Divgi TorqTransfer Systems

NOW!

Divgi-TTS Private Limited

Annual Report 2019-20

Contents

Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

NOW!

The theme of this annual report is a word that faithfully encapsulates what we are and what we do.

At one level, we are a company driven by a sense of urgency.

At another level, we address contemporary and emerging needs through cutting-edge technologies.

We believe that this combination will deepen our capability across products, geographies and market cycles.

Strengthening our brand, business and sustainability.

Divgi TorqTransfer Systems Limited.

Backed by passion and pedigree

Vision

To be recognised as a world-class Indian brand in automotive drivetrain components and systems.

Mission

To help our customers and our people continually innovate and excel in building world-class drivetrain components and systems.

Pedigree

Spearheaded by Mr. Ramrao Divgi and Mr. Bhaskar Divgi, the Divgi Group embarked on its business journey in the early 1960s. DivgiWarner was formed in September 1995 as a joint venture between Divgi Metalwares and BorgWarner. Divgi Metalwares acquired the joint venture in 2016; the name was changed from Divgi MetalWares to Divgi-TTS. Since then the Company has been engaged in the manufacture of transfer cases, torque couplers and auto-locking hubs, components for 4-wheel drive/all- wheel drive vehicles and synchonisers for transmission systems.

Products

The principal products developed by Divgi-TTS comprise automotive drivetrain systems and components thereof for applications in Passenger Cars, Utility vehicles, Commercial Vehicles and Agricultural and Farm Sector. Divgi-TTS possess a diverse product portfolio ranging from 4WD transfer cases, torque couplers and automatic locking hubs, synchroniser systems, electric vehicle transmissions, manual and automatic transmissions and transmission components for four-wheel and all-wheel drive vehicles.

Values

Respect for each other: Work in a climate of openness, trust and cooperation with respect and decency to all embracing the diversity of all people.

Power of collaboration: Preserve the freedom of one and all while building a strong business through a unity of purpose.

Passion for excellence: Improve our performance through encouragement of new ideas and attachment of a sense of urgency to every business challenge and opportunity.

Personal integrity: Demand uncompromising ethical standards in our conduct with a commitment to doing what is right—in good times and in bad, taking accountability for the commitments we make.

Responsibility to our communities: Strive to supply goods and services of superior value to our Customers; create jobs that provide meaning for those who do them and to contribute our talents and our wealth generously to the communities in which we do business.

Technology

Divgi-TTS has leveraged its rich two-decade technology experience derived from its joint venture with BorgWarner to build world-class products. The Company has retained the design, development and manufacture of a part of BorgWarner's product portfolio under a technology license from BorgWarner, ensuring world-class product quality.

Location

Headquartered in Pune (India), Divgi-TTS has three manufacturing facilities in India - two in Pune (Maharashtra) and one in Sirsi (Karnataka).

Customers

Divgi-TTS' diversified customer base comprises leading Indian and global OEM manufacturers like TATA, Mahindra, Toyota, Tesla, Ford, General Motors, Ashok Leyland, Renault And Borg Warner.

Footprint

India is one of the major Divgi-TTS markets accounting for 50% revenues in 2019-20. The Company also exports to Russia, Korea, China, Thailand and USA. The USA market accounted for the Company's largest international market, generating 17% of revenues in 2019-20.

Partnerships

Divgi-TTS enjoys strategic alliances with specialised R&D institutions like BITS Pilani and IIT Mumbai, facilitating the recruitment of qualified engineers (M. Tech and post-graduate degree holders) Germany and other specialised agencies in Stuttgart and Aachen specialising in Dual Clutch Transmission technology.

Employees

Divgi-TTS is an employee-centric organisation comprising a total human capital of around 200 employees, of which more than 12% are drawn from the R&D department. The average employee age in the Company was 35 as on 31 March, 2020.

