

Varroc Engineering Limited

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www.varroc.com
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2023-24/90

November 7, 2023

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-400 051.
NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.
BSE Security Code: 541578
[Debt: 975062]

Sub: Outcome of Board Meeting

Ref: Regulation 30 (read with Part A of Schedule III), Regulation 33 and Regulation 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 Tuesday, November 7, 2023, which commenced at 11:35 A.M. and concluded at 2.48 P.M. has considered and approved the following items:

1. Unaudited Financial Results (Standalone and Consolidated) for the Quarter and Half Year ended on September 30, 2023:

The Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter and half year ended on September 30, 2023, were approved.

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

- i. Statements showing the Un-audited Financial Results (Standalone and Consolidated) of the Company for the quarter and half year ended on September 30, 2023; and
- ii. 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.

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

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 September 30, 2023 and year to date from April 01, 2023 to September 30, 2023 (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. The Company's Management is responsible for the preparation of the Statement 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 and in compliance with Regulation 33 and 52 of the Listing Regulations. The Statement has been approved by the Company's Board of Directors. 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.

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SRBC & COLLP

Chartered Accountants

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 Standard ('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 SRBC & CO LLP

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

per Paul Alvarez

Partner

Membership No.: 105754

UDIN: 23,105754BGQURS1355

Place: Pune

Date: November 07, 2023



Statement of unaudited standalone financial results for the quarter and half year ended September 30, 2023

(Rs. in Million)

Sr. No.	Particulars	Quarter ended			Half year ended		Year ended
		September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2023
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Revenue from operations	11,108.06	10,541.86	10,939.89	21,649.92	20,187.71	39,401.96
2	Other income (refer note 3 & 4)	162.78	23.25	120.12	186.03	216.54	306.97
3	Total Income (1 + 2)	11,270.84	10,565.11	11,060.01	21,835.95	20,404.25	39,708.93
4	Expenses						
	(a) Cost of materials consumed	7,586.26	7,251.27	7,840.85	14,837.53	14,004.70	26,696.99
	(b) Changes in stock of finished goods and work-in-progress	(88.38)	(130.87)	(465.02)	(219.25)	(458.05)	(158.22)
	(c) Employee benefits expense	1,086.69	961.28	947.19	2,047.97	1,846.20	3,661.84
	(d) Finance costs	472.82	444.53	408.59	917.35	744.80	1,700.98
	(e) Foreign exchange (gain)/loss (net) (refer note 2)	(63.10)	(13.27)	318.64	(76.37)	557.32	495.92
	(f) Depreciation and amortisation expense	498.31	474.86	444.25	973.17	890.88	1,944.49
	(g) Other expenses	1,746.58	1,720.02	1,539.39	3,466.60	2,885.62	5,822.43
	Total expenses (4)	11,239.18	10,707.82	11,033.89	21,947.00	20,471.47	40,164.43
5	Profit/(loss) before tax and exceptional items (3- 4)	31.66	(142.71)	26.12	(111.05)	(67.22)	(455.50)
6	Exceptional item (refer note 5)	-	45.00	13,240.00	45.00	13,240.00	13,321.90
7	Profit/(loss) before tax (5-6)	31.66	(187.71)	(13,213.88)	(156.05)	(13,307.22)	(13,777.40)
8	Tax expense						
	(a) Current tax	13.75	(54.19)	138.15	(40.44)	138.15	137.66
	(b) Short/(excess) provision in respect of earlier years	-	-	-	-	-	(110.90)
	(c) Deferred tax	(3.19)	1.65	181.24	(1.54)	146.69	63.78
	Total tax expense (8)	10.56	(52.54)	319.39	(41.98)	284.84	90.54
9	Profit/(loss) for the period (7-8)	21.10	(135.17)	(13,533.27)	(114.07)	(13,592.06)	(13,867.94)
10	Other comprehensive income						
	Items that will not be reclassified to profit or loss in subsequent periods						
	Remeasurement of defined benefit obligation (net of tax)	-	-	-	-	-	1.83
	Other comprehensive income/(loss) (10)	-	-	-	-	-	1.83
11	Total comprehensive income for the period (9+10)	21.10	(135.17)	(13,533.27)	(114.07)	(13,592.06)	(13,866.11)
12	Paid- up equity share capital (face value of Re.1)	152.79	152.79	152.79	152.79	152.79	152.79
13	Reserves excluding revaluation reserves as per balance sheet	-	-	-	-	-	5,390.95
14	Earnings per equity share (Nominal value per share: Re. 1) (not annualised)						
	Basic & diluted (in Rupees)	0.14	(0.88)	(88.57)	(0.75)	(88.96)	(90.76)



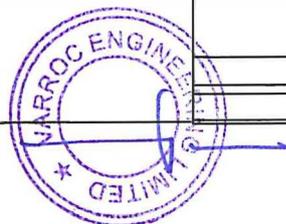


Statement of unaudited standalone assets and liabilities as at September 30, 2023

(Rs. in Million)

