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# MSL

MSL DRIVELINE SYSTEMS LIMITED



# ANNUAL REPORT

2020-21



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## Board of Directors

**Gaurav Motwane**

*Chairman, Managing Director & Chief Executive Officer*  
DIN 00746165

**Superna Motwane**

*Non-Executive Director*  
DIN 01343282

**Satpal Khattar**

*Non-Executive Director*  
DIN 00307293

**Manish Choksi**

*Independent Director*  
DIN 00026496

**Rajesh Nagpal**

*Non-Executive Director*  
DIN 00032123

**Nikhilesh Panchal**

*Non-Executive Director*  
DIN 00041080

**Pradeep Mestry**

*Chief Financial Officer*

**Mahendra Salunke**

*Company Secretary*



### Auditors

#### S R B C & Co. LLP

14th Floor, The Ruby, 29, Senapati Bapat Marg, Dadar (West), Mumbai 400 028.

### Registrar & Transfer Agent

#### KFin Technologies Private Limited

Karvy Salenium Tower B, Plot 31-32, Gachibowli, Financial District,  
Nanak-ranguda, Hyderabad 500 032.

### Registered & Corporate Office

Unit No.1506, 15th Floor, One BKC, 'B' Wing,  
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.

### Factory

#### Nashik

89/1A, M.I.D.C., Satpur, Nashik 422 007, Maharashtra, India.

#### Pithampur

Plot No.5, Sector II, Industrial Area, Pithampur,  
District Dhar 454 775, Madhya Pradesh, India.

### Branch Offices

#### Chennai

Subhash Towers, 11th Floor, 8, Hazari Street,  
(Near Hotel Lawoods), Mount Road, Chennai 600 002.

#### Kolkata

7, KYD Street, 3rd Floor, Kolkata 700 016.

#### Delhi

Unit No.516, 6th Floor, Westend Mall,  
Jankapuri West, New Delhi 110 058.

#### Pune

Office No.12-13-14, 2nd Floor, Saidham Complex,  
Lande Wadi, Bhosari, Pune 411 039.

### Contents

Board's Report	3
Annexures to the Board's Report	9
Auditors' Report	22
Balance Sheet	30
Statement of Profit & Loss	31
Cash Flow Statement	32
Notes to Financial Statements	35

## BOARD'S REPORT

Dear Members,

Your Directors are pleased to submit the 27th Annual Report of your Company ('the Company' or 'MSL') along with the Audited Financial Statements, for the Financial Year ended March 31, 2021.

### 1. FINANCIAL RESULTS

Particulars	(Rs. in Million)	
	Year ended March 31, 2021	Year ended March 31, 2020
<b>Total Revenue</b>	<b>4,545.2</b>	5,184.8
Profit before Depreciation	<b>606.4</b>	476.3
Less : Depreciation / Amortization	<b>119.9</b>	125.5
Profit before Tax	<b>486.5</b>	350.8
Less : Provision for Tax – Current year	<b>138.8</b>	96.1
Deferred tax (net)	<b>(11.8)</b>	(33.2)
Adjustment of tax relating to earlier periods	<b>(35.8)</b>	20.7
Profit for the year after tax	<b>395.3</b>	267.2
Other Comprehensive Income (Net of Tax)	<b>(0.5)</b>	(4.5)
Total Comprehensive Income	<b>394.8</b>	262.7
Profit for earlier years brought forward	<b>1,337.7</b>	1,683.2
Profit available for appropriation	<b>1,732.5</b>	1,945.9
Buy Back of Shares	–	293.7
Income Tax on Buy Back of Shares	–	68.4
Dividend Paid	<b>150.3</b>	198.9
Income Tax on Dividend Paid	–	40.9

Your Company's Revenue from Operations (Net) for the year under review was Rs.4,500.0 Million compared to Rs.5138.6 Million in the previous year, registering a drop of 12.43%.

Other Income was Rs.25.3 Million in 2020-21 compared to Rs.43.3 Million in 2019-20. The Profit before Depreciation, Interest and Tax (PBDIT) was at Rs.643.6 Million as against Rs.516.3 Million in 2019-20. The percentage of Profit before Tax (PBT) to Total Revenue (Net) improved to 10.70% in 2020-21 from 6.77 % in 2019-20.

Profit after Tax increased from Rs.267.2 Million in 2019-20 to Rs.394.8 Million in 2020-21. The percentage of Profit after Tax to Total Revenue improved from 8.69% in 2019-20 to 5.07% in 2020-21.

#### DIVIDEND

Pursuant to the approval of the Board of Directors on October 30, 2020, your Company paid an interim dividend of Rs.17/- per equity share of face value of Rs.10/- each, to shareholders who were on the register of members as on October 30, 2020. The Board has not recommended a final dividend for the financial year 2020-21. Thus, the total dividend for the financial year 2020-21 remains Rs.17/- per equity share.

Pursuant to provision of Section 124 of the Companies Act, 2013, the unclaimed dividend amount of Rs.425,000/- (Rupees Four Lakh Twenty-Five Thousand) was transferred to Unpaid Dividend Account.

### 2. THE STATE OF COMPANY'S AFFAIRS AND FUTURE OUTLOOK

#### ECONOMIC SCENARIO AND DOMESTIC MARKET

In spite of a extremely difficult business environment, your Company managed to close FY20-21 reasonably well with a 11.8% reduction of sales over the previous year. The country wide lockdown in April 2020 ensured that no business was done, but thankfully partial operations could be resumed from mid of May, 2021. Keeping in mind the health and safety of its employees your Company resumed operations in a phased manner with utmost attention to ensuing safety of all.





On reopening, the demand patterns were quite different from normal times. The M&HCV segment was practically down and out, hitting your Company quite hard, as the high value Propeller shaft assemblies could not be supplied due to lack of demand for M&HCV vehicles. This sluggish demand for M&HCV vehicles carried on through the end of the financial year. On the other hand, the LCV and small transport vehicles saw a very encouraging recovery, mainly helped by the increasing demand for intra city movement and home delivery of consumer products. The Construction Equipment sector also boomed, thanks to the continuous push to infrastructure projects by the Government. The fact that your Company has a wide product range supporting these segments helped it to compensate, the dip in M&HCV sales, with better LCV & Construction Equipment sales.

The year began with zero business, then slowly opened up and as things improved, demand and supply raced each other playing the catch-up game, to meet the pent-up demand and the changed market for vehicle types. March 21 turned out to be the strongest month in terms of sales but the health issue faced by the nation began deteriorating toward the last few days of the financial year.

The management's focus on cashflow cost optimization helped the Company navigate through the difficult months of April – June 2020.

The Governments' focus on infrastructure development continues, which gives hope for the revival of the M&HCV sector in late F.Y.2022. The Construction Equipment sector too should see some growth in late F.Y.2022.

### **EXPORTS**

While India struggled with the complete lockdown and thereafter a slow recovery back to normalcy by August/September, 2021, the US market remained open and very buoyant, leading to good demand from our existing and new customers. Export sales to North American market segment in F.Y. 2020-21 was USD13.0 Million as against USD14.4 Million in F.Y. 2019-20.

Your Company continues to expand its exports to various parts of the world. We will continue to pursue more and more business opportunities to increase our Export sales.

### **AFTER MARKET BUSINESS**

Despite, practically two no business months, the company's After market business grew by 10.7%, on the back of it's expanded product range and reach. The ground level promotion activity started in the previous year, yielded results in the M&HCV segment.

The After Market sale in F.Y. 2020-21 was Rs.1154.2 Million compared to Rs.1042.2 Million in F.Y. 2019-20.

### **PITHAMPUR PLANT**

Volvo Eicher Commercial Vehicle (VECV) and Force Motors Limited (FML), both bore the brunt of the lockdowns and the shift in demand, taking with them the sales of the Pithampur Plant, which dipped by 30.5% and stood at Rs 204.2 Million in FY2020-21, compared to Rs 293.8 Million in FY2019-20. Your Company is negotiating with these customers for expanding business by adding new parts from the Clutch segment too.

### **NEW BUSINESS**

The Company is pushing forward with all its existing customers as well as new players for new business via additional applications and new product offerings to ensure continued business growth.

### **TECHNOLOGY AND PRODUCT DEVELOPMENT**

Your company continues to add new products with latest technology to ensure longevity and continuity of business over the coming years. Considering the possible shift to EV's your company is adding new products that are expected to survive the shift.

Your Company continues to invest in upgrading it's Testing & Validation facilities, since most of the customers now demand pre-implementation validation, which MSL is easily able to carry out in it's in house R&D setup, which cuts short the designing to product ionizing period substantially. The facility allows for a lot of Innovations in existing products and processes.

This year your Company invested Rs.0.9 Million as compared to Rs.0.3 Million last year in R&D.

### **RESEARCH AND DEVELOPMENT**

In order to boost customer confidence in our product offering, our Company has continuously invested in testing facilities. R&D Centre with the State-of-the-Art equipment catering for all range of products made by the Company.

The facility in addition to testing, validations for products as per customer requirements, it also supports in-house innovations, as regards products, features & processes.

### **THE YEAR AHEAD**

The looming threat of COVID-19 second / third waves striking, definitely will have an impact on the outcome of business in the coming years. As per observations across the world, the second wave has hit many countries unimaginably hard, wreaking havoc on people's lives and businesses. India with its very large population and geographic spread could face a very uphill task if it strikes big.

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### 3. COST CONTROL

Cost optimization and effectiveness has been a key pillar of your Company's value creation strategy. This strategy has been achieved through scale in operations, process technology innovations, wastage reduction in the value chain along with efficient management of working capital. Your Company will continue its efforts on cost effectiveness in the coming years. In order to counter the upward trend in indirect costs going into products and inability of OEM customers to compensate the same, the Company continued to improve operational efficiency by increasing review cycle to Weekly Cross Functional Review meetings, Total Productive Maintenance and Group Kaizen.

During the year, the Company initiated various initiatives to control manufacturing expenses such as stores and tools. Further during the lockdown, the Company optimally utilized the available manpower to ensure that the labour cost is effectively used and the Company has not spent its resources on the idle time during the lockdown. The Company is bringing in various initiatives to reduce the packing cost of its product where it is considering various initiatives to replace the wooden packing with the returnable packing which will not just save the Company's cost but it will support the green initiatives of the Company.

### 4. SHARE CAPITAL

There was no change in share capital of the Company during the financial year ended March 31, 2021.

### 5. FINANCE

The Company has working capital facilities availed by the Company from its bankers amounting to Rs.185.7 Million are outstanding as on March 31, 2021 and the outstanding against the unsecured, short term facility obtained from a non-banking financial institute is Rs.18.1 Million.

### 6. DEPOSITS

The Company has not accepted any fixed deposits including from public and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

### 7. PARTICULARS OF LOANS, GUARANTEE OR INVESTMENT

During the financial year ended March 31, 2021, the Company has not given any loan to any person or other body corporate or given any guarantee or provided any security in connection with a loan to any other body corporate or person.

During the year under review, the Company has not acquired by way of subscription, purchase or otherwise, the securities of any other body corporate.

### 8. RISK MANAGEMENT

The Risk Management Policy as adopted by the Board of Directors of your Company focuses on sustainable business growth of the Company. The risk management systems adopted by the Company at various levels, inter alia, cover business risk, statutory compliances, and environmental risk. The Risk Management system is continuously reviewed at appropriate level and corrections are made wherever required. The Company has taken adequate insurance policies to mitigate different kinds of risks. The safety audit is undertaken regularly.

#### INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has Internal Financial Control Systems commensurate with the size of the Company and the nature of its business. The Internal Financial Control system of the Company covers three levels of control viz. entity level, business process level and IT General Control. The Internal Financial Control System as adopted by the Board of Directors of the Company ensures adherence to the Company's policy, the safeguarding of its assets, the prevention of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures. The Company has appointed internal auditors to monitor and evaluate the efficacy and adequacy of internal financial control system in the Company. The Audit Committee and the Board ensures that the said system is adequate considering the nature of business and size of transactions. The Statutory Auditors have also audited the Internal Financial Control System of the Company for the financial year ended March 31, 2021 and opined in their report that the Company has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021. The code of conduct for senior management and employees of the Company commits management to financial and accounting policies, systems and processes. The Company's financial statements are prepared on the basis of significant accounting policies that are carefully selected by the Management. These accounting policies are reviewed and updated on time-to-time basis.

### 9. INDUSTRIAL RELATIONS

Industrial relations during the year were cordial.

## 10. DIRECTORS AND KEY MANAGERIAL PERSONNEL

### Chairman of the Board

Mr. Gaurav Motwane, Managing Director & CEO (DIN: 00746165) of the Company who was appointed as Chairman of the Board & Company w.e.f. December 19, 2016, continues to be the Chairman of the Board and the Company.

### Re-appointment of Retiring Directors

As per the provisions of the Companies Act, 2013, Mr. Nikhilesh Panchal, Non-Executive Director (DIN: 00041080) of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment. The Board recommends his re-appointment.

### Declaration by Independent Director

The Company has received the following declarations from the Independent Director of the Company:

- Declaration as required under the provisions of Section 149(7) of the Companies Act, 2013, that he meets the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013.
- Declaration under Rule 6(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014, confirming that his name is included in the data bank maintained by the Indian Institute of Corporate Affairs at Manesar and he shall renew his membership within a period of 30 days from the date of the expiry up to which his name was applied for inclusion in the data bank.

The Independent Directors are not liable to retire by rotation.

Mr. Manish Choksi (DIN: 00026496) completed first term of appointment as an Independent Director on February 11, 2021. Mr. Manish was re-appointed as an Additional Director in the category of Independent Director by the Board of Directors w.e.f. 12th February 2021 for the term of 5 years. Nomination and Remuneration Committee of the Company has recommended appointment of Mr. Manish Choksi as an Independent Director of the Company. Appointment of Manish Choksi will be placed before members of the Company at the ensuing Annual General Meeting of the Company.

### Number of Meetings of the Board of Directors

During the year under review, the Board met 4 (Four) times viz on August 6, 2020, October 30, 2020, December 08, 2020 and March 24, 2021 respectively, the details of which are provided for in Annexure 'B' forming part of this Board Report.

The maximum interval between two meetings did not exceed 120 days, as prescribed in Section 173 of the Companies Act, 2013. However, gap between board meeting held on August 6, 2020 and preceding board meeting dated March 17, 2020 exceeded 120 days, which is in compliance with the Circular no. 11/2020 dated 24th March 2020 issued by the Ministry of Corporate Affairs, Government of India.

## 11. AUDIT COMMITTEE

The Audit Committee presently comprises of Mr. Gaurav Motwane, Managing Director and Mr. Manish Choksi, Independent Director.

During the year under review, the Committee met 4 (Four) times viz on August 6, 2020, October 30, 2020, December 08, 2020 and March 24, 2021 respectively, the details of which are provided for in Annexure 'B' annexed to this Report.

There were no circumstances requiring reporting where the Board has not accepted the recommendations of the Audit Committee.

## 12. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVE

Your Company has framed a Corporate Social Responsibility (CSR) Policy in compliance with the provisions of the Companies Act, 2013 and rules made thereunder as amended from time to time. The same is available on the Company's website ([www.msldriveline.com](http://www.msldriveline.com)).

The CSR activities undertaken by your Company primarily focus on education, health, environment, women empowerment and up-liftment of poor. The details of the CSR initiatives undertaken by the Company during the year under review and the amount spent are provided for in Annexure 'C' forming part of this Board Report.

The CSR Committee comprises of Mr. Manish Choksi, Independent Director, Mrs. Superna Motwane, Non-Executive Director and Mr. Rajesh Nagpal, Non-Executive Director.

The CSR corpus for the financial year 2020-21 amounted to Rs.11.13 Million. The details of CSR corpus spent on CSR activities approved by the CSR Committee and the Board, including the reason for un-spent amount is provided for in the Annual Report on CSR which forms part of this Report.

During the year under review, the Committee met 2 (Two) times i.e. on August 4, 2020 and October 30, 2020 respectively, details of which are given in Annexure 'B' forming part of this Board Report.

### 13. NOMINATION & REMUNERATION POLICY & COMMITTEE

The Company has in place a Nomination & Remuneration Committee in accordance with the requirements of Section 178 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014. The Nomination & Remuneration Committee presently comprises of Mr. Manish Choksi, Independent Director, Mrs. Superna Motwane, Non-Executive Director and Mr. Nikhilesh Panchal, Non-Executive Director.

The Committee has formulated a Policy on Director's appointment and remuneration including recommendation of remuneration of the key managerial personnel and other employees, composition and the criteria for determining qualifications, positive attributes and independence of a Director are provided for in Annexure 'D' forming part of this Board Report.

During the year under review, the Committee met 1 (One) time i.e., on June 4, 2020, the details of which are provided for in Annexure 'B' forming part of this Board Report.

### 14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards for the financial year ended March 31, 2021 have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis;
5. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### 15. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All transactions entered into by the Company with related parties during the financial year were on arm's length basis and were in the ordinary course of business. The details of the related party transactions as required under Section 188 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 in the format prescribed in Form AOC-2 are provided for in Annexure 'E' forming part of this Board Report.

### 16. AUDITORS

#### STATUTORY AUDITORS

M/s SRBC & Co. LLP, Chartered Accountants (Firm Registration Number: 324982E/E300003) were appointed as the Statutory Auditors of the Company to hold office for a period of five consecutive years from the conclusion of the 23rd Annual General Meeting of the Company held on August 17, 2017, till the conclusion of the 28th Annual General Meeting to be held in the year 2022.

The Auditors Report does not contain any qualification, reservation, adverse remarks or disclaimer. However, in respect to comments of Auditors in paragraph VII (a) of Annexure I referred to in Paragraph one under the heading "Report on other Legal and Regulatory Requirements" of the Audit Report, Directors submits following:

Tax Collected at Source (TCS) system was introduced recently on sale of goods. Difference was noticed during the process of reconciliation of report of TCS generated by ERP and actual TCS liability. On scrutiny, it was noticed that differences were on account of customer receipts entered without reference of invoice, such receipts did not generate in TCS report but TCS liability was generated to General Ledger account. There was 7 days delay of Rs.1,000 on account of oversight at Pithampur Plant. The Management further submitted that adequate steps are taken and measures are implemented to avoid such kind of delays in future.

The Auditors' Report is enclosed with the financial statements in the Annual Report.

#### SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 there under, Vijay Tiwari & Associates, Practicing Company Secretaries were appointed to conduct the Secretarial Audit of the Company for the financial year 2019-20. The Secretarial Audit Report for the financial year 2020-21 forms part of the Annual Report as Annexure 'G' to the Board's Report.

The Secretarial Auditors in their report has made a comment on the non-compliance of the provisions of Foreign Exchange Management Act, 1999 'FEMA' and Section 149 of the Companies Act, 2013. The non-compliance with regard to FEMA pertains





to non-filing of Annual Performance Report (APR) which mainly occurred on account of non-availability of the financial statements of foreign joint venture companies, corresponding to the Company's financial year.

The Company is in the process of complying with the requirements of FEMA / RBI and seeking advices of the consultants on this matter.

Subsequent to retirement of one of the Independent Director, on completion of consecutive second term, of the Company with effect from March 31, 2019, the composition of the Board, Audit Committee and the Nomination and Remuneration Committee of the Board is not in compliance with the requirements of Section 149, 177 and 178 of the Companies Act, 2013.