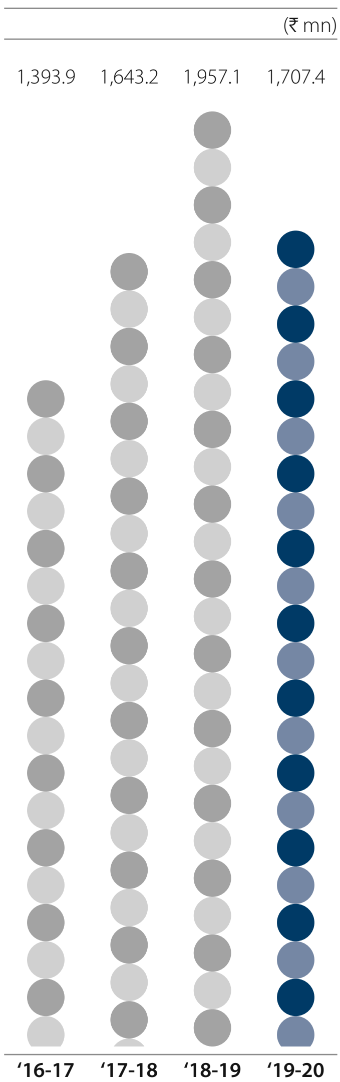
Certifications

Divgi-TTS is accredited with ISO 14001:2004, IATF 16949:2016 and OHSAS 18001:2007 certifications, validating its environment-centricity, quality management systems as well as employee, health and safety practices.

Awards and recognition

- BorgWarner Production System Defect-free and hassle-free customer experience based on seven foundational elements
- The BorgWarner Chairman's Operational Excellence Award
- Toyota Zero PPM award for 2017
- CII HR Best Practices & TOYOTA TKSA QCC for 2019-20

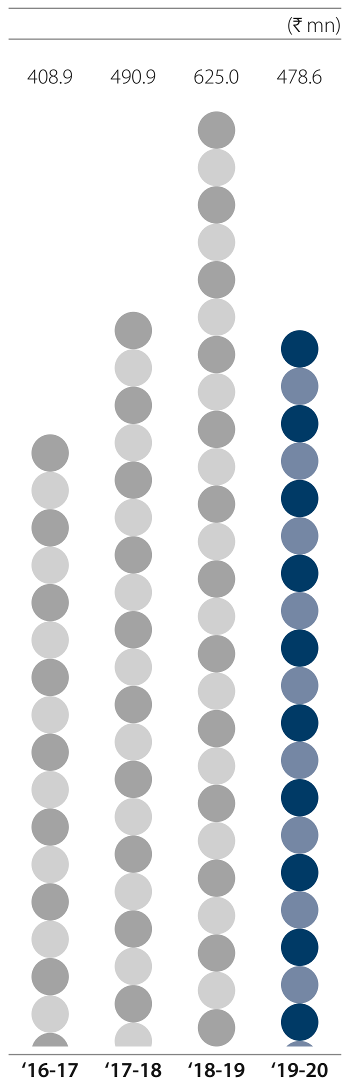
How we have **performed** over the years



Revenues

Performance, FY2019-20

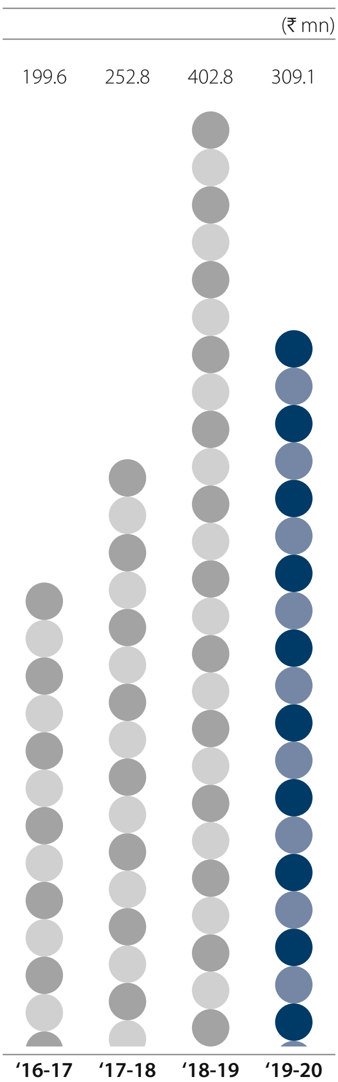
Aggregate sales declined 12.76% to ₹1,707.4 mn in FY2019-20, largely owing to the decline in the domestic vehicles sales demand on account of an emissions policy change by the Indian Government from the legacy BS4 to the BS6 standard.



