interim condensed consolidated Ind AS financial statements of Varroc Engineering Limited (the "Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its joint ventures which comprise the condensed consolidated Balance Sheet as at December 31, 2020, and the related consolidated Statement of Profit and Loss, consolidated Statement of Cash Flows and consolidated Statement of Changes in Equity for the nine months period ended December 31, 2020 and a summary of significant accounting policies and other explanatory information (together hereinafter referred to as the "Special Purpose Condensed Consolidated Financial Statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these Special Purpose Condensed Consolidated Financial Statements in accordance with recognition and measurement principles laid down as per the requirement of Indian Accounting Standard - 34 "Interim financial reporting" (Ind AS-34) specified under section 133 of the Companies Act, 2013 read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015, as amended. These Special Purpose Condensed Consolidated Financial Statements have been prepared solely in connection with raising of funds in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "SEBI ICDR Regulations"). Our responsibility is to express a conclusion on the Special Purpose Condensed Consolidated Financial Statements based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Special Purpose Condensed Consolidated Financial Statements are free of material misstatement. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Special Purpose Condensed Consolidated Financial Statements have not been prepared, in all material respects, in accordance with the recognition and measurement principles of Ind AS -34 prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognised accounting practices and policies.

S R B C & CO LLP * CHARTERED ACCOUNTANTS *

Emphasis of matter

We draw attention to Note 8 of the Special Purpose Condensed Consolidated Financial Statements in respect of litigation relating to alleged patent infringements. In management's view, the matter is technical and needs extensive evaluation and hence it is not possible to predict the potential outcome of this matter. Based on a legal opinion obtained, the Group believes that it has grounds to defend against the said allegation and accordingly no provision has been considered in respect of this matter in these results.

Our conclusion is not modified in respect of this matter.

Other matters

1. The Special Purpose Condensed Consolidated Financial Statements include the unaudited interim financial statements and other financial information, in respect of:

   - 7 subsidiaries, whose unaudited interim financial statements include total assets of Rs 24,986 million as at December 31, 2020, total revenues of Rs 18,043 million, total net profit/(loss) after tax of Rs. (1,525) million, total comprehensive income/loss of Rs (1,525) million and net cash inflows of Rs 75.65 million for the period from April 1, 2020 to December 31, 2020, as considered in the Special Purpose Condensed Consolidated Financial Statements, which have been reviewed by their respective independent auditors.
   - 1 joint venture, whose unaudited interim financial statements include Group's share of net profit of Rs. 350 million and Group's share of total comprehensive income of Rs. 350 million for the period from April 1, 2020 to December 31, 2020, as considered in the Special Purpose Condensed Consolidated Financial Statements, whose interim financial statements and other financial information have been reviewed by its independent auditors.

   The independent auditors' reports on interim financial statements/ financial information of these entities have been furnished to us by the Management and our conclusion on the Special Purpose Condensed Consolidated Financial Statements, in so far as it relates to the amounts and disclosures in respect of these subsidiaries and joint venture is based solely on the report of such auditors.

   Certain of these subsidiaries and joint venture 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 reviewed by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries/joint venture located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have reviewed these conversion adjustments made by the Holding Company's management. Our conclusion in so far as it relates to the balances and affairs of such subsidiaries/joint venture located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and reviewed by us.

2. The accompanying Statement includes unaudited interim financial statements and other unaudited financial information in respect of:
   - 5 subsidiaries, whose interim financial statements and other financial information reflect total assets of Rs. 1273 million as at December 31, 2020, total revenues of Rs 489 million, total net profit after tax of Rs. 27 million, total comprehensive income of Rs. 27 million and net cash inflows of Rs 71 million for the period from April 1, 2020 to December 31, 2020.

S R B C & CO LLP * CHARTERED ACCOUNTANTS *

- 3 joint ventures, whose interim financial statements include the Group's share of net loss of Rs 58 million and Group's share of total comprehensive loss of Rs. 58 million for the period from April 1, 2020 to December 31, 2020.

The unaudited interim financial statements and other unaudited financial information of the these subsidiaries and joint ventures have not been reviewed by any auditor and have been approved and furnished to us by the Management and our conclusion on the Special Purpose Condensed Consolidated Financial Statements, in so far as it relates to the affairs of these subsidiaries and joint ventures, is based solely on such unaudited interim financial statements and other unaudited financial information. According to the information and explanations given to us by the Management, these interim financial statements/financial information are not material to the Group.

Our conclusion above on the Special Purpose Condensed Consolidated Financial Statements 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.

3. This report on the Special Purpose Interim Ind AS Financial Statements has been issued solely in connection with the purpose specified in Note 2(a) of the Special Purpose Condensed Consolidated Financial Statements and is intended solely for the information and use of the Board of Directors and should not be used for any other purpose or provided to other parties.

4. The comparative financial information for the nine month period ended December 31, 2019 included in the Special Purpose Condensed Consolidated Financial Statements have been approved by the Board of Directors, but have not been subjected to review.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

S R B C & CO LLP
CHARTERED ACCOUNTANTS

per Paul Alvares
Partner
Membership No.: 105754

UDIN: 21105754AAAABE3934

Place: Pune
Date: March 22, 2021

Varroc Engineering Limited
Special Purpose Interim Condensed Consolidated Balance Sheet as at December 31, 2020

(Rs in Million)

Particulars	Notes	As at December 31, 2020	As at March 31, 2020
ASSETS			
Non current assets			
Property, plant and equipment	3.1	38,638.68	36,697.16
Capital work-in-progress		3,977.04	3,975.92
Goodwill	4.2	1,885.98	2,008.98
Other Intangible assets	4.1	6,154.78	5,840.75
Intangible assets under development		3,373.63	3,925.40
Right of use asset	3.2	8,234.42	8,282.42
Investments accounted for using the equity method		3,732.65	3,262.14
Financial assets			
Investments		0.20	0.20
Loans		161.69	160.89
Other financial assets		199.11	231.93
Income tax assets (net)		591.11	672.12
Deferred tax assets (net)		1,739.74	2,180.76
Other non-current assets		1,881.95	1,373.42
Total non-current assets		**70,570.98**	**68,612.09**
Current assets			
Inventories		12,283.82	10,758.16
Financial assets			
Investments		-	40.23
Trade receivables		14,337.90	10,893.33
Cash and cash equivalents		3,913.86	10,659.74
Other bank balances		52.29	27.93
Loans		214.01	121.62
Other financial assets		3.36	21.16
Other current assets		8,195.53	8,888.47
Total current assets		**39,000.77**	**41,410.64**
Total assets		**1,09,571.75**	**1,10,022.73**
EQUITY AND LIABILITIES			
Equity			
Equity share capital		134.81	134.81
Other equity		24,938.03	29,910.45
Equity attributable to equity holders of the parent		**25,072.84**	**30,045.26**
Non-controlling interests		271.28	249.24
Total equity		**25,344.12**	**30,294.50**

S R B C & CO LLP ★ CHARTERED ACCOUNTANTS ★

Varroc Engineering Limited
Special Purpose Interim Condensed Consolidated Balance Sheet as at December 31, 2020

(Rs in Million)

Particulars	Notes	As at December 31, 2020	As at March 31, 2020
LIABILITIES			
Non-current liabilities			
Financial Liabilities			
Borrowings	5	6,935.52	9,002.04
Lease liabilities		6,516.44	6,522.15
Other financial liabilities		234.16	232.59
Provisions		1,367.16	1,181.65
Deferred tax liabilities (net)		1,042.05	985.83
Other non-current liabilities		1,660.71	1,831.75
Total non-current liabilities		**17,756.04**	**19,756.01**
Current liabilities			
Financial liabilities			
Borrowings	6	10,845.58	17,004.44
Lease liabilities		852.70	603.97
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		827.88	866.28
Total outstanding dues other than micro enterprises and small enterprises		28,908.06	22,780.07
Acceptances		635.08	157.47
Other financial liabilities		16,548.91	13,598.80
Provisions		1,041.16	575.12
Income tax liabilities (net)		33.58	111.81
Other current liabilities		6,778.64	4,274.26
Total current liabilities		**66,471.59**	**59,972.22**
Total liabilities		**84,227.63**	**79,728.23**
Total equity and liabilities		**109,571.75**	**110,022.73**