The Company is in the process of identifying and appointing a new Independent Director on the Board of the Company.

The Board has appointed Vijay Tiwari & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company for financial year 2021-22.

#### **17. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars relating to energy conservation, technology absorption, and foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are provided for in Annexure 'A' forming part of this Board Report.

#### **18. PARTICULARS OF EMPLOYEES**

In terms of the provisions of Section 197 of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended vide notification dated June 30, 2016 issued by the Ministry of Corporate Affairs, Government of India), the names and other particulars of the employees are set out in the Annexure 'F' forming part of this Board Report.

#### **19. EXTRACT OF ANNUAL RETURN**

In accordance with the provisions of Section 134(3)(a) of the Companies Act, 2013 as amended vide the Companies (Amendment) Act, 2017, the Annual Return as provided under sub-section (3) of Section 92 of the Companies Act, 2013 in the prescribed Form MGT-7 will be placed on Company's website at [www.msldriveline.com](http://www.msldriveline.com).

#### **20. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION**

The Covid-19 pandemic has been the most disruptive event recorded in modern history and has presented us with an unprecedented four months. In March, 2020, Company abruptly shut down both of its manufacturing facilities due to the lock down declared by the Government of India. Similar actions were taken by our major customers of the Company. In May, 2020, a few of Company's customers, along with the Company, restarted operations. This was followed by frequent number of starts, stops and product mix changes coupled with rethinking and upgrading out health and safety norms for Company employees. The second quarter of the year brought a more stable operational environment as sales rebounded from the months of April, 2020 and May, 2020 but it was still lower than the same period last year. In the third and fourth quarter, the company was able to achieve a complete turnaround and outperformed the same period last year. However, at the end of the fourth quarter, the second wave of the pandemic has shown its impact of the economy and after a sluggish April, 2021, resurgence of Covid-19, adversely affected the operations of the Company. With the restart at the end of May, 2021, with a short stint of complete lockdown at its major manufacturing location, Nasik, the Company is optimistically looking at the future and expecting a better performance than the year gone back.

#### **21. SIGNIFICANT AND MATERIAL ORDER**

There have been no significant material orders passed by courts, tribunals or regulatory authorities which can have impact on going concern status of the Company and its operations.

#### **22. PREVENTION OF SEXUAL HARASSMENT POLICY**

The Company has constituted an Internal Complaint Committee under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year no complaints were filed before the said Committee.

#### **23. ACKNOWLEDGMENTS**

The Directors wish to convey their appreciation to all of the Company's employees for their enormous efforts as well as their collective contribution to the Company's performance. The Directors would also like to thank the shareholders, customers, dealers, suppliers, bankers, Government and all the other business associates for the continuous support given by them to the Company and their confidence in its Management and look forward to their continued support in the future.

**For and on behalf of the Board**

<b>Gaurav Motwane</b>	<b>Manish Choksi</b>
<i>Managing Director</i>	<i>Independent Director</i>
DIN : 00746165	DIN : 00026496

Mumbai, June 25, 2021

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## Annexure 'A' to the Board's Report

### PARTICULARS AS PER ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

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#### (A) CONSERVATION OF ENERGY

The Company has given due importance for conservation of energy and environmental sustainability. Persistent efforts are made by the Company towards achieving this goal.

##### (i) The steps taken or impact on conservation of energy:

Energy Conservation Measures taken at the factory at Nashik and Pithampur Plant:

- (1) Usage of LED tubes, panel lights, street lights and focus lights continued.
- (2) Usage of quick dry paint started and temperature of baking oven set at 50 degree instead of 80 degree resulting in substantial energy conservation.
- (3) New IGBT based PF and controllers installed for HT & Plant-4 which controls PF accurately near to unity value resulting in reduced maximum demand and less energy consumption and improving power quality by reducing harmonics. Now Company is ready for new KVAH billing starting from April, 2020.
- (4) MD (Maximum Demand) reduced from 2800 KVA to 1900 KVA resulting approximately in F21, Rs.3,88,000/- per month saving towards MD charges.
- (5) Induction hardening machines M/C no 1365 & 1373 thyristor base heat controller upgraded with IGBT based heat controller resulting 3% energy saving.
- (6) Higher HP motors replaced with Lower HP Energy Efficient Motors during machines reconditioning.
- (7) Auto power off during idle condition of machines.
- (8) VFDs providing for the motors.

##### (ii) The steps taken by the Company for utilizing alternate sources of energy:

Solar Power generated from roof top Solar from Nashik plant in F2020-2021 is about 15 lakh units which is equivalent to plantation of more than 1.6 lakh trees, helping in reduction of carbon foot print.

##### (iii) The capital investment on energy conservation equipments:

During the current financial year capital investment of Rs.10.00 Million were made on energy conservation equipment (Rs.0.8 Million towards P2 AHF panel and Rs.9.2 Million towards Induction hardening machines upgradation and other energy conservation products).

#### (B) TECHNOLOGY ABSORPTION

The Company has filed three different applications for registration of patent with the Controller of Patent, Government of India for (1) One Time Greasing (OTG) Slip Joint Assembly for Propeller Shafts (2) Universal Joint with Non-metallic Bearing Bushes and (3) Ventilated Pressure Plate for Enhanced Clutch Life and a Clutch thereof.

The Controller of Patent, Government of India has granted patent to the Company for an invention entitled 'A COLD FORMED INTERMEDIATE SHAFT COMPONENTS (SLEEVE & BOSS ASSEMBLY FOR STEERING APPLICATION)'. The patent is granted on July 2, 2020, and is valid for the period of 20 years.

**In-House Technology Developments:**
CLUTCH

- New Ø260 clutch for TML Xenon application for after-market has been developed after necessary validation on intended application. This is a derivative of recently developed 260 dia Bolero BS6 Pik up clutch. Hence, was developed with minimal investment.
- Ø240 Clutch for TML 207 Di is developed for aftermarket as a derivative of M&M Di Clutch – No additional investment.
- Ø 380 clutch Cover Assy & Ceramic button D.P. Assy supplies to VECV SPD commenced. Clutches developed for after-market have been modified for VECV – No additional investment.
- Ø352 PULL type cover assy (new concept) supply commenced to VECV SPD.
- New product commodity: "Flywheel" is added for after-market. Flywheel for M&M BS6 Pik up truck is developed and supplies to after-market commenced.
- Ø352 PUSH type cover assy – Prototypes are supplied to VECV SPD this is a change of concept from PULL type to PUSH type.
- Saving on packing cost of supplies to VECV SPD is achieved through change of carton design from Printed to plane type.
- Productivity & manpower saving is achieved on 260 dia Cover assy by eliminating tip setting operation. Parts produced are confirmed to be 100 % and results are confirmed through EOL testing.

UNIVERSAL JOINTS

- Double Cardan Axles Shafts in B300, B310, B320 and larger series have been designed, manufactured, tested and offered to various customers. Purchase orders for these parts are already received. Productionized for M&M Tractors, Comer India.
- Development of Hybrid Aluminum Steel Propeller shaft assemblies for new generation vehicle has been initiated. Design work for Aluminum Yoke & Tubes, Manufacturing of parts & assemblies has been successfully completed. In house testing is completed; Few Aluminums Steel Hybrid Propeller shafts have been put on field vehicles for validation. Enquiry for these shafts from potential customer has been received.
- Various raw material saving projects have been initiated with effective utilization of CAE software analysis & Testing on the R&D testing machines. Raw material saving has been effectively implemented in 1480, 1550 & 1650 series yokes.

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Particulars	Rs. in Million	
	Current Year	Previous Year
Inflow	<b>1,061.5</b>	1,048.6
Outflow	<b>797.4</b>	927.6

## Annexure 'B' to the Board's Report

DETAILS OF MEETING OF BOARD OF DIRECTORS OF THE COMPANY AND THEIR COMMITTEES AS PER SECTION 134(3)(b) AND SECRETARIAL STANDARD ON MEETINGS OF THE BOARD OF DIRECTORS (SS-1) DURING THE FINANCIAL YEAR ENDING ON MARCH 31, 2021

### A] BOARD MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended	Attendance at last AGM
1.	Mr. Gaurav Motwane	Chairman, Managing Director & CEO	4 out of 4	Yes
2.	Mr. Satpal Khattar	Non-Executive Director	4 out of 4	No
3.	Mrs. Superna Motwane	Non-Executive Director	4 out of 4	Yes
4.	Mr. Nikhilesh Panchal	Non-Executive Director	4 out of 4	Yes
5.	Mr. Rajesh Nagpal	Non-Executive Director	3 out of 4	Yes
6.	Mr. Manish Choksi	Independent Director	4 out of 4	Yes

### B] AUDIT COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mr. Gaurav Motwane	Chairman, Managing Director & CEO	4 out of 4
2.	Mr. Manish Choksi	Independent Director	4 out of 4

### C] CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mrs. Superna Motwane	Non-Executive Director	2 out of 2
2.	Mr. Rajesh Nagpal	Non-Executive Director	2 out of 2
3.	Mr. Manish Choksi	Independent Director	2 out of 2

### D] NOMINATION & REMUNERATION [NRC] COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mrs. Superna Motwane	Non-Executive Director	1 out of 1
2.	Mr. Nikhilesh Panchal	Non-Executive Director	1 out of 1
3.	Mr. Manish Choksi	Independent Director	1 out of 1



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## Annexure 'C' to the Board's Report

### ANNUAL REPORT ON CSR ACTIVITIES [FOR FINANCIAL YEAR COMMENCING ON OR AFTER 1ST DAY OF APRIL, 2020]

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**1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.**

The CSR vision of the Company is to integrate social and environmental concerns in its business operations and interactions with all stakeholders in order to achieve a balance of economic, environmental and social imperatives. CSR will remain a fundamental part of the Company's practices, broad objective and overall culture. Company has constituted CSR Committee which recommends CSR activities to the Board for their approval. There is a monitoring team to overview the implementation of CSR activities. The Company implemented its CSR Project through implementing agencies by way of contribution. During the year under review, the Company has contributed towards programs encompassing the following areas:

- (a) Education
- (b) Health
- (c) Women Empowerment
- (d) Environment
- (e) Up-liftment of poor

The Company's CSR Policy is available at [www.msldriveline.com](http://www.msldriveline.com)

**2. The Composition of the CSR Committee.**

CSR Committee as on March 31, 2021 consists of:

No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mrs. Superna Motwane	Non-Executive Director	2	2
2.	Mr. Rajesh Nagpal	Non-Executive Director	2	2
3.	Mr. Manish Choksi	Independent Director	2	2

**3. Information about Composition of CSR committee, CSR Policy and CSR projects approved by the board are available at [www.msldriveline.com](http://www.msldriveline.com)**

**4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable: Not Applicable**

**5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: Not Applicable**

**6. Average net profit of the Company for the last three financial years as per Section 135(5): Rs.556.48 Million**

**7. (a) Two percent of average net profit of the Company as per Section 135(5): Rs.11.13 Million**

**(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil**

**(c) Amount required to be set off for the financial year, if any: Nil**

**(d) Total CSR obligation for the financial year (7a+7b-7c): Rs.11.13 Million**

## 8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
10.00 Million	N.A.	-	-	-	-

**Note:** There is unspent amount of Rs.1.13 Million, which will be transferred to fund specified under Schedule VII as per second proviso to Section 135(5) within the prescribed time period of 6 months from the closure of financial year.

## (b) Details of CSR amount spent against ongoing projects for the financial year: Not applicable

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (in Rs.)	Amount spent in the current financial Year (in Rs.)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration Number
-	-	-	-	-	-	-	-	-	-	-	-	-

## (c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount spent for the project	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Regn. No.
1.	Project Nanhi kali	Clause (ii) of Schedule VII	Yes	Maharashtra	Mumbai	0.25	No	K.C. Mahindra Education Trust	-
2.	Awareness of Women's health & hygiene	Clause (i) of Schedule VII	Yes	Maharashtra	Mumbai	0.40	No	Ashmi India	-
3.	Training Women to become Preschool Edupreneurs	Clause (ii) of Schedule VII	Yes	Maharashtra	Mumbai	0.30	No	Pratham Infotech Foundation	-
4.	Solar Power Project in BMC School	Clause (ii) of Schedule VII	Yes	Maharashtra	Mumbai	0.65	No	Hidush Foundation	-
5.	Provision of safety and welfare of 100 underprivileged girls	Clause (ii) of Schedule VII	Yes	Maharashtra	Mumbai	0.30	No	Seva Sadan Society	-
6.	Education support to underprivileged slum children	Clause (ii) of Schedule VII	Yes	Maharashtra	Mumbai	0.10	No	Angel Xpress Foundation	-

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project		Amount spent for the project	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Regn. No.
7.	Setting up of Special Dialysis Room etc. in the Hospital.	Clause (i) of Schedule VII	Yes	Maharashtra	Nashik	3.00	No	Dr. Babasaheb Ambedkar Vaidyakaiya Pratisthan - Shree Guruji Hospital	-
8.	Surgery of seven underprivileged girls.	Clause (i) of Schedule VII	Yes	Maharashtra	Nashik	1.00	No	Nashik Rhaday Mitra Sewabhavi Sanstha	-
9.	Construction of Kitchen & Dining Hall for their girls Hostel in Harsul, Nashik	Clause (i) of Schedule VII	Yes	Maharashtra	Nashik	2.00	No	Vanvasi & Durbal Ghatak Vividh Seva Prakaalpa Nyas	-
10.	Computer education School fees support	Clause (ii) of Schedule VII	Yes	Madhya Pradesh	Indore	0.17	No	Bahuuddeyshiya Seva Samiti	-
11.	Construction & furnishing of Study Room Assembly Hall, Lockers, Table & Benches, etc.	Clause (ii) of Schedule VII	Yes	Madhya Pradesh	Indore	0.83	No	Shri Sewa Bharti Shiksha Samiti	-
12.	Supporting research on various social issues having impact of Covid 19 Pandemic	Clause (ii) of Schedule VII	Yes	Maharashtra	Mumbai	1.00	No	University of Pennsylvania institute for the advanced study of India	-
					Total	10.00			

(d) **Amount spent on administrative overheads:** Nil

(e) **Amount spent on Impact Assessment, if applicable:** Nil

(f) **Total amount spent for the Financial Year (8b+8c+8d+8e):** Rs.10.00 Million

(g) **Excess amount for set off, if any:** Not Applicable

Sr. No.	Particulars	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per Section135(5)	Nil
(ii)	Total amount spent for the Financial Year	Nil
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9. (a) **Details of Unspent CSR amount for the preceding three financial years:** Not applicable

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer	
1	–	–	–	–	–	–	–
	<b>TOTAL</b>	–	–	–	–	–	–

(b) **Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):** Not applicable

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sr. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in Rs.)	Amount spent on the project in the reporting Financial Year (in Rs).	Cumulative amount spent at the end of reporting Financial Year (in Rs.)	Status of the project - Completed/ Ongoing
1	–	–	–	–	–	–	–	–
–	<b>TOTAL</b>	–	–	–	–	–	–	–

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):** Not applicable

- (a) Date of creation or acquisition of the capital asset(s). –
- (b) Amount of CSR spent for creation or acquisition of capital asset. –
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. –
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). –

11. **In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report.**

The glitches created by Covid 19 Pandemic from the beginning of 2020 continued till now in all walk of human life. Its impact on human life, national and international economics, social life, education and health is very miserable. CSR Team, CSR Committee and Board of Directors of the Company, unanimously decided to contribute certain funds to such implementing agencies which are fighting against pandemic. However, at the same time, it was decided to contribute CSR funds of the Company for various projects which Company is supporting for last few years. Accordingly, out of total CSR funds of Rs.11.13 Million, Rs.10.00 Million was spent on various activities stated hereinbefore in this report. Rs.1.13 Million remained unspent as company could not finalize project which is working for the cause of Covid 19 and also fits into prescribed criteria of implementing agencies. This unspent amount of Rs.1.13 Million will be transferred to fund specified in schedule VII on or before 30 September 2021.

In the month of June 2021, Company contributed to Rs.25 Lakhs out of previous years unspent CSR Corpus for setting up oxygen plant in Nashik.

**For and on behalf of the Board**

**Gaurav Motwane**  
*Managing Director*  
 DIN : 00746165

**Manish Choksi**  
*Independent Director*  
 DIN : 00026496

Mumbai, 25 June 2021





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**Annexure 'D' to the Board's Report**

**POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION AS PER SECTION 178(4) OF THE COMPANIES ACT, 2013 IS AS FOLLOWS**

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The Nomination and Remuneration Committee has adopted a Charter which, inter alia, deals with the manner of selection of Board of Directors, KMP and Senior Management and their remuneration. This policy is accordingly derived from the said Charter.

**A] Criteria for Board Membership**

**Directors**

The Company shall take into account following points:

- (a) Director must have relevant experience in Finance / Law / Management / Sales / Marketing / Administration / Research / Corporate Governance / Technical Operations / Human Resource or the other disciplines related to Company's business.
- (b) Director should possess the highest personal and professional ethics, integrity and values.
- (c) Director must be willing to devote sufficient time and energy in carrying out their duties and responsibilities.

**Independent Director**

Independent Director shall meet all criteria specified in Section 149(7) of the Companies Act, 2013 and the relevant rules made thereunder.

**B] Remuneration Policy**

**Directors**

Nomination and Remuneration Committee shall recommend the remuneration, including the commission based on the net profits of the Company for the Non-Executive Directors and Whole-time Directors and other Executive Directors.

Remuneration recommended by the Committee shall be subject to approval of the Board and Shareholders.

Prior approval of the Shareholders will be obtained whenever applicable.

Remuneration to Whole-time directors shall be by way of salary, allowances, perquisites and variable pay. Salary is to be paid within the range approved by the Shareholders. Annual increments to be proposed by the Committee should be within the prescribed ceiling approved by the Shareholders. Annual increments as proposed by the Committee shall be subject to approval of the Board.

The remuneration paid to Executive Directors is determined keeping in view the industry benchmark and the relative performance of the Company to the industry performance. Perquisites and retirement benefits are paid according to the Company Policy.

Non-Executive Directors receive sitting fees for attending meetings of the Board and Board Committees. Sitting fees to be recommended by the Committee and to be approved by the Board.

**Key Managerial Personnel/Other Employees**

The remuneration to employees largely consists of basic salary, perquisites, allowances and incentives. Perquisites and retirement benefits are paid according to the Company policy, subject to the prescribed statutory ceiling.

The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification and experience / merits, performance of each employee. The Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package of the industry.

Employees shall be eligible for loan from the Company, not exceeding twelve times of their basic salary, and subject to approval by the Management at such terms and conditions (including rate of interest) deemed appropriate by the Management, considering various factors such as number of years of services, past performance etc.

The annual variable pay of employees is linked to the performance of the Company.