EBITDA

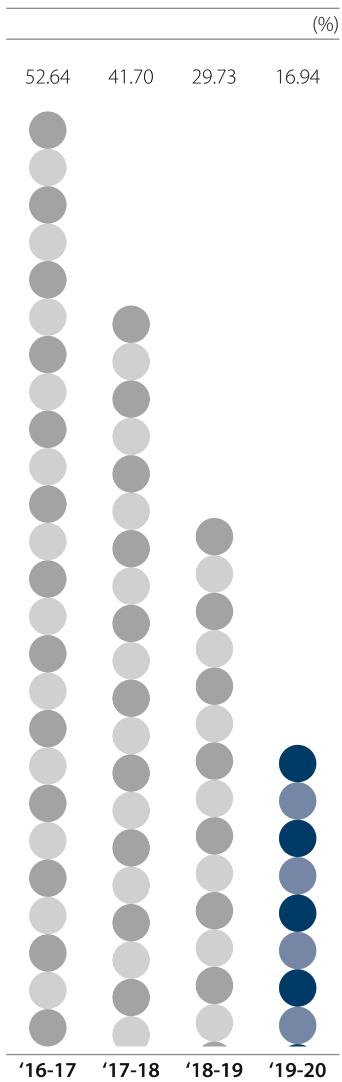
Performance, FY2019-20

The Company's EBITDA declined 23.42% due to lower revenues and margins in addition to gestation-based investments in the Company's growth.



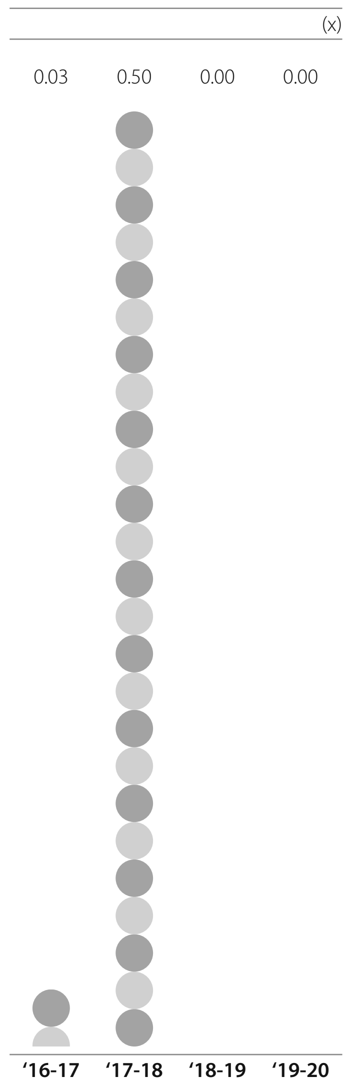
Net profit

Performance, FY2019-20
The Company's PAT declined 23.27% over the previous year on account of a sectoral slowdown.



ROCE

Performance, FY2019-20
The ROCE of the Company declined 1,278 bps over the previous year, largely owing to a decline in revenues and margins.



Debt-equity ratio

Performance, FY2019-20
The Company's debt-equity ratio improved from 0.50 to 0.00 across the space of two years largely due to complete debt repayment.

The big **message** of this Annual Report

A few years ago, Divgi-TTS resolved that it would emerge from its longstanding shadow of being an outpost of a multi-national corporation.

Divgi-TTS intended to emerge as a proud innovation-driven Indian technology player in the sophisticated niche of automotive transmission systems.

It has been four years since the Company acquired the interests of its illustrious partner.

During this short space of time, the Company has evolved and emerged among the most exciting automotive transmission system companies in the world.

Four years ago, when we bought out Borg Warner...

Divgi-TTS possessed a singular competence in the design and manufacture of 4 wheel drive transfer case systems and synchronisers.

In the four years since...

We have designed and developed the 4WD system for the front wheel drive application

We have designed and developed heavy duty transfer cases for the Defense sector

We have designed and developed the manual / electric vehicle transmission

We are engaged in the development of the cutting-edge Dual Clutch Transmission system

We are engaged in the development of advanced hybrid transmission systems (with a global automobile giant)

Promises that we made, 2016

- Become a full-service transmission system supplier
- Extend beyond India to the global market
- Introduce cutting-edge global technologies to the Indian market

Promises that we delivered on, 2020

- Enhanced our competitiveness; widened our footprint across global markets
- Engaged in the development of advanced hybrid transmission systems with a global automobile giant
- Developed capabilities extending from internal combustion to electric vehicle transmission systems
- Engaged in bringing in cutting edge DCT technology to India

Our **outperformance** in the last four years has been derived from a distinctive attitude

"We aspire to become one of the most exciting transmission system companies in the world"

"We need to make our products at zero defect parts per million"

"We will invest in research before we invest in anything else"

"We must do something that has never been done in the world in our sector"

"We will manufacture the best transmission system at the world's lowest price"

"We will create a strategic road map for the next five years"

"We must play this game for pride - pride for India and pride for our Company"

"We need to be the best at everything we do – planning, manufacturing, marketing and finance."

