

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2021-22/60

February 14, 2022

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-400 001.
BSE Security Code: 541578

Sub: Outcome of Board Meeting

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

Dear Sir/Madam,

This is to inform you that the Board of Directors of the Company, at its meeting held today i.e., on Monday, February 14, 2022, which commenced at 2:45 p.m. and concluded at 3:20 p.m. has considered and approved the following items:

1. Unaudited Financial Results (Standalone and Consolidated) for the quarter and nine months ended on December 31, 2021

The Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter and nine months ended on December 31, 2021 were approved.

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

- Statements showing the Unaudited Financial results (Standalone and Consolidated) of the Company for the quarter and nine months ended on December 31, 2021; and
- The Limited Review Reports issued by the Statutory Auditors of the Company on the aforesaid Unaudited Financial Results (Standalone and Consolidated).

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

2. The Board was also briefed regarding the expression of interest received by the Company from certain strategic investors in the Varroc Lighting Systems business of the Company. The discussions are ongoing with these investors and no firm/ binding offer has been received as on date by the Company.

This intimation is also being uploaded on the Company's website i.e., www.varroc.com.

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

Thanking you,
Yours faithfully,

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

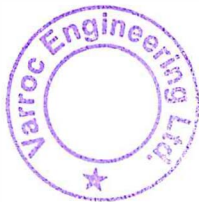
Encl: a/a



Statement of unaudited standalone financial results for the quarter and nine months ended December 31, 2021

Sr. No.	Particulars	Quarter ended			Nine months ended		(Rs. in million)
		December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020	Year ended March 31, 2021
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Revenue from operations	8,568.08	8,881.58	7,909.55	24,109.85	17,381.00	25,617.78
2	Other income (refer note 3)	138.93	254.31	155.44	488.04	731.08	1,114.15
3	Total Income (1 + 2)	8,707.01	9,135.89	8,064.99	24,597.89	18,112.08	26,731.93
4	Expenses						
	(a) Cost of materials consumed	5,795.27	5,846.18	5,404.99	16,454.37	11,405.51	17,462.19
	(b) Changes in stock of finished goods and work-in-progress	(89.15)	92.10	(259.54)	(513.12)	(357.22)	(746.45)
	(c) Employee benefits expense	801.22	880.68	748.25	2,488.78	1,877.33	2,686.87
	(d) Finance costs	286.34	173.78	128.76	585.77	420.91	561.10
	(e) Depreciation and amortisation expense	441.38	440.72	395.92	1,277.59	1,159.58	1,543.62
	(f) Other expenses (refer note 3)	1,546.51	1,298.13	1,157.61	3,907.83	2,752.93	3,853.09
	Total expenses (4)	8,781.57	8,731.59	7,575.99	24,201.22	17,259.04	25,360.42
5	Profit/(loss) before tax (3- 4)	(74.56)	404.30	489.00	396.67	853.04	1,371.51
6	Tax expense						
	Current tax	(11.60)	72.32	77.51	72.91	180.46	247.55
	Short/(excess) provision for tax relating to prior periods	-	-	(34.27)	(8.82)	(34.27)	(37.47)
	Deferred tax	(22.89)	84.27	90.81	73.62	116.43	239.81
	Total tax expense (6)	(34.49)	156.59	134.05	137.71	262.62	449.89
7	Profit/(loss) for the period (5-6)	(40.07)	247.71	354.95	258.96	590.42	921.62
8	Other comprehensive income						
	Items that will be reclassified to profit or loss in subsequent periods (net of tax)						
	Deferred hedging gains/(losses) on cash flow hedges (net of tax)	-	-	(6.95)	-	(19.90)	-
	Items that will not be reclassified to profit or loss in subsequent periods (net of tax)						
	Remeasurement of defined benefit obligation (net of tax)	-	-	-	-	-	18.15
	Other comprehensive income	-	-	(6.95)	-	(19.90)	18.15
9	Total comprehensive income for the period (7+8)	(40.07)	247.71	348.00	258.96	570.52	939.77
10	Paid-up equity share capital (Face value of the share in Re. 1/- each)	152.79	152.79	134.81	152.79	134.81	152.79
11	Reserves excluding revaluation reserves as per balance sheet of previous accounting year						19,016.83
12	Earnings per share (of Re 1/- each) (not annualised): Basic & diluted	(0.26)	1.62	2.63	1.69	4.38	6.82