## Annexure 'E' to the Board's Report

### PARTICULARS OF CONTRACT OR ARRANGEMENTS WITH RELATED PARTIES AS PER SECTION 134(3)(h) OF THE COMPANIES ACT, 2013

#### Form No. AOC-2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

This Form pertains to disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

#### 1. Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2021, which were not at arm's length basis.

#### 2. Details of material contracts or arrangements or transactions at arm's length basis:

Name(s) of the related party and nature of relationship	Nature of contracts/arrangements/transactions	Duration of the contracts/arrangements/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
<b>Khaitan &amp; Co.</b> <i>(Mr. Nikhilesh Panchal, Director of MSL Driveline Systems Limited, is also a partner of Khaitan &amp; Co. LLP and Khaitan &amp; Co.)</i>	Professional fees	Ad hoc	Arm's length transaction	N.A.	Nil
<b>Motwane Consultancy Private Limited (MCPL)</b> <i>(Mr. Gaurav Motwane and Mrs. Superna Motwane are members and directors of the Company are also members and directors of MCPL)</i>	Leasing of Property	Five Years	Arm's length transaction	March 17, 2020	Nil
<b>MSL North America Inc.</b> <i>(Body Corporate – Mr. Gaurav Motwane is a director of MSL North America Inc.)</i>	Sale of Goods and GSP reimbursement of expenses	One-Time	Arm's length transaction	N.A.	Nil
<b>MSONA Automotive Components Private Limited (MSONA)</b> <i>(Mr. Gaurav Motwane and Mrs. Superna Motwane) are members and directors of the Company and are also members and directors of MSONA.</i>	Purchase of Goods	Ad-Hoc (on the basis of purchase order)	Arm's length transaction	N.A.	Nil

For and on behalf of the Board

**Gaurav Motwane**  
Managing Director  
DIN : 00746165

**Manish Choksi**  
Independent Director  
DIN : 00026496

Mumbai, June 25, 2021

**Annexure 'F' to the Board's Report**

INFORMATION AS PER SECTION 197 OF THE COMPANIES ACT, 2013, READ WITH RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 (AS AMENDED VIDE NOTIFICATION DATED JUNE 30, 2016 ISSUED BY MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA) AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2020

(Rs. in Million)

Name of Employee, Designation / Nature of Employment, whether contractual or otherwise	Remuneration received (Subject to Income Tax)	Qualification & Experience	Date of Commencement of Employment	Age (Years)	Previous Assignment (Designation / Organisation)	Percentage of equity held in the Company (along with spouse and dependent children) (only if it is 2% or more)
<b>Mr. Gaurav Girdhar Motwane</b> <i>Chairman, Managing Director &amp; CEO</i>	56.63	Bachelors in Business Administration, Marketing and Entrepreneurial Management from Wharton School, University of Pennsylvania, USA.  Exp. 24 years	12.05.2004	49	Expo-point Software Private Limited - Director	*37.97%
<b>Mr. Bhushan Shridhar Patwardhan</b> <i>Vice President &amp; Plant Head</i>	5.47	Licentiate in Mechanical Engineering, Diploma in Business Management & Masters of Management Sciences  Exp. 36 years	16.09.1984	55	Trainee Engineer – Crompton Greaves Limited, Satpur, Nashik	Nil
<b>Mr. Pradeep Bhagwan Mestry</b> <i>Vice President &amp; CFO</i>	5.37	B.Com, Cost Accountant (CWA) & Chartered Accountant (CA)  Exp. 25 years	31.07.2009	50	Associated Capsules Private Limited – DGM Finance	Nil
<b>Mr. Waman Vinayak Jain</b> <i>Vice President</i>	4.55	Diploma in Mechanical Engineering  Exp. 37 years	16.10.1982	60	MSL Driveline Systems – Joined as a Fresher	Nil
<b>Mr. Subhash Sudhakar Pendke</b> <i>General Manager</i>	3.57	B.E.  Exp. 31 years	01.09.1988	56	Mahindra & Mahindra Tractor Division, Kandivali – Shop Floor Engineer	Nil
<b>Mr. Dinesh Jaywant Bhadane</b> <i>General Manager</i>	3.27	Licentiate in Mechanical Engineering, Diploma in Business Management & Masters of Management Sciences  Exp. 29 years	08.03.1990	57	Greaves Cotton & Co. Limited, Satpur, Nashik – Shop Floor Supervisor	Nil
<b>Mr. Lalit Kumar Sharma</b> <i>General Manager</i>	3.38	M.Com., Diploma in Sales & Marketing Management  Exp. 32 Years	11.06.1987	59	Mahindra & Mahindra – MSL Division (Auto Components Unit)	Nil
<b>Mr. Nimmagada Satya Sairam</b> <i>Deputy General Manager</i>	3.29	Diploma in Electronics & Communications  Exp. 23 years	08.09.1996	51	TICO Machine Private Limited, Hyderabad – Senior Engineer	Nil

Name of Employee, Designation / Nature of Employment, whether contractual or otherwise	Remuneration received (Subject to Income Tax)	Qualification & Experience	Date of Commencement of Employment	Age (Years)	Previous Assignment (Designation / Organisation)	Percentage of equity held in the Company (along with spouse and dependent children) (only if it is 2% or more)
<b>Mr. Nitin Bhopale</b> <i>Deputy General Manager</i>	3.20	BE - Mechanical, DBM & M.Tech – Metallurgy 23 Years	17.07.2003	50	Greaves Limited Executive - EDP	Nil
<b>Mr. Subodh Kulkarni</b> <i>Deputy General Manager</i>	3.11	BE – Computer 27 Years	05.02.1998	51	Meltron Semiconductors Limited Executive - EDP	Nil
<b>Mr. Jayant Deo</b> <i>Deputy General Manager</i>	2.93	BE – Production 33 Years	03.01.1991	55	Hindustan Fasteners Private Limited Executive - Production	Nil

**Notes :**

- The remuneration received includes salary, commission, value of perquisites for accommodation and car as per Income Tax Rules, employer's contribution to Provident Fund and Superannuation Fund, reimbursement of medical expenses and all other allowances excluding contribution to gratuity fund and provision for compensated absences for which separate figures are not available.
- \* SKM Family Trust through its Trustee Mr. Gaurav Motwane holds 37.97% Equity Shares in the Company.





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## Annexure 'G' to the Board's Report

**SECRETARIAL AUDIT REPORT PURSUANT TO SECTION 204(1) OF THE COMPANIES ACT, 2013 AND RULE 9 OF THE COMPANIES (APPOINTMENT AND REMUNERATION TO MANAGERIAL PERSONNEL) RULES, 2014:**

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### **Form No. MR-3**

#### **SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration to Managerial Personnel) Rules, 2014]*

The Members,

**MSL Driveline Systems Limited**

CIN: U30007MH1994PLC081637

Unit No.1506, 15<sup>th</sup> Floor, ONE BKC,

Bandra-Kurla Complex, Bandra (E),

Mumbai - 400051.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by MSL Driveline Systems Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (iv) The list of other laws applicable to the Company (Under the Major Group and Head) as stated below:
  1. The Factories Act, 1960
  2. The Industrial (Development & Regulation) Act, 1951
  3. Labour Laws and other incidental laws related to labour and employees appointed by the Company as related to wages, gratuity, provident fund, ESIC, compensation etc.
  4. Acts prescribed under prevention and control of pollution
  5. Acts prescribed under Environmental protection
  6. Acts as prescribed under Direct Tax and Indirect Tax
  7. Land Revenue Laws
  8. Local laws applicable to various branch offices.

I have also examined compliance with the applicable clauses of Secretarial Standard issued by the Institute of Companies Secretaries of India.

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

*The Company has not complied with the provisions of FEMA/RBI pertaining to two overseas joint venture companies, which are liquidated as on the date of this report. We have been informed that the Company is in the process of complying with the pending reporting and relevant documents are submitted with Authorized Dealer Bank.*

**We further report that:**

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

*As per provisions of Section 149 of the Companies Act, 2013 read with relevant rules, the Company is required to appoint two independent directors on the Board of the Company. However, one of the directors of the Company retired from the directorship of the Company post completion of second term as the Independent Director with effect from March 31, 2019. Thus, as on the date of reporting, the Company has only one independent director. We have been informed by the management that the Company is in the process of identifying and appointing a new Independent Director on the Board of the Company. Consequently, the composition of the Audit Committee and the Nomination and Remuneration Committee of the Board is not in compliance with the requirements of Section 177 and 178 of the Companies Act, 2013.*

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

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

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

**We further report that** during the audit period there were no instances of events or actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

CS Vijay Tiwari  
Vijay S. Tiwari & Associates  
ACS No. 33084  
C.P. No. 12220

Mumbai, 25 June 2021



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## AUDIT REPORT

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSL DRIVELINE SYSTEMS LIMITED

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#### Report on the Audit of the Ind AS financial statements

##### Opinion

We have audited the accompanying Ind AS financial statements of MSL Driveline Systems Limited (“the Company”), which comprise the Balance sheet as at March 31 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended (“the Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

##### Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the ‘Auditor’s Responsibilities for the Audit of the Ind AS Financial Statements’ section of our report. We are independent of the Company in accordance with the ‘Code of Ethics’ issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

##### Information Other than the Ind AS Financial Statements and Auditor’s Report Thereon

The Company’s Board of Directors is responsible for the other information. The other information comprises the information included in the Board’s report, but does not include the Ind AS financial statements and our auditor’s report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

##### Responsibility of Management for the Ind AS Financial Statements

The Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Ind AS financial Statements**

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;





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- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2” to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 29 to the Ind AS financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

**per Nishant Mankodi**  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAABB3816

Place of Signature: Mumbai

Date: June 25, 2021

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**ANNEXURE 1****TO THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2021**

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**Annexure 1 referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) Property, plant and equipment were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2021 and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause (iii) (a), (b) and (c) of the order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of Section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities and there have been slight delays in case of Tax collected at source.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of Due	Assessment Year to which it relates	Amount (Rs. in 000) (Net of payments made)	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	1997-98	12.9	Appellate Authority up to Commissioner Level
Central Excise Act, 1944	Excise Duty	1998-99	55.0	Appellate Authority up to Commissioner Level
Central Excise Act, 1944	Excise Duty	1998-99	2.0	Additional Commissioner of Central Excise
Central Excise Act, 1944	Excise Duty	2000-01	2.4	Additional Commissioner of Central Excise
Central Excise Act, 1944	Excise Duty	2001-02 to 2005-06	17,131.1	Appellate Authority up to Commissioner Level
Central Excise Act, 1944	Excise Duty	2008-09	1,048.1	Additional Commissioner of Central Excise
Finance Act, 1994	Service Tax	2012-13 to 2013-14	84.6	Appellate Authority Up to Central Excise & Service Tax, Appellate Tribunal
Finance Act, 1994	Service Tax	2017-18	2,178.8	Deputy Commissioner-Central GST & CX Nashik
Maharashtra Value Added Tax, 2002	Value Added Tax	2012-13	400.0	Deputy Commissioner of Sales Tax
Maharashtra Value Added Tax, 2002	Value Added Tax	2017-18	14,364.5	Deputy Commissioner of Sales Tax
Central Sales Tax Act, 1956	CST	2017-18	13,694.6	Deputy Commissioner of Sales Tax
Income-tax Act, 1961	Income Tax	2016-17	4,680.3	Commissioner of Income Tax (Appeals)
Income-tax Act, 1961	Income Tax	2018-19	26,391.5	Commissioner of Income Tax (Appeals)

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.
- (ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised. The Company has not raised any money by way of initial public offer/further public offer (including debt instruments) during the year.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

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- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and hence not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E/E300003

**per Nishant Mankodi**  
Partner  
Membership Number: 107515  
UDIN: 21107515AAAABB3816

Place of Signature: Mumbai  
Date: June 25, 2021



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## ANNEXURE 2

### TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MSL DRIVELINE SYSTEMS LIMITED

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#### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls with reference to Ind AS financial statements of MSL Driveline Systems Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Ind AS financial statements included obtaining an understanding of internal financial controls with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to these Ind AS financial statements.

#### **Meaning of Internal Financial Controls With Reference to these Ind AS financial Statements**

A company's internal financial controls with reference to Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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**Inherent Limitations of Internal Financial Controls With Reference to Ind AS financial statements**

Because of the inherent limitations of internal financial controls with reference to Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Ind AS financial statements to future periods are subject to the risk that the internal financial control with reference to Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to Ind AS financial statements and such internal financial controls with reference to Ind AS financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Nishant Mankodi**

Partner

Membership Number: 107515

UDIN: 21107515AAAABB3816

Place of Signature: Mumbai

Date: June 25, 2021



**Balance Sheet as at 31st March, 2021**

Rs. Million

Particulars	Note	As at 31st March, 2021	As at 31st March, 2020
<b>(A) ASSETS</b>			
<b>1. Non-current assets :</b>			
(a) Property, plant and equipment	3(a)	807.9	893.0
(b) Capital work-in-progress	3(a)(iii)	4.4	0.1
(c) Other intangible assets	3(b)	2.8	6.1
(d) Right of use assets	3(c)	89.8	44.7
(e) Intangible assets under development	3(b)(i)	3.0	13.5
(f) Financial assets :			
(i) Investments	4	-	-
(ii) Other non-current financial assets	6	15.7	12.1
(g) Income tax assets (net)	7(a)	30.3	36.7
(h) Other non-current assets	7(b)	9.4	5.7
<b>Total non-current assets</b>		<b>963.3</b>	<b>1,011.9</b>
<b>2. Current assets :</b>			
(a) Inventories	8	1,013.2	755.6
(b) Financial assets :			
(i) Trade receivables	9	1,257.0	1,200.0
(ii) Cash and cash equivalents	5	59.1	130.6
(iii) Other current financial assets	6	4.0	7.6
(c) Other current assets	7(b)	64.3	91.2
<b>Total current assets</b>		<b>2,397.6</b>	<b>2,185.0</b>
<b>Total assets</b>		<b>3,360.9</b>	<b>3,196.9</b>
<b>(B) EQUITY AND LIABILITIES</b>			
<b>1. EQUITY :</b>			
(a) Equity share capital	10(a)	88.4	88.4
(b) Other equity			
(i) Retained Earnings	10(b)	1,582.2	1,337.7
(ii) Other Reserves	10(b)	263.2	263.2
<b>Total equity</b>		<b>1,933.8</b>	<b>1,689.3</b>
<b>2. LIABILITIES :</b>			
<b>Non-current liabilities</b>			
(a) Financial liabilities:			
(i) Lease Liabilities	17	45.0	3.1
(ii) Other non current financial Liabilities	16	43.3	24.2
(b) Long Term Provisions	13	2.6	2.6
(c) Deferred tax liabilities (Net)	14(c)	49.5	61.4
<b>Total non-current liabilities</b>		<b>140.4</b>	<b>91.3</b>
<b>3. Current liabilities</b>			
(a) Financial liabilities:			
(i) Short Term Borrowings	11	203.8	513.7
(ii) Trade payables			
(a) Total outstanding dues of micro enterprises and small enterprises	12	203.6	183.2
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises			
(iii) lease liabilities	17	616.3	465.8
(iv) Other current financial liabilities	16	12.2	5.8
(b) Other current liabilities	18	94.9	139.2
(c) Short term Provisions	13	28.1	12.9
(d) Current tax Liabilities (Net)	15	78.8	70.2
		49.0	25.5
<b>Total current liabilities</b>		<b>1,286.7</b>	<b>1,416.3</b>
<b>Total equity and liabilities</b>		<b>3,360.9</b>	<b>3,196.9</b>
<b>Summary of significant accounting policies</b>	2		

The accompanying notes are an integral part of the financial statements

1 - 44

As per our report of even date

For S R B C &amp; CO. LLP

Chartered Accountants

ICAI Firm Regn. No.324982E / E300003

Per Nishant Mankodi

Partner

Membership No.107515

Mumbai, June 25, 2021

For and on behalf of the Board of Directors

MSL Driveline Systems Limited

Gaurav Motwane

Chairman, Managing Director & CEO  
(DIN 00746165)

Manish Choksi

Independent Director  
(DIN 00026496)Pradeep Mestry  
Chief Financial OfficerMahendra Salunke  
Company Secretary

Mumbai, June 25, 2021

**Statement of Profit and Loss for the year ended 31st March, 2021**

Rs. Million

Particulars	Note	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Revenue from operations	19	4,500.0	5,138.6
Other income	20	25.3	43.3
Finance income	21	19.9	2.9
<b>Total Income</b>		<b>4,545.2</b>	<b>5,184.8</b>
<b>Expenses</b>			
(a) Cost of raw materials and components consumed	22(a)	3,109.6	3,354.2
(b) Purchase of traded goods	22(b)	17.2	16.0
(c) (Increase)/Decrease in inventories of finished goods & work-in-progress	22(c)	(187.7)	183.2
(d) Employee benefits expense	23	468.4	450.3
(e) Depreciation & amortisation expense	25	119.9	125.5
(f) Finance costs	24	37.2	40.0
(g) Other expenses	26	494.1	664.8
<b>Total Expenses</b>		<b>4,058.7</b>	<b>4,834.0</b>
<b>Profit before tax</b>		<b>486.5</b>	<b>350.8</b>
<b>Tax expense :</b>			
(1) Current tax	14(a)	138.8	96.1
(2) Adjustment of tax relating to earlier periods	14(a)	(35.8)	20.7
(3) Deferred tax	14(b)	(11.8)	(33.2)
<b>Total tax expense</b>		<b>91.2</b>	<b>83.6</b>
<b>Profit for the year</b>		<b>395.3</b>	<b>267.2</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
– Re-measurement gains/(losses) of the defined benefit plans	27	(0.7)	(6.0)
– Income tax effect	14(b)	0.2	1.5
<b>Other Comprehensive Income for the year, net of tax</b>		<b>(0.5)</b>	<b>(4.5)</b>
<b>Total Comprehensive Income for the year</b>		<b>394.8</b>	<b>262.7</b>
<b>Earnings per equity share (in Rs.) – Basic &amp; Diluted</b>	32	<b>44.71</b>	<b>28.94</b>
<b>Paid-up equity share capital (Face value – Rs.10 each)</b>	Nos.	<b>8,841,980</b>	<b>8,841,980</b>
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements 1 - 44

As per our report of even date

**For S R B C & CO. LLP**

Chartered Accountants

ICAI Firm Regn. No.324982E / E300003

**Per Nishant Mankodi**

Partner

Membership No.107515

Mumbai, June 25, 2021

**For and on behalf of the Board of Directors****MSL Driveline Systems Limited****Gaurav Motwane**Chairman, Managing Director & CEO  
(DIN 00746165)**Manish Choksi**Independent Director  
(DIN 00026496)**Pradeep Mestry**

Chief Financial Officer

**Mahendra Salunke**

Company Secretary

Mumbai, June 25, 2021

**Cash Flow Statement for the year ended 31st March, 2021**

Rs. Million

Particulars	For the year ended 31st March, 2021	For the year ended 31st March, 2020
<b>A. Cash flow from operating activities:</b>		
Net Profit before tax for the year	486.5	350.8
<b>Adjustment for:</b>		
Depreciation and amortisation expense	119.9	125.5
Excess provision written back	(0.6)	(5.5)
Provision for slow-moving and non-moving inventory	(1.3)	44.0
Impairment of Intangible Asset under development	11.0	–
Bad Debts write off [Refer note 9(iii)]	–	119.1
Dividend Income/capital gain from current investment	(1.0)	(0.9)
Interest Income	(18.8)	(2.0)
Net foreign exchange differences	(5.2)	(25.1)
Finance costs paid	37.2	40.0
Loss/ (gain) on sale of Property, Plant and equipment (net)	0.7	0.6
	141.9	295.7
Operating Cashflow before Working Capital Changes	628.4	646.5
<b>Movements in Working Capital:</b>		
<u>Adjustments for (increase)/decrease in operating assets</u>		
Inventories	(256.3)	195.9
Trade and Other Receivables	(52.6)	445.7
Other current assets	26.5	14.2
Financial assets	1.6	(0.7)
<u>Adjustments for increase/(decrease) in operating liabilities</u>		
Trade payables	169.7	(327.7)
Provision	7.0	(3.5)
Other liabilities	15.2	0.2
Financial liabilities	37.6	10.5
	(51.3)	334.6
Cash generated from/(used in) operations	577.1	981.1
Direct tax paid (net of refunds)	(63.4)	(139.7)
<b>Net Cash flow from/(used in) operating activities (A)</b>	<b>513.7</b>	<b>841.4</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of Property, Plant and equipment (net)	(26.1)	(103.7)
Proceeds from disposal of Property, Plant and equipment(net)	1.4	2.6
Investment in mutual funds	(520.0)	(480.0)
Redemption of mutual funds	521.0	480.9
Investment in fixed deposit with banks	(1,493.5)	(300.0)
Redemption of fixed deposit with banks	1,493.5	300.0
Interest income	2.3	2.0
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>(21.4)</b>	<b>(98.2)</b>

Contd.