Sr. No.	Particulars	As at	As at
		September 30, 2023	March 31, 2023
		Unaudited	Audited
	ASSETS		
1	Non-current assets		
	(a) Property, plant and equipment	9,097.16	9,711.63
	(b) Capital work-in-progress	190.28	374.84
	(c) Investment properties	115.92	118.69
	(d) Intangible assets	489.53	513.15
	(e) Intangible assets under development	17.11	56.44
	(f) Right to use asset	1,805.32	1,345.71
	(g) Investments in subsidiaries and joint venture	8,873.73	9,139.17
	(h) Financial assets		
	(i) Investments	0.15	0.15
	(ii) Other financial assets	187.83	293.47
	(i) Income tax assets (net)	488.83	306.77
	(j) Other non-current assets	444.85	443.55
		21,710.71	22,303.57
2	Current assets		
	(a) Inventories	4,250.42	4,109.16
	(b) Financial assets		
	(i) Investments*	110.50	300.05
	(ii) Trade receivables	2,707.11	3,033.16
	(iii) Cash and cash equivalents	981.58	1,496.36
	(iv) Bank balances other than (iii) above	44.65	45.06
	(v) Loans	33.22	479.58
	(vi) Other financial assets	157.12	58.40
	(c) Other current assets	724.58	650.61
		9,009.18	10,172.38
	Total Assets (1+2)	30,719.89	32,475.95
	EQUITY AND LIABILITIES		
1	Equity		
	(a) Equity share capital	152.79	152.79
	(b) Other equity	5,276.88	5,390.95
		5,429.67	5,543.74
2	Liabilities		
	Non-current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	3,398.79	1,473.78
	(ii) Lease liabilities	1,339.27	890.84
	(b) Provisions	85.83	83.74
	(c) Deferred tax liabilities (net)	797.90	799.43
	(d) Other non-current liabilities	28.23	44.78
	(e) Deferred government grant	204.91	144.39
		5,854.93	3,436.96
3	Current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	9,770.17	14,986.05
	(ii) Lease liabilities	158.93	112.68
	(iii) Trade payables		
	(a) Total outstanding dues of micro enterprises and small enterprises	1,198.13	784.65
	(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	6,458.45	5,457.49
	(c) Acceptances	146.59	91.01
	(iv) Other financial liabilities	806.30	1,048.87
	(b) Provisions	214.03	218.20
	(c) Other current liabilities	585.98	646.22
	(d) Deferred government grant	96.71	150.08
		19,435.29	23,495.25
	Total Equity and Liabilities (1+2+3)	30,719.89	32,475.95

* Pertains to investment in overnight liquid mutual funds.





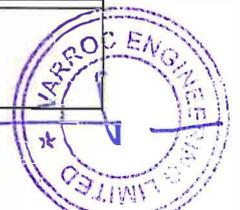
Statement of unaudited Standalone Cash Flows for the half year ended September 30, 2023

(Rs. in Million)

Sr. No.	Particulars	For the half year ended September 30, 2023		For the half year ended September 30, 2022	
		Unaudited		Unaudited (refer note 3)	
A	Cash flow from operating activities				
	Profit/(loss) before tax		(156.05)		(13,307.22)
	Adjustments for:				
	Exceptional items (refer note 5)	45.00		13,240.00	
	Depreciation and amortization expense	973.17		890.88	
	Provision for doubtful debts / advances	(0.91)		-	
	Unrealised exchange loss on restatement of intercorporate loan	-		554.97	
	Realised exchange gain on intercorporate loan	(31.38)		-	
	Finance costs	917.35		744.80	
	Rent income from investment property	(19.20)		(14.09)	
	Profit on sale of current investments	(0.43)		-	
	Provisions/liabilities no longer required written back	(0.43)		(0.33)	
	(Profit)/Loss on sale of property, plant and equipment / intangible assets	0.39		(3.03)	
	Increase in surrender value of key man insurance	(13.29)		(8.31)	
	Dividend income	(125.79)		-	
	Interest income	(23.13)		(144.92)	
			1,721.35		15,259.97
	Operating profits before working capital changes		1,565.30		1,952.75
	Adjustments for changes in working capital				
	Trade receivables	479.35		(1,328.17)	
	Trade payables	1,425.45		1,977.09	
	Inventories	(141.26)		(1,391.77)	
	Other financial assets	(25.59)		(79.25)	
	Other current and non current assets	(62.15)		29.04	
	Provision	(2.08)		11.08	
	Other financial liabilities	36.27		48.85	
	Other current and non current liabilities	(76.79)		(83.44)	
			1,633.20		(816.57)
	Cash generated from operations		3,198.50		1,136.18
	Income tax paid (net of refund)		(141.60)		(177.11)
	Net cash flow generated from operating activities		3,056.90		959.07
B	Cash flow from investing activities				
	Dividend received	125.79		-	
	Interest received	17.87		-	
	Rent received on investment property	19.20		14.09	
	Proceeds from sale of property, plant and equipment	455.85		12.27	
	Repayment of loans by subsidiaries	687.28		-	
	Loans given to subsidiaries	(49.93)		(2,212.42)	
	(Purchase of)/Proceeds from sale of current investment (net)	189.98		-	
	Purchase of property, plant and equipment	(523.53)		(720.18)	
	Fixed deposits (placed)/ redeemed (net)	(0.66)		(10.40)	
	(Purchase of)/Proceeds from sale of non current investment (net)	(69.97)		(1.00)	
	Net cash generated from/(used in) investing activities		851.88		(2,917.64)
C	Cash flow from financing activities				
	Repayment of long term borrowings	(4,874.52)		(690.86)	
	Proceeds from long term borrowings	2,500.00		1,600.00	
	Proceeds from/(repayment of) short term borrowings (net)	(679.65)		957.44	
	Payment of principal portion of lease liability	(57.70)		(35.57)	
	Payment of interest on lease liability	(48.75)		(7.99)	
	Intercorporate Deposit taken from Subsidiaries	7,160.65		2,364.50	
	Intercorporate Deposit repaid to Subsidiaries	(7,392.68)		(1,230.00)	
	Interest paid	(1,030.91)		(857.31)	
	Net cash flow generated from/(used in) financing activities		(4,423.56)		2,100.21
	Net (decrease)/increase in cash and cash equivalents (A+B+C)		(514.78)		141.64
	Opening cash and cash equivalents		1,496.36		427.55
	Closing cash and cash equivalents		981.58		569.19
	Cash and cash equivalents consists of :				
	Cash in hand		0.02		0.01
	Bank balances				
	- Current accounts		392.74		569.18
	- Deposit with maturity of less than 3 months		588.82		-
			981.58		569.19

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) Prior period comparatives have been reclassified to conform with current period presentation, where applicable.
- 3) Figures in brackets represent outflow of cash and cash equivalents.