"The word 'impossible' does not exist at Divgi-TTS"

This then represents an unprecedented opportunity for Divgi-TTS. At a time of global turbulence, we believe we are at the right place and the right time to capitalise.

The principal message that I wish to communicate is that Divgi-TTS is at the cusp of an unprecedented global opportunity.

When the Company exited its relationship with BorgWarner, the Divgi-TTS management had promised to create an innovation-driven technology organisation across the foreseeable future.

The odds were considerable: for the first time in a number of years, Divgi-TTS was completely on its own.

I am pleased to communicate that in just three years, Divgi-TTS has graduated from a dependence on a global technology partner to a position where it is largely technology-independent and has carved away business from a large company in developed markets.

The last three challenging years notwithstanding – among the most difficult years in the country's automotive sector in living memory – we believe that Divgi-TTS has arrived at an inflection point that should graduate the Company into a completely different orbit.

The year under review represented a validation of all that we had been building the Company towards.

At first glance, the year under review represented a financial setback. Revenues declined 12.76% to ₹1,707.4 mn, the first such instance in seven years. Profit after tax declined 23.27%, the first such instance in three years.

These reversals notwithstanding, we believe that the year under review was one of the most decisive in our recent existence for good reasons. The Company strengthened its business through inroads into large OEMs, which should translate into revenues from the current year onwards.

The Company attracted an attractive order from a large Russian automobile company for a complete transmission system as opposed to the sale of components. We believe that the ability to derive a sizable order for a complete solution in the face of international competition (in this case a Chinese company that had been servicing that account for years) represents a validation of what we always believed: that Divgi-TTS possesses globally competitive competencies related to technology, manufacturing, supply chain and price-value proposition.

The Company entered into the testing of its tactical mobility platform for the Indian armed forces.

The Company was awarded a project to develop a next generation seven-speed dual clutch transmission system for a sport utility vehicle related to a programme for a large Indian OEM SUV, which eventually translated into a prestigious contract.

Even as the Company was affected by the extensive reduction of inventory within the Indian automobile sector on account of a transition to the BS VI standard from 1 April, 2020, we prospected business in Russia that will generate substantial revenues from this year onwards. During this challenging transition, the Company did well to protect its EBITDA at around 32% (when one writes back long-term capital expenditure that was expensed to the profit & loss account); if this is deducted, then the decline in EBITDA margin was a mere 300 bps. The fact that the Company reported a cash profit of ₹369.2 mn during this challenging year and continued to invest in its business (₹130.9 mn) represents a validation of the sustainability of its business model.

We have often been asked in the last few months: what explains Divgi-TTS' sustainability?

We believe that we are a distinctive company: Indian by origin but global by aspiration.

One, we selected to focus on specialisation in the area of transmission systems, which represents the heart of a vehicle. Our specialisation has been endorsed by technology-led innovation at one end and the ability to graduate from the manufacture of standalone products to the delivery of complete solutions.

Two, we focused on products and application diversity, broad-basing the Company from changes in the operating environment.

Three, we focused on customer and geographic diversity that would strengthen our operating foundation and make the Company less vulnerable to changes in ground realities (select customers or countries). As a natural fallout of this focus, the Company graduated from a longstanding focus on marketing products within India to emerging as a global company.

Four, we focused on a culture of manufacturing excellence extending across four product lines with the highest quality standards and at one of the lowest costs anywhere in the world.

Five, we focused on a culture of financial discipline that ensured that the Balance Sheet remained liquid and under-borrowed across market cycles and that proprietary funds were always available to invest in long-term programmes or feed the working capital needs of a growing business.

Six, we focused on collaborative engagements with technology specialists the world over, depending on the nature of the OEM programme and the Company's requirements.

We believe that this model addresses every critical segment of the business, ensures prudent and periodic investment and provides a robust foundation around which to scale the business profitably and sustainably.

At Divgi-TTS, the result is a uniquely Indian business model where one has established sustainable viability even at relatively low volumes.