**Cash Flow Statement for the year ended 31st March, 2021 (contd.)**

Rs. Million

Particulars	For the year ended 31st March, 2021		For the year ended 31st March, 2020	
	Closing balance	Opening balance	Closing balance	Opening balance
<b>C. Cash flow from financing activities :</b>				
Payment made for buy back of equity shares	–		(300.0)	
Tax payment on buy back of equity shares	–		(68.4)	
Dividend paid on equity shares	(178.5)		(170.3)	
Dividend distribution tax	–		(40.9)	
Repayment of long term borrowing	(35.0)		(105.0)	
Payment of lease liability toward principal obligation	(12.0)		(7.8)	
Payment of lease liability toward interest obligation	(6.0)		(1.6)	
Finance costs paid	(22.4)		(36.9)	
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>(253.9)</b>		<b>(730.9)</b>	
<b>Net decrease in Cash and cash equivalents (A+B+C)</b>	<b>238.4</b>		<b>12.3</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(383.1)</b>		<b>(395.4)</b>	
Less: Effect of exchange differences on restatement of foreign currency cash and cash equivalents	–		–	
<b>Cash and cash equivalents at the end of the year</b>	<b>(144.7)</b>		<b>(383.1)</b>	
<b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>				
Cash and cash equivalents as per Balance Sheet				
1 Cash in Hand [Refer Note 5(b)]	0.4		0.4	
2 Loan repayable on demand [Refer Note 11]	(203.8)		(513.7)	
3 Balances with Banks : [Refer Note 5(a)]				
i) In current accounts	54.5		124.5	
ii) EEFC account	4.2		5.7	
	(145.1)		(383.5)	
<b>Cash and cash equivalents at the end of the year (Refer note a below)</b>	<b>(144.7)</b>		<b>(383.1)</b>	

**Note :** For the purpose of the statement of cash flows, cash and cash equivalents comprise following

Rs. Million

Particulars	For the year ended 31st March, 2021		For the year ended 31st March, 2020	
	Closing balance	Opening balance	Closing balance	Opening balance
Cash & bank (Refer note 5)	59.1	130.6	130.6	46.6
Short term borrowing (Refer note 11)	(203.8)	(513.7)	(513.7)	(442.0)
Total	(144.7)	(383.1)	(383.1)	(395.4)

Cash flow statement has been prepared as per the indirect method set out in Indian Accounting Standard 7 “Statement of Cash Flows”.

Summary of significant accounting policies (Refer note 2)

**The accompanying notes are an integral part of the financial statements –**

1 - 44

As per our report of even date

**For S R B C & CO. LLP**

Chartered Accountants

ICAI Firm Regn. No.324982E / E300003

**Per Nishant Mankodi**

Partner

Membership No.107515

Mumbai, June 25, 2021

**For and on behalf of the Board of Directors****MSL Driveline Systems Limited****Gaurav Motwane**Chairman, Managing Director & CEO  
(DIN 00746165)**Manish Choksi**Independent Director  
(DIN 00026496)**Pradeep Mestry**  
Chief Financial Officer**Mahendra Salunke**  
Company Secretary

Mumbai, June 25, 2021

**Statement of Changes in Equity for the year ended 31st March, 2021****(A) Equity Share Capital**

Particulars	Numbers	Rs. Million
Balance as at 31st March, 2019	9,473,560	94.7
Less : Buy back during the financial year 2019-20	(631,580)	(6.3)
Balance as at 31st March, 2020	8,841,980	88.4
Add : Issued during the financial year 2020-21	–	–
<b>Balance as at 31st March, 2021</b>	<b>8,841,980</b>	<b>88.4</b>

**(B) Other equity for the year ended 31st March, 2021**

Particulars	Rs. Million				
	Capital reserve	Capital Redemption reserve	General reserve	Retained earnings	Total
Balance as at 1st April, 2020	2.0	21.6	239.6	1,337.7	1,600.9
Profit for the year	–	–	–	395.3	395.3
Other comprehensive income (net of tax)	–	–	–	(0.5)	(0.5)
Total comprehensive income	–	–	–	394.8	394.8
Dividend paid on equity shares (Rs.17.00 per share)	–	–	–	(150.3)	(150.3)
<b>Balance as at 31st March, 2021</b>	<b>2.0</b>	<b>21.6</b>	<b>239.6</b>	<b>1,582.2</b>	<b>1,845.4</b>
Balance as at 1st April, 2019	2.0	15.3	239.6	1,683.2	1,940.1
Profit for the year	–	–	–	267.2	267.2
Other comprehensive income (net of tax)	–	–	–	(4.5)	(4.5)
Total comprehensive income	–	–	–	262.7	262.7
Buy back of Shares	–	–	–	(293.7)	(293.7)
Distribution Tax on shares bought back	–	–	–	(68.4)	(68.4)
Transfer from Retained Earnings	–	6.3	–	–	6.3
Transfer to Capital Redemption Reserve	–	–	–	(6.3)	(6.3)
Dividend paid on equity shares (Rs.22.50 per share)	–	–	–	(198.9)	(198.9)
Dividend distribution tax	–	–	–	(40.9)	(40.9)
<b>Balance as at 31st March, 2020</b>	<b>2.0</b>	<b>21.6</b>	<b>239.6</b>	<b>1,337.7</b>	<b>1,600.9</b>

**Summary of significant accounting policies (Refer note 2)**

The accompanying notes are an integral part of the financial statements (1 – 44)

As per our report of even date

**For S R B C & CO. LLP**

Chartered Accountants

ICAI Firm Regn. No.324982E / E300003

**Per Nishant Mankodi**

Partner

Membership No.107515

Mumbai, June 25, 2021

**For and on behalf of the Board of Directors**  
**MSL Driveline Systems Limited**

**Gaurav Motwane**

Chairman, Managing Director & CEO

(DIN 00746165)

**Manish Choksi**

Independent Director

(DIN 00026496)

**Pradeep Mestry**

Chief Financial Officer

**Mahendra Salunke**

Company Secretary

Mumbai, June 25, 2021

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## Notes to the financial statements for the year ended 31st March, 2021

### NOTE 1 CORPORATE INFORMATION

MSL Driveline Systems Limited ('the company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company is a closely held company. The registered office of the Company is located at Unit 1506, 15th floor, One BKC, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

The Company is engaged in manufacturing and selling of Auto Components including Propeller Shafts, Clutch Set and Universal Joints. The Company caters to both domestic and international markets. The Company also trades in steel and metal.

### NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of division II of schedule III to the Companies Act, 2013, (Ind AS compliant schedule III), as applicable.

The financial statements have been prepared on accrual basis and under historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments
- Certain financial assets and liabilities measured at fair value. Refer to the accounting policy on financial instruments in section (p) financial instruments.

The financial statements are presented in Indian Rupee ('INR') which is also the Company's functional currency and all values are rounded to the nearest Million, except when otherwise indicated.

#### 2.2. Summary of significant accounting policies

##### a. Current versus non-current classification

The company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.



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**Notes to the financial statements for year ended 31st March, 2021****b. Foreign currencies**

The Company's financial statements are presented in INR, which is also the company's functional currency.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the company at its functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the company determines the transaction date for each payment or receipt of advance consideration.

**c. Fair value measurement**

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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**Notes to the financial statements for year ended 31st March, 2021**

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities

At each reporting date, the Company's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company's management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Quantitative disclosures of fair value measurement hierarchy (note 37)
- Financial instruments (including those carried at amortised cost) (note 4, 5(a), 5(b), 6, 9, 11, 12 and 16)

**d. Revenue from contracts with customer**

Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.3.

**Sale of goods**

Revenue from sale of goods are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 - 150 days in respect of export customers and 30 - 90 days from the date of delivery of goods in respect of domestic customers.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, rebates, etc.). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer, if any.

**i) Variable consideration**

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

**Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in Ind AS 115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset and corresponding adjustment to change in inventory is also recognised for the right to recover products from a customer.

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*Notes to the financial statements for year ended 31st March, 2021***Volume rebates**

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method (OEM, with whom we don't have any contract) and the expected value method for contracts with more than one volume threshold (Dealers). The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

**ii) Significant financing component**

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

**iii) Warranty obligations**

The Company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section (n) Provisions.

**Contract balances****Contract assets**

A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section p) Financial instruments – initial recognition and subsequent measurement.

**Trade receivables**

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (p) Financial instruments – initial recognition and subsequent measurement.

**Contract liabilities**

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Assets and liabilities arising from rights of return****Right of return assets**

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

**Refund liabilities**

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

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*Notes to the financial statements for year ended 31st March, 2021***Interest income**

Interest income is recognised using the effective interest method.

**Dividends**

Revenue is recognised when the Company's right to receive the payment is established and it is probable that the economic benefits associated with the dividend will flow to the Company and that the amount of the dividend can be measured reliably.

**e. Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

**f. Export Benefits:**

The benefit accrued under the Duty Drawback, Merchandise Export Incentive Scheme and other schemes as per the Import and Export Policy in respect of exports made under the said schemes is included as 'Export Incentives' under the head 'Other operating revenue'.

**g. Taxes****Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with the Income-tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

**Deferred tax**

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

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

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

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

**Notes to the financial statements for year ended 31st March, 2021**

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

**h. Property, plant and equipment**

Capital work in progress is stated at cost, net of accumulated impairment loss, if any. Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and accumulated impairment, if any. Cost includes financing cost relating to borrowed funds attributable to the construction or acquisition of qualifying tangible assets up to the date assets are ready for use. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

When an item of property, plant and equipment is scrapped or otherwise disposed of, the cost and related depreciation are removed from the books of account and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.

The company, based on technical assessment made by technical expert and management estimate, depreciates certain items of plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The estimated useful lives, residual values, are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated on Straight Line method over the estimated useful life of all assets. These lives are in accordance with Schedule II to the Companies Act, 2013.

Estimated useful life of the assets are as follows:

Nature of Tangible Assets	Useful Life (Years)
Buildings	10- 30
Plant and equipment	3 to 15
Furniture and fixtures	10
Vehicles	8
Office equipment	3-10
Lease improvement	Over the period of lease

**i. Intangible assets:**

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

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

## Notes to the financial statements for year ended 31st March, 2021

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Company's intangible assets are, as follows:

Intangible assets	Useful lives	Amortisation method used	Internally generated or acquired
Computer Software	3-6 years	Amortised on a straight-line basis over the useful life	Acquired
Development costs	5 years	Amortised on a straight-line basis over the useful life	Internally generated

### j. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.



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**Notes to the financial statements for year ended 31st March, 2021**

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**k. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**l. Leases**

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

**Company as a lessee****i) Right-of-use assets**

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

Leasehold Land	99 years for leasehold land at Nashik
Leasehold Land	30 years for leasehold land at Pithampur
Offices on Lease	More than 3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (j) Impairment of non-financial assets.

**ii) Lease Liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments primarily comprise of fixed payments.

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

The Company's lease liabilities are included in Interest-bearing loans and borrowings (see Note 17).

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*Notes to the financial statements for year ended 31st March, 2021*

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

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 3 years or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of offices at branches that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Company as a lessor**

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**m. Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials, Stores and spares, packing materials:** cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on moving weighted average basis. However, the aforesaid items are not valued below cost if the finished products in which they are to be incorporated are expected to be sold at or above cost.
- **Finished goods and work in progress:** cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Cost is determined on moving weighted average basis.
- **Traded goods:** cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

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

**n. Provisions**

**General**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Warranty provisions**

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

**o. Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

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**Notes to the financial statements for year ended 31st March, 2021**

Superannuation Fund is a defined contribution scheme and contributions to the scheme are charged to the statement of profit and loss in the year when an employee renders the related service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The Company operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. Every employee who has completed five years or more of service get a gratuity on post-employment at 15 days salary (last drawn salary) for each completed year of service as per the rules of the Company. The aforesaid liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The Company has other long-term employee benefits in the nature of leave encashment. The liability in respect of leave encashment is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The aforesaid leave encashment is funded with an insurance Company in the form of a qualifying insurance policy.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

**p. Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115. Refer to the accounting policies in section (d) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)

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**Notes to the financial statements for year ended 31st March, 2021**

- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**Debt instruments at amortised cost**

A debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

**Debt instrument at FVTOCI**

A debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Debt instrument at FVTPL**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

**Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

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**Notes to the financial statements for year ended 31st March, 2021****Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments and are measured at amortized cost e.g., deposits and trade receivables.
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind-AS 18

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables and
- Other Receivable

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

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**Notes to the financial statements for year ended 31st March, 2021**

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'finance cost' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortized cost, contractual revenue receivables and other receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

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

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

The Company has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions; the Company expects to recover the carrying amount of these assets

**Financial liabilities****Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

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

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

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Gains or losses on liabilities held for trading are recognised in the profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings.



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**Notes to the financial statements for year ended 31st March, 2021****Bill Discounting**

During any point of time in the accounting year a Company may enter into an arrangement, with the Non-Banking Financial Companies ('NBFC') to avail the bill discounting facility extended by the NBFC's on such terms and conditions as may be mutually decided through a written agreement/contract and discount the bills raised on the customer with NBFC at an agreed discount rate. The liability to pay to the NBFC on due date is of the customer on full recourse basis to the Company (i.e. NBFC will recover the o/s bills amount from the company in case the customer fails to pay on due date).

At the end of the accounting year, any amount payable to NBFC by the Company on account of the discounted bills shall be disclosed under the head 'Borrowing' as this liability is not in the Company's normal business operating cycle and shall be considered as payable towards the money borrowed from the NBFC.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**q. Derivative financial instruments**

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, full currency swaps and interest rate swaps contracts to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under Ind AS 109 are recognised in the statement of profit and loss. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

**r. Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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**Notes to the financial statements for year ended 31st March, 2021**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, loan repayable on demand (from bank) and net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

**s. Cash dividend**

The Company recognizes a liability to make cash distributions to equity holders when the distribution is authorized, and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**t. Earnings Per Share:**

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the company (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**u. Contingent Liability and Contingent assets:**

Contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements.

Contingent liabilities and contingent assets are reviewed at each balance sheet date.

**2.3. Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

**Revenue from contracts with customers**

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

**Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

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**Notes to the financial statements for year ended 31st March, 2021**

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Company determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Impairment of non- financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

**Taxes**

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the current and deferred tax provisions in the period in which the tax determination is made.

The assessment of probability involves estimation of a number of factors including future taxable income.

**Defined benefit plans (gratuity benefits)**

A liability in respect of defined benefit plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the plan's assets. The present value of the defined benefit obligation is based on expected future payments which arise from the fund at the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Refer note 30 for details of the key assumptions used in determining the accounting for these plans.

**Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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**Notes to the financial statements for year ended 31st March, 2021****Intangible asset under development**

The Company capitalises intangible asset under development for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31st March, 2021, the carrying amount of capitalised intangible asset under development was **Rs.3.0 Million** (31st March, 2020 : Rs.13.5 Million). This amount includes significant investment in the development of Propeller shaft and Clutch set.

**Estimating variable consideration for returns and volume rebates**

The Company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates.

The Company's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date. Right of return are analysed for the Company as a whole due to past experience of the Company having similar range of right to return for each customer.

The Company updates its assessment of expected returns and volume rebates annually and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Company's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31st March, 2021, the amount recognised as refund liabilities for the expected returns and volume rebates was **Rs.75.2 Million** (31st March, 2020 : Rs.60.1 Million)

**Provision against obsolete and slow-moving inventories**

The Company reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Company estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Company carries out an inventory review at each balance sheet date and makes provision against obsolete and slow-moving items. The Company reassesses the estimation on each balance sheet date.

**Impairment of financial assets**

The Company assesses impairment based on expected credit losses (ECL) model on trade receivables.

The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

## Notes to the financial statements for year ended 31st March, 2021

**NOTE 3 (a) Property, plant and equipment:**
**Current Year**

							Rs. Million
Particulars	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Lease improvement	Total
<b>I. Cost</b>							
Balance as at 1st April, 2020	318.8	1,379.1	31.6	31.5	10.2	17.8	1,789.0
Additions	–	14.3	0.1	4.2	0.1	–	18.7
Disposals	–	(12.4)	(0.3)	(2.7)	–	–	(15.4)
<b>Balance as at 31st March, 2021</b>	<b>318.8</b>	<b>1,381.0</b>	<b>31.4</b>	<b>33.0</b>	<b>10.3</b>	<b>17.8</b>	<b>1,792.3</b>
<b>II. Accumulated depreciation</b>							
Balance as at 1st April, 2020	85.0	759.1	16.1	13.0	7.8	15.1	896.1
Depreciation expense for the year	11.6	79.7	2.9	3.8	0.9	2.7	101.6
Eliminated on disposal of assets	–	(11.4)	(0.2)	(1.7)	–	–	(13.3)
<b>Balance as at 31st March, 2021</b>	<b>96.6</b>	<b>827.4</b>	<b>18.8</b>	<b>15.1</b>	<b>8.7</b>	<b>17.8</b>	<b>984.4</b>
<b>Carrying amount (I – II)</b>							
<b>Balance as at 31st March, 2021</b>	<b>222.2</b>	<b>553.6</b>	<b>12.6</b>	<b>17.9</b>	<b>1.6</b>	<b>–</b>	<b>807.9</b>
Balance as at 31st March, 2020	233.8	620.0	15.5	18.6	2.4	2.7	893.0

**Previous Year**

							Rs. Million
Particulars	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Lease improvement	Total
<b>I. Cost</b>							
Balance as at 1st April, 2019	317.8	1,301.4	31.8	34.7	9.7	17.8	1,713.2
Additions	1.0	79.4	0.3	0.3	0.5	–	81.5
Disposals	–	(1.7)	(0.5)	(3.5)	–	–	(5.7)
<b>Balance as at 31st March, 2020</b>	<b>318.8</b>	<b>1,379.1</b>	<b>31.6</b>	<b>31.5</b>	<b>10.2</b>	<b>17.8</b>	<b>1,789.0</b>
<b>II. Accumulated depreciation</b>							
Balance as at 1st April, 2019	72.9	674.3	13.6	9.5	6.8	9.8	786.9
Depreciation expense for the year	12.1	86.5	3.0	3.8	1.0	5.3	111.7
Eliminated on disposal of assets	–	(1.7)	(0.5)	(0.4)	–	–	(2.6)
<b>Balance as at 31st March, 2020</b>	<b>85.0</b>	<b>759.1</b>	<b>16.1</b>	<b>12.9</b>	<b>7.8</b>	<b>15.1</b>	<b>896.0</b>
<b>Carrying amount (I – II)</b>							
<b>Balance as at 31st March, 2020</b>	<b>233.8</b>	<b>620.0</b>	<b>15.5</b>	<b>18.6</b>	<b>2.4</b>	<b>2.7</b>	<b>893.0</b>
Balance as at 31st March, 2019	244.9	627.1	18.2	25.2	2.9	8.0	926.3

- (i) Term loan is secured by first *pari passu* charge over movable Property, plant and equipment (present and future) of the Company. Refer note 11 for details of security.