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

Particulars		Quarter Ended			Half Year Ended		Year Ended
		September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2023
Debt Equity ratio [refer note (i)]	(No of times)	2.43	2.69	2.51	2.43	2.51	2.97
Debt service coverage ratio [refer note (ii)]	(No of times)	0.82	0.37	1.18	0.54	1.09	1.03
Interest service coverage ratio [refer note (iii)]	(No of times)	2.12	1.75	2.15	1.94	2.11	1.88
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)	5,429.67	5,408.57	5,817.76	5,429.67	5,817.76	5,543.74
Net profit/(loss) after tax	(Rs. In Millions)	21.10	(135.17)	(13,533.27)	(114.07)	(13,592.06)	(13,867.94)
Earning per share (EPS)							
Basic EPS (Not Annualised)	(Rs)	0.14	(0.88)	(88.57)	(0.75)	(88.96)	(90.76)
Diluted EPS (Not Annualised)	(Rs)	0.14	(0.88)	(88.57)	(0.75)	(88.96)	(90.76)
Current Ratio [refer note (v)]	(No of times)	0.46	0.41	0.50	0.46	0.50	0.43
Long Term Debt To Working Capital [refer note (vi)] ^	(No of times)	(1.14)	(1.20)	(1.55)	(1.14)	(1.55)	(1.94)
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)	0.77	0.87	0.84	0.77	0.84	0.87
Total Debts To Total Assets [refer note (ix)]	(No of times)	0.43	0.46	0.44	0.43	0.44	0.51
Debtors Turnover [refer note (x)]*	(No of times)	3.70	3.33	2.32	7.54	4.42	11.25
Inventory Turnover [refer note (xi)]*	(No of times)	1.76	1.70	1.63	3.50	3.14	6.87
Operating Margin [refer note (xii)]	(In %)	2.51%	2.52%	2.89%	2.51%	2.30%	2.40%
Net Profit Margin [refer note (xiii)]	(In %)	0.19%	-1.28%	-123.70%	-0.53%	-67.33%	-35.20%
Security cover ratio [refer note (xvii)] #	(No of times)	NA	1.75	1.04	NA	1.04	1.21

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 & amortisation and Exceptional items)/(Interest Expense + Principal repayments of long term loan made during the period excluding prepayment)]

(iii) Interest service coverage ratio = [(Earning before Interest, Tax, Depreciation & amortisation and Exceptional items)/(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) / Average Inventory]

(xii) Operating Margin = [(EBIT (Earning before Interest, Tax and Exception items) - 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)]

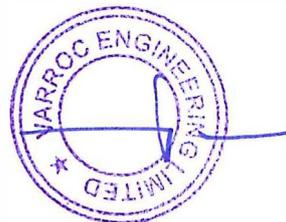
(xvii) Security cover ratio = [(Book value of specific identified movable fixed assets both present and future of the company as per debenture trust deed / NCD principal amount + Interest payable till date)]

* Ratio not annualised, except for the year ended March 31, 2023

** numbers are below 0.01

^ Ratio is negative because net working capital is negative.

Security for Non-Convertible Debentures ('NCDs') issued during the quarter was created on October 16, 2023, and the NCDs were unsecured as at September 30, 2023. Hence, disclosure for security cover ratio is not applicable for the quarter and half year ended September 30, 2023





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 November 07, 2023 and were subjected to review by the Statutory Auditors.
- 2) Foreign exchange loss/(gain) for the quarters ended September 30, 2023, June 30, 2023, and September 30, 2022, half years ended September 30, 2023 and September 30, 2022, and the year ended March 31, 2023 includes amounts of Rs. (31.38) million, Rs. 1.90 million, Rs. 317.72 million, Rs. (29.48) million, Rs. 557.32 million and Rs. 529.62 million respectively in respect of unrealised/realised foreign exchange (gain)/ loss on loans given to overseas subsidiary.
- 3) During the current quarter, management has re-evaluated the presentation of income from government grants in the statement of profit and loss and has re-classified it from other income to other operating income included within 'Revenue from Operations'. Accordingly, income of Rs. 64.55 million and Rs. 127.14 million for the quarter and six months period ended September 30, 2023 respectively has been presented under other operating income. Further other income of comparative periods for quarters ended June 30, 2023 and September 30, 2022, six months period ended September 30, 2022 and year ended March 31, 2023 have also been reclassified by Rs. 62.59 million, Rs. 52.56 million, Rs. 108.26 million and Rs. 223.06 million respectively. Further cashflows of Rs. 80.26 million and Rs. 40.35 million from government grant for the six months period ended September 30, 2023 and September 30, 2022 have also been reclassified from investing activity to operating activity in the cashflow statement.
- 4) Other income for the quarter and period ended September 30, 2023 also includes dividend received from a subsidiary company of Rs. 125.79 million.
- 5) Varroc Engineering Limited ("the Company") and VarrocCorp Holding BV, Netherlands ("VCHBV", wholly owned subsidiary of VEL) (together referred to as "Sellers") entered into a Securities Purchase Agreement dated April 29, 2022 as amended dated July 01, 2022, October 05, 2022 and May 12, 2023 (collectively referred to as "SPA") with Compagnie Plastic Omnium SE, France (referred to as "Buyer"), to divest the Sellers 4-Wheeler lighting business in the Americas and Europe ("VLS Business"). The equity value agreed under the SPA was Euro 69.5 million (subject to closing adjustments as provided under the SPA) and accordingly the loss on equity investments and loans given to VLS business of Rs. 13,321.90 million was recognised as exceptional item during the year ended March 31, 2023.
The Buyer submitted the final adjustments but failed to provide the necessary supporting details to enable the Sellers to understand these adjustments. Hence, Sellers sent a Dispute Notice in accordance with the SPA disputing the proposed adjustments. Subsequently, both the Buyer and the Sellers have entered into Settlement Agreement on July 14, 2023 whereby both the parties have agreed to settle the disagreements on closing adjustments and the final equity value agreed under the Settlement Agreement is Euro 54.5 million. Accordingly, VCHBV has received the remaining consideration amount of Euro 13 million on July 17, 2023 pursuant to this final settlement with Buyer.
Exceptional item of Rs. 45 million for the quarter ended June 30, 2023 pertains to expenses directly related to sale of investment in VLS business.
- 6) As at September 30, 2023, the Company has not complied with some of the covenants under loan agreements. Accordingly, non-current loans of Rs. 1,726.39 million have been reclassified as current. The management does not expect any material impact on the financial statements/ cash flow due to the above.
- 7) The total debt as at September 30, 2023 is Rs.13,168.96 million out of which amounts of Rs. 2,261.53 million are due for repayment in the next 12 months from balance sheet date (excluding working capital facilities of Rs.5,806.76 million). Taking into account the expected cash generation from operations in next 12 months and the additional sanctions that the Company has secured for long-term funding, the management does not foresee any risk of non-payment/default. Accordingly, the results for the quarter and half year ended September 30, 2023 are prepared based on going concern assumption being appropriate for the next 12 months.
- 8) During the current quarter, the Company has issued 25,000 number of listed 9.2% Non-Convertible Debentures ('NCD') of face value of Rs. 1,00,000 each aggregating to Rs. 2,500 million on a private placement basis. The NCDs will be repaid in 16 equal quarterly instalments beginning from December 07, 2024. Further, NCD holders have a put option after 30 months and 42 months respectively from date of allotment, requiring the Company to redeem all the NCDs. The Company shall at all times until the Final Settlement Date maintain a minimum Security Cover of at least 1.1x. The proceeds from the issue have been utilised for repayment of existing listed NCDs, other outstanding debt and for general corporate purposes. As at September 30, 2023, NCDs were unsecured pending creation of security. Subsequently on October 16, 2023, NCDs have been secured by exclusive charge by way of hypothecation on the specific identified movable properties of the Company. Pursuant to such security creation, the interest rate will be reduced by 0.60% in accordance with the transaction documents w.e.f. December 07, 2023.
- 9) 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: November 07, 2023