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

Particulars		Quarter Ended			Nine months ended		Year Ended
		December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020	March, 31 2021
Debt Equity ratio [refer note (i)]	(No of times)	0.61	0.58	0.48	0.61	0.48	0.26
Debt service coverage ratio [refer note (ii)]	(No of times)	0.80	1.79	2.26	1.24	2.14	2.22
Interest service coverage ratio [refer note (iii)]	(No of times)	2.28	5.86	7.87	3.86	5.78	6.20
Outstanding Redeemable Preference Shares (Qty / Value)		Not Applicable					
Capital Redemption Reserve		Not Applicable					
Debenture Redemption Reserve		Not Applicable					
Net Worth [refer note (iv)]	(Rs. In Millions)	19,428.58	19,468.98	11,967.66	19,428.58	11,967.66	19,169.62
Net profit after tax	(Rs. In Millions)	(40.07)	247.71	354.95	258.96	590.42	921.62
Earning per share (EPS)							
Basic EPS (Not Annualised)	(Rs)	(0.26)	1.62	2.63	1.69	4.38	6.82
Diluted EPS (Not Annualised)	(Rs)	(0.26)	1.62	2.63	1.69	4.38	6.82
Current Ratio [refer note (v)]	(No of times)	0.61	0.79	0.88	0.61	0.88	1.16
Long Term Debt To Working Capital [refer note (vi)]^	(No of times)	(2.30)	(8.98)	20.58	(2.30)	20.58	1.83
Bad Debts To Account Receivable Ratio [refer note (vii)]**	(No of times)	0.00	0.00	-0.00	0.00	0.00	0.00
Current Liability Ratio [refer note (viii)]	(No of times)	0.63	0.61	0.71	0.63	0.71	0.65
Total Debts To Total Assets [refer note (ix)]	(No of times)	0.29	0.28	0.22	0.29	0.22	0.15
Debtors Turnover [refer note (x)]*	(No of times)	2.08	2.18	2.28	6.79	5.96	8.32
Inventory Turnover [refer note (xi)]*	(No of times)	1.50	1.58	1.68	4.56	3.65	5.79
Operating Margin [refer note (xii)]	(In %)	0.85%	3.65%	5.85%	2.05%	3.12%	3.19%
Net Profit Margin [refer note (xiii)]	(In %)	-0.47%	2.79%	4.49%	1.07%	3.40%	3.60%

Formulae for calculation of ratios are as follows:

(i) Debt Equity Ratio = [Total Debt / Total Equity]

(ii) Debt service coverage ratio = [(Earning before Interest Tax & Depreciation) / (Interest Expense + Principal repayments of long term loan made during the period excluding prepayment)]

(iii) Interest service coverage ratio = [(Earning before Interest and Tax & Depreciation) / (Interest Expense)]

(iv) Net Worth = [Equity share capital + Other equity]

(v) Current ratio = [Current Assets / Current Liabilities]

(vi) Long term debt to working capital = [Non Current borrowing (including current maturity of long term borrowing) / Working Capital]

(vii) Bad debts to Accounts receivable ratio = [(Bad debts written off + Provision for bad debts charged to profit and loss account) / Average Trade Receivables]

(viii) Current liability ratio = [Current Liability / Total Liability]

(ix) Total debts to Total assets = [Total Debt / Total Assets]

(x) Debtors Turnover = [Revenue from Operations / Average Debtors]

(xi) Inventory Turnover = [(Cost of Material Consumed + Changes in stock of finished goods and work-in-progress + Consumption of Stores, Spares, Packing Material) / Average Inventory]

(xii) Operating Margin = [EBIT-Other Income / Revenue from operation]

(xiii) Net Profit Margin = [Net profit after tax / Revenue from operation]

(xiv) Total Debt = Long Term Borrowings + Short Term Borrowings (includes Current Maturities of Long Term Borrowings)

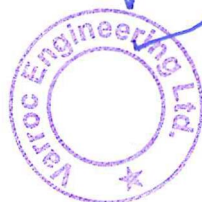
(xv) Total Equity = Equity Share Capital + Other Equity