**Notes to the financial statements for year ended 31st March, 2021**

(ii) Value of Property, plant and equipment such as tools and equipments lying with sub-contractors are as under :

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Gross Block	36.5	25.6
Additions during the year	0.3	10.9
Less : Accumulated Depreciation	(22.0)	(20.5)
<b>Net Block</b>	<b>14.8</b>	<b>16.0</b>

(iii) Details of Capital work-in-progress :

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Opening balance	0.1	0.2
Additions during the year	4.3	17.7
Less : Capitalised during the year	–	(17.8)
<b>Closing Balance</b>	<b>4.4</b>	<b>0.1</b>

**NOTE 3 (b) Intangible Assets**

Particulars	Rs. Million					
	Computer software – (acquired)		Internally generated development expenditure		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>I. Cost</b>						
Balance as at 1st April, 2020	33.2	–	12.2	–	45.4	–
Balance as at 1st April, 2019	–	33.2	–	12.2	–	45.4
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
<b>Balance as at 31st March, 2021</b>	<b>33.2</b>	<b>–</b>	<b>12.2</b>	<b>–</b>	<b>45.4</b>	<b>–</b>
Balance as at 31st March, 2020	–	33.2	–	12.2	–	45.4
<b>II. Accumulated amortisation</b>						
Balance as at 1st April, 2020	30.7	–	8.6	–	39.3	–
Balance as at 1st April, 2019	–	28.8	–	6.1	–	34.9
Amortisation expense for the year	1.1	1.9	2.2	2.5	3.3	4.4
Eliminated on disposal	–	–	–	–	–	–
<b>Balance as at 31st March, 2021</b>	<b>31.8</b>	<b>–</b>	<b>10.8</b>	<b>–</b>	<b>42.6</b>	<b>–</b>
Balance as at 31st March, 2020	–	30.7	–	8.6	–	39.3
<b>Carrying amount (I – II)</b>						
<b>Balance as at 31st March, 2021</b>	<b>1.4</b>	<b>–</b>	<b>1.4</b>	<b>–</b>	<b>2.8</b>	<b>–</b>
Balance as at 31st March, 2020	–	2.5	–	3.6	–	6.1
Balance as at 31st March, 2019	–	4.4	–	6.1	–	10.5

(i) Details of Intangible assets under development:

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Opening balance	13.5	13.5
Additions during the year	0.5	–
Provision for impairment [Refer note (a) below]	(11.0)	–
Less : Capitalised during the year	–	–
<b>Closing balance</b>	<b>3.0</b>	<b>13.5</b>

**Notes to the financial statements for year ended 31st March, 2021**

- (a) During the year, the Company reviewed the intangible assets under development and based on its own assessment the company made a provision of Rs. 11.0 Million towards impairment in the carrying cost as certain projects, although technically feasible, for available for use, were not meeting the condition of generating future economic benefit in a certain period of time. The Company will reassess the status of these projects in future and an appropriate adjustments will be made in the provision.

**NOTE 3 (c) Right of use assets**
**(i) Company as a lessee**

The Company has lease contracts for various items i.e. land, building premises used in its operations. Leasehold land have lease period between 30 to 99 years, while building premises have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

**(ii) Right of use assets**

Particulars	Rs. Million					
	Leasehold Land		Rented Premises		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>I. Cost</b>						
Balance as at 1st April, 2020	37.4	–	16.7	–	54.1	–
Balance as at 1st April, 2019	–	–	–	–	–	–
Additions	–	37.4	60.3	16.7	60.3	54.1
Disposals	–	–	(8.5)	–	(8.5)	–
<b>Balance as at 31st March, 2021</b>	<b>37.4</b>	<b>–</b>	<b>68.5</b>	<b>–</b>	<b>105.9</b>	<b>–</b>
Balance as at 31st March, 2020	–	37.4	–	16.7	–	54.1
<b>II. Accumulated amortisation</b>						
Balance as at 1st April, 2020	1.3	–	8.1	–	9.4	–
Balance as at 1st April, 2019	–	–	–	–	–	–
Amortisation expense for the year	1.3	1.3	13.7	8.1	15.0	9.4
Disposals	–	–	(8.3)	–	(8.3)	–
<b>Balance as at 31st March, 2021</b>	<b>2.6</b>	<b>–</b>	<b>13.5</b>	<b>–</b>	<b>16.1</b>	<b>–</b>
Balance as at 31st March, 2020	–	1.3	–	8.1	–	9.4
<b>Net Book Value (I – II)</b>						
<b>Balance as at 31st March, 2021</b>	<b>34.8</b>	<b>–</b>	<b>55.0</b>	<b>–</b>	<b>89.8</b>	<b>–</b>
Balance as at 31st March, 2020	–	36.1	–	8.6	–	44.7



*Notes to the financial statements for year ended 31st March, 2021*

(iii) Set out below are the carrying amounts of lease liabilities and the movements during the year:

Rs. Million

Particulars	Leasehold Land		Rented Premises		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Balance as at 31st March, 2020</b>	–	–	<b>8.9</b>	–	<b>8.9</b>	–
Balance as at 31st March, 2019	–	–	–	–	–	–
Additions	–	–	<b>60.3</b>	16.7	<b>60.3</b>	16.7
Accretion of Interest	–	–	<b>6.2</b>	1.6	<b>6.2</b>	1.6
Payments	–	–	<b>(17.9)</b>	(9.4)	<b>(17.9)</b>	(9.4)
Deletion	–	–	<b>(0.3)</b>	–	<b>(0.3)</b>	–
<b>Balance as at 31st March, 2021</b>	–	–	<b>57.2</b>	–	<b>57.2</b>	–
Balance as at 31st March, 2020	–	–	–	8.9	–	8.9
Current	–	–	12.2	5.8	12.2	5.8
Non-current	–	–	45.0	3.1	45.0	3.1

(iv) The effective interest rate for lease liabilities is 9.0%, with maturity between 2021-2022.

(v) The following are the amounts recognised in profit or loss:

Rs. Million

Particulars	31st March, 2021	31st March, 2020
Depreciation expense on right of use assets	<b>15.0</b>	9.4
Interest expense on lease liabilities	<b>6.2</b>	1.6
Expense relating to short-term leases (included in other expenses)	<b>7.3</b>	7.1
Expense relating to leases of low-value assets	<b>0.4</b>	0.6
Variable lease payments (included in other expenses)	<b>2.2</b>	2.1
<b>Total amount recognised in statement of profit and loss</b>	<b>31.1</b>	<b>20.8</b>

(vi) The Company had total cash outflows for leases of **Rs.27.8 Million in 31st March 2021** (Rs.19.2 Million for 31 March 2020). The Company also had non-cash additions to right-of-use assets and lease liabilities of **Rs.60.3 Million in 31st March 2021** (Rs.16.7 Million for 31st March 2020). The future cash outflow relating to leases that have not yet commenced are disclosed in Note 28.

(vii) The leases that the Company has entered with lessors are generally long-term in nature and no changes in terms of those leases are expected due to the COVID-19.

(viii) The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

(ix) The Company has made pre-payment of Rs.45.6 Million for lands taken on lease for 99 years located in Nashik and for 30 years located in Pithampur and hence no lease liability has been created for such assets.

**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 4 INVESTMENTS**

Particulars	As at 31st March, 2021		As at 31st March, 2020	
	Nos.	Rs. Million	Nos.	Rs. Million
<b>Investments in unquoted equity instruments (fully paid up unless specified)</b>				
<b>– Investment in associates (at cost)</b>				
i) Sona Autocomp Inc. (In USD 1 per share)	24,000	1.4	24,000	1.4
Less: Provision for diminution in value of investment	–	(1.4)	–	(1.4)
<b>Net Value (A)</b>	–	–	–	–
ii) Sona Autocomp Europe (in EURO 1 per share)	12,000	0.4	12,000	0.4
Less : Provision for diminution in value of investment	–	(0.4)	–	(0.4)
<b>Net Value (B)</b>	–	–	–	–
<b>Total (A + B)</b>	–	–	–	–

1. Sona Autocomp Inc and Sona Autocomp Europe have been dissolved in FY 2013-14 and FY 2014-15 respectively. The Company is not expecting any recoverability from these investments post dissolution and have been fully provided in the books of account.
2. The Company is in process of completing formalities with Reserve Bank of India in connection with the investments made in the said associate companies.

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
(a) Aggregate amount of unquoted investments	1.8	1.8
(b) Aggregate amount of impairment in value of investments	(1.8)	(1.8)

**NOTE 5 CASH AND CASH EQUIVALENTS:**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
(a) Balances with banks:		
i) On current accounts	4.5	124.5
ii) On EEFC account	4.2	5.7
iii) Deposits with original maturity of less than three months	50.0	–
(b) Cash on hand	0.4	0.4
<b>Total</b>	<b>59.1</b>	<b>130.6</b>

*Notes to the financial statements for year ended 31st March, 2021*

**(b) Other bank balances**

Particulars	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
<b>In deposit accounts</b>						
(i) Fixed deposits with original maturity less than 3 months	-	-	-	-	-	-
(ii) Earmarked deposit *	-	-	-	-	-	-
Total	-	-	-	-	-	-

**For the purpose of statement of cash flows, cash and cash equivalents comprises the following:**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
(a) Balances with banks:		
i) On current accounts	4.5	124.5
ii) On EEFC account	4.2	5.7
iii) Deposits with original maturity of less than 3 months	50.0	-
iii) Earmarked deposit*	-	-
(b) Cash on hand	0.4	0.4
Total	59.1	130.6
Less : Loan repayable on demand and Bank Overdraft (Refer note 11)	(203.8)	(513.7)
<b>Total Cash and Cash equivalents</b>	<b>(144.7)</b>	<b>(383.1)</b>

\* Represents fixed deposit of **Rs.75,000** (31st March, 2020: Rs.75,000) in the name of - CTO CIRCLE PITHAMPUR A/C MAHINDRA SONA LIMITED for 5 years towards Madhya Pradesh Central Sales Tax Registration.

**NOTE 6 OTHER FINANCIAL ASSETS**

Particulars	Rs. Million					
	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
<b>(Unsecured, Considered good unless otherwise stated)</b>						
<b>Derivatives</b>						
Foreign exchange forward contracts	-	0.6	0.6	-	-	-
<b>Interest receivable</b>						
Interest accrued on security deposits	-	0.9	0.9	-	0.9	0.9
<b>Security deposits</b>	15.7	2.5	18.2	12.1	6.7	18.8
Total	15.7	4.0	19.7	12.1	7.6	19.7

**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 7 (a) Income tax assets (Net)**

Rs. Million

Particulars	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
Advance income tax [Net of provision <b>Rs.144.8 Million</b> (31st March, 2020 : Rs.481.6 Million)]	30.3	–	30.3	36.7	–	36.7
Total	30.3	–	30.3	36.7	–	36.7

**(b) Other non-current and current assets**

Rs. Million

Particulars	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
(a) Capital advances [Refer Note 28(ii)]	5.1	–	5.1	1.8	–	1.8
(b) Balances with statutory / government authorities (other than income taxes):						
(i) CENVAT credit receivable	–	0.1	0.1	–	0.1	0.1
(ii) GST credit receivable	–	–	–	–	21.9	21.9
(c) Prepayments	4.3	5.9	10.2	3.9	5.3	9.2
(d) Others : (i) Insurance claims/Export benefits	–	47.0	47.0	–	34.3	34.3
(ii) Advance to suppliers and other	–	11.3	11.3	–	29.6	29.6
Total	9.4	64.3	73.7	5.7	91.2	96.9

**NOTE 8 INVENTORIES**

Rs. Million

Particulars	As at 31st March, 2021	As at 31st March, 2020
<b>(Valued at the lower of cost and net realisable value)</b>		
(a) Raw materials [Refer Note (i) below]	259.2	197.0
(b) Work-in-progress	407.9	347.0
(c) Finished goods [Refer Note (i) below]	279.4	152.6
(d) Stores and spares	5.7	5.6
(e) Loose tools	61.0	53.4
Total	1,013.2	755.6

**Notes:** (i) Included above, goods-in-transit:

Rs. Million

Particulars	As at 31st March, 2021	As at 31st March, 2020
Raw materials	12.1	14.6
Finished Goods	219.3	75.3

- (ii) The cost of inventories recognised as an expense during the year **Rs.2939.1 Million** (31st March, 2020 : Rs.3553.4 Million).
- (iii) The cost of inventories recognised as an expense during the year ended 31st March, 2021 includes **Rs.(-)1.32 Million** (31st March, 2020 : Rs.44.03 Million) in respect of provision for slow and non moving inventory.
- (iv) The provision made for slow and non moving inventory during the year ended **Rs. 63.7 Million** (31st March, 2020 : Rs. 65.02 Million)

*Notes to the financial statements for year ended 31st March, 2021*

**NOTE 9 TRADE RECEIVABLES**

Rs. Million

Particulars	As at 31st March, 2021	As at 31st March, 2020
<b>Trade Receivables</b>		
Trade Receivables - considered good	1,257.0	1,200.0
Trade Receivables which have significant increase in credit Risk	–	–
Trade Receivables - credit impaired	13.6	13.6
	<b>1,270.6</b>	<b>1,213.6</b>
<b>Impairment Allowance (allowance for bad and doubtful debts)</b>		
Trade Receivables - credit impaired	(13.6)	(13.6)
<b>Total</b>	<b>1,257.0</b>	<b>1,200.0</b>

- (i) No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.
- (ii) The Company is engaged in manufacturing and selling of Propeller shafts, Components & Clutch sets which are customers specific. Credit period varies from customer to customer. Average credit period in case of export customers is 30 - 150 days and in case of domestic customers 30 - 90 days from the date of receipt of goods.
- (iii) The loss allowance on trade receivables has been computed on the basis of Ind AS 109, Financial instruments, which requires such allowance to be made even for trade receivables considered good on the basis that credit risk even though it may be very low.
- (iv) During the previous year, the Company had written off a sum of Rs.119.1 Million, being an unrealized export receivable from one of its overseas customers in the USA, as the amount remained unrealised over one year despite all efforts made by the Company to recover the amount and accordingly in view of the Company it will not be able to make a meaningful recovery of the money within a reasonable period of time. The Company, being a "Status Holder Exporter", by virtue of RBI Master Direction – Export of Goods and Services RBI/FED/2015-16/11 FED Master Direction No. 16/2015-16 January 1, 2016 (Updated as on May 12, 2016), eligible for a self "write off" upto 10% of the total export proceeds realized during the previous calendar year, subject to fulfillment of certain conditions. Since the company has fulfilled all conditions set in the above mentioned RBI Master Direction, it has taken a "Self-write off" and further during the current year, the Company obtained the necessary approval from its AD Bank for the write off of export bills through the Export Data Processing and Monitoring System (EDPMS) to the Reserve Bank of India
- (v) The carrying amounts of the trade receivables include receivables which are subject to factoring arrangement. Under this arrangement, the company has transferred the relevant receivables to the factor in exchange for cash. However the company has retained credit risk. The company therefore continues to recognize the transferred assets in their entirety in its balance sheet. The amount subject to factoring agreement is presented as borrowing. The relevant carrying amounts are as follows:

Rs. Million

Particulars	As at 31st March, 2021	As at 31st March, 2020
Total transferred trade receivables	18.1	253.5
Associated borrowings(refer note 11)	18.1	253.5

**(a) Movement in the expected credit loss :**

Rs. Million

Particulars	As at 31st March, 2021	As at 31st March, 2020
Balance at beginning of the year	13.6	13.6
Expected credit loss allowance on trade receivables	–	–
Reversal of Expected credit losses on trade receivables	–	–
<b>Balance at end of the year</b>	<b>13.6</b>	<b>13.6</b>

**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 10 (a) Equity Share Capital**

Particulars	As at 31st March	
	Nos.	Rs. Million
<b>(A) Authorised:</b>		
<b>Equity shares of Rs.10 each</b>		
As at 1st April, 2019	17,000,000	170.0
Increase/(decrease) during the year	–	–
As at 31st March, 2020	17,000,000	170.0
Increase/(decrease) during the year	–	–
<b>As at 31st March, 2021</b>	<b>17,000,000</b>	<b>170.0</b>
<b>(B) Issued equity capital :</b>		
<b>Equity Shares of Rs.10 each issued, subscribed and fully paid</b>		
As at 1st April, 2019	9,473,560	94.7
Increase/(decrease) during the year	(631,580)	(6.3)
As at 31st March, 2020	8,841,980	88.4
Increase/(decrease) during the year	–	–
<b>As at 31st March, 2021</b>	<b>8,841,980</b>	<b>88.4</b>

**Notes:**

- (i) During the previous year, the Company bought back 631,580 equity shares at a price of Rs 475.00 per share. The board of directors and shareholders of the Company approved that buyback on 14th October, 2019.
- (ii) The Company has not allotted any equity shares pursuant to contracts without payment being received in cash.
- (iii) **Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs.10 each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive remaining assets of the Company, after the distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

- (iv) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31st March, 2021		As at 31st March, 2020	
	Nos.	% Holding	Nos.	% Holding
MSona Automotive Components Private Limited	3,295,647	37.3%	3,295,647	37.3%
SKM Family Trust (Through Gaurav G. Motwane, Trustee)	3,329,434	37.7%	–	–
Ms. Superna Motwane	–	–	3,329,434	37.7%
Khattar Holdings Private Limited	1,269,082	14.4%	1,269,082	14.4%

*Notes to the financial statements for year ended 31st March, 2021*

**NOTE 10 (b) Other Equity :**

Rs. Million

Particulars	Capital reserve	General reserve	Capital Redemption Reserve	Retained earnings	Total
Balance as at 1st April, 2020	2.0	239.6	21.6	1,337.7	<b>1,600.9</b>
Profit for the year	–	–	–	395.3	<b>395.3</b>
Other comprehensive income (net of deferred income tax)	–	–	–	(0.5)	<b>(0.5)</b>
Dividend paid on equity shares (Rs.17.00 per share)	–	–	–	(150.3)	<b>(150.3)</b>
<b>Balance as at 31st March, 2021</b>	<b>2.0</b>	<b>239.6</b>	<b>21.6</b>	<b>1,582.2</b>	<b>1,845.4</b>
Balance as at 1st April, 2019	2.0	239.6	15.3	1,683.2	<b>1,940.1</b>
Profit for the year	–	–	–	267.2	<b>267.2</b>
Other comprehensive income (net of deferred income tax)	–	–	–	(4.5)	<b>(4.5)</b>
Buyback Shares	–	–	–	(293.7)	<b>(293.7)</b>
Distribution Tax on shares bought back	–	–	–	(68.4)	<b>(68.4)</b>
Transfer from Retained Earnings	–	–	6.3	–	<b>6.3</b>
Transfer to Capital Redemption Reserve	–	–	–	(6.3)	<b>(6.3)</b>
Dividend paid on equity shares (Rs.22.50 per share)	–	–	–	(198.9)	<b>(198.9)</b>
Dividend distribution tax	–	–	–	(40.9)	<b>(40.9)</b>
<b>Balance as at 31st March, 2020</b>	<b>2.0</b>	<b>239.6</b>	<b>21.6</b>	<b>1,337.7</b>	<b>1,600.9</b>

**Nature and purpose of reserves**

**i) Capital reserve -**

- Amount of Rs.0.9 Million represents octroi refund granted for the period 1st April, 1995 to 31st March, 1998 on plant and machinery purchased during the FY 1998-99. This refund was sanctioned in FY 2000-2001 under the State Government's incentive scheme.
- Amount of Rs.1.1 Million was created on account of Amalgamation of DRSK Management Services Private Limited (shareholder of the Company, then) into the company during the Financial Year 2011-12.