Summary of significant accounting policies 2

The accompanying notes are an integral part of these special purpose interim condensed 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

S R B C & CO LLP ★ CHARTERED ACCOUNTANTS ★

per Paul Alvares
Partner
Membership No : 105754

Place: Pune
Date : March 22, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing director
(DIN 00027505)
Place: Pune

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Tharuvai R. Srinivasan
Group CFO
Place: Pune

Ajay Kumar Sharma
Company Secretary
(Membership No: ACS 9127)
Place : Pune

Date : March 22, 2021

Varroc Engineering Ltd. ★

Varroc Engineering Limited

Special Purpose Interim Condensed Consolidated Statement of Profit and Loss for the nine months ended December 31, 2020

(Rs in Million)

Particulars	Notes	For the nine months ended December 31, 2020	For the nine months ended December 31, 2019 (refer note 17)
Revenue			
Revenue from operations	7	76,834.94	83,771.22
Other income		950.90	501.51
Total income		**77,785.84**	**84,272.73**
Expenses			
Cost of materials consumed		50,801.54	50,936.26
Changes in inventories of work-in-progress and finished goods		(329.38)	297.17
Employee benefits expense		11,324.70	11,873.85
Finance costs		1,253.09	1,029.80
Depreciation and amortisation expenses		6,586.45	5,252.57
Other expenses		12,246.22	13,134.89
Total expenses		**81,882.62**	**82,524.54**
Profit before share of net profit/(loss) of investments accounted for using equity method, tax and exceptional items		**(4,096.78)**	**1,748.19**
Share of net profit of investments accounted for using the equity method		292.32	13.80
Profit before tax and exceptional items		**(3,804.46)**	**1,761.99**
Income tax expense			
Current tax		479.87	667.95
Short/(excess) provision in respect of earlier period		(34.27)	(10.40)
Net current tax		**445.60**	**657.55**
Deferred tax		(484.60)	(291.61)
Tax expense		**(39.00)**	**365.94**
Profit/ (loss) for the period before exceptional items		**(3,765.46)**	**1,396.05**
Exceptional item - Tax Expense	15	1,077.76	-
Profit/(loss) for the period		**(4,843.22)**	**1,396.05**
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 Rs.2.10 Million (previous period Rs 4.00 Million))		(19.90)	7.45
Exchange differences in translating the financial statements of foreign operations		(111.55)	277.18
		(131.45)	**284.63**
Items that will not be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income for the period		**(131.45)**	**284.63**
Total comprehensive income for the period		**(4,974.67)**	**1,680.68**

S R B C & CO LLP * CHARTERED ACCOUNTANTS *

Varroc Engineering Limited

Special Purpose Interim Condensed Consolidated Statement of Profit and Loss for the nine months ended December 31, 2020

(Rs in Million)

Particulars	Notes	For the nine months ended December 31, 2020	For the nine months ended December 31, 2019 (refer note 17)
Profit/(loss) attributable to:			
Owners		(4,865.06)	1,377.32
Non-controlling interests		21.84	18.73
Other comprehensive income attributable to:			
Owners		(131.45)	284.63
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Owners		(4,996.51)	1,661.95
Non-controlling interests		21.84	18.73
Earnings per equity share attributable to Owners [Nominal value per share: Re. 1 (Previous period : Re. 1) (Not annualised)			
Basic and diluted (in Rupees)		(36.09)	10.22

Summary of significant accounting policies 2

The accompanying notes are an integral part of these special purpose interim condensed 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

S R B C & CO LLP CHARTERED ACCOUNTANTS

per Paul Alvares
Partner
Membership No : 105754
Place: Pune
Date : March 22, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman and Managing director
(DIN 00027505)
Place: Pune

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Tharuvai R. Srinivasan
Group CFO
Place: Pune

Ajay Kumar Sharma
Company Secretary
(Membership No: ACS 9127)
Place : Pune

Date : March 22, 2021

Varroc Engineering Ltd.

Varroc Engineering Limited

Special Purpose Interim Condensed Consolidated Statement of Cash Flows for the nine months ended December 31, 2020

Sr. No.	Particulars	For the nine months ended December 31, 2020 (Rs. in Million)		For the nine months ended December 31, 2019 (Rs. in Million)	
A	**Cash flow from operating activities**				
	Profit/(loss) before tax		**(3,804.46)**		**1,761.99**
	Adjustments for:				
	Depreciation and amortization expense	6,586.45		5,252.57	
	Loss/(Profit) on sale/disposal of Property, plant and equipment/Intangible assets	(368.68)		75.56	
	Provision for doubtful debts and advances	42.61		71.46	
	Finance costs	1,253.09		1,029.80	
	Gain on sale of current investments	(0.81)		(9.76)	
	Share in (profit)/loss of Joint Venture accounted for using the equity method	(292.32)		(13.80)	
	Liabilities no longer required written back	(2.47)		(3.49)	
	Other non cash income	(17.57)		(25.66)	
	Government grants	(176.91)		(155.96)	
	Interest income	(16.96)	**7,006.43**	(17.86)	**6,202.86**
	Operating profits before working capital changes		**3,201.97**		**7,964.85**
	Adjustments for changes in:				
	Inventories	(626.86)		(211.64)	
	Trade receivables	(2,831.71)		3,087.70	
	Other Assets	297.83		1,031.30	
	Trade payables	4,945.76		40.01	
	Other liabilities and provisions	1,921.26		(320.89)	
			3,706.28		**3,626.48**
	Cash generated from operations		**6,908.25**		**11,591.33**
	Taxes paid		(353.29)		(868.87)
	Net cash flow from operating activities		**6,554.96**		**10,722.46**
B	**Cash flow from investing activities**				
	Dividend received	-		259.64	
	Interest received	17.75		18.05	
	Government grant received during the period	107.14		368.39	
	Rent received on investment properties	-		16.16	
	(Purchase)/proceeds from sale of current investments (net)	41.04		(37.38)	
	Acquisition of minority stake	(78.59)		(25.51)	
	Acquisition of business	-		(188.55)	
	Investment in Joint Venture	-		(60.62)	
	Proceeds from sale of property, plant and equipment	69.28		42.23	
	Purchase of property, plant and equipment	(4,725.47)		(7,642.46)	
	Costs incurred on intangible assets	(1,601.77)		(3,014.12)	
	Proceeds from insurance claim	515.32		-	
	Fixed deposits redeemed/(Purchased) (net)	56.54		(28.75)	
	Net cash used in investing activities		**(5,598.76)**		**(10,292.92)**
C	**Cash flow from financing activities**				
	Proceeds from long term borrowings	2,379.62		4,618.36	
	Repayment of long term borrowing	(1,575.43)		(1,866.84)	
	Repayment of lease liability	(448.44)		(423.76)	
	Proceeds/(repayments) of short term borrowings (net)	(7,399.38)		(815.14)	
	Dividend on equity shares including tax thereon	-		(652.52)	
	Interest paid	(1,060.82)		(997.39)	
	Net cash flow used in financing activities		**(8,104.45)**		**(137.29)**
	Net increase/ (decrease) in Cash and Cash Equivalents (A+B+C)		**(7,148.25)**		**292.25**
	Opening cash and cash equivalents		**10,330.97**		**1,455.28**
	Effect of exchange difference on translation of foreign currency cash and cash equivalents		**731.14**		**37.33**
	Total		**11,062.11**		**1,492.61**
	Closing cash and cash equivalents		**3,913.86**		**1,784.86**

S R B C & CO LLP
★ CHARTERED ACCOUNTANTS ★

Varroc Engineering Limited

Special Purpose Interim Condensed Consolidated Statement of Cash Flows for the nine months ended December 31, 2020

Particulars	As at December 31, 2020	As at December 31, 2019
	(Rs. In Million)	(Rs. In Million)
Cash and cash equivalents consists of		
Cash in hand	0.56	1.93
Bank balances		
Current accounts and deposits with maturity of less than three months	3,913.30	1,903.16
Bank overdraft	-	(120.23)
	3,913.86	1,784.86

Notes:

1 The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 : on "Statement of Cash Flows".

2 Figures in brackets represent out flow of Cash and cash equivalents.

Summary of significant accounting policies 2

The accompanying notes are an integral part of these special purpose interim condensed 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

S R B C & CO LLP ★ CHARTERED ACCOUNTANTS ★

per Paul Alvares
Partner
Membership No : 105754
Place: Pune
Date : March 22, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman and Managing director
(DIN 00027505)
Place: Pune

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Tharuvai R. Srinivasan
Group CFO
Place: Pune

Ajay Kumar Sharma
Company Secretary
(Membership No: ACS 9127)
Place : Pune

Date : March 22, 2021

Varroc Engineering Ltd. ★

Varroc Engineering Limited

Special Purpose Interim Condensed Consolidated Statement of changes in equity for the nine months ended December 31, 2020

A Equity share capital

(Rs. in Million)

	Equity Shares	
	December 31, 2020	December 31, 2019
Balance at the beginning of the period	134.81	134.81
Change in equity share capital during the period	-	-
Balance at the end of the period	134.81	134.81

B Other equity

(Rs. 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) (refer note 19)	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 nine months ended December 31, 2019	1,377.32	-	-	-	-	-	-	-	-	1,377.32	18.73	1,396.05
Other comprehensive income	-	-	-	-	-	-	-	277.18	(1.27)	275.91	-	275.91
Total comprehensive income	1,377.32	-	-	-	-	-	-	277.18	(1.27)	1,653.23	18.73	1,671.96
Dividend paid (including dividend distribution tax Rs 104.39million)	(643.64)	-	-	-	-	-	-	-	-	(643.64)	(11.66)	(655.30)
Other	-	-	-	-	-	-	-	0.56	-	0.56	-	0.56
Balance as at December 31, 2019	13,814.48	4,194.73	325.00	11.30	5,335.08	410.80	6,190.08	1,199.80	(7.92)	31,473.35	248.38	31,721.73

	Reserves and Surplus							Other Reserves		Equity attributable to Owners	Non Controlling Interests	Total Equity
	Retained earnings	General reserve	Debenture redemption reserve	Capital redemption reserve	Capital Reserve	Statutory reserves	Securities premium	Foreign Currency Translation Reserve	Cash flow hedge reserve			
Balance as at April 01, 2020	12,064.13	4,194.73	-	11.30	5,335.08	410.80	6,190.08	1,708.98	(4.66)	29,910.44	249.25	30,159.69
Loss for the nine months ended December 31, 2020	(4,865.06)	-	-	-	-	-	-	-	-	(4,865.06)	21.84	(4,843.22)
Other comprehensive income	-	-	-	-	-	-	-	(111.55)	3.92	(107.63)	-	(107.63)
Total comprehensive income	(4,865.06)	-	-	-	-	-	-	(111.55)	3.92	(4,972.69)	21.84	(4,950.85)
Other	-	-	-	-	-	-	-	0.28	-	0.28	0.19	0.47
Balance as at December 31, 2020	7,199.07	4,194.73	-	11.30	5,335.08	410.80	6,190.08	1,597.71	(0.74)	24,938.03	271.28	25,209.31

The accompanying notes are an integral part of these special purpose interim condensed 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 : March 22, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN 00027505)
Place: Pune

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Tharuvai R. Srinivasan
Group CFO
Place:Pune

Ajay Kumar Sharma
Company Secretary
(Membership No: ACS 9127)
Place:Pune

Date : March 22, 2021

1. Corporate information

Varroc Engineering Limited (the "Company") is engaged in the business of manufacturing of Automobile components. The company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the company is located at L-4 M.I.D.C Area ,Waluj, Aurangabad-431 136.

The Company and its subsidiaries (collectively, the Group) are primarily engaged in the business of auto components and services in the automotive industry to Indian and global customers. The Company, its subsidiaries and jointly controlled entities operate from manufacturing plants and technical development centres across 4 continents and 14 countries spread across the globe.

These special purpose interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of directors on March 22, 2021.

2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these special purpose interim condensed consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

(i) These special purpose interim condensed consolidated financial statements of the Group, which comprise the Special Purpose interim condensed consolidated balance sheet as at December 31, 2020; special purpose interim condensed consolidated statement of Profit and Loss including the statement of Other Comprehensive Income; special purpose interim condensed consolidated Cash Flow Statement and special purpose interim condensed consolidated Statement of Changes in Equity for the nine months then ended and other select explanatory notes has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Companies (Indian Accounting Standards) Rules 2015, as amended from time to time. These special purpose interim condensed consolidated financial statements have been prepared in connection with raising of funds in accordance with provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "SEBI ICDR Regulations"). The accounting policies adopted in the preparation of these special purpose interim condensed consolidated Ind AS financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended March 31, 2020. Further, certain selected explanatory notes are included to explain events and transactions that are significant for the understanding of the changes in the financial position and performance since the last annual financial statements.

The special purpose interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual Ind AS financial statements.

All amounts included in these special purpose interim condensed consolidated financial statements are reported in Million of Indian rupees (Rs. In Million) except earning per share data and unless stated otherwise. All amounts in these interim condensed 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 special purpose interim condensed consolidated Ind AS financial statements requires the management to make certain judgments, 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 special purpose interim condensed consolidated Ind AS 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

These special purpose interim condensed consolidated Ind AS financial statements comprise the financial statements of the Company, its subsidiaries and joint ventures as at and for the nine months ended December 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:

- 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., period ended on 31 December. 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.

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(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 unrealized gains on transactions between group companies are eliminated. Unrealized 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 recognized 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 recognized at cost and adjusted thereafter to recognize 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 recognized 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 2(b).

(iv) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 10.

c. Foreign currency translation

The Group's special purpose interim condensed consolidated Ind AS 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 recognized in profit or loss with the exception of the following:

- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognized in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g., Consolidated Financial Statements when the foreign operation is a subsidiary), such exchange differences are recognized initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.

- Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

- Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

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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 recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising in the acquisition/ business combination of a foreign operation on or after 1 April 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 (1 April 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 (e.g., warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, 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 Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The estimate of variable consideration for expected future volume rebates/incentives, cash discounts etc. are made on the most likely amount method. Revenue is disclosed net of such amounts.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Warranty obligations

The Company typically provides warranties for general repairs of defects as per terms of the contract with customers, These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section (t) Provisions

Customer prepayments are amortised in Revenue over the life of the respective project

Sale of services

Income from services is recognised on the basis of time/work completed as per contract with the customers. The Group collects taxes on services (where applicable) on behalf of the government and, therefore, they are not economic benefits flowing to the Group. Hence, they are excluded from revenue.

Tooling Revenue

Development of toolings for customers is considered as a separate performance obligation. Revenue from toolings primarily pertaining to global automotive lighting business is recognised over time based on the progress towards complete satisfaction of that performance obligation. Such progress is measured based on the proportion that the aggregate costs incurred for work done till the balance sheet date bear to the estimated total costs.

Determination of toolings revenues to be recognised over time necessarily involves making estimates by the Management (some of which are a technical nature) of the costs of completion, the expected revenues from each contract and the foreseeable losses to completion.

Foreseeable losses, if any, on the contracts are recognised as an expense in the period in which they are foreseen, irrespective of the stage of completion of the contract.

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Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policy (l) Financial instruments – Financial assets at amortised cost.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

Refund liabilities

A refund liability is the obligation to refund some or all the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Wind/solar power generation

Income from the wind / solar power generation is recognised when earned on the basis of contractual arrangements with the buyers.

Export Incentives

Income from duty drawback and export incentives is recognised on an accrual basis.

e. Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to purchase of property plant and equipment are included in current and non current liabilities as deferred income and are credited to profit or loss on straight-line basis over the expected lives of the related assets and presented within other income.

f. Income tax

Current income-tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be 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 recognizes 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. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognized within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognized in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognized in profit or loss.

Sales/value added taxes paid on acquisition of assets or on incurring expenses-

Expenses and assets are recognised net of the amount of sales/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

g. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right of use of asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building : 3 to 25 years
- Plant and machinery : 3 to 15 years
- Motor vehicles and other equipment : 3 to 5 years

The property, plant and equipment acauired under finance leases is depreciated over the asset's useful life or over the shorter term of the asset's useful life and lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

h. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized 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.