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"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its joint ventures for the quarter ended September 30, 2023 and year to date from April 01, 2023 to September 30, 2023 (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. The Holding Company's Management is responsible for the preparation of the Statement 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 and in compliance with Regulation 33 of the Listing Regulations. The Statement has been approved by the Holding Company's Board of Directors. 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/CMDI/44/2019 dated March 29, 2019 (the "Circular") 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:

Subsidiaries

Varroc Polymers Limited; Durovalves India Private Limited; CarlQ Technologies Private Limited; Varroc European Holding B.V.; VarrocCorp Holding B.V.; Varroc Japan Co. Limited; IMES, Italy; Varroc Italy S.p.A; Varroc Romania SA.; Varroc Vietnam Co. Ltd.; Varroc Lighting Systems Bulgaria Eood; Varroc Electronics Romania SRL; Varroc Poland s.p.z.oo; Varroc Germany GmbH; Varroc Intelligent Driving R&D Center (Changzhou) Co. Ltd.; Varroc Czech Republic SRO

Joint Ventures

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



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5. As disclosed in Note 3 to the Statement, the financial results and other financial information for the quarter and six months ended September 30, 2023 in respect of Varroc TYC Corporation BVI ("China JV"), a joint venture accounted for under the equity method, considered for the purpose of preparation of the consolidated financial results, is unreviewed. Hence, we are unable to determine the impact of Group's share of the profit/loss from China JV on the consolidated profit before tax, tax expense, profit after tax, total comprehensive income and earnings per share for the quarter and six months ended September 30, 2023 and Group's share of net assets of China JV on the investment in China JV as at September 30, 2023.
6. 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 8 below, except for the possible effect of our observation in para 5 above, 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 Standard ('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.
7. The accompanying Statement includes the unaudited interim financial results/statements and other financial information, in respect of 3 subsidiaries, whose unaudited interim financial results/statements (without giving effect of elimination of intra-group transactions) include total assets of Rs 6,080.33 million as at September 30, 2023, total revenues of Rs. 1,189.83 million and Rs. 2,866.99 million, total net profit after tax of Rs. 26.64 million and Rs. 134.06 million, total comprehensive income of Rs. 26.64 million and Rs. 134.06 million, for the quarter ended September 30, 2023 and the period ended on that date respectively, and net cash inflows of Rs. 130.79 million for the period from April 01, 2023 to September 30, 2023, as considered in the Statement which have been reviewed by their respective independent auditors.

The independent auditors' 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 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 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 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 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.

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9. The accompanying Statement includes unaudited interim financial results /statements and other unaudited financial information in respect of:

- 4 subsidiaries, whose interim financial results/statements and other financial information (without giving effect of elimination of intra-group transactions) reflect total assets of Rs 886.26 million as at September 30, 2023, and total revenues of Rs 161.65 million and Rs. 399.49 million, total net loss after tax of Rs. 28.83 million and Rs. 22.26 million, total comprehensive loss of Rs. 28.83 million and Rs. 23.69 million, for the quarter ended September 30, 2023 and the period ended on that date respectively and net cash outflows of Rs. 10.99 million for the period from April 01, 2023 to September 30, 2023.
- 3 joint ventures, whose interim financial results/statements includes the Group's share of net profit of Rs. 80.58 million and Rs. 141.88 million and Group's share of total comprehensive income of Rs. 80.58 million and Rs. 141.88 million for the quarter ended September 30, 2023 and for the period ended on that date respectively.

The unaudited interim financial statements/ financial information/ financial results and other unaudited financial information of these subsidiaries and joint ventures have not been audited/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, except that relating to China JV.

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, except that relating to China JV.

