

Varroc Engineering Limited

Registered and Corporate Office : L-4, MIDC Area, Waluj, Aurangabad 431 136, Maharashtra

CIN : L28920MH1988PLC047335

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Statement of unaudited consolidated financial results for the quarter ended June 30, 2021

(Rs. in Million)

Sr. No.	Particulars	Quarter ended			Year ended
		June 30, 2021	March 31, 2021	June 30, 2020	March 31, 2021
		Unaudited	Audited (refer note 2)	Unaudited	Audited
1	Revenue from operations	29,415.99	36,192.57	12,746.93	1,13,027.51
2	Other income	153.59	320.10	500.01	1,271.00
3	Total income (1+2)	29,569.58	36,512.67	13,246.94	1,14,298.51
4	Expenses				
	Cost of materials consumed	21,154.20	25,043.57	8,340.40	75,845.11
	Changes in inventories of work-in-progress and finished goods	(1,261.49)	(400.01)	283.27	(729.39)
	Employee benefits expense	4,762.67	4,676.18	3,477.55	16,295.75
	Finance costs	385.79	371.54	431.54	1,626.29
	Depreciation and amortisation expense	2,192.09	2,361.78	2,068.95	8,950.93
	Other expenses	4,730.30	5,701.14	2,550.03	17,648.13
	Total expenses	31,963.56	37,754.20	17,151.74	1,19,636.82
5	Profit/(loss) before share of profits of joint ventures, tax and exceptional items (3-4)	(2,393.98)	(1,241.53)	(3,904.80)	(5,338.31)
6	Share of Profits/(loss) of Joint Ventures	(25.51)	63.96	109.71	356.28
7	Profit/(loss) before exceptional items and tax (5+6)	(2,419.49)	(1,177.57)	(3,795.09)	(4,982.03)
8	Tax expense				
	Current tax	60.64	134.77	-	614.64
	Excess provision in respect of earlier year	(8.82)	(145.98)	-	(180.25)
	Deferred tax	(178.52)	276.83	(709.21)	(207.77)
	Total tax expense	(126.70)	265.62	(709.21)	226.62
9	Profit/(loss) for the period before exceptional items(7-8)	(2,292.79)	(1,443.19)	(3,085.88)	(5,208.65)
10	Exceptional item - Tax Expense (refer note 4)	-	-	-	1,077.76
11	Profit/(loss) for the period (9-10)	(2,292.79)	(1,443.19)	(3,085.88)	(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)	-	19.90	7.14	-
	Exchange differences in translating the financial statements of foreign operations	461.52	(244.13)	107.13	(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	-	51.90
14	Other comprehensive income/(loss), net of tax (12+13)	461.52	(172.33)	114.27	(303.78)
15	Total comprehensive income/(loss) for the period (11+14)	(1,831.27)	(1,615.52)	(2,971.61)	(6,590.19)
16	Profit/(Loss) for the period attributable to:				
	Shareholders of the Company	(2,302.85)	(1,454.01)	(3,077.18)	(6,319.07)
	Non-controlling interests	10.06	10.82	(8.70)	32.66
17	Other comprehensive income/(loss) attributable to:				
	Shareholders of the Company	461.52	(172.19)	114.27	(303.64)
	Non-controlling interests	-	(0.14)	-	(0.14)
18	Total comprehensive income/(loss) for the period attributable to:				
	Shareholders of the Company	(1,841.33)	(1,626.20)	(2,962.91)	(6,622.71)
	Non-controlling interests	10.06	10.68	(8.70)	32.52
19	Paid- up equity share capital (face value of Re.1)	152.79	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)	(15.07)	(10.67)	(22.83)	(46.75)



Unaudited Consolidated Segment wise Revenue, Results, Assets and Liabilities

(Rs. in Million)

Particulars	Quarter ended			For the year ended
	June 30, 2021	March 31, 2021	June 30, 2020	March 31, 2021
	Unaudited	Audited (refer note 2)	Unaudited	Audited
1) Segment Revenue				
(i) Automotive	28,681.18	35,622.20	12,352.91	1,11,137.63
(ii) Others	734.81	570.37	394.02	1,889.88
	29,415.99	36,192.57	12,746.93	1,13,027.51
2) Segment Results				
(i) Automotive	(2,042.23)	(941.40)	(3,460.58)	(3,668.62)
(ii) Others	(53.20)	(64.73)	(59.18)	(373.42)
Total Segment Results	(2,095.43)	(1,006.13)	(3,519.76)	(4,042.04)
Add/ (Less):				
(a) Finance Cost	(385.79)	(371.54)	(431.54)	(1,626.29)
(b) Net unallocated (expenditure) / income	61.73	200.10	156.21	686.30
Profit/(loss) before tax	(2,419.49)	(1,177.57)	(3,795.09)	(4,982.03)
3) Segment Assets				
(i) Automotive	1,02,241.13	1,02,849.49	90,520.34	1,02,849.49
(ii) Others	2,551.65	2,546.73	2,179.78	2,546.73
Total segment assets	1,04,792.78	1,05,396.22	92,700.12	1,05,396.22
Add: Unallocated	7,242.14	6,857.01	7,592.40	6,857.01
Total assets	1,12,034.92	1,12,253.23	1,00,292.52	1,12,253.23
4) Segment Liabilities				
(i) Automotive	49,284.22	48,674.58	33,704.47	48,674.58
(ii) Others	987.54	650.21	581.82	650.21
Total segment liabilities	50,271.76	49,324.79	34,286.29	49,324.79
Add: Unallocated	33,033.53	32,367.54	38,689.33	32,367.54
Total liabilities	83,305.29	81,692.33	72,975.62	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 August 12, 2021 and were subjected to limited review by the Statutory Auditors.
- The figures for the quarter ended March 31, 2021 are the derived figures between audited figures in respect of full financial year upto March 31, 2021 and the unaudited published year to-date figures upto December 31, 2020, being the date of end of the third quarter of the previous financial year which were subjected to limited review.
- The Group had 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 in previous year. 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 the results for the quarter ended June 30, 2021. The auditors in their review report have drawn Emphasis of Matter in relation to this matter.

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- 4 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. The management 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 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 had written down these tax assets amounting to Rs. 1,077.76 million under the abovementioned scheme during the previous year ended March 31, 2021 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.
- 5 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.
- 6 During the quarter ended June 30, 2021, subsidiary company in Czech Republic has received a government grant of Rs. 17.16 million (Quarter ended March 31, 2021: Rs Nil Million; Quarter ended June 30, 2020: Rs 158.88 Million ; year ended March 31, 2021: 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 quarter ended June 30, 2021 includes a credit of Rs.79.95 Million (Quarter ended March 31, 2021: Rs Nil Million; Quarter ended June 30, 2020: Rs Nil Million; Year ended March 31, 2021: 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 quarter ended June 30, 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 Group sold plot of land belonging to the above said plant in the quarter ended March 31, 2021. Accordingly, other income for the quarter and year ended March 31, 2021 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 June 30, 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 Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year’s classification.

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

**Place : Pune
Date : August 12, 2021**

**Tarang Jain
Chairman and Managing Director**