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When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

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 recognized 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 recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 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, recognized in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) are included in the value of inventory.

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I. Financial instruments

Financial Assets

Initial Recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit 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 amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

- **Debt instruments at amortized cost**

A 'debt instrument' is measured at the amortized 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 amortized cost using the effective interest rate (EIR) method. Amortized 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 amortization is included in finance costs/income in the Statement of Profit or Loss. The losses arising from impairment are recognized 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 recognized in the other comprehensive income (OCI). However, the Group recognizes 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 recognized 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 categorization as at amortized cost or as FVTOCI is classified as FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized 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 recognized 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 recognized 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 recognized 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 recognized 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 derecognized (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.

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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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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 amortized 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 recognizes 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 recognizing 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) recognized during the period is recognized 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 amortized cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.

- Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet i.e. as a liability.

- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

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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 recognized 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 recognized 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 recognized 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 amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization 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 recognized 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 recognized less cumulative amortization.

Derecognition

A financial liability is derecognized 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 recognized 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 recognized 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 recognized 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	Accounting Treatment
Amortized cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in P&L.
FVTPL	Amortized cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortized cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in OCI. No change in EIR due to reclassification.
FVTOCI	Amortized cost	Fair value at reclassification date becomes its new amortized 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 amortized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, to realize 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized 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.

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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 recognized 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 recognized 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 recognized asset or liability or an unrecognized 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 recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized 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 recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

The Group uses derivative contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognized in finance costs

Amounts recognized 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 recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized 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 recognized 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)
· Leasehold Land	Amortised over the period of lease
· Buildings	30- 50 years
· Plant and Machinery	8-20 years
· Moulds and Dies	4-7 years
· Computers	3-7 years
· Vehicles	4-7 years
· Furniture and Fixtures	5-15 years
· Other Assets	4-10 years

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The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter term of the asset's useful life and lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.
The useful lives have been determined based on technical evaluation done by the Management's expert which are different than those specified by Schedule II to the Companies Act; 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

Capital work in progress is stated at cost, net of accumulated impairment loss, if any.
The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

q. Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.
'Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 30-50 years. The useful life has been determined based on technical evaluation performed by the Management's expert.

r. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal Management purposes.

(ii) Computer software

Costs associated with maintaining software 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 six years

(v) Customer relationships:

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer relationships are amortised on a straight line basis over a period of 10-12 years

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(vi) Patents and others

Costs of intangible assets other than those internally generated, including patents and licenses, are valued at acquisition cost and amortized on a straight-line basis over their estimated future useful lives being 10 years.

s. Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

t. Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit 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 recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Provision for onerous contracts

A provision for onerous contracts is recognized 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 recognizes any impairment loss on the assets associated with that contract.

Contingent liabilities recognized in a business combination

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less, when appropriate, cumulative amortization recognized 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 recognized 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.

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Defined contribution plans

The Group makes contributions to funds for certain employees to the regulatory authorities. The group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when an employee renders the related service. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Bonus plans

The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

v. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

w. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of equity shares outstanding during the reporting period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

(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 authorization 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 recognized at cost and deducted from equity. No gain or loss is recognized 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 recognized 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.

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Note 2A: Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgments, 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 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).

2 De-recognition of trade receivables under factoring arrangements

The Group enters into non-recourse factoring arrangements for its trade receivables with various banks/financial institutions. The Group derecognizes 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 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 realization of future tax benefits is sufficiently probable to recognize/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.

2 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.

3 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).

4 Recognition and Impairment of Intangible assets relating to Engineering, design and development

Engineering, design and development costs (ED&D) are capitalized when the criteria for capitalizing 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 amortized from the start of production of underlying parts over the program life. ED&D-related intangible assets which are not being amortized 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 amortized, 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 capitalized; 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.

5 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.

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lotes to the Special Purpose Interim Condensed Consolidated Financial Statements for the nine months ended December 31, 2020

lote 3.1 Property, plant and equipment

(Rs. in Million)

Particulars	Gross carrying amount						Accumulated depreciation						Net Carrying amount	
Asset Class	As at April 1, 2020	Additions**	Translation adjustment	Deductions / adjustments	Transferred from ROU (refer note 3.2)	As at December 31, 2020	As at April 1, 2020	Depreciation for the period	Translation adjustment	On Deductions / adjustments ##	Transferred from ROU (refer note 3.2)	As at December 31, 2020	As at December 31, 2020	As at March 31, 2020
reehold Land	1,047.51	0.05	20.86	-	-	1,068.42	-	0.35	0.01	-	-	0.36	1,068.06	1,047.51
actory Building	9,115.42	146.76	304.83	(3.13)	-	9,563.88	1,142.97	275.83	16.18	(3.09)	-	1,431.89	8,131.99	7,972.45
)ffice Building	1,168.59	14.82	9.09	-	-	1,192.50	133.71	20.85	0.45	-	-	155.01	1,037.49	1,034.88
lant & Machinery*	32,204.37	3,055.01	1,262.87	(185.39)	218.99	36,555.85	9,670.54	2,492.92	195.36	(129.93)	77.18	12,306.07	24,249.78	22,533.83
actory Equipment	2,920.58	178.96	67.73	(28.23)	-	3,139.04	1,187.02	256.85	29.31	(23.91)	-	1,449.27	1,689.77	1,733.56
lectrical Installation	560.85	10.53	0.37	(0.07)	-	571.68	238.88	39.02	0.16	(0.02)	-	278.04	293.64	321.97
/lould & Dies	841.64	41.28	3.88	(6.67)	-	880.13	464.08	77.47	2.35	(3.22)	-	540.68	339.45	377.56
lectrical Fitting	103.39	0.87	0.01	-	-	104.27	42.11	7.82	-	-	-	49.93	54.34	61.28
)ffice Equipment	229.49	4.94	36.51	(0.11)	-	270.83	136.18	18.64	45.85	(0.05)	-	200.62	70.21	93.31
ools & Instrument	1,939.59	300.91	115.29	(14.29)	-	2,341.50	1,296.45	288.50	68.87	(12.36)	-	1,641.46	700.04	643.14
urniture and fixtures	402.53	158.98	8.29	-	-	569.80	181.14	51.75	2.60	-	-	235.49	334.31	221.39
omputers	996.01	130.88	73.89	(0.93)	-	1,199.85	598.99	158.77	43.90	(0.93)	-	800.73	399.12	397.02
'ehicles	317.31	5.84	26.02	(3.55)	-	345.62	58.05	13.31	7.33	(3.55)	-	75.14	270.48	259.26
irand Total	**51,847.28**	**4,049.83**	**1,929.64**	**(242.37)**	**218.99**	**57,803.37**	**15,150.12**	**3,702.08**	**412.37**	**(177.06)**	**77.18**	**19,164.69**	**38,638.68**	**36,697.16**

Additions include finance cost capitalised during the period is Nil (31 March 2020 Rs 20.07million)

* Additions include amount of Rs.162.05 Million acquired in respect of Varroc ELBA Electronics SRL, Romania

i) Capital work-in-progress	**(Rs. in Million)**
)pening capital work-in-progress	3,975.92
.ddition during the period ended December 31, 2020	4,050.95
:apitalised during the period ended December 31, 2020	4,049.83
:losing capital work-in -progress	**3,977.04**

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* CHARTERED ACCOUNTANTS *

'arroc Engineering Limited

lotes to the Special Purpose Interim Condensed Consolidated Financial Statements for the nine months ended December 31, 2020

lote 3.1 Property, plant and equipment

-1

(Rs. in Million)