**ii) General reserve -**

The erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid-up capital of the Company for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of Companies Act, 2013.

**iii) Capital redemption reserve -**

Capital redemption reserve was created on account of buy back of equity shares.

**iv) Dividend paid on equity shares -**

- The dividend on equity shares was declared and paid during the current financial year ended March 31, 2021 of Rs. 150.3 Million and previous financial year ended March 31, 2020 of Rs. 198.9 Million.
- With effect from 1 April 2020, the Dividend Distribution Tax ('DDT') payable by the company under Section 115O of Income Tax Act was abolished and a withholding tax was introduced on the payment of dividend. As a result, dividend is now taxable in the hands of the recipient.
- Proposed dividends on equity shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 March.



**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 11 BORROWINGS**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
<b>Non Current Borrowings</b>		
<b>Term Loan from Bank (Secured)</b>		
i) Rupee Loan [Refer note (i) below]	–	35.0
Less : Current maturities of long term debt [Refer note 16]	–	(35.0)
<b>Total non-current borrowings</b>	–	–
<b>Current Borrowings</b>		
<b>Loans repayable on demand from banks</b>		
Working capital loan (Refer note (ii) below)	100.0	240.0
Bank overdrafts [Refer note (iii) below]	38.5	0.3
Bill discounting (Refer note (v) below)	47.2	19.9
<b>Total</b>	185.7	260.2
<b>Other Loan(Unsecured) repayable on demand from financial institution</b>		
Loan from Financial Institution [Refer note (iv) below]	18.1	253.5
<b>Total</b>	18.1	253.5
<b>Total current borrowings</b>	<b>203.8</b>	<b>513.7</b>

**Note :**

- (i) During the Financial Year 2017-18 and 2018-19, the Company has converted foreign currency term loans fully into rupee term loans (RTL). Accordingly, upon conversion into RTL, Company has paid 30% of the total outstanding at the end of 24 months and balance will be repayable in 8 equal quarterly installments starting from date of conversion. Refer below repayment schedule of RTL :

Rupee term loan has been fully repaid during the Financial Year 2020-21 and obtained NOC from ICICI Bank.

**Table 2 – Repayment schedule of Rupee Term Loan**

	Rs. Million		
	2020	2021	Total
Q1	26.3	17.5	43.8
Q2	26.3	17.5	43.8
Q3	26.3	–	26.3
Q4	26.3	–	26.3
<b>Total</b>	105.2	35.0	140.2

**Notes to the financial statements for year ended 31st March, 2021**

- (ii) Loan repayable on demand include pre-shipment credit in Indian rupee (PCRE), pre-shipment credit in foreign currency loan (PCFC) and working capital demand loan. All these loans are secured by a first pari-passu charge on the Company's present and future stocks and book debts. Below is the schedule of PCRE, PCFC and WCDL loan taken by the Company :

Rs. Million						
No.	Disbursement date	Repayment date	Type of loan	31st March, 2021	31st March, 2020	Closing Interest Rate p.a.
1	13th October, 2019	03rd April, 2020	PCRE	–	40.0	6.25%
2	12th March, 2020	22nd June, 2020	PCRE	–	100.0	6.00%
3	13th March, 2020	13th September, 2020	PCRE	–	100.0	5.80%
4	04th November, 2020	03rd May, 2021	PCRE	<b>100.0</b>	–	4.50%
<b>Total</b>				<b>100.0</b>	240.0	

- (iii) Bank overdraft represents Cash Credit facility with ICICI Bank. The cash credit limit provided by the bank is **Rs.200 Million** (31st March, 2020 : Rs. 200 Million). The interest is payable at the rate of **9%** (31st March, 2020 : 10.25%). The Bank Overdraft is secured by first *pari-passu* charge created on Company's current assets. This facility is valid upto 2nd July, 2021 which can be further extended by the bank as per the request that may be made by the Company. The bank overdraft is repayable on demand.
- (iv) The Company had entered into an arrangement of discounting facility with Mahindra & Mahindra Financial Services Limited (NBFC). The Company has a credit limit of Rs.300 Million @ 9.25% rate of interest. The outstanding against the unsecured short term loan facility obtained from Mahindra & Mahindra Financial Services Limited as on 31st March, 2021 is **Rs. Nil** (31st March, 2020 : Rs.253.5 Million).
- (v) The Company has entered into an arrangement of discounting facility with the Tata Capital Financial Services Limited (NBFC). The Company has a credit limit of Rs. 113 million as per interest rate mutually agreed with Tata Motors Limited. As per the arrangement, the discounting charges of 0.42% are payable by the Company. The outstanding against the unsecured short term loan facility obtained from Tata Capital Financial Services Limited as on 31st March, 2021 is Rs. 18.1 million.
- (vi) Bank acceptances represents Bill discounting facility with ICICI Bank, The bill discounting limit provided by the bank is **Rs.50 Million** (31st March, 2020 : Rs.50 Million). The interest is payable at the rate of **8.2%** (31st March, 2020 : 10.25%). The Bank acceptance is secured by first *pari-passu* charge created on Company's current assets. This facility is valid upto 2nd July, 2021 which can be further extended by the bank as per the request that may be made by the Company. The bank acceptance is repayable on due date.

**Debt reconciliation statement in accordance with Ind AS 7**

Rs. Million		
Particulars	As at 31st March, 2021	As at 31st March, 2020
<b>Opening Balance</b>		
Long term borrowings (including current maturities of long term debt)	<b>35.0</b>	140.0
Short term borrowings	<b>513.7</b>	442.0
Lease liability	<b>8.9</b>	–
<b>Movements</b>		
Long term borrowings (including current maturities of long term debt)	<b>(35.0)</b>	(105.0)
Short term borrowings	<b>(309.9)</b>	71.7
Lease liability	<b>48.3</b>	8.9
<b>Closing Balance</b>		
Long term borrowings (including current maturities of long term debt)	–	35.0
Short term borrowings	<b>203.8</b>	513.7
Lease liability	<b>57.2</b>	8.9

**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 12 TRADE PAYABLE**

Rs. Million

Particulars	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
<b>Trade payable for goods &amp; services :</b>						
Total outstanding dues of micro enterprises and small enterprises (Refer Note 2 below)	–	203.6	203.6	–	183.2	183.2
Total outstanding dues of trade payables other than micro enterprises and small enterprises	–	616.3	616.3	–	465.8	465.8
Total	–	819.9	819.9	–	649.0	649.0

- Notes :
- Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms.
  - The Company's exposure to currency and liquidity risk related to trade payable is disclosed in note no. 38
  - Details of due to micro, small and medium enterprises as defined under the MSMED Act, 2006

Rs. Million

Particulars	As at 31st March, 2021	As at 31st March, 2020
	(a) The principal amount and interest due thereon remaining unpaid to any supplier as at the end of each accounting year:	
i) Principal amount due to micro, small and medium enterprises	199.6	45.7
ii) Interest due on above	1.9	0.5
(b) The amount of Interest paid by the buyer in terms of Section 16 of MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	–	–
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	2.1	1.6
(d) Amount of interest accrued and remaining unpaid as at the year end of each accounting year	4.0	2.1
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure u/s 23 of MSMED Act, 2006.	–	–

Note: The information has been given in respect of such vendors to the extent they could be identified as Micro, Small and Medium enterprises on the basis of information available with the Company.

**NOTE 13 PROVISIONS**

Rs. Million

Particulars	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
<b>Provision for employee benefits (Refer note 29)</b>						
(i) Provision for gratuity	–	5.3	5.3	–	5.2	5.2
(ii) Provision for compensated absences	–	65.4	65.4	–	57.1	57.1
<b>Other provisions</b>						
Warranty [Refer note (a) below]	2.6	8.1	10.7	2.6	7.9	10.5
<b>Total</b>	<b>2.6</b>	<b>78.8</b>	<b>81.4</b>	<b>2.6</b>	<b>70.2</b>	<b>72.8</b>

*Notes to the financial statements for year ended 31st March, 2021*

**Note (a) Details of movement in warranty provision**

Particulars	Rs. Million					
	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
<b>At the beginning of the year</b>	2.6	7.9	10.5	3.7	11.0	14.7
Arising during the year	5.4	6.5	11.9	4.2	5.1	9.3
Utilised (i.e. incurred and charged against the provision) during the year	(5.4)	(7.2)	(12.6)	(5.3)	(9.2)	(14.5)
Ind AS Impact - Unwinding of Warranty Interest	–	0.9	0.9	–	1.0	1.0
<b>Closing Balance at the end of the year</b>	<b>2.6</b>	<b>8.1</b>	<b>10.7</b>	<b>2.6</b>	<b>7.9</b>	<b>10.5</b>

(i) A provision is recognised for expected warranty claims on manufacturing defects on products sold by the Company, based on past experience of the level of repairs. It is expected that most of these costs will be incurred in the next two financial years. Assumptions used to calculate the provision for warranties are based on the warranty period for the products sold by the Company.

(ii) The management has estimated higher warranty claims on products sold by the Company during the current year, based on previous years settlement of warranty claims.

**NOTE 14 (a) Income Tax recognised in Profit or Loss Section**

The major components of income tax expense for the years ended 31st March, 2021 and 31st March, 2020

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
<b>Current Income Tax:</b>		
Charge for the year	138.8	96.1
Adjustments in respect of current income tax of previous year [Refer note 29(i)(a)]	(35.8)	20.7
<b>Deferred Tax:</b>		
Relating to origination and reversal of temporary differences	(11.8)	(33.2)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>91.2</b>	<b>83.6</b>

**(b) Income Tax recognised in OCI**

Deferred tax related to items recognised in OCI during the year

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Re-measurement of the defined benefit obligation	0.2	1.5
<b>Income tax charged to OCI</b>	<b>0.2</b>	<b>1.5</b>

**Notes to the financial statements for year ended 31st March, 2021**
**Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for 31st March, 2021 and 31st March, 2020**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Accounting profit before income tax	486.3	350.8
At India's statutory income tax rate of <b>25.168%</b> (31st March, 2020: 25.168%)	122.4	88.3
Adjustments in respect of current income tax of previous year [Refer note 29(i)(a)]	(35.8)	20.7
Income exempt for tax purposes	–	–
Additional allowances for tax purposes	–	(26.9)
Expenses not deductible for tax purposes	4.6	1.5
At the effective income tax rate of <b>25.168%</b> (31st March, 2020: 25.168%)	91.2	83.6
<b>Income tax expense reported in the statement of profit and loss</b>	<b>91.2</b>	<b>83.6</b>

**(c) Deferred Tax**

Deferred tax relates to the following:

Particulars	Rs. Million			
	Balance Sheet		Profit or loss	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
<b>Tax effect of items constituting deferred tax liabilities</b>				
Property, plant and equipment	80.1	86.0	(5.9)	(40.1)
Right of Use Assets	13.8	2.2	11.6	2.2
<b>Tax effect of items constituting deferred tax assets</b>				
Employee benefits	(22.9)	(20.2)	(2.7)	5.3
Lease Liability (Non-Current + Current)	(14.4)	(2.2)	(12.2)	(2.2)
Provision for doubtful debts	(3.4)	(3.4)	–	1.3
Provision for Impairment - Investment	(0.2)	(0.2)	–	–
Provision for Impairment – Intg Assets	(2.7)	–	(2.7)	–
Other items	(0.4)	(0.4)	–	0.2
Warranty	(0.4)	(0.4)	–	0.1
Derivatives	–	–	–	–
<b>Deferred tax expense/ (Income)</b>	<b>–</b>	<b>–</b>	<b>(11.9)</b>	<b>(33.2)</b>
<b>Deferred tax liabilities (Net)</b>	<b>49.5</b>	<b>61.4</b>	<b>–</b>	<b>–</b>

**Reflected in the Balance Sheet as follows**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Deferred tax assets	(44.3)	(26.7)
Deferred tax liabilities	93.8	88.1
<b>Deferred tax liabilities, net</b>	<b>49.5</b>	<b>61.4</b>

**Notes to the financial statements for year ended 31st March, 2021**
**Reconciliation of Deferred Tax Liabilities (net)**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Opening balance as of 1 April	61.4	96.0
Tax income / (expense) during the period recognised in profit or loss	(11.8)	(33.1)
Tax income / (expense) during the period recognised in OCI	(0.2)	(1.5)
<b>Closing balance as at 31st March</b>	<b>49.5</b>	<b>61.4</b>

**NOTE 15 CURRENT TAX LIABILITIES (Net)**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Provision for tax (net of advance tax <b>Rs.737.6 Million</b> , 31st March, 2020 : Rs.876.8 Million)	49.0	25.5
<b>Total</b>	<b>49.0</b>	<b>25.5</b>

The Government of India on 20th September 2019, through the Taxation (Amendment) Ordinance 2019, introduced Section 115BAA. The newly introduced Section 115BAA gives the benefit of a reduced corporate tax rate for the domestic companies. Section 115BAA states that domestic companies have the option to pay tax at a rate of 22% plus Surcharge of 10% and cess of 4%. The effective tax rate being 25.17% from the FY 2019-20 onwards if such domestic companies adhere to certain conditions specified therein. The Company has computed current tax and deferred tax @ 25.17% as per the provisions of Section 115BAA by fulfilling all applicable conditions specified.

**NOTE 16 OTHER FINANCIAL LIABILITIES**

Particulars	As at 31st March, 2021			As at 31st March, 2020		
	Non-current	Current	Total	Non-current	Current	Total
	<b>Derivatives:</b>					
Foreign currency forward contracts	–	–	–	–	8.2	8.2
<b>Sub-Total (A)</b>	–	–	–	–	8.2	8.2
Current maturities of long-term debt (Refer note 11)	–	–	–	–	35.0	35.0
Payables for capital purchases	–	5.2	5.2	–	4.8	4.8
Trade deposit received	–	1.9	1.9	–	1.5	1.5
Unpaid Dividend	–	0.4	0.4	–	28.6	28.6
Employee benefits payable	43.3	87.4	130.7	24.2	61.1	85.3
<b>Sub-Total (B)</b>	<b>43.3</b>	<b>94.9</b>	<b>138.2</b>	<b>24.2</b>	<b>131.0</b>	<b>155.2</b>
<b>Total [ (A) + (B) ]</b>	<b>43.3</b>	<b>94.9</b>	<b>138.2</b>	<b>24.2</b>	<b>139.2</b>	<b>163.4</b>

**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 17 LEASE LIABILITIES**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Lease Liabilities – Current	12.2	5.8
Lease Liabilities – Non-Current	45.0	3.1
<b>Total</b>	<b>57.2</b>	<b>8.9</b>

**NOTE 18 OTHER CURRENT LIABILITIES**

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Advances received from customers	–	0.6
Statutory dues (Refer note below)	25.8	9.6
Employee Recoveries	2.3	2.3
Others	–	0.4
<b>Total</b>	<b>28.1</b>	<b>12.9</b>

Note - Statutory dues payables includes contribution to PF, ESIC, withholding taxes, GST liability and professional tax.

**NOTE 19 REVENUE FROM OPERATIONS**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Revenue from contractors with customers	4,432.6	5,062.5
Other operating revenues:		
i) Tool development and testing charges	1.4	2.6
ii) Scrap sales	19.8	26.1
iii) Local body tax/Octroi incentive	1.6	–
iv) Government Grant (Export benefits and subsidy)	44.6	47.4
<b>Total</b>	<b>4,500.0</b>	<b>5,138.6</b>

**19.1 Disaggregated revenue information**

Set out below is the disaggregation of the Company's revenue from contracts with customers:

**(a) Disaggregation by geography**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
India	3,355.5	3,986.5
Outside India	1,077.1	1,076.0
<b>Total revenue from contracts with customers</b>	<b>4,432.6</b>	<b>5,062.5</b>



**Notes to the financial statements for year ended 31st March, 2021**

- (b) The Company is primarily engaged in manufacturing of automobile components such as propeller shafts, clutch sets and components thereof. The performance of the Company is evaluated as business as a whole. Accordingly, there is no reportable separate segment for the Company.

**(c) Timing of revenue recognition**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Goods transferred at a point in time	4,432.6	5,062.5
Goods transferred over time	–	–
<b>Total revenue from contracts with customers</b>	<b>4,432.6</b>	<b>5,062.5</b>

**19.2 Contract Balances**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Trade Receivables	1,257.0	1,200.0

- (i) Trade receivables are non-interest bearing and average credit period is 30 - 150 days in respect of export customers and 30 - 90 days in respect of domestic customers generally from the date of receipt of goods.
- (ii) Contract liabilities include long term advance received to deliver goods. The Company do not have any contract assets and contract liabilities as at 31st March, 2021 and 31st March, 2020.

**19.3 Right of return assets and refund liabilities**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Right of return assets	–	–
<b>Refund liabilities</b>	<b>75.2</b>	<b>60.1</b>
Arising from retrospective volume rebates	72.1	50.7
Arising from rights of return	3.1	9.4

**19.4 Reconciliation of the amount of revenue recognised in the statement of profit and loss with the contracted price**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Revenue as per contracted price	4,550.7	5,190.2
<b>Adjustments</b>		
Sales return	(24.7)	(60.7)
Discount	(93.4)	(67.0)
<b>Revenue from contract with customers</b>	<b>4,432.6</b>	<b>5,062.5</b>

**Notes to the financial statements for year ended 31st March, 2021**
**19.5 Performance obligation**

Information about the Company's performance obligations are summarised below:

**Sale of goods**

The performance obligation is satisfied upon delivery of the goods to customers. Payment in case of export customers is generally due within 30 to 150 days from delivery and in case of domestic customers payment is generally due within 30 to 90 days from date of receipt of goods.