(xvi) Working Capital = [Total Current Assets - Total Current Liabilities (excluding current maturity of long term borrowing)]

* Ratio not annualised, except for the year ended March 31, 2021

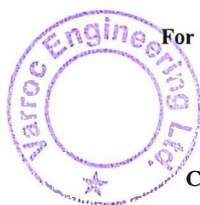
** numbers are below 0.01

^ Ratio for December 31, 2021 is negative because net working capital is negative



Notes to the Unaudited Standalone Financial Results:

- 1) The above results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on February 14, 2022 and were subjected to limited review by the Statutory Auditors.
- 2) The automotive lighting plant of the Company (erstwhile Varroc Lighting Systems India Private Limited) at Pune, India was destroyed by fire on February 18, 2020. The insurance claim in this regard was settled in previous year and accordingly the other income for the period ended December 31, 2020 and year ended March 31, 2021 includes an amount of Rs. 364.72 million being the excess of claim amount over net book value of assets destroyed. Further, the Company sold plot of land belonging to the above said plant in the year ended March 31, 2021. Accordingly, other income for the year ended March 31, 2021 also includes amount of Rs. 241.87 million being profit on sale of such land.
- 3) Other expenses for the quarter and nine months period ended December 31, 2021 includes amounts of Rs.218.30 million and Rs.316.43 million respectively in respect of unrealised foreign exchange loss on loans given to overseas subsidiaries.
- 4) During the quarter ended March 31, 2021, the Company had issued 17,974,870 equity shares of Re 1 each at an issue price of Rs 389 per equity share, aggregating to Rs 6,992.22 million (including securities premium of Rs 6,974.25 million). The issue was made through eligible Qualified Institutional Placement (QIP) in terms of chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, Section 42 and other relevant provisions of the Companies Act, 2013. The proceeds (net of issue expenses) have been utilised for repayment of borrowings of the Company (Rs.890 million) and investment in overseas subsidiary (Rs.4,726.70 million) and remaining amount has been utilised by the Company for working capital requirements and capital expenditure.
- 5) During the previous quarter ended September 30, 2021, the Company issued 3,750 Number of Debentures 8% Secured Listed Non-convertible Debentures of Rs. 1 million each aggregating to Rs.3,750 million on a private placement basis. The NCDs have bullet repayment on June 17, 2023 of Rs.1,250 million and on September 17, 2023 of Rs.2,500 million with coupon payments to be made on an annual basis. The proceeds from the issue have been utilised for investment in overseas subsidiary for loan repayments and for general corporate purposes.
- 6) The Company has considered the possible effects of the COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, etc. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic and arriving at estimates, the Company, as at the date of approval of these financial results, has used internal and external sources of information. The Company has performed analysis on the assumptions used and based on current estimates, expects the carrying amounts of the assets to be recoverable as at December 31, 2021. The impact of COVID-19 on the Company's financial results may differ from that estimated as at the date of approval of these standalone financial results.
- 7) 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.
- 8) Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year classification.



For and on behalf of Board of Directors
Varroc Engineering Limited

Tarang Jain

Chairman and Managing Director

Place: Pune

Date: February 14, 2022

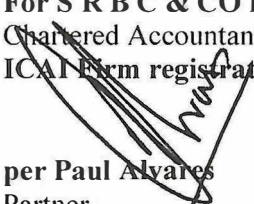
Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Standalone Financial Results of the Company Pursuant to the Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**Review Report to
The Board of Directors
Varroc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

1. We have reviewed the accompanying statement of unaudited standalone financial results of Varroc Engineering Limited (the "Company") for the quarter ended December 31, 2021 and year to date from April 01, 2021 to December 31, 2021 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm registration number: 324982E/E300003


per Paul Alvares
Partner

Membership No.: 105754

UDIN: 22105754ABYKMC6180



Place: Pune

Date: February 14, 2022

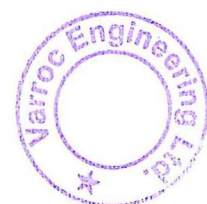


Statement of unaudited consolidated financial results for the quarter and nine months ended December 31, 2021

(Rs. in Million)