Particulars	Gross carrying amount							Accumulated depreciation						Net Carrying amount
Asset Class	As at April 1, 2019	Business combination	Additions	Effect of change in accounting policy	Translation adjustment	Deductions / adjustments ##	As at March 31, 2020	As at April 1, 2019	Depreciation for the year	Effect of change in accounting policy	Translation adjustment	On Deductions / adjustments ##	As at March 31, 2020	As at March 31, 2020
)wned assets														
reehold Land	980.71	-	23.99	-	42.81	-	1,047.51	-	-	-	-	-	-	1,047.51
actory 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
)ffice Building	1,108.35	-	46.65	-	13.59	-	1,168.59	105.11	24.59	-	4.01	-	133.71	1,034.88
'lant & 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
actory 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
lectrical Installation	462.52	-	98.26	-	0.29	(0.22)	560.85	190.44	48.52	-	0.14	(0.22)	238.88	321.97
/lould & Dies	751.60	-	98.24	-	3.69	(11.89)	841.64	355.64	112.09	-	2.13	(5.78)	464.08	377.56
lectrical Fitting	65.15	-	38.27	-	-	(0.03)	103.39	33.05	9.09	-	-	(0.03)	42.11	61.28
)ffice 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
'ools & 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
urniture and fixtures	377.41	0.17	55.46	-	-	(30.51)	402.53	141.30	48.73	-	-	(8.89)	181.14	221.39
:omputers	792.20	0.09	195.17	-	41.28	(32.73)	996.01	396.85	206.26	-	23.21	(27.33)	598.99	397.02
'ehicles	90.00	-	223.16	-	7.93	(3.78)	317.31	45.81	16.80	-	0.51	(5.07)	58.05	259.26
eased assets ^^				-						-				
easehold Land	850.60	-	-	(850.60)	-	-	-	76.65	-	(76.65)	-	-	-	-
uildings	716.98	-	-	(716.98)			-	295.56	-	(295.56)	-	-	-	-
'lant & Machinery	398.19	-	-	(398.19)		-	-	111.22	-	(111.22)	-	-	-	-
)ffice Equipment	12.22	-	-	(12.22)		-	-	7.13	-	(7.13)	-	-	-	-
irand 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**

' Additions include finance cost capitalised amounting to Rs 20.07 million

Deductions include following amount of property, plant and equipments pertaining to group's automotive lighting plant in Pune which was completely destroyed by fire on February 18, 2020. These amounts have been written off and corresponding insurance laim receivable has been recognised as at March 31, 2020.

Rs'Million

Particulars	As at February 18, 2020		
	Gross carrying amount	Accumulated depreciation	Net Carrying amount
actory buildings	74.17	12.59	61.58
'lant and machinery	821.35	327.96	493.39
:omputers	13.46	8.16	5.30
/ehicles	0.72	0.72	-
urniture and fixtures	17.59	8.58	9.01
)ffice equipments	2.04	1.27	0.77
'otal	**929.33**	**359.28**	**570.05**

^ Upon application of Ind AS 116 from April 01, 2019, the Group has presented all the leased assets previously recognised as finance lease under Ind AS 17 in right of use of assets as at April 01, 2019.

i) Capital work-in-progress	**(Rs. in Million)**
)pening capital work-in-progress	6,662.80
\dd: Acquired through business combination	0.42
\ddition during the year ended March 31, 2020	10,132.48
:apitalised during the year ended March 31, 2020	12,819.78
:losing capital work-in -progress	**3,975.92**

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Varroc Engineering Limited

Notes to the Special Purpose Interim Condensed Consolidated Financial Statements for the nine months ended December 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

Rs'Million

Particulars	Land and building	Plant and machinery	Vehicles	Other equipments	Total
Balance as at April 01, 2019	-	-	-	-	-
Add: Effect of change in accounting policy	5,813.07	193.63	172.96	231.44	6,411.10
Add: Additions during the year	1,952.33	305.48	43.89	-	2,301.70
Less: Deletion during the year	(62.86)	-	-	-	(62.86)
Less: Depreciation for the year*	(575.48)	(67.09)	(61.77)	(22.34)	(726.68)
Add/(Less): Effect of change in exchange rate	321.26	14.16	9.45	14.30	359.17
Balance as at March 31, 2020	**7,448.32**	**446.18**	**164.52**	**223.40**	**8,282.42**

* Includes amount of Rs 25.40 Million capitalised to property plant and equipment during construction period in accordance with Ind AS 16.

Particulars	Land and building	Plant and machinery	Vehicles	Other equipments	Total
Balance as at April 01, 2020	**7,448.32**	**446.18**	**164.52**	**223.40**	**8,282.42**
Add: Additions during the period	305.32	-	5.56	-	310.88
Less: Deletion during the period	(46.01)	(43.46)	(15.84)	(1.00)	(106.31)
Less : Transferred to property, plant and equipment on account of purchase of leasehold assets	-	-	-	(141.81)	(141.81)
Less: Depreciation for the period*	(514.90)	(68.77)	(46.58)	(14.24)	(644.49)
Add/(Less): Effect of change in exchange rate	481.03	26.76	11.30	14.64	533.73
Balance as at December 31, 2020	**7,673.76**	**360.71**	**118.96**	**80.99**	**8,234.42**

* Includes amount of Rs 22.92 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.

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

Rs'Million

Particulars	As at December 31, 2020	As at March 31, 2020
Opening Balance	7,126.12	141.94
Add: Effect of change in accounting policy	-	5,002.24
Add: Additions during the period	308.48	2,272.61
Add: Accretion of interest #	154.58	175.29
Less: Payments during the period	(718.64)	(795.12)
Less : Disposal of contracts	(20.00)	-
Add/(less) : Effect of change in exchange rates	518.60	329.16
Closing Balance	**7,369.14**	**7,126.12**
Presented as -		
Current	852.70	603.97
Non Current	6,516.44	6,522.15
Total closing lease liability	**7,369.14**	**7,126.12**

\# Includes amount of Rs 7.88 Million capitalised to property plant and equipment during construction period in accordance with Ind AS 16.

(ii) Amounts recognised in consolidated statement of profit and loss account

The statement of profit or loss shows the following amounts relating to leases

Rs'Million

Particulars	For the period ended December 31, 2020	For the period ended December 31, 2019
Depreciation expense of right-of-use assets	621.57	387.10
Interest expense on lease liabilities	155.07	104.03
Amounts included in Rent expense		
Expense relating to short-term leases	77.27	32.45
Expense relating to leases of low-value assets	160.75	178.15
Total amount recognised in consolidated statement of profit and loss	**1,014.66**	**701.73**

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Varroc Engineering Limited
Notes to the Special Purpose Interim Condensed Consolidated Financial Statements for the nine months ended December 31, 2020

Note 4.1- Other Intangible Assets

(Rs. in Million)

Particulars	Gross carrying amount					Accumulated Amortisation					Net Carrying amount	
Asset Class	As at April 01, 2020	Additions	Translation adjustment	Deductions /adjustments	As at December 31, 2020	As at April 01, 2020	Amortisation for the period	Translation adjustment	On Deductions / adjustments	As at December 31, 2020	As at December 31, 2020	As at March 31, 2020
Computer software *	2,197.82	98.84	23.99	(2.22)	2,318.43	1,623.29	235.69	13.43	(0.46)	1,871.95	446.48	574.53
Technical know how fees	1,042.02	90.05	45.01	-	1,177.08	471.44	35.33	36.19	-	542.96	634.12	570.58
Customer relationship	803.15	32.22	(86.62)	-	748.75	117.31	77.47	(11.39)	-	183.39	565.36	685.84
Patents and others	142.48	48.00	(5.89)	(0.08)	184.51	27.68	61.30	6.16	-	95.14	89.37	114.80
Non compete fees	74.00	-	-		74.00	8.13	6.94	-	-	15.07	58.93	65.87
Capitalised development costs	6,482.21	2,188.30	433.23	(1,797.01)	7,306.73	2,653.08	1,846.07	209.86	(1,762.80)	2,946.21	4,360.52	3,829.13
Grand Total	**10,741.68**	**2,457.41**	**409.72**	**(1,799.31)**	**11,809.50**	**4,900.93**	**2,262.80**	**254.25**	**(1,763.26)**	**5,654.72**	**6,154.78**	**5,840.75**

* Additions in computer software include amount of Rs.11.02 Million acquired in respect of Varroc ELBA Electronics SRL, Romania

Intangible assets under development	(Rs.in million)
Opening balance	3,925.40
Addition during the period ended December 31, 2020	1,905.64
Capitalised during the period ended December 31, 2020	2,457.41
Closing balance as at December 31,2020	**3,373.63**

(Rs. in Million)