For SRBC & COLLP

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

per Paul Alvarez

Partner

Membership No.: 105754

UDIN: 23105754BGQURT6338

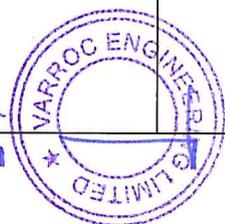
Place: Pune

Date: November 07, 2023



Statement of unaudited consolidated financial results for the quarter and half year ended September 30, 2023

Sr. No.	Particulars	Quarter ended			Half year ended		(Rs. in Million)
		September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2023
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Continuing Operations						
1	Revenue from operations	18,868.09	18,056.85	18,341.05	36,924.94	34,693.27	68,912.13
2	Other income (refer note 6 & 7)	67.41	54.88	124.65	122.29	145.83	297.34
3	Total income (1+2)	18,935.50	18,111.73	18,465.70	37,047.23	34,839.10	69,209.47
4	Expenses						
	(a) Cost of materials consumed	11,951.93	11,595.22	12,481.32	23,547.15	22,955.74	44,455.49
	(b) Changes in inventories of work-in-progress and finished goods	(12.85)	(182.90)	(604.10)	(195.75)	(580.71)	(150.02)
	(c) Employee benefits expense	2,028.16	1,922.21	1,721.69	3,950.37	3,450.90	7,172.97
	(d) Finance costs	502.58	488.95	487.90	991.53	863.73	1,902.95
	(e) Foreign exchange (gain)/loss (net)	(71.94)	(25.25)	242.18	(97.19)	338.95	217.54
	(f) Depreciation and amortisation expense	848.87	801.61	772.62	1,650.48	1,626.71	3,367.41
	(g) Other expenses	3,030.21	2,920.76	3,061.60	5,950.97	5,839.79	11,467.81
	Total expenses (4)	18,276.96	17,520.60	18,163.21	35,797.56	34,495.11	68,434.15
5	Profit/(loss) before share of profit/(loss) of joint ventures and tax from continuing operations (3-4)	658.54	591.13	302.49	1,249.67	343.99	775.32
6	Share of profit/(loss) of Joint Ventures (refer note 3)	80.58	61.30	4.05	141.88	(41.05)	53.28
7	Profit/(loss) before tax from continuing operations (5+6)	739.12	652.43	306.54	1,391.55	302.94	828.60
8	Tax expense						
	Current tax	173.34	110.61	312.03	283.95	423.70	660.95
	Short/ (excess) provision in respect of earlier year	1.66	(0.68)	-	0.98	-	(105.78)
	Deferred tax	6.96	(7.82)	185.71	(0.86)	109.28	(114.46)
	Total tax expense (8)	181.96	102.11	497.74	284.07	532.98	440.71
9	Profit/(loss) for the period from continuing operations (7-8)	557.16	550.32	(191.20)	1,107.48	(230.04)	387.89
	Discontinued operations (refer note 2)						
10	Profit/(loss) before tax for the period from discontinued operations	-	(209.20)	(7,778.22)	(209.20)	(8,557.23)	(8,557.23)
11	Tax (Income)/expense of discontinued operations	-	-	(21.75)	-	1.91	1.91
12	Profit/ (loss) for the period from discontinued operations (10-11)	-	(209.20)	(7,756.47)	(209.20)	(8,559.14)	(8,559.14)
13	Profit/(loss) for the period (9 + 12)	557.16	341.12	(7,947.67)	898.28	(8,789.18)	(8,171.25)
14	Other comprehensive income from continuing operations						
A	Items to be reclassified to profit or loss in subsequent periods						
	Exchange differences in translating the financial statements of foreign operations	(45.80)	(234.18)	51.05	(279.98)	(15.83)	472.99
B	Items not to be reclassified to profit or loss in subsequent periods						
	Remeasurement of defined benefit obligation (net of tax)	-	(1.43)	-	(1.43)	-	(55.59)
15	Other comprehensive income from discontinued operations						
A	Items to be reclassified to profit or loss in subsequent periods						
	Exchange differences in translating the financial statements of foreign operations	-	-	(2,649.48)	-	(2,344.95)	(2,344.95)
B	Items not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-	-
16	Total Other comprehensive income/(loss), net of tax from continuing and discontinued operations (14+15)	(45.80)	(235.61)	(2,598.43)	(281.41)	(2,360.78)	(1,927.55)
17	Total comprehensive income/(loss) for the period (13+16)	511.36	105.51	(10,546.10)	616.87	(11,149.96)	(10,098.80)
18	Profit/(loss) for the period attributable to:						
	Shareholders of the Company	542.27	322.57	(7,950.21)	864.84	(8,798.62)	(8,198.35)
	Non-controlling interests	14.89	18.55	2.54	33.44	9.44	27.10
19	Other comprehensive income/(loss) attributable to:						
	Shareholders of the Company	(45.80)	(235.61)	(2,598.43)	(281.41)	(2,360.78)	(1,926.87)
	Non-controlling interests	-	-	-	-	-	(0.68)
20	Total comprehensive income/(loss) for the period attributable to:						
	Shareholders of the Company	496.47	86.96	(10,548.64)	583.43	(11,159.40)	(10,125.22)
	Non-controlling interests	14.89	18.55	2.54	33.44	9.44	26.42
21	Paid- up equity share capital (face value of Re.1)	152.79	152.79	152.79	152.79	152.79	152.79
22	Reserves excluding revaluation reserves as per balance sheet	-	-	-	-	-	9,609.20
23	Earnings per equity share attributable to Owners (Nominal value per share: Re. 1) (not annualised)						
	-for continuing operations						
	Basic and diluted (in Rupees)	3.55	3.48	(1.27)	7.03	(1.57)	2.36
	- for discontinued operations						
	Basic and diluted (in Rupees)	-	(1.37)	(50.77)	(1.37)	(56.02)	(56.02)
	- for continuing and discontinued operations						
	Basic and diluted (in Rupees)	3.55	2.11	(52.04)	5.66	(57.59)	(53.66)