We believe that this capability is attractively suited to the times that we live in. The ongoing global slowdown is likely to lead to a sectoral shakeout. A 'more of the same' approach will not work for OEMs; they may need to invest in nimbler outsourcing, turning to specialists who manufacture a larger volume at a lower cost in addition to manufacture considerably more complex systems. Besides, we foresee a shakeout among drivetrain companies the world over, where our competitiveness and profitability make it possible for us to carve out a larger global market share.

This then represents an unprecedented opportunity for Divgi-TTS. At a time of global turbulence, we believe we are the right place and the right time to capitalise.

This leads us to what a great Persian poet once said: 'What you hear are the sounds of closing doors; but I of doors that open.'

Praveen Kadle
Chairman

Divgi-TTS stands at the cusp of a large addressable market

The automatic transmission segment is poised to emerge as one of the fastest growing segments within the global and Indian automotive space, putting a focused company like Divgi-TTS at the centre of a large addressable market

Overview

The dual-clutch automatic transmission segment within the global automotive industry is at the cusp of a decisive break-out. The size of this segment is expected to grow to US$17 bn by 2026, catalysed by a distinctive consumer preference for improved vehicle dynamics.

The automated gear shifting mechanism is among the most sought-after features of modern day automobiles for reasons of convenience at a time of growing urban vehicular congestion and the desire to utilise enhanced engine power.

Automatic transmission

Traditional automatic transmission (torque converter automatic) is the frequently used self-shifting technology across most vehicles. The hydraulic fluid coupling or a torque converter makes it possible to change gears instead of the conventional clutch. The vehicle's Engine Control Unit is directly connected to the system, facilitating a smooth and precise engine control of the vehicle. Automotive brands like Hyundai, Mercedes-Benz, BMW and Audi have employed the automatic transmission technology in a number of their advanced models and SUVs.

Automatic transmissions arrived in India when Hyundai launched the i10 in 2008. A few years later, Maruti Suzuki introduced the AT-equipped A-Star in 2010. Even as ATs were being rolled out in India, there was a growing apprehension that the cutting-edge technology would be expensive based on a price difference of ₹100,000 to 120,000, 10-20% lower fuel efficiency compared to the manual transmission system and higher maintenance costs.

This perception soon transformed following the introduction of the automatic manual transmission (or auto gear shift technology) launched by Maruti Suzuki in 2014 (model Celerio). The technology comprised a manual gearbox that featured an electronic or hydraulic actuator that monitored driving behaviour and shifted gears. For cost-sensitive Indian consumers, the AMT offered an advantage: the price difference between manual transmission and automatic manual equivalent was now only around ₹50,000-60,000 and offered virtually the same fuel-efficiency.

There is a growing optimism related to the transition from MT to AT (all forms of automatic – AT, AMT, DCT, CVT etc) as has happened in China. The AT penetration in the Indian mass market of around 6% is indicated to rise to 35-40% in five years, largely driven by AMT and dual clutch transmission technologies.

Dual clutch technology

The DCT is emerging as the preferred technology on account of higher efficiency and power shifts, maximising the fun-to-drive experience. The DCT technology divides between odd and even gears; friction losses only occur from one clutch at a time.

DCTs in general, have proved to be efficient over the conventional automatic transmission. DCTs are deepening their presence in the Indian mass market, especially in sports utility vehicles. The DCT technology gets prominence for vehicles above 1.5 l engine vehicles as they are better equipped to handle a wider gear ratio spread, coupled with higher slip efficiency. With the Indian auto industry having negotiated BS VI and like to address CAFÉ norms, there could be a need to expand the ratio spread, widening the role of DCTs.

Catalysts

There are a number of drivers for automatic transmission systems especially DCTs. The emergence of lightweight vehicles, growing demand for fuel-efficient vehicles and need for a smoother driving experience are catalysing this market; besides, the introduction of stringent regulatory norms has helped grow this market as well.

Across the foreseeable future, increasing R&D related to transmission technologies and a lower carbon footprint are expected to drive the global automotive automatic transmission market.

Source: Dual-clutch Transmission (DCT) Market by Clutches (Dry, Wet), Vehicle (PCV, Commercial Vehicle, Sport Car), Transmission (ICE, Hybrid), Distribution Channel (OEM, Aftermarket), Regional Outlook, Application, Price Trends, Competitive Market Share & Forecast 2026

Divgi-TTS stands for a fresh and plucky global approach in India's automotive sector

The Company is not just engaged in the development of me-too products in the mid-to-low technology sophistication index; the Company has aggregated cutting-edge competencies to manufacture increasingly complex products for a progressively demanding world

Overview

When Divgi-TTS emerged out of the shadow of BorgWarner, its illustrious global partner, it focused on emerging as an outlier punching far above its weight.