Particulars	Gross carrying amount						Accumulated Amortisation					Net carrying amount
Asset Class	As at April 1, 2019	Business combination	Additions	Translation adjustment	Deductions / adjustments	As at March 31, 2020	As at April 1, 2019	Amortisation for the year	Translation adjustment	On Deductions / adjustments	As at March 31, 2020	As at March 31, 2020
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
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
Customer relationship	850.72	8.30	-	(55.87)	-	803.15	56.68	83.64	(5.57)	(17.44)	117.31	685.84
Patents and others	94.12	49.10	-	(0.74)	-	142.48	54.99	13.69	3.34	(44.34)	27.68	114.80
Non compete fees	-	-	74.00	-		74.00	-	8.13	-	-	8.13	65.87
Capitalised development cost	4,435.02	-	2,871.01	345.29	(1,169.11)	6,482.21	1,745.33	1,871.49	139.32	(1,103.06)	2,653.08	3,829.13
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**

Intangible assets under development	(Rs. 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 as at March 31,2020	**3,925.40**

Note 4.2- Goodwill

As at December 31, 2020

Particulars	(Rs. in million)
Opening balance as at April 01, 2020	2,008.98
Add: Acquisition during the period *	86.00
Add/(less): Translation adjustment	(209.00)
Balance as at end of period	**1,885.98**

* Acquisition pertains to non-controlling interest acquired in respect of Varroc ELBA Electronics SRL, Romania

As at March 31, 2020

Particulars	(Rs. in million)
Opening balance as at April 01, 2019	1,992.53
Add: Acquisition during the year (refer note 17)	154.10
Add/(less): Translation adjustment	(137.65)
Balance as at end of period	**2,008.98**

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Rs. in million

		As at December 31, 2020	As at March 31, 2020
5.1	**Non current - Borrowings**		
	Secured		
	Term loans		
	From banks		
	Rupee loans from banks/financial institution	3,553.19	2,742.90
	Foreign currency loans from banks	3,342.69	6,186.30
	Unsecured		
	Deferred sales tax loan	39.64	72.84
	Total non current borrowing	**6,935.52**	**9,002.04**
5.2	**Current maturities of non-current borrowings**		
	Secured		
	Term loans		
	From banks		
	Rupee loans from banks*	1,330.30	1,017.52
	Foreign currency loans from banks*	11,786.61	8,291.77
	From financial institution		
	Rupee loans from financial institution	322.79	64.27
	Unsecured		
	Deferred sales tax loan	33.28	44.46
		13,472.98	**9,418.02**

*The Group has not complied with some covenants under loan agreements. Accordingly non-current loans of Rs. 5,970.71 Million (March 31, 2020: Rs. 5,329.50 Million) have been reclassified as current.The management does not expect any material impact on the financial statements/cash flows due to the above.

Maturity profile of non current borrowings

Particulars	Effective Interest Rate	Current	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	7% to 9%	1,653.09	1,239.56	1,124.33	780.35	268.32	140.63	3,553.19
Foreign currency loans from bank (Indian entities)	9% (fully hedged)	27.74	-	-	-	-	-	-
Foreign currency loans from bank (Overseas entities)	See note below	11,758.87	861.79	651.00	600.89	584.04	644.97	3,342.69
Deferred Sales Tax Loan		33.28	20.44	14.04	5.16	-	-	39.64

Note: Czech Republic : EURIBOR (1M/3M)+1.5% to 2.0% ; Morocco: EURIBOR (6M)+1.6% ; Netherlands: EURIBOR (3M/6M) + 1.6% to 1.75% ; Italy EURIBOR (3M/6M/12M)+0.95% to 3%

6	**Current borrowings**	Interest rate	As at December 31, 2020	As at March 31, 2020
	Secured			
	Cash Credit	8% to 11.80%	-	328.76
	Working capital facilities			
	Working Capital Loans	0.85% to 5.75%	9,499.56	14,825.60
	Factored Receivables	1.30%	163.20	430.08
	Unsecured			
	Working Capital Loans	8.30%	-	250.00
	Pre-shipment credit in foreign currency (PCFC)	8.50%	-	400.00
	Short term loan from financial institutions	8.75%	-	770.00
	Commercial Papers	5.35%-6.20%	1,182.82	-
	Total current borrowings		**10,845.58**	**17,004.44**

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Varroc Engineering Limited
Notes to the Special Purpose Interim Condensed Consolidated Financial Statements for the nine months ended December 31, 2020

7 Revenue from operations

(Rs. in Million)

Particulars	December 31, 2020	December 31, 2019
Revenue from contracts with customer	76,347.60	83,156.62
Other operating revenue	487.34	614.60
Total	**76,834.94**	**83,771.22**

Revenue from contracts with customer

A Disaggregated revenue information

Segment	For the nine months ended December 31, 2020			For the nine months December 31, 2019		
	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	45,464.16	-	45,464.16	42,996.22	-	42,996.22
Automotive components (mainly 2 wheeler and 3 wheeler business in India)	22,809.74	-	22,809.74	30,077.57	-	30,077.57
Others	1,901.16	1,256.89	3,158.05	2,427.21	1,702.31	4,129.52
Toolings	404.87	-	404.87	151.14	-	151.14
Job Work	73.12	12.39	85.51	73.51	19.50	93.01
Goods transferred over time						
Toolings	4,425.27	-	4,425.27	5,709.16	-	5,709.16
Total revenue from contracts with customer	**75,078.32**	**1,269.28**	**76,347.60**	**81,434.81**	**1,721.81**	**83,156.62**
Revenue by region						
India	23,726.70	-	23,726.70	29,069.20	-	29,069.20
Asia pacific	1,834.98	-	1,834.98	1,606.88	-	1,606.88
Europe	38,985.13	1,206.88	40,192.01	37,308.35	1,590.11	38,898.46
North America	9,791.07	62.40	9,853.47	12,520.11	131.70	12,651.81
Others	740.44	-	740.44	930.27	-	930.27
Total revenue from contracts with customer	**75,078.32**	**1,269.28**	**76,347.60**	**81,434.81**	**1,721.81**	**83,156.62**

B Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	For the period ended December 31, 2020			For the period ended December 31, 2019		
	Automotive	Others	Total	Automotive	Others	Total
Revenue						
External Customer	75,515.43	1,319.51	76,834.94	81,987.69	1,783.53	83,771.22
Inter-segment	-	-	-	-	-	-
	75,515.43	**1,319.51**	**76,834.94**	**81,987.69**	**1,783.53**	**83,771.22**
Less: Inter-segment adjustment and elimination	-	-	-	-	-	-
Less: Other operating revenue	437.11	50.23	487.34	552.88	61.72	614.60
Total revenue from contracts with customers	**75,078.32**	**1,269.28**	**76,347.60**	**81,434.81**	**1,721.81**	**83,156.62**

C Contract balances

Particulars	December 31, 2020	March 31, 2020
Trade receivables	14,337.90	10,893.33
Contract asset	4,596.07	5,039.64
Contract liabilities	5,523.63	4,821.58

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities include advances received from customers for performing engineering design and development services.

Set out below is the amount of revenue recognised from:

Particulars	December 31, 2020	December 31, 2019
Amount of revenue recognised from amounts included in contract liabilities at the beginning of the year	1,078.42	983.53

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7 Revenue from operations

D Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price

Particulars	December 31, 2020	December 31, 2019
Revenue as per contracted price	76,792.05	83,484.34
Adjustments		
Discount	(239.75)	(188.05)
Amortisation of customer prepayments	(204.70)	(139.67)
Revenue from contract with customers	**76,347.60**	**83,156.62**

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

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2019
Scrap sales	190.45	276.58
Wind and solar power generation	75.12	83.45
Export Incentives	77.85	87.04
Royalty	81.34	78.33
Others	62.58	89.20
Total other operating revenue	**487.34**	**614.60**

Note 8 : Contingent liabilities

(Rs. in Million)

Contingent liabilities not provided for	December 31, 2020	March 31, 2020
(a) Direct/indirect tax related matters (Refer note (i))		
Disputed Excise and Service Tax matters	294.86	266.45
Income Tax matters	28.82	23.73
Sales Tax matters	-	2.11
(b) Warranty claim liability (Refer note (ii))	-	943.68
(c) Disputed patents matter	Refer note (iii)	-
(d) Other money for which the Group is contingently liable/Employees Related Disputes	35.97	29.86
(e) Export promotion capital goods (EPCG) Export obligation	198.17	251.90

(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) On March 31,2020 the Group had received a warranty claim of Approx. Rs.943.68 million from the one of its overseas customer. Based on the discussion with the said customer, final settlement of the claim has been agreed in October 2020 at Rs.131.68 million. The Group believes that the provision for warranty as at December 31,2020 is adequate to cover the above settlement of the claim.