The Company provides normal warranty for general repairs for the period of two years on all the products sold, in line with industry practice.

**NOTE 20 OTHER INCOME**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Net foreign exchange gains	24.7	37.8
Excess provisions written back	0.6	5.5
Miscellaneous Income	–	–
<b>Total</b>	<b>25.3</b>	<b>43.3</b>

**NOTE 21 FINANCE INCOME**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Dividend income/Capital gain from current investments	1.0	0.9
Interest income on bank deposits	2.6	0.6
Interest income on income tax refund	15.2	–
Other interest	1.1	1.4
<b>Total</b>	<b>19.9</b>	<b>2.9</b>

**NOTE 22 (a) Cost of Raw materials and Components consumed**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Inventory at the beginning of the year	197.0	253.4
Add : Purchases	3,171.8	3,297.8
	<b>3,368.8</b>	<b>3,551.2</b>
Less : Inventory at the end of the year	259.2	197.0
<b>Cost of raw materials and components consumed</b>	<b>3,109.6</b>	<b>3,354.2</b>

**Notes to the financial statements for year ended 31st March, 2021**
**(b) Cost of Traded goods**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Steel bars	17.2	16.0
<b>Cost of traded goods sold</b>	<b>17.2</b>	<b>16.0</b>

**(c) (Increase) / Decrease in Inventories of Finished Goods and Work-in-progress**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
<b>Inventory at the end of the year</b>		
: Work-in-progress	407.9	347.0
: Finished goods	279.4	152.6
	<b>687.3</b>	<b>499.6</b>
<b>Less : inventory at the beginning of the year</b>		
: Work-in-progress	347.0	415.8
: Finished goods	152.6	267.0
	<b>499.6</b>	<b>682.8</b>
<b>(Increase)/Decrease in Inventory</b>	<b>(187.7)</b>	<b>183.2</b>

**NOTE 23 EMPLOYEE BENEFITS EXPENSE**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
(a) Salaries, wages and bonus	409.6	388.8
(b) Contribution to provident and other funds (Refer Note 30)	22.5	21.9
(c) Gratuity Expense (Refer Note 30)	7.8	2.9
(d) Staff Welfare Expenses	29.0	36.7
	<b>468.9</b>	<b>450.3</b>
Less: Capitalized during the year*	(0.5)	–
Total	<b>468.4</b>	<b>450.3</b>

\* Represents R & D Expenses capitalised **Rs.0.5 Million** (31st March, 2020 : Rs.Nil)

**NOTE 24 FINANCE COST**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
<b>(a) Interest on debts and borrowings</b>		
– On Short Term Borrowing	21.5	27.8
– On Long Term Borrowing	0.9	9.1
<b>(b) Other Interest</b>		
– Trade payables – MSME (Refer Note 12)	2.0	0.5
– Unwinding interest on lease liabilities	6.0	1.6
– Unwinding interest on provision for warranty expense	0.9	1.0
– Interest on delayed payment of income tax	5.9	–
Total	<b>37.2</b>	<b>40.0</b>

**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 25 DEPRECIATION AND AMORTISATION EXPENSES**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
– Depreciation of tangible assets	101.6	111.7
– Amortization of intangible assets	3.3	4.4
– Depreciation on Right of use assets	15.0	9.4
<b>Total</b>	<b>119.9</b>	<b>125.5</b>

**NOTE 26 OTHER EXPENSES**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Freight and handling charges	91.0	97.0
Packing materials consumed	83.8	82.0
Stores and spares consumed	57.7	67.3
Tools consumed	49.0	65.5
Power & fuel consumed	57.3	56.0
Repairs and maintenance - buildings	2.2	1.1
Repairs and maintenance - machinery	1.1	6.9
Repairs and maintenance - others	5.4	8.3
Loss on sale/write off of property, plant and equipment (net)	0.7	0.6
Rates and taxes	9.0	10.1
Lease rent [Refer note 28(i)]	9.9	9.7
Insurance charges	7.0	5.7
Impairment of Intangible Asset under development [Refer note 3(b)(i)(a)]	11.0	–
Bad Debts write off [Refer note 9(iii)]	–	119.1
Payment to Auditors (Refer details below)	2.9	4.1
Expenditure on corporate social responsibility (Refer Note 35)	10.0	8.5
Directors' sitting fees	0.6	0.6
Business promotion expenses	2.9	4.7
Commission on sales	0.9	0.7
Service Charges Paid	35.7	38.7
Travelling Expenses	1.6	19.6
Legal & Professional Charges	22.6	27.5
Warranty Claims	11.9	9.3
Miscellaneous expenses	19.9	21.8
	<b>494.1</b>	<b>664.8</b>
Less : Capitalized during the year*	–	–
<b>Total</b>	<b>494.1</b>	<b>664.8</b>

\* Represents R & D Expenses capitalised **Rs.26,663** (31st March, 2020 : Rs.Nil).

**Note : Payment to Auditors**

Particulars	Rs. Million	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
As Auditor : Audit Fee	2.5	2.5
: Other services	0.3	1.4
: Auditors out-of-pocket expenses	0.1	0.2
<b>Total</b>	<b>2.9</b>	<b>4.1</b>

*Notes to the financial statements for year ended 31st March, 2021*

**NOTE 27 COMPONENTS OF COMPREHENSIVE INCOME**

Rs. Million

Particulars	Retained Earnings	
	For the year ended 31st March, 2021	For the year ended 31st March, 2020
Remeasurement gains/(losses) of the defined benefit plans	(0.7)	(6.0)
Total	(0.7)	(6.0)

**NOTE 28 COMMITMENTS**

**(i) Leases**

Operating lease commitment - Company as lessee

The company has paid **Rs.27.8 Million** (31st March, 2020: Rs.19.2 Million) during the year towards minimum lease payment.

The Company has entered into operating lease arrangements for its office premises, storage locations and residential premises.

Future minimum rental payable under non-cancellable operating leases as at 31st March, 2021 and 31st March, 2020 are, as follows:

Particulars	Rs. Million	
	As at 31st March, 2021	As at 31st March, 2020
Within one year	23.1	5.9
After one year but not more than five years	51.7	0.3
More than 5 years	6.2	–
Total	81.0	6.2

- (ii) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) **Rs.14.3 Million** [31st March, 2020: Rs 7.7 Million (net)].

**NOTE 29 CONTINGENT LIABILITIES NOT PROVIDED FOR:**

Claims against the Company not acknowledged as debts

**(i) Income-tax**

- (a) Pursuant to an order received from Income Tax Appellate Tribunal (ITAT) in respect of the assessment years 1995–96, 1996-97 and 1997-98, upholding the Appeal of the Income Tax Department for disallowing proportionate depreciation on the assets of the Automotive Component business acquired by the Company during the year ended 31st March, 1995, the Company was expecting to receive a demand from the Income Tax Department as on 31st March 2020, estimated at Rs.138.8 Million net of provision of Rs.20.7 Million [including interest of Rs.120.7 Million].

The Company preferred an appeal against the ITAT order in the Bombay High Court. During the year ended 31st March 2020, the Company made a partial provision in the books of account based on its own assessment and the advice given by tax consultant.

During the year, the Company has made voluntary application to the Central Board of Direct taxes (CBDT) under the Vivad se Vishwas Scheme (VsV Scheme) for settlement of cases pertaining to the assessment years 1995-96, 1996-97 & 1997-98. The total tax liability discharged for the three assessment years under the VsV Scheme was Rs. 22.4 Million and in the past, the Company had made a provision of Rs. 20.7 Million against the disputed liability. During the current year, the Company has received the approval for the aforesaid applications, pursuant to which the company recorded the balance tax liability of Rs. 1.7 Million in full settlement of income-tax liability for the impugned assessment years as the impact of the same in its books of account.

**Notes to the financial statements for year ended 31st March, 2021**

(b) Demands in respect of earlier years against which the Company is in appeal and pending with Appellate authorities is **Rs.6.0 Million** (31st March, 2020 : Rs.41.3 Million).

**(ii) Excise and Service Tax**

Excise **Rs.18.2 Million** (31st March, 2020 : Rs.18.2 Million)

Service Tax **Rs.2.4 Million** (31st March, 2020 : Rs.2.4 Million).

**(iii) Sales Tax**

(a) Central Sales Tax **Rs.0.4 Million** (31st March, 2020 : Rs.0.4 Million)

(b) Pursuant to an order received from Sales Tax Department for FY 2016-17 out of assessed CST liability of **Rs.16.6 Million (including interest of Rs.8.01 Million)**, the company is confident of getting relief of Rs.13.7 Million through rectification of order. The company may have to pay estimated assessment dues of Rs.2.9 Million for which requisite provision is made in the books

(c) Pursuant to an order received from Sales Tax Department for FY 17 out of assessed VAT liability of **Rs.15.3 Million (including interest of 7.4 Million)**, the company is confident of getting relief of Rs. 14.4 Million through rectification of order. The company may receive estimated assessment dues of Rs. 1.0 Million for which requisite provision has been made in books.

**(iv) Provident Fund (PF)**

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of SC order. The Company will update its provision, on receiving further clarity on the subject.

**NOTE 30 GRATUITY AND OTHER POST EMPLOYMENT PLANS**

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Gratuity (Assets) / Liability (Net)	5.3	5.2

The Company operates a gratuity plan covering qualifying employees. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Company scheme applicable to the employees. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting.

**Regulatory framework:**

The trustees of the gratuity fund have a fiduciary responsibility to act according to the provisions of the trust deed and rules. Since the fund is income tax approved, the Company and the trustees have to ensure that they are at all times fully compliant with the relevant provisions of the income tax and rules. Besides this if the Company is covered by the Payment of Gratuity Act, 1972 then the Company is bound to pay the statutory minimum gratuity as prescribed under this Act.

**Governance of Plan:**

The Company has setup an income tax approved irrevocable trust fund to finance the plan liability. The trustees of the trust fund are responsible for the overall governance of the plan. The plan is funded under Group Gratuity Scheme which is administered by LIC. The Company makes annual contribution to the plan.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Current service cost	4.5	3.6
Interest cost on benefit obligation	0.2	(0.6)
Net Benefit expenses	4.7	3.0

**Notes to the financial statements for year ended 31st March, 2021**

Changes in the defined benefit obligation and fair value of plan assets as at 31st March, 2021

Rs. Million

Particulars	Gratuity cost charged to profit or loss					Re-measurement gains/(losses) in other comprehensive income						31st March, 2021
	1st Apr 2020	Service Cost (A)	Net interest expense (B)	Sub-total included in profit or loss (C=A+B)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actual Return on plan assets in excess of the expected return	Actuarial changes arising from changes in financial assumptions (D)	Experience adjustments (E)	sub-total included in OCI (F=D+E)	Contributions by employer	
Defined benefit obligation	118.1	4.5	6.5	11.0	(16.6)	–	–	0.7	(5.3)	(4.6)	–	107.9
Fair value of plan assets	112.9	–	–	–	(16.6)	6.3	(5.3)	–	–	–	5.3	102.6
Benefit liability	5.2	–	–	11.0	–	–	–	–	–	(4.6)	–	5.3

Changes in the defined benefit obligation and fair value of plan assets as at 31st March, 2020

Rs. Million

Particulars	Gratuity cost charged to profit or loss					Re-measurement gains/(losses) in other comprehensive income						31st March, 2020
	1st Apr 2019	Service Cost (A)	Net interest expense (B)	Sub-total included in profit or loss (C=A+B)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actual Return on plan assets in excess of the expected return	Actuarial changes arising from changes in financial assumptions (D)	Experience adjustments (E)	sub-total included in OCI (F=D+E)	Contributions by employer	
Defined benefit obligation	126.0	3.6	7.6	11.2	(23.8)	–	–	3.4	1.3	4.7	–	118.1
Fair value of plan assets	129.7	–	–	–	(23.8)	8.3	(1.3)	–	–	–	–	112.9
Benefit liability	(3.7)	–	–	11.2	–	–	–	–	–	4.7	–	5.2

The major categories of plan assets of the fair value of the total plan assets are as follows:

Rs. Million

Particulars	31st March, 2021	31st March, 2020
Unquoted Investments – with LIC	102.6	112.9

The principal assumptions used in determining gratuity and post-employment gratuity benefit obligations for the Company's plans are shown below:

Particulars	31st March, 2021	31st March, 2020
Discount rate (per annum)	6.3%	6.4%
<b>Attrition Rate</b>		
a. Between 21-30 years	5%	5%
b. Between 31-40 years	2%	2%
c. Between 41-50 years	3%	3%
d. Between 51-59 years	10%	10%
Rate of escalation in salary (per annum)	7%	7%
Mortality Tables	Indian Assured Lives Mortality (2012-14) Ult Table	Indian Assured Lives Mortality (2012-14) Ult Table
Expected Employer's contribution next year	5 Million	5 Million



**Notes to the financial statements for year ended 31st March, 2021**
**Sensitivity Analysis**

Gratuity is a lump-sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the impact on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 100 basis points.

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

Rs. Million

Particulars	Discount Rate				Future salary increase			
	31st March, 2021		31st March, 2020		31st March, 2021		31st March, 2020	
	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation	<b>103.6</b>	<b>112.6</b>	113.3	123.4	<b>112.5</b>	<b>103.6</b>	123.3	113.3

The table below shows the expected cash flow to be paid to the current membership of the plan based on past service of the employees

Rs. Million

Particulars	31st March, 2021	31st March, 2020
Within the next 12 months (next annual reporting period)	<b>31.2</b>	31.7
2 years and above but less than 5 years	<b>50.1</b>	55.3
5 years and above but less than 10 years	<b>29.8</b>	38.4
10 years and above	<b>37.4</b>	39.1
<b>Total expected payments</b>	<b>148.5</b>	164.5

The weighted average duration to the payment of these cash flows is 4 years.

**Asset liability comparisons**

Rs. Million

Particulars	31st March, 2021	31st March, 2020
PVO at the end of the year	<b>107.9</b>	118.1
Plan Assets	<b>102.6</b>	112.9
Surplus/(Deficit)	<b>5.3</b>	5.2
Experience adjustments on plan assets	—	—

The Company's contribution to Provident Fund and Superannuation fund aggregating **Rs.22.5 Million** (31st March, 2020 : Rs.21.9 Million) has been recognised in Profit or Loss under the head "Employee Benefits Expense".

**Other long term employee benefit plans Compensated absences:**

The obligation for leave encashment is recognized in the same manner as gratuity. The Company's liability on account of compensated absences is not funded and hence the disclosures relating to the planned assets are not applicable. Amount of **Rs.13.8 Million** (31st March, 2020 : Rs.11.4 Million) towards compensated absences has been recognised as an expense and included in "Employee benefits expense" in the Statement of Profit and Loss during the year.

*Notes to the financial statements for year ended 31st March, 2021*

**NOTE 31 RELATED PARTY TRANSACTIONS**

(i) **Details of related parties and description of relationship**

Sr. No.	Description of relationship	Name of the Party
1.	<b>Individual having significant influence over the company</b>	Ms. Superna Motwane, Non-Executive Director (Upto 12th February, 2021) SKM Family Trust(Through Gaurav G. Motwane, Trustee) (w.e.f 12th February, 2021)
2.	<b>Enterprise over which KMP have significant influence</b>	MSONA Automotive Components Private Limited Motwane Consultancy Private Limited Khattar Holdings Private Limited MSL North America Inc.
3.	<b>Key Managerial Personnel</b>	Mr. Gaurav G. Motwane Mr. Sat pal Khattar Mr. Arvind Khattar (Upto 18th December, 2019) Mr. Nikhilesh Panchal Mr. Rajesh Nagpal Mr. Manish Choksi

**Details of Related Party transactions during the year ended 31st March, 2021 and outstanding balances as at 31st March, 2021.**

Sr. No	Particulars	Year	Rs. Million		
			Individual having significant influence	Enterprises over which KMP have significant influence	Key Managerial Personnel
1.	Charges for utilising office facilities	2020-21 2019-20	– –	16.8 8.4	– –
2.	Managerial remuneration (including commission)	2020-21 2019-20	– –	– –	56.6 48.1
3.	Directors' sitting fees	2020-21 2019-20	– 0.1	0.1 –	0.6 0.6
4.	Dividend paid	2020-21 2019-20	56.6 74.9	77.6 102.8	7.2 9.5
5.	Business promotion expenses	2020-21 2019-20	– –	– –	1.4 2.2
6.	Buy Back of shares	2020-21 2019-20	– 113.0	– 154.9	– 14.4
7.	Sale of finished goods	2020-21 2019-20	– –	830.8 727.9	– –
8.	Sale of raw material (Including Goods & Service Tax)	2020-21 2019-20	– –	– 17.2	– –
9.	Purchase of Raw Material (including Goods and Service Tax)	2020-21 2019-20	– –	2.7 2.2	– –
10.	Reimbursement of expenses to related party	2020-21 2019-20	– –	12.0 22.6	– –
11.	Balance payable as on	31st March, 2021 31st March, 2020	– –	6.3 29.5	20.0 12.0
12.	Balance receivable as on	31st March, 2021 31st March, 2020	– –	280.3 323.1	– –

**Notes to the financial statements for year ended 31st March, 2021**
**The significant related party transactions are as under**

Sr. No.	Particulars	Name of Related Party	Year 2020-21	Year 2019-20
			Rs. Million	Rs. Million
1.	Charges for utilizing office facilities	Motwane Consultancy Pvt. Ltd.	16.8	8.4
2.	Managerial Remuneration	Mr. Gaurav G. Motwane	56.6	48.1
3.	Director sitting fees	Mr. Sat pal Khattar	0.1	0.1
		Mr. Arvind Khattar	–	–
		Mr. Nikhilesh Panchal	0.1	0.1
		Mr. Rajesh Nagpal	0.1	0.1
		Mr. Manish Choksi	0.3	0.3
		Ms. Superna Motwane	0.1	0.1
4.	Dividend Paid	MSona Automotive Components Pvt. Ltd.	56.0	74.2
		Khattar Holdings Private Limited	21.6	28.6
		Mr. Sat pal Khattar	6.7	8.9
		Ms. Superna Motwane	56.6	74.9
		Mr. Gaurav G. Motwane	0.5	0.6
5.	Business promotion expenses	Mr. Gaurav G. Motwane	1.4	2.2
6.	Buy Back of shares	MSona Automotive Components Pvt. Ltd.	–	111.8
		Khattar Holdings Private Limited	–	43.1
		Mr. Sat pal Khattar	–	13.4
		Ms. Superna Motwane	–	113.0
		Mr. Gaurav G. Motwane	–	1.0
7.	Sale of finished goods	MSL North America Inc	830.8	727.9
8.	Sale of raw material (Including Goods & Service Tax)	MSona Automotive Components Pvt. Ltd.	–	17.2
9.	Purchase of Raw Material (including Goods & Service Tax)	MSona Automotive Components Pvt. Ltd.	2.7	2.2
10.	Reimbursement of expenses to related party	MSL North America Inc	12.0	22.6

**Notes to the financial statements for year ended 31st March, 2021**

The significant related party transactions are as under (contd.)