Sr. No.	Particulars	Quarter ended			Nine months ended		Year ended
		December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020	March 31, 2021
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Revenue from operations	31,349.51	30,325.58	34,926.55	91,091.08	76,834.94	113,027.51
2	Other income	148.02	99.18	219.32	400.79	950.90	1,271.00
3	Total income (1+2)	31,497.53	30,424.76	35,145.87	91,491.87	77,785.84	114,298.51
4	Expenses						
	Cost of materials consumed	20,855.81	20,672.88	23,896.80	62,682.89	50,801.54	75,845.11
	Changes in inventories of work-in-progress and finished goods	300.31	90.97	(819.02)	(870.21)	(329.38)	(729.39)
	Employee benefits expense	4,553.50	4,562.25	4,267.12	13,878.42	11,619.57	16,295.75
	Finance costs	518.90	440.31	378.80	1,345.00	1,253.09	1,626.29
	Depreciation and amortisation expense	2,534.81	2,373.72	2,247.19	7,100.62	6,586.45	8,950.93
	Other expenses	5,282.38	5,146.64	5,318.29	15,159.32	11,951.35	17,648.13
	Total expenses	34,045.71	33,286.77	35,289.18	99,296.04	81,882.62	119,636.82
5	Profit/(loss) before share of profits of joint ventures, tax and exceptional items (3-4)	(2,548.18)	(2,862.01)	(143.31)	(7,804.17)	(4,096.78)	(5,338.31)
6	Share of Profits of Joint Ventures	30.87	11.51	92.45	16.87	292.32	356.28
7	Profit/(loss) before exceptional items and tax (5+6)	(2,517.31)	(2,850.50)	(50.86)	(7,787.30)	(3,804.46)	(4,982.03)
8	Tax expense						
	Current tax	273.28	255.55	215.29	589.47	479.87	614.64
	Short/ (excess) provision in respect of earlier year	-	(0.26)	(34.27)	(9.08)	(34.27)	(180.25)
	Deferred tax	(146.26)	(133.57)	60.00	(458.35)	(484.60)	(207.77)
	Total tax expense	127.02	121.72	241.02	122.04	(39.00)	226.62
9	Profit/(loss) for the period before exceptional items(7-8)	(2,644.33)	(2,972.22)	(291.88)	(7,909.34)	(3,765.46)	(5,208.65)
10	Exceptional item - Tax Expense (refer note 5)	-	-	1,077.76	-	1,077.76	1,077.76
11	Profit/(loss) for the period (9-10)	(2,644.33)	(2,972.22)	(1,369.64)	(7,909.34)	(4,843.22)	(6,286.41)
12	Other comprehensive income to be reclassified to profit or loss in subsequent periods						
	Deferred hedging gains on cash flow hedges (net of tax)	-	-	(6.95)	-	(19.90)	-
	Exchange differences in translating the financial statements of foreign operations	59.41	(61.33)	163.01	459.60	(111.55)	(355.68)
13	Other comprehensive income not to be reclassified to profit or loss in subsequent periods						
	Remeasurement of defined benefit obligation (net of tax)	-	-	-	-	-	51.90
14	Other comprehensive income/(loss), net of tax (12+13)	59.41	(61.33)	156.06	459.60	(131.45)	(303.78)
15	Total comprehensive income/(loss) for the period (11+14)	(2,584.92)	(3,033.55)	(1,213.58)	(7,449.74)	(4,974.67)	(6,590.19)
16	Profit/(Loss) for the period attributable to:						
	Shareholders of the Company	(2,651.57)	(2,982.79)	(1,387.25)	(7,937.21)	(4,865.06)	(6,319.07)
	Non-controlling interests	7.24	10.57	17.61	27.87	21.84	32.66
17	Other comprehensive income/(loss) attributable to:						
	Shareholders of the Company	59.41	(61.33)	156.06	459.60	(131.45)	(303.64)
	Non-controlling interests	-	-	-	-	-	(0.14)
18	Total comprehensive income/(loss) for the period attributable to:						
	Shareholders of the Company	(2,592.16)	(3,044.12)	(1,231.19)	(7,477.61)	(4,996.51)	(6,622.71)
	Non-controlling interests	7.24	10.57	17.61	27.87	21.84	32.52
19	Paid-up equity share capital (face value of Re.1)	152.79	152.79	134.81	152.79	134.81	152.79
20	Reserves excluding revaluation reserves as per balance sheet						30,126.34
21	Earnings per equity share attributable to Owners [Nominal value per share: Re. 1 (Previous year : Re. 1)](not annualised)						
	Basic and diluted (in Rupees)	(17.35)	(19.52)	(10.29)	(51.95)	(36.09)	(46.75)