Statement of unaudited consolidated Assets and Liabilities as at September 30, 2023

(Rs. in Million)

Sr. No.	Particulars	As at	As at
		September 30, 2023	March 31, 2023
		Unaudited	Audited
A.	ASSETS		
I	Non-current assets		
	(a) Property, plant and equipment	17,036.33	17,067.34
	(b) Capital work-in-progress	788.24	1,209.40
	(c) Goodwill	468.68	469.29
	(d) Other Intangible assets	654.72	727.42
	(e) Right-of-use assets	2,359.87	2,248.95
	(f) Intangible assets under development	116.86	137.38
	(g) Investments accounted for using the equity method	3,854.21	3,906.20
	(h) Financial assets		
	(i) Investments	0.20	0.20
	(ii) Other financial assets	304.75	1,688.13
	(i) Income tax assets (net)	452.60	323.89
	(j) Deferred tax assets (net)	72.58	70.13
	(k) Other non-current assets	651.67	597.96
	Total non-current assets	26,760.71	28,446.29
II	Current assets		
	(a) Inventories	6,881.25	6,710.04
	(b) Financial assets		
	(i) Investments*	110.50	300.05
	(ii) Trade receivables	5,453.85	5,971.00
	(iii) Cash and cash equivalents	2,021.56	3,023.13
	(iv) Bank balances other than (iii) above	407.89	248.09
	(v) Loans	0.22	0.26
	(vi) Other financial assets	167.11	85.13
	(c) Other current assets	1,685.73	1,425.03
	Total current assets	16,728.11	17,762.73
	Total Assets (I+II)	43,488.82	46,209.02



Statement of unaudited consolidated Assets and Liabilities as at September 30, 2023

(Rs. in Million)

Sr. No.	Particulars	As at	As at
		September 30, 2023	March 31, 2023
		Unaudited	Audited
B.	EQUITY AND LIABILITIES		
I	Equity		
	(a) Equity share capital	152.79	152.79
	(b) Other equity	10,192.63	9,609.20
	Equity attributable to owners	10,345.42	9,761.99
	Non-controlling interests	312.97	279.53
	Total equity	10,658.39	10,041.52
II	Liabilities		
(1)	Non-current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	5,247.84	4,161.38
	(ia) Lease liabilities	1,600.76	1,485.61
	(ii) Other financial liabilities	16.33	19.43
	(b) Provisions	283.77	278.93
	(c) Deferred tax liabilities (net)	1,189.28	1,169.28
	(d) Other non current liabilities	28.23	44.78
	(e) Deferred government grants	314.80	264.88
	Total non-current liabilities	8,681.01	7,424.29
(2)	Current liabilities		
	(a) Financial liabilities		
	(i) Borrowings	7,356.40	12,188.60
	(ia) Lease Liabilities	218.91	225.55
	(ii) Trade payables		
	(a) Total outstanding dues of micro enterprises and small enterprises	1,632.20	1,138.95
	(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	11,297.33	10,734.93
	(c) Acceptances	191.42	91.01
	(iii) Other financial liabilities	1,615.81	2,405.32
	(b) Provisions	283.09	299.51
	(c) Current tax liabilities (net)	30.62	92.94
	(d) Other current liabilities	1,385.09	1,381.36
	(e) Deferred government grants	138.55	185.04
	Total current liabilities	24,149.42	28,743.21
III	Total Equity and Liabilities (I+II)	43,488.82	46,209.02

* Pertains to investment in overnight liquid mutual funds.





Unaudited Consolidated Statement of Cash Flows for the half year ended September 30, 2023

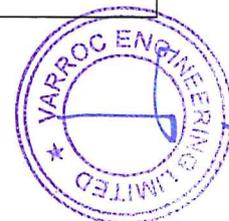
(Rs. in Million)

Sr. No.	Particulars	For the half year ended September 30, 2023		For the half year ended September 30, 2022	
		Unaudited		Unaudited (refer note 6)	
A	Cash flow from operating activities				
	Profit/(loss) before tax from continuing operations		1,391.55		302.94
	Profit/(loss) before tax from discontinued operations		(209.20)		(8,557.23)
	Adjustments for :				
	Depreciation and amortization expense	1,650.48		1,626.71	
	Net loss/(gain) on disposal of property, plant and equipment	(27.89)		(76.37)	
	Provision for doubtful debts and advances	7.47		210.66	
	Finance costs	991.53		1,398.38	
	Loss on sale of VLS business	89.11		5,709.12	
	Gain on sale of current investments	(3.81)		-	
	Share in (profit)/loss of Joint Venture accounted for using the equity method	(141.88)		41.05	
	Liabilities no longer required written back	(0.43)		(8.55)	
	Increase in surrender value of keyman insurance policy	(13.29)		(8.31)	
	Unrealised exchange (gain)/ loss	(97.19)		1,075.96	
	Interest income	(39.85)	2,414.25	(5.52)	9,963.13
	Operating profits before working capital changes		3,596.60		1,708.84
	Adjustments for changes in working capital				
	Inventories	(164.05)		(1,581.37)	
	Trade receivables	519.73		(2,099.28)	
	Other assets	(296.82)		503.41	
Trade payables	1,145.68		864.60		
Other liabilities and provisions	(415.75)		6,181.48		
		788.79		3,868.84	
Cash generated from operations		4,385.39		5,577.68	
Taxes paid (net of refund received)		(457.31)		(628.21)	
Net cash flow generated from operating activities		3,928.08		4,949.47	
B	Cash flow from investing activities				
	Dividend received	13.46		-	
	Interest received	40.00		6.19	
	Proceeds from sale of VLS Business (refer note 2)	1,158.43		-	
	(Purchase of)/Proceeds from sale of current investment (net)	193.36		-	
	(Purchase of)/Proceeds from sale of non current investment (net)	(69.97)		-	
	Proceeds from sale of property, plant and equipment	145.01		276.60	
	Purchase of property, plant and equipment	(1,130.23)		(4,233.29)	
	Costs incurred on intangible assets	(96.93)		(560.11)	
	Fixed deposits (placed)/ redeemed (net)	(160.87)		(44.78)	
	Net cash generated from/(used in) investing activities		92.26		(4,555.39)
C	Cash flow from financing activities				
	Proceeds from long-term borrowings	2,500.00		3,668.58	
	Repayment of long-term borrowing	(5,458.83)		(3,349.88)	
	Payment of principal portion of lease liability	(133.31)		(210.99)	
	Payment of interest on lease liability	(63.35)		(204.77)	
	Funding support from customers (short term)	-		432.16	
	Proceeds from/(repayment of) short term borrowings (net)	(797.72)		1,275.65	
	Interest paid	(1,070.68)		(1,328.60)	
	Net cash flow generated from/(used in) financing activities		(5,023.89)		282.15
	Net increase/ (decrease) in Cash and Cash Equivalents (A+B+C)		(1,003.55)		676.23
	Opening cash and cash equivalents		3,023.13		2,801.92
Effect of exchange difference on translation of foreign currency cash and cash equivalents		1.99		(98.98)	
Total		3,025.12		2,702.94	
Closing cash and cash equivalents		2,021.57		3,379.17	