Sr. No.	Particulars	Name of Related Party	31st March, 2021	31st March, 2020
			Rs. Million	Rs. Million
11.	Balance payable as on	Mr. Gaurav G. Motwane	20.0	12.0
12.	Balance payable as on	Khattar Holdings Private Limited	–	28.6
13.	Balance payable on account of reimbursement of expenses as on	MSL North America Inc	6.3	0.9
14.	Balance receivable as on	MSona Automotive Components Pvt. Ltd.	–	17.2
15.	Balance receivable as on	MSL North America Inc	276.1	301.7
16.	Balance receivable as on	Motwane Consultancy Pvt. Ltd.	4.2	4.2

a) In respect of the outstanding balance recoverable as at 31st March, 2021, no provision for doubtful debts is required to be made in the financial statement as at 31st March, 2021. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

b) During the year, there were no amounts required to be written off or written back in respect of debts due from or to related parties.

**c) Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

**(ii) Compensation of Key Managerial Personnel**

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Short-term employee benefits	52.1	43.6
Post-employment benefits	4.5	4.5
<b>Total compensation paid to key management personnel</b>	<b>56.6</b>	<b>48.1</b>

**Note :** The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Employee benefits in the nature of gratuity and leave encashment are created on actuarial basis for the company as a whole and not for the individual employee including KMP.

**NOTE 32 COMPUTATIONS OF EARNINGS PER SHARE**

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of Equity shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

Particulars	Rs. Million	
	2020-21	2019-20
a) Net Profit after tax available for Equity Shareholders (Rs. Million)	395.3	267.2
b) Weighted average number of Equity Shares	8,841,980	9,231,441
c) Basic and Diluted Earnings per share (Rs.)	44.71	28.94
d) Face Value per share (Rs.)	10.0	10.0

**Notes to the financial statements for year ended 31st March, 2021**

The weighted average number of shares takes into account the weighted average effect of shares being bought back during the financial year. There have been no other transactions involving Equity shares or potential Equity shares during the financial year.

**NOTE 33 RESEARCH & DEVELOPMENT COST**

The Company's research and development concentrates on the development of Universal Joints sets and clutches. Research and Development expenditure incurred in recognized Research and Development unit for the year is as below:

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
<b>Research &amp; development cost, as certified by the management</b>		
a) Revenue expenses debited to appropriate heads of account	22.9	12.5
b) Capital Expenditure	0.9	0.3

**NOTE 34 CORPORATE SOCIAL RESPONSIBILITIES**

In line with Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities, issued by the Institute of Chartered Accountants of India, the disclosure of the CSR expenditure during the year is as under:

Particulars	Rs. Million					
	31st March, 2021			31st March, 2020		
a) Gross amount required to be spent by the company during the year	11.1			11.1		
b) Amount spent during the year	In cash	Yet to be paid in Cash	Total	In cash	Yet to be paid in Cash	Total
i) Construction/acquisition of any asset	–	–	–	–	–	–
ii) On purposes other than (i) above	10.0	–	–	8.5	–	–

**Note :** Amount unspent will be deposited by the company within the due dates specified under section 135 of Companies Act, 2013.

**NOTE 35 DERIVATIVES INSTRUMENT**

- (a) The Company enters into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss. The foreign exchange forward contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to twenty four months.
- (b) The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Trade receivable	USD	4.6
	GBP	0.1
	EURO	#
Trade payable	USD	2.0
	EURO	*
# represents	EURO	–
* represents	EURO	3,202

*Notes to the financial statements for year ended 31st March, 2021*

**NOTE 36 FAIR VALUES**

**Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)**

Rs. Million

Particulars	Carrying value		Fair Value	
	31st March, 2021	31st March, 2020	31st March, 2021	31st March, 2020
<b>Financial assets carried at amortised Cost</b>				
– Cash and cash equivalent	59.1	130.6	59.1	130.6
– Other Bank Balance*	–	–	–	–
– Trade receivables	1,257.0	1,200.0	1,257.0	1,200.0
– Other Financial Assets (including forward contracts)	19.7	19.7	19.7	19.7
<b>Total</b>	<b>1,335.8</b>	<b>1,350.3</b>	<b>1,335.8</b>	<b>1,350.3</b>
<b>Financial liabilities held at amortised cost</b>				
– Borrowings	203.8	513.7	203.8	513.7
– Trade and other payables	819.9	649.0	819.9	649.0
– Forward contract	–	8.2	–	8.2
– Other financial liabilities	138.2	155.2	138.2	155.2
– Lease liabilities	57.2	8.9	57.2	8.9
<b>Total</b>	<b>1,219.1</b>	<b>1,335.0</b>	<b>1,219.1</b>	<b>1,335.0</b>

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2021 was assessed to be insignificant.

**NOTE 37 FAIR VALUE HIERACHY**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**Notes to the financial statements for year ended 31st March, 2021**

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Particulars	Rs. Million					
	31st March, 2021			31st March, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets carried at amortised Cost</b>						
– Cash and cash equivalents	–	–	59.1	–	–	130.6
– Trade receivables	–	–	1,257.0	–	–	1,200.0
– Other Financial Assets (including forward contracts)	–	0.6	19.1	–	–	19.7
<b>Total</b>	–	0.6	1,335.2	–	–	1,350.3
<b>Financial liabilities held at amortised cost</b>						
– Borrowings	–	–	203.8	–	–	513.7
– Trade and other payables (including capital)	–	–	819.9	–	–	649.0
– Forward contract	–	–	–	–	8.2	–
– Other financial liabilities	–	–	138.2	–	–	155.2
– Lease liabilities	–	–	57.2	–	–	8.9
<b>Total</b>	–	–	1,219.1	–	8.2	1,326.8

There have been no transfers between Level 1 and Level 2 during the period.

**NOTE 38 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES**

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The senior management monitors financial risks and they design appropriate financial risk governance framework for the Company. All derivative activities and packing credit finances for risk management purposes are carried out by senior management who have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Company management reviews and agrees policies for managing each of these risks, which are summarised below.

**[A] CREDIT RISK**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

**(i) Trade receivables**

Customer credit risk is managed by the Company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on payment performance over the period of time and financial analysis including credit rating issued by credit rating agencies for major customers. At 31st March, 2021, the Company had 4 customers (31st March, 2020 : 5 customers) that owed the Company more than Rs.100 Millions each and accounted for approximately 69.3% of all the receivables outstanding (31st Mar, 2020 : 65.6%)

An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company does not hold collateral as security. The calculation is based on exchange losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 11. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

**Notes to the financial statements for year ended 31st March, 2021**
**(ii) Financial instruments and cash deposits:**

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's policy. Investments of surplus funds are made only with approved mutual fund or banks and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the year subject to approval of the Company's senior management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

**[B] LIQUIDITY RISK**
**(i) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company also discounts its bills receivable to Non-Banking Financial Institution.

**(ii) Maturities of financial liabilities**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Rs. Million

Particulars	31st March, 2021						31st March, 2020					
	Less than 1 Year	1-3 Years	3-5 Years	5 Years & above	Total	Carrying amount	Less than 1 Year	1-3 Years	3-5 Years	5 Years & above	Total	Carrying amount
<b>Non-interest bearing</b>												
– Trade Payable	819.9	–	–	–	819.9	819.9	649.0	–	–	–	649.0	649.0
– Other financial liabilities	94.9	43.3	–	–	138.2	138.2	96.0	24.2	–	–	120.2	120.2
– Lease liabilities	0.3	25.0	29.7	2.2	57.2	57.2	–	6.1	0.1	2.7	8.9	8.9
<b>Interest bearing</b>												
– Other financial liabilities	–	–	–	–	–	–	35.9	–	–	–	35.9	35.9
– Borrowing	65.8	–	–	–	65.8	65.8	275.3	–	–	–	275.3	275.3
– Packing Credit	100.4	–	–	–	100.4	100.4	245.4	–	–	–	245.4	245.4
– Cash Credit	38.5	–	–	–	38.5	38.5	0.3	–	–	–	0.3	0.3

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets. The amounts disclosed in the table have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Rs. Million

Particulars	31st March, 2021						31st March, 2020					
	Less than 1 Year	1-3 Years	3-5 Years	5 Years & above	Total	Carrying amount	Less than 1 Year	1-3 Years	3-5 Years	5 Years & above	Total	Carrying amount
<b>Non-interest bearing</b>												
– Cash & cash equivalent	59.1	–	–	–	59.1	59.1	130.6	–	–	–	130.6	130.6
– Other Bank Balance	–	–	–	–	–	–	–	–	–	–	–	–
– Trade receivables	1,257.0	–	–	–	1,257.0	1,257.0	1,200.0	–	–	–	1,200.0	1,200.0
– Other Financial Assets (including forward contracts)	3.4	0.5	4.2	11.6	19.7	19.7	7.6	2.2	–	9.9	19.7	19.7



**Notes to the financial statements for year ended 31st March, 2021**

The following tables detail the Company's remaining contractual maturity for its derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial derivative liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Particulars	Rs. Million					
	Less than 1 Year	1-3 Years	3-5 Years	5 Years and above	Total	Carrying amount
<b>31st March, 2021</b>						
Foreign currency forward contracts (assets)	0.6	–	–	–	0.6	0.6
Cross currency interest rate swap	–	–	–	–	–	–
31st March, 2020						
'Foreign currency forward contracts (liability)	8.2	–	–	–	8.2	8.2
Cross currency interest rate swap	–	–	–	–	–	–

**[C] MARKET RISK**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company uses derivatives to manage market risks. Derivatives are only used for economic hedging purposes and not as speculative investments. All such transactions are carried out within the guidelines set by the Board of Directors.

**(i) Currency Risk**

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.

The Company manages its foreign currency risk by hedging trade receivables and borrowings.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

**Foreign currency risk**

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. The Company hedges its exposure to fluctuations by using foreign currency swaps and forwards.

The carrying amounts of the Company's unhedged foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Particulars	Currency	Rs. Million	
		31st March, 2021	31st March, 2020
Trade receivable	USD	3.1	2.2
	GBP	0.1	0.1
	EURO	#	#
Trade payables	USD	2.0	1.8
	EURO	*	*
# represents	EURO	–	6,835
* represents	EURO	3,202	6,181

### Notes to the financial statements for year ended 31st March, 2021

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Rs. Million

Year	Change in USD Rate	Effect on profit before tax and equity
<b>31st March, 2021</b>	<b>5%</b>	<b>4.2</b>
	<b>-5%</b>	<b>-4.2</b>
31st March, 2020	5%	1.6
	-5%	-1.6

#### Interest Rate Risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### Interest Rate Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedging. With all other variables held constant, the company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Rs. Million

Year	Increase/decrease in basis points	Effect on profit before tax
<b>31st March, 2021</b>	<b>+100</b>	<b>7.49</b>
	<b>-100</b>	<b>-7.49</b>
31st March, 2020	+100	4.76
	-100	-4.76

#### Commodity price risk or other Price risk

The Company does not have significant risk in raw material price variations. In case of any variation in price same is passed on to customers through appropriate adjustment to selling prices.

### NOTE 39 CAPITAL MANAGEMENT

For the purpose of the company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to maximise the shareholder value.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio between 0% and 30%. The company includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

**Notes to the financial statements for year ended 31st March, 2021**

Particulars	Rs. Million	
	31st March, 2021	31st March, 2020
Borrowings	203.8	548.7
Less : Cash and cash equivalent including other bank balances	(59.1)	(130.6)
<b>Net Debt</b>	<b>144.7</b>	<b>418.1</b>
Equity	1,933.8	1,689.3
Total Capital	1,933.8	1,689.3
Total Capital and debt	2,078.5	2,107.4
<b>Gearing ratio</b>	<b>7.0%</b>	<b>19.8%</b>

'In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st March, 2021 and 31st March, 2020.

**NOTE 40 SEGMENT INFORMATION**

The Company is primarily engaged in manufacturing of automobile components such as propeller shafts, clutch sets and components thereof. Information reported to and evaluated regularly by the Chief Operational Decision Maker (CODM) i.e. Chairman, Managing Director and CEO for the purpose of resource allocation and assessing performance focuses on the business as a whole. Accordingly, there is no other separate reportable segment as defined by Ind AS 108. "Segment Reporting".

**Information about Geographical area**

The revenue of the Company from the external customers are attributed to the Company's country of domicile i.e. India and attributed to all foreign countries in total from which the Company derives revenue.

The Company's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

Particulars	Financial Year	Rs. Million			
		Domestic	U.S.A.	Other countries	Total
Revenue from External customers	2020-21	3,355.5	937.1	140.0	4,432.6
	2019-20	3,986.5	1,004.6	71.4	5,062.5
Non-current operating assets	2020-21	827.5	–	–	827.5
	2019-20	955.1	–	–	955.1

**Information about major customers having revenue amounting to 10% or more of the company's revenue.**

Particulars	Domestic		U.S.A.		Total	
	No of Customers	Rs. Million	No of Customers	Rs. Million	No of Customers	Rs. Million
	<b>2020-21</b>	<b>1</b>	<b>1,194.9</b>	<b>1</b>	<b>830.8</b>	<b>2</b>
2019-20	1	1,570.4	1	705.3	2	2,275.7

No other customer individually contributed 10% or more to the Company's revenue for the current year ended 31st March, 2021 and previous ended 31st March, 2020.

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**Notes to the financial statements for year ended 31st March, 2021**
**NOTE 41 STANDARDS ISSUED BUT NOT EFFECTIVE**

There are no standards that have been issued but not yet effective.

**NOTE 42 IMPACT OF COVID 19 ON BUSINESS OPERATIONS**

Due to global pandemic of COVID-19, which has disrupted the supply chains and demand at large. The unprecedented slowdown has affected the revenue cycles of the company and the Company witnessed a degrowth in its revenue. During the year the Company prioritized the health and safety of its employees and with the end customer preferences changing, focused on adapting the new normal in COVID -19 era. The various initiatives taken by the company, achieved the objective of maintaining liquidity position, cash flows and maintaining the cost under control. During the year, the liquidity position of the company was improved and company was not required to make any material adjustment in the financial statements. With the continuation of pandemic, the Company is further evaluating the business operations and liquidity position and cash flows and concludes that no further material adjustments are required in the financial statements. In developing the assumptions relating to the possible future uncertainties in the global economic conditions due to the COVID -19, the Company used internal and external sources of information including economic forecasts and consensus estimates from market sources on the expected future demand of its products. The Company has performed analysis on the assumptions used and based on the current estimates expects the carrying amount of the assets will be recovered. The Company will continue to monitor the impact of COVID -19 and any material changes to the future economic conditions.

**NOTE 43 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved for issue by the Board of Directors on June 25, 2021.

**NOTE 44 PREVIOUS YEAR COMPARATIVES**

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

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As per our report of even date

**For S R B C & CO. LLP**

*Chartered Accountants*

ICAI Firm Regn. No.324982E / E300003

**Per Nishant Mankodi**

*Partner*

Membership No. 107515

Mumbai, June 25, 2021

**For and on behalf of the Board of Directors**

**MSL Driveline Systems Limited**

**Gaurav Motwane**

*Chairman, Managing Director & CEO*

(DIN 00746165)

**Manish Choksi**

*Independent Director*

(DIN 00026496)

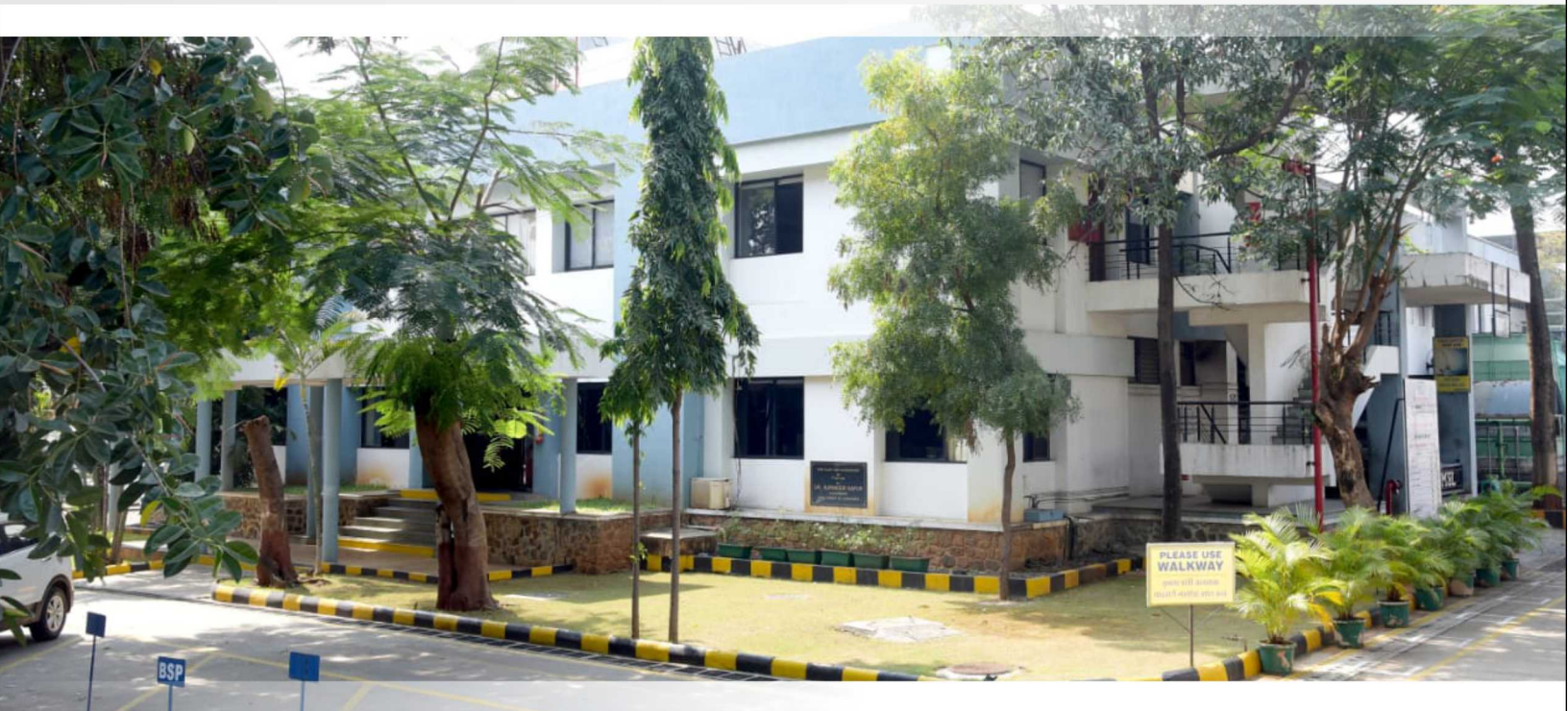
**Pradeep Mestry**

*Chief Financial Officer*

**Mahendra Salunke**

*Company Secretary*

Mumbai, June 25, 2021



**MSL DRIVELINE SYSTEMS LIMITED**

(CIN: U30007MH1994PLC081637)

**Registered & Corporate Office**

Unit No. 1506, 15th Floor, ONE BKC, 'B' Wing,  
Bandra-Kurla Complex, Bandra (East), Mumbai-400051

Phone: 022-67411604 Fax: 022-67411608

Email: [secretary@msldriveline.com](mailto:secretary@msldriveline.com)

Website: [www.msldriveline.com](http://www.msldriveline.com)