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Unaudited Consolidated Segment wise Revenue, Results, Assets and Liabilities

Particulars	Quarter ended			Nine months ended		(Rs. in Million)
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020	For the year ended March 31, 2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1) Segment Revenue						
(i) Automotive	30,639.01	29,736.08	34,416.07	89,056.27	75,515.43	111,137.63
(ii) Others	710.50	589.50	510.48	2,034.81	1,319.51	1,889.88
	31,349.51	30,325.58	34,926.55	91,091.08	76,834.94	113,027.51
2) Segment Results						
(i) Automotive	(1,952.30)	(2,391.46)	278.09	(6,385.99)	(2,728.87)	(3,668.62)
(ii) Others	(135.01)	(97.09)	(115.78)	(285.30)	(308.70)	(373.42)
Total Segment Results	(2,087.31)	(2,488.55)	162.31	(6,671.29)	(3,037.57)	(4,042.04)
Add/ (Less):						
(a) Finance Cost	(518.90)	(440.31)	(378.80)	(1,345.00)	(1,253.09)	(1,626.29)
(b) Net unallocated (expenditure) / income	88.90	78.36	165.63	228.99	486.20	686.30
Profit/(loss) before tax	(2,517.31)	(2,850.50)	(50.86)	(7,787.30)	(3,804.46)	(4,982.03)
3) Segment Assets						
(i) Automotive	96,288.03	102,552.31	100,394.06	96,288.03	100,394.06	102,849.49
(ii) Others	2,450.94	2,427.85	2,206.31	2,450.94	2,206.31	2,546.73
Total segment assets	98,738.97	104,980.16	102,600.37	98,738.97	102,600.37	105,396.22
Add: Unallocated	7,066.95	6,924.96	6,971.38	7,066.95	6,971.38	6,857.01
Total assets	105,805.92	111,905.12	109,571.75	105,805.92	109,571.75	112,253.23
4) Segment Liabilities						
(i) Automotive	50,633.11	49,347.32	50,340.86	50,633.11	50,340.86	48,674.58
(ii) Others	1,024.15	918.70	716.45	1,024.15	716.45	650.21
Total segment liabilities	51,657.26	50,266.02	51,057.31	51,657.26	51,057.31	49,324.79
Add: Unallocated	31,097.02	36,001.88	33,170.31	31,097.02	33,170.31	32,367.54
Total liabilities	82,754.28	86,267.90	84,227.62	82,754.28	84,227.62	81,692.33

Notes :