Sr. No.	Particulars	As at September 30, 2023	As at September 30, 2022
		(Rs. in Million)	(Rs. in Million)
	Cash and cash equivalents consists of:		
A	Cash and cash equivalent- discontinued operations	-	1,525.08
B	Cash and cash equivalent- continuing operations:		
i.	Cash in hand	0.23	0.12
ii.	Bank balances		
	- Current accounts	1,337.33	1,853.97
	- Deposits with maturity of less than three months	684.01	-
	Total	2,021.57	3,379.17

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 Prior period comparatives have been reclassified to conform with current period presentation, where applicable.
- 3 Figures in brackets represent out flow of cash and cash equivalents.



Unaudited Consolidated Segment wise Revenue, Results, Assets and Liabilities

Particulars	Quarter ended			Half year ended		(Rs. in Million)
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	Year ended March 31, 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1) Segment Revenue						
(i) Automotive	18,410.40	17,507.23	17,804.61	35,917.63	33,415.69	66,176.54
(ii) Others	457.69	549.62	536.44	1,007.31	1,277.58	2,735.59
Total Segment Revenue from continuing operations (refer note 6)	18,868.09	18,056.85	18,341.05	36,924.94	34,693.27	68,912.13
Add : Segment revenue from discontinued operations (automotive segment) (refer note 2)	-	-	19,091.90	-	38,544.87	38,544.87
Revenue from continuing and discontinued operations	18,868.09	18,056.85	37,432.95	36,924.94	73,238.14	1,07,457.00
2) Segment Results						
(i) Automotive	1,148.64	1,033.12	801.95	2,181.76	1,200.85	2,461.73
(ii) Others	(4.77)	24.36	(13.09)	19.59	2.76	200.49
Total segment results from continuing operations (refer note 6)	1,143.87	1,057.48	788.86	2,201.35	1,203.61	2,662.22
Add : Segment results of discontinued operations (automotive segment) (refer note 2)	-	(209.20)	(7,476.82)	(209.20)	(8,037.74)	(8,037.74)
Add/ (Less) :						
(a) Finance Cost	(502.58)	(488.95)	(796.85)	(991.53)	(1,398.39)	(2,437.61)
(b) Net unallocated (expenditure) / income	97.83	83.90	13.13	181.73	(21.77)	84.50
Profit/(loss) before tax	739.12	443.23	(7,471.68)	1,182.35	(8,254.29)	(7,728.63)
3) Segment Assets						
(i) Automotive	35,782.52	37,409.47	38,713.79	35,782.52	38,713.79	36,669.52
(ii) Others	2,106.31	2,259.64	2,233.61	2,106.31	2,233.61	2,551.26
Total segment assets of continuing operations (refer note 6)	37,888.83	39,669.11	40,947.40	37,888.83	40,947.40	39,220.78
Add : Segment assets of discontinued operations (automotive segment) (refer note 2)	-	-	65,041.87	-	65,041.87	-
Add : Unallocated	5,599.99	4,806.87	6,566.97	5,599.99	6,566.97	6,988.24
Total assets	43,488.82	44,475.98	1,12,556.24	43,488.82	1,12,556.24	46,209.02
4) Segment Liabilities						
(i) Automotive	18,487.69	18,527.76	19,687.14	18,487.69	19,687.14	17,529.51
(ii) Others	488.78	629.50	879.01	488.78	879.01	852.26
Total segment liabilities of continuing operations (refer note 6)	18,976.47	19,157.26	20,566.15	18,976.47	20,566.15	18,381.77
Add : Segment liabilities of discontinued operations (automotive segment) (refer note 2)	-	-	50,512.82	-	50,512.82	-
Add : Unallocated	13,853.96	15,171.70	32,486.91	13,853.96	32,486.91	17,785.73
Total liabilities	32,830.43	34,328.96	1,03,565.88	32,830.43	1,03,565.88	36,167.50

Notes to the Unaudited Consolidated Financial Results :