(iii) The Group received notice from a third party auto component supplier for certain alleged patent infringements in respect of some of the products supplied by an overseas subsidiary of the Group in the European region. The matter is under litigation and considering that the matter is technical and needs extensive evaluation, it is not possible to predict the potential outcome of this matter. Accordingly, no provision has been considered in respect of this matter in these financial statements for the nine months ended December 31, 2020.

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Varroc Engineering Limited

Notes to the Special Purpose Interim Condensed Consolidated Financial Statements for the nine months ended December 31, 2020

Note 9: 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 (Rs. in Million)

Sr. No	Particulars	For the nine months ended December 31, 2020			For the nine months ended December 31, 2019		
		Automotive	Others	Total	Automotive	Others	Total
	Segment revenue						
1	Revenue from operations	75,515.43	1,319.51	76,834.94	81,987.69	1,783.53	83,771.22
	Less: Inter segment revenue	-	-	-	-	-	-
	Total revenue (external)	**75,515.43**	**1,319.51**	**76,834.94**	**81,987.69**	**1,783.53**	**83,771.22**
2	Segment results before other income, finance cost and tax	(2,728.87)	(308.70)	(3,037.57)	2,656.68	(52.83)	2,603.85
3(i)	Other income (Net of unallocated expense)			193.88			174.14
3(ii)	Finance costs			1,253.09			1,029.80
3(iii)	Profit before tax and share of net profit of joint ventures accounted for using the equity method			(4,096.78)			1,748.19
3(iv)	Share of net profit of joint ventures accounted for using the equity method			292.32			13.80
4	**Profit before tax**			**(3,804.46)**			**1,761.99**
5	Tax expenses including deferred tax			(39.00)			365.94
6	Exceptional items - Tax expenses			1,077.76			-
7	**Profit after tax**			**(4,843.22)**			**1,396.05**
		As at December 31, 2020			As at March 31, 2020		
8	Segment assets	1,00,394.06	2,206.31	1,02,600.37	1,00,808.11	2,113.75	1,02,921.86
	Unallocable assets			6,971.38			7,100.87
	Total Assets			**1,09,571.75**			**1,10,022.73**
9	Segment liabilities	50,340.86	716.45	51,057.31	41,935.98	551.15	42,487.13
	Unallocable liabilities			33,170.31			37,241.10
	Total Liabilities			**84,227.62**			**79,728.23**
10	Other Information						
	Cost to acquire fixed assets			**6,507.24**			**16,544.41**
	Depreciation and amortization			**6,586.45**			**5,252.57**

(b) Geographical information

(i) Segment revenue by geographical area based on geographical location of customers:

Sr. No	Particulars	For the period ended December 31, 2020	For the period ended December 31, 2019
	Revenue within :		
1	India	24,007.69	29,425.33
2	Asia Pacific	1,856.40	1,636.42
3	Europe	40,376.95	39,127.39
4	North America	9,853.47	12,651.81
5	Others	740.43	930.27
	Total	**76,834.94**	**83,771.22**

(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:

Sr. No	Particulars	December 31, 2020	March 31, 2020
1	India	20,959.22	19,029.99
2	Asia Pacific	161.15	191.04
3	Europe	37,364.88	37,352.31
4	North America	4,892.61	4,685.67
5	Others	768.59	845.04
	Total	**64,146.45**	**62,104.05**

(C) Revenue from 3 customers amounted to Rs. 12939.62 Million (31 December 2019: Rs. 15719.11 million), Rs.11218.75 million (31 December 2019: Rs. 11777.01 million) and Rs.Rs.9402.66 million (31 December 2019: 9949.04 million) arising from sales in the Automotive segment

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Note 10 - Interests in Subsidiaries

(a) Subsidiaries

The subsidiaries at December 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-Dec-20	31-Mar-20	31-Dec-20	31-Mar-20
Direct subsidiaries					
Varroc Polymers Private Limited	India	100%	100%	-	-
Durovalves India Private Limited	India	72.78%	72.78%	27.22%	27.22%
Varroc Lighting Systems (India) Private Limited*	India	-	100%	-	-
Varroc European Holding B.V.	Netherlands	100%	100%	-	-
VarrocCorp Holding B.V.	Netherlands	100%	100%	-	-
Varroc Japan Co. Limited	Japan	100%	100%	-	-
CarlQ Technologies Private Limited	India	74%	74%	26%	26%
Step down subsidiaries					
Team Concepts Private Limited	India	100%	100%	-	-
Industrial Meccanica E Stampaggio S.p.a.	Italy	100%	100%	-	-
Varroc Lighting Systems, Italy S.p.A. (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 known as "Electromures SA")	Romania	98.23%	98.23%	1.77%	1.77%
Varroc Lighting Systems SRO	Czech Republic	100%	100%	-	-
Varroc Lighting Systems Inc.	USA	100%	100%	-	-
Varroc Lighting Systems GmBH.	Germany	100%	100%	-	-
Varroc Lighting Systems S.de.R.L. De. C.V.	Mexico	100%	100%	-	-
Varroc Lighting Systems S.A., Morocco	Morocco	100%	100%	-	-
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%	-	-
Varroc ELBA Electronics SRL, Romania **	Romania	100%	-	-	-

*Varroc Lighting Systems (India) Private Limited subsidiary merged with Varroc Engineering Limited w.e.f December 07, 2020.

**Varroc ELBA Electronics SRL, Romania subsidiary w.e.f December 08, 2020.

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 11: Related Party Disclosure.

a. Related parties and their relationships

1	Jointly Controlled Entities	Nuova CTS S.r.l, Italy Varroc TYC Corporation, British Virgin Islands Varroc TYC Auto Lamps Co. Ltd., China (Subsidiary of Varroc TYC Corporation, BVI) Varroc TYC Auto Lamps Co. Ltd. CQ, China (Subsidiary of Varroc TYC Auto Lamps Co Ltd China) Varroc Dell'Orto Private Limited Varroc ELBA Electronics SRL, Romania (Upto December 07,2020.)
2	Key Management Personnel	Mr. Tarang Jain - Chairman and Managing Director **Whole time Directors** Mr. Arjun Jain Mr. Rohit Prakash (w.e.f. April 29, 2020) Mr. Ashwani Maheshwari (upto April 29, 2020) **Non-executive Directors** Mr. Naresh Chandra (upto November 10, 2020) **Independent Directors** Mr. Gautam Khandelwal Mr. Marc Szulewicz Mrs. Vijaya Sampath Mr. Vinish Kathuria
3	Relatives of Key Management Personnel with whom transactions have taken place	Mr. Dhruv Jain - Son of Mr. Tarang Jain
4	Enterprises Owned or controlled by key management personnel and/or their relatives with whom transactions have taken place	Endurance Technologies Limited MS Consulting services TJ Holdings Trust Naresh Chandra Holdings Trust Suman Jain Holdings Trust

b. Transactions with related parties and balances at period end

(Rs. in Million)