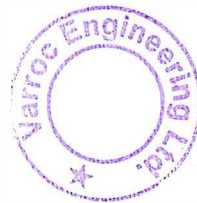
- The above results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on February 14, 2022 and were subjected to limited review by the Statutory Auditors.
- The Group had received notices from a third-party auto component supplier for certain alleged patent infringements in respect of some of the products supplied by an overseas subsidiary of the Group in the European region. During the quarter ended December 31, 2021, the Group has received Court Orders confirming infringement by the Group in two cases whereas for three other cases, court hearings are not yet completed. The quantification of compensation payable in respect of such infringements has not yet been initiated. The management has assessed that these Orders do not materially impact the current or future sales deliveries to respective OEMs. The Group has filed appeals against these Orders which are pending with appellate authorities. Further, the Group had separately filed for nullification of patents for which separate proceedings are pending with the relevant authorities, which if successful would have the effect that all claims will lose their legal basis. Based on a legal opinion, the management believes that it has grounds to defend all cases under litigation and accordingly no provision has been considered in respect of these matters in these results for the quarter and nine-month period ended December 31, 2021. The auditors in their review report have drawn Emphasis of Matter in relation to this matter.
- The Group has incurred significant losses in the previous year due to impact of COVID 19 and in the current period primarily due to the impact of semiconductor shortages which impacted and continues to impact the automotive sales volumes of its customers significantly. The reduction in sales volumes and losses have affected the working capital cycle and cash generation from operations of the Group. The Group had certain term loans from banks maturing in September 21 of Eur 26.1 mn (Rs 2,196 mn) in an overseas subsidiary out of which Eur 12.6 mn (Rs 1,060 mn) have been repaid to banks till December 31, 2021 and for the remaining Eur 13.5 mn (Rs 1,136 mn); the Group has availed extension till end of March 2022. Further, there are working capital facilities from these banks of Eur 36 mn (Rs 3,028 mn) which were also extended and are also maturing by end of March 2022. The Group is in the process of negotiating with the banks for refinancing and/or rollover the aforesaid term loans and working capital facilities and basis ongoing discussions with banks, the management does not foresee any risk of non-payment on due dates or replacement/renewal of working capital facilities. Further, the Group is also evaluating various alternatives to meet its fund requirements for operations and for repayment of debts falling due within the next 12 months and the management does not foresee any material challenge in raising these funds. Accordingly, the results as at and for the period ended December 31, 2021 are prepared based on going concern assumption being appropriate for the next 12 months.
- During the quarter ended March 31, 2021, the Company had issued 17,974,870 equity shares of Re. 1 each at an issue price of Rs. 389 per equity share, aggregating to Rs. 6,992.22 million (including securities premium of Rs. 6,974.25 million). The issue was made through eligible Qualified Institutional Placement (QIP) in terms of chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, Section 42 and other relevant provisions of the Companies Act, 2013. The proceeds (net of issue expenses) have been utilised for repayment of borrowings of the Group to the extent of Rs. 2,442 million and remaining amount of Rs. 4,409.92 million has been utilised by the Group for working capital requirements and capital expenditure.

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- 5 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 company. In the previous year, the management had reassessed the recoverability of these tax assets based on revised business plans, taking into account the impact of COVID-19 on the business volumes and profitability of the Czech subsidiary for future years. Based on this assessment, management had concluded that there was an uncertainty on the recoverability of the deferred tax assets recognised under the first scheme, which expires by March 2024. Accordingly, the Group had written down these tax assets amounting to Rs. 1,077.76 million under the abovementioned scheme during the quarter and nine months ended December 31, 2020 and the same was disclosed separately as "Exceptional Item" in the results. 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.
- 6 During the nine months period ended December 31, 2020 and for the year ended March 31, 2021, 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.
- 7 The deferred tax in "Tax expense" for the nine months ended December 31, 2021 includes a credit of Rs. 78.57 Million (quarter and nine months ended December 31, 2020 and for the year ended March 31, 2021 includes a credit of Rs. 134.15 Million) recognized on tax incentive available on eligible investments by overseas subsidiaries.
- 8 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 in previous year and accordingly the other income for the previous nine months period ended December 31, 2020 and year ended March 31, 2021 includes an amount of Rs. 364.71 million being the excess of claim amount over net book value of assets destroyed. Further, the Group sold plot of land belonging to the above said plant in the year ended March 31, 2021. Accordingly, other income for the year ended March 31, 2021 also includes amount of Rs. 241.87 million being profit on sale of such land.
- 9 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.
- 10 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 and impact on liquidity position. 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 results, 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, 2021. The impact of COVID-19 on the Group's financial results may differ from that estimated as at the date of approval of these consolidated financial results.
- 11 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/loss from joint venture is considered under unallocated assets and profit/loss respectively.
- 12 Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year's classification.

Place : Pune
Date : February 14, 2022



For and on behalf of Board of Directors
Varroc Engineering Limited

Tarang Jain
Chairman and Managing Director

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

1. We have reviewed the accompanying Statement of Unaudited Consolidated Financial Results of Varroc Engineering Limited (the "Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its joint ventures for the quarter ended December 31, 2021 and year to date from April 01, 2021 to December 31, 2021 (the "Statement") attached herewith, being submitted by the Holding Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. This Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

List of Subsidiaries:

Varroc Polymers Private Limited; Durovalves India Private Limited; Team Concepts Private Limited; CarlQ Technologies Private Limited; Varroc European Holding B.V.; VarrocCorp Holding B.V.; Varroc Japan Co. Ltd.; IMES, Italy; Varroc Lighting Systems Italy, S.p.A.; Varroc Lighting Systems Romania S.A.; Varroc Lighting Systems Vietnam Co. Ltd.; Varroc Lighting Systems SRO CZ; Varroc Lighting Systems, INC; Varroc Lighting Systems, GmbH; Varroc Lighting Systems, S.de.R.L.de.C.V.; Varroc Lighting Systems SA, Morocco; Varroc do Brasil Industria E Comercio LTDA; Varroc Lighting Systems, S.p.z.o.o.; Varroc Lighting Systems Endüstriyel Ürünler İmalat ve Ticaret Anonim Şirketi; Varroc Lighting Systems Bulgaria Eood, Varroc Lighting Systems Electronics Romania SRL.



List of Joint ventures:

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

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of other auditors referred to in paragraph 7 and 9 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with recognition and measurement principles laid down in the aforesaid Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

6. We draw attention to Note 2 of the accompanying consolidated financial results which describes the litigations relating to alleged patent infringements. As informed, the Group has received court orders confirming infringement in two cases whereas for three other cases, court hearings are not yet completed. The Group has filed appeals against these orders which are pending with appellate authorities. The Group had also separately filed for nullification of patents with the relevant authorities. Based on a legal opinion, the management believes that it has grounds to defend all cases under litigation and accordingly no provision has been considered in respect of these matters in these results.

Our conclusion is not modified in respect of this matter.

Other matters

7. The accompanying Statement includes the unaudited interim financial results/statements and other financial information, in respect of:
- 6 subsidiaries, whose unaudited interim financial results/statements (without giving effect of elimination of intra-group transactions) include total revenues of Rs. 5,897.55 million and Rs. 18,114.41 million, total net loss after tax of Rs. 323.67 million and Rs. 483.37 million, total comprehensive loss of Rs. 323.67 million and Rs. 483.37 million for the quarter ended December 31, 2021 and the period from April 1, 2021 to December 31, 2021, respectively, as considered in the Statement which have been reviewed by their respective independent auditors.
 - 1 joint venture, whose unaudited interim financial results/statements include Group's share of net profit/(loss) of Rs. 24.89 million and Rs. (7.10) million and Group's share of total comprehensive income/(loss) of Rs. 24.89 million and Rs. (7.10) million for the quarter ended December 31, 2021 and for the period from April 1, 2021 to December 31, 2021 respectively, as considered in the Statement whose interim financial results/financial statements, other financial information have been reviewed by its independent auditors.

The independent auditor's reports on interim financial statements/ financial information/ financial results of these entities have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures in respect of these subsidiaries and joint ventures is based solely on the report of such auditors and procedures performed by us as stated in paragraph 3 above.



8. Certain of these subsidiaries/joint ventures are located outside India whose financial results and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been reviewed by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial results of such subsidiaries/joint ventures 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 ventures located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and reviewed by us.
9. The accompanying Statement includes unaudited interim financial results /statements and other unaudited financial information in respect of:
- 6 subsidiaries, whose interim financial results/statements and other financial information (without giving effect of elimination of intra-group transactions) reflect total revenues of Rs. 320.59 million and Rs. 892.42 million, total net loss after tax of Rs. 322.35 million and Rs. 362.24 million, total comprehensive loss of Rs. 322.35 million and Rs. 362.24 million, for the quarter ended December 31, 2021 and the period from April 01, 2021 to December 31, 2021 respectively.
 - 2 joint ventures whose interim financial results/statements includes the Group's share of net profit of Rs. 5.98 million and Rs 23.98 million and Group's share of total comprehensive income of Rs. 5.98 million and Rs 23.98 million for the quarter ended December 31, 2021 and for the period from April 01, 2021 to December 31, 2021 respectively.

The unaudited interim financial statements/ financial information/ financial results and other unaudited financial information of 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 Statement, in so far as it relates to the affairs of these subsidiaries and joint ventures, is based solely on such unaudited interim financial statement/financial results and other unaudited financial information. According to the information and explanations given to us by the Management, these interim financial statements/financial information/financial results are not material to the Group.

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

For S R B C & CO LLP

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

per Paul Alvares

Partner

Membership No.: 105754

UDIN: 22105754ABYLHG9302



Place: Pune

Date: February 14, 2022