- Above results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on November 07, 2023 and were subjected to review by the Statutory Auditors.
- Varroc Engineering Limited ("VEL") and VarrocCorp Holding BV, Netherlands ("VCHBV", wholly owned subsidiary of VEL) (together referred to as "Sellers") entered into a Securities Purchase Agreement dated April 29, 2022 as amended dated July 01, 2022, October 05, 2022 and May 12, 2023 (collectively referred to as "SPA") with Compagnie Plastic Omnium SE, France (referred to as "Buyer"), to divest the Sellers 4-Wheeler lighting business in the Americas and Europe ("VLS Business"). The equity value agreed under the SPA was Euro 69.5 million (subject to closing adjustments as provided under the SPA) and accordingly the loss on sale of VLS Business was recognised during the quarter ended September 30, 2022 and had been included in the profit/loss from discontinued operations for the quarter ended September 30, 2022 and year ended March 31, 2023. The Buyer submitted the final adjustments but failed to provide the necessary supporting details to enable the Sellers to understand these adjustments. Hence, Sellers sent a Dispute Notice in accordance with the SPA disputing the proposed adjustments. Subsequently, both the Buyer and the Sellers have entered into Settlement Agreement on July 14, 2023 whereby both the parties have agreed to settle the disagreements on closing adjustments and the final equity value agreed under the Settlement Agreement is Euro 54.5 million. Accordingly, VCHBV has received the remaining consideration amount of Euro 13 million on July 17, 2023 pursuant to this final settlement with Buyer. Profit/loss from discontinued operations for the quarter ended June 30, 2023 pertains to adjustments pursuant to revised equity value as per above settlement agreement and expenses directly related to sale of investment in VLS business. Further, the management assessed that such sale of VLS business satisfies the criteria prescribed under Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations" for classification as discontinued operation. The income and expenses of continuing operations include transactions with discontinued operation, which does not have impact on "Profit / (loss) for the period from continuing and discontinued operations" as disclosed in Consolidated financial results.

Details of income and expenses attributable to discontinued operations are as follows:

Particulars	Quarter ended			Half year ended		(Rs. in Million)
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2023**
Total income	-	-	19,133.95	-	38,659.62	38,659.62
Total expenses	-	209.20	26,912.17	209.20	47,216.85	47,216.85
Profit/(loss) before tax	-	(209.20)	(7,778.22)	(209.20)	(8,557.23)	(8,557.23)
Tax expense	-	-	(21.75)	-	1.91	1.91
Profit/(loss) for the period*	-	(209.20)	(7,756.47)	(209.20)	(8,559.14)	(8,559.14)

* Profit/ (loss) for the year ended March 31, 2023 includes loss recognised on discontinued operations as explained above.

** The figures as disclosed above are till September 30, 2022 since sufficient financial information till October 6, 2022 for VLS business is not available. This however has no impact on the net loss recognised in respect of the discontinued operations.



- 3 The Group's investment in Varroc TYC Corporation BVI ('VTYC' or 'China JV'), a joint venture accounted for under the equity method, which is carried at Rs. 3,708.71 million as at September 30, 2023, and the Group's share of VTYC's net profit of Rs. 137.16 million which is included in the Group's income for the period then ended are based on management certified accounts and were not subjected to review. The Group is currently undertaking negotiations with the JV partner for resolution of certain matters regarding operation of the JV, pending which the Group is unable to get the financial and other information of VTYC reviewed from auditors. The auditors in their review report have included a qualification in respect of this matter.
- 4 As at September 30, 2023, the Group has not complied with some of the covenants under loan agreements. Accordingly, non-current loans of Rs. 1,726.39 million have been reclassified as current. The management does not expect any material impact on the financial statements/ cash flow due to the above.
- 5 The total debt of the Group as at September 30, 2023 is Rs. 12,604.24 million out of which amounts of Rs. 3,823.09 million are due for repayment in the next 12 months from balance sheet date (excluding working capital facilities of Rs. 1,828.49 million). Taking into account the expected cash generation in next 12 months and the additional sanctions that the Group has secured for long-term funding, the management does not foresee any risk of non-payment/default. Accordingly, the results for the quarter and half year ended September 30, 2023 are prepared based on going concern assumption being appropriate for the next 12 months.
- 6 During the current period the management has re-evaluated the presentation of income from government grants in the statement of profit and loss and has re-classified it from other income to other operating income included within 'Revenue from Operations'. Accordingly, income of Rs. 71.16 million and Rs. 203.95 million for the quarter and six months period ended September 30, 2023 respectively has been reclassified from other income to other operating income. Further other income of comparative periods for quarters ended June 30, 2023 and September 30, 2022, six months period ended September 30, 2022 and year ended March 31, 2023 have also been reclassified by Rs. 132.79 million, Rs. 61.51 million, Rs. 130.90 million and Rs. 281.47 million respectively. Further cashflows of Rs. 112.03 million and Rs. 70.27 million from government grant for the six months period ended September 30, 2023 and September 30, 2022 have also been reclassified from investing activity to operating activity in the cashflow statement.
- 7 During the quarter ended September 30, 2022, one of the Group Company has sold land pertaining to one of its plant located at Patherdi, Rajasthan. Other income for the quarter and six months period ended September 30, 2022 includes Rs. 102.60 million towards profit on sale of such plant.
- 8 During the current quarter, the Group has issued 25,000 number of listed 9.2% Non-Convertible Debentures ('NCD') of face value of Rs. 1,00,000 each aggregating to Rs. 2,500 million on a private placement basis. The NCDs will be repaid in 16 equal quarterly instalments beginning from December 07, 2024. Further, NCD holders have a put option after 30 months and 42 months respectively from date of allotment, requiring the Group to redeem all the NCDs. The Group shall at all times until the Final Settlement Date maintain a minimum Security Cover of at least 1.1x. The proceeds from the issue have been utilised for repayment of existing listed NCDs, other outstanding debt and for general corporate purposes. As at September 30, 2023, NCDs were unsecured pending creation of security. Subsequently on October 16, 2023, NCDs have been secured by exclusive charge by way of hypothecation on the specific identified movable properties of the Group. Pursuant to such security creation, the interest rate will be reduced by 0.60% in accordance with the transaction documents w.e.f. December 07, 2023.
- 9 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 ventures and corresponding share of profit/loss from joint ventures is considered under unallocated assets and profit/loss respectively.
- 10 Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year's classification.

Place : Pune
Date : November 07, 2023



For and on behalf of Board of Directors
Varroc Engineering Limited


Tarang Jain
Chairman and Managing Director