	Description of the nature of transactions	Transactions		Balances			
		For the nine months ended December 31, 2020	For the nine months ended December 31, 2019	As at December 31, 2020		As at March 31, 2020	
				Receivable	Payable	Receivable	Payable
A]	Sale of goods, services and fixed assets*						
	Endurance Technologies Limited	2.26	38.44	0.48	-	2.05	-
	Varroc TYC Auto Lamps Co. Limited	0.60	0.85	177.86	-	57.48	-
	Nuova CTS S.r.l	0.68	-	5.96	-	0.21	-
	Varroc Dell'Orto Private Limited	71.02	-	36.55	-	10.35	-
B]	Purchase of goods, services and fixed assets *						
	Nuova CTS S.r.l	4.30	49.45	-	3.99	-	7.76
	Varroc TYC Auto Lamps Co. Limited.	40.15	3.38	-	20.20	-	4.67
C]	Royalty received						
	Varroc TYC Auto Lamps Co. Limited.	40.50	74.97	49.62	-	12.91	-
D]	Professional charges paid						
	Mr. Naresh Chandra	0.34	0.34	-	-	-	-
	Mr. Gautam Khandelwal	-	-	-	-	-	1.87
	Mr. Marc Szulewicz	-	-	-	-	-	1.78
	Mrs. Vijaya Sampath	-	-	-	-	-	1.98
	Mr. Vinish Kathuria	-	-	-	-	-	2.07
	MS Consulting services	5.17	4.64	-	5.17	-	-
E]	Directors fees paid						
	Mr. Naresh Chandra	-	0.08	-	-	-	-
	Mr. Gautam Khandelwal	1.70	1.10	-	-	-	-
	Mr. Marc Szulewicz	0.88	0.58	-	-	-	-
	Mrs. Vijaya Sampath	1.40	0.90	-	-	-	-
	Mr. Vinish Kathuria	1.38	0.88	-	-	-	-

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Note 11: Related Party Disclosure.

	Description of the nature of transactions	Transactions		Balances			
		For the nine months ended December 31, 2020	For the nine months ended December 31, 2019	As at December 31, 2020		As at March 31, 2020	
F]	**Dividend paid**						
	Mr. Tarang Jain	-	242.92	-	-	-	-
	Mr. Arjun Jain	-	0.02	-	-	-	-
	Mr. Dhruv Jain	-	0.02	-	-	-	-
	TJ Holdings Trust	-	135.40	-	-	-	-
	Naresh Chandra Holdings Trust	-	40.00	-	-	-	-
	Suman Jain Holdings Trust	-	40.00	-	-	-	-
G]	**Managerial remuneration #**						
	Mr. Tarang Jain	19.76	62.74	-	-	-	-
	Mr. Arjun Jain	7.04	8.93	-	-	-	-
	Mr. Ashwani Maheshwari (upto April 29, 2020)	1.39	16.67	-	-	-	-
	Mr. Rohit Prakash (w.e.f. April 29, 2020)	11.08	-	-	-	-	-
H]	**Remuneration #**						
	Mr. Dhruv Jain	6.94	3.66				
I]	**Dividend received**						
	Varroc TYC Auto Lamps Co. Limited.	-	249.98		-	-	-
	Nuova CTS S.r.l	-	10.99		-	-	-
J]	**Reimbursement of expenses (Received/Receivable)**						
	Varroc Dell'Orto Private Limited	0.75	-	0.70	-	0.81	-
K]	**Management consultancy fees received**						
	Varroc Dell'Orto Private Limited	0.32	-	1.48	-	-	-
L]	**Loan to joint venture**						
	Varroc-Elba Electronics S.R.L	-	-	-	-	57.02	-
M]	**Investment in joint venture**						
	Varroc Dell'Orto Private Limited	-	15.00	-	-	-	-
N]	**Rent received**						
	Varroc Dell'Orto Private Limited	0.64	-	1.51	-	-	-

Notes:

* All the amounts exclusive of taxes, if any.

As gratuity and compensated absences are computed for all the employees in aggregate, the amount relating to the key managerial personnel, cannot be individually identified.

Note 12 : Commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

(Rs. in Million)

	December 31, 2020	March 31, 2020
Estimated amount of contract remaining to be executed on capital account and not provided for (Net of advances)	4,069.74	2,497.98

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Note 13: Earnings per share

	Period ended December 31, 2020	Period ended December 31, 2019 (Restated)
Earnings per share (EPS)		
Basic		
Profit/(loss) attributable to equity shareholders (Rs. in Million) (A)	(4,865.06)	1,377.32
Weighted average number of shares outstanding (B)	134,811,530	134,811,530
Basic EPS (Amount in Rs.) (A/B)	**(36.09)**	**10.22**
Diluted		
Profit/(loss) attributable to equity shareholders (Rs. in Million) (C)	(4,865.06)	1,377.32
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share (D)	134,811,530	134,811,530
Diluted EPS (Amount in Rs.) (C/D)	**(36.09)**	**10.22**

Note 14: Fire incident at the plant of an Indian subsidiary

The Group's automotive lighting plant at Pune, India was destroyed by fire on February 18, 2020. The insurance claim in this regard was settled during the nine months ended December 31, 2020 and accordingly the other income for the nine months period ended December 31, 2020 includes an amount of Rs. 364.72 million being the excess of claim amount over net book value of assets destroyed.

Note 15: Exceptional Item - Income Tax Expenses

The Czech subsidiary of the company had, in earlier years, recognised certain tax credits as deferred tax assets under two different incentive schemes available to the subsidiary. The management has reassessed the recoverability of these tax assets as at Dec 31, 2020 based on revised business plans, taking into account the impact of Covid-19 on the business volumes and profitability of the Czech subsidiary in the current financial year as well as future years. Based on this assessment, management concluded that there is an uncertainty on the recoverability of the deferred tax assets recognised under the first scheme, which expires by March 2024. Accordingly, the Group has considered it prudent to write off these tax assets amounting to Rs. 1,077.76 million under the above mentioned scheme during the current period, and the same has been disclosed separately as "Exceptional Item" in these financial statements. Accordingly the total tax expense for the nine months ended is Rs 1,038.76 Million.

The management is working on various opportunities to utilize this benefit and this write off does not impact the eligibility of the Czech subsidiary to claim the incentive benefit in the event there are sufficient taxable profits available in subsequent years before expiry of the benefits.

Note 16: Government grants for Covid-19

During the nine months ended December 31, 2020, subsidiary company in Czech Republic has received a government grant of Rs. 215.47 Million towards employee benefit expenses incurred during the lockdown imposed due to Covid-19 pandemic. Such grant has been netted off against the employee benefit expenses.

Note 17: Acquisition of Car IQ Technologies Private Limited

On August 30, 2019, the Group acquired "CarIQ Technologies Private Limited", engaged in supply of connected car platforms. During the quarter ended March 31, 2020, the Group finalized the allocation of the purchase consideration of Rs. 258.61 million to the assets and liabilities (including intangible assets viz. Technology platforms and Brand which were not recognized in acquiree's books) based on their acquisition date fair values. The consideration in excess of fair values of the assets and liabilities acquired was allocated to Goodwill. Since the Group finalized purchase price allocation during the quarter ended March 31, 2020, the financial information for the nine months ended December 31, 2019 as disclosed in the financial results for December 2019 submitted to stock exchanges has been restated after giving effect of such allocation for the purpose of presentation of comparative financial information in these financial statements.

Following table represents the effect of above purchase price allocation on statement of profit and loss for the nine months ended December 31, 2019:

Rs'Million

Particulars	Increase/(decrease)
Depreciation and amortisation expense	8.31
Income tax expense	(2.16)
Total	6.15

Note 18: Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

Note 19: Correction of inventory valuation in an overseas subsidiary

The Group while preparing consolidated financial statements for the year ended March 31, 2020 identified an inadvertent error in inventory valuation in an overseas subsidiary which resulted in an overstatement of inventory by approx. Rs. 295.41 million and Retained earnings as at March 31, 2019 and Profit after tax for the year ended March 31, 2019 by approx. Rs. 211.01 million. In accordance with Ind AS 8 - Accounting Policies, Changes in Accounting, Estimates and Errors, the Group had corrected the above by restating the financial information as at and for the year ended March 31, 2019.

Note 20: COVID - 19

The Group has considered the possible effects of COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, deferred tax assets, etc. 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 December 31, 2020. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these financial statements.

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 : March 22, 2021

S R B C & CO LLP CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN 00027505)
Place: Pune

Gautam Khandelwal
Director
(DIN 00270717)
Place: Mumbai

Tharuval R. Srinivasan
Group CFO
Place: Pune

Ajay Kumar Sharma
Company Secretary
(Membership No: ACS 9127)
Place : Pune

Date : March 22, 2021

Varroc Engineering Ltd.