Convention

In the past when global OEMs selected to launch their vehicle models in India, the usual practice was to import global systems cum supporting components with a long-term indigenisation agenda where the design function would be segregated from manufacture; the design end of the system would be controlled by global specialists while the manufacturing end would be handled by competent Indian 'replicators'. The role of these replicators was influenced by proactive investment in manufacturing capacity, large volume manufacture, high quality standard, manufacturing consistency and the ability to deliver a large volume at one of the most competitive global costs.

The result of this segregation: designers focused exclusively on design in line with the evolving

OEM standards of the day (low carbon footprint, lower cost, quicker turnover and enhanced fuel-efficiency) while manufacturers focused on delivering products in complete alignment with demanding design standards, high product durability and competitive manufacturing costs.

As the trend played out, manufacturers engaged in a commodity play influenced by high volume; profits were not generated through intellectual property as much by the simple play of incremental investment in manufacturing equipment and larger orders. By an extension, this arrangement graduated towards higher volumes and lower margins.

Contrarian Divgi-TTS approach

At Divgi-TTS, we recognised the limitations of this approach.

One, the model would restrict the Company to the position of a component manufacturer – albeit a competent one – with limited pricing power.

Two, the approach would moderate operating margins, resulting in a limited capacity to reinvest in the business; in turn, the margins would be exposed to abrupt changes in currency movements and interest rates.

Three, the model would make the business vulnerable to changes in the arbitrage window of global labour costs; this vulnerability, in turn, would prevent the Company from mobilising patient long-term capital.

Four, the Company would seldom become integral to the long-term strategic plan of its customers, affecting its brand, respect and visibility.

The result is that when Divgi-TTS acquired Borg Warner's stake in its company in 2016, it could have selected to increase its exposure in the volume-driven end of the business with correspondingly low technology and financial requirements; the Company consciously opted to address the high-end challenging niche marked by a high risk of product development delay and even failure instead.

Punching above its weight

For a company that had only just emerged as an independent automotive transmission company in its own right with no technology collaboration or equity stake by a large international company, Divgi-TTS embarked on a courageous business roadmap.

The Company made a decisive extension in its manufacturing-driven business model to one that would now comprise design and manufacture. This single aspiration evolved the Company from receiving hand-me-down orders from system design companies to seeking to occupy a position at the exclusive high table.

The Company graduated from a multi-decade understanding of transmission technologies and product manufacture to a position where it would attempt to develop the complex transmission system itself (coupled with the insourced manufacture of components), making it a complete solution provider.

The Company set out to demonstrate to the world its innate conviction: that it could create a full-fledged transmission at the highest global standards at one of the lowest development costs and in one of the shortest development tenures.

The Company would not just provide the products of the day; it would help its OEM customer technology-proof their investments in new vehicles through the manufacture of products benchmarked around tomorrow's standards (through features, durability and convenience). By doing so, the Company has subtly graduated from the conventional model of providing products that customers want to designing and developing products that Divgi-TTS feels will take their business ahead.

The result is that Divgi-TTS is not merely feeding the markets of today; it is seeding the markets of tomorrow.

Divgi-TTS' IP-driven approach represents a six-decade maturing of knowledge and experience

The speed with which Divgi-TTS has transformed from a technology-dependent replicator to an IP-driven personality is the result of the Company remaining alive and agile to technology changes and global trends

Overview

There is an insightful story of the great painter Pablo Picasso at a Paris restaurant. An admiring patron discovered that she was in the vicinity of greatness and descended on his table for an autograph. The charmer that Picasso was, he didn't just sign; he sketched something on the napkin and handed it within a few minutes. The lady could have swooned with delight. 'I am so impressed. This is so wonderful,' she said, 'and…and, it took you only a couple of minutes to do it.' The painter looked up. 'Madam,' he said in a low voice, 'this did not take me a couple of minutes. This has taken me 40 years.'

Convergence

At Divgi-TTS, we warm up to this Picasso story because it resembles ours. When we went into the business in the mid-Sixties, we focused singularly on the competent manufacture of products in line with the designs provided by our OEM customers. In the two-and-a-half decades that followed, our Company strengthened its manufacturing capability to a point where it possessed the confidence and competence to manufacture products around complex designs at one of the lowest costs.

The second phase of our existence built on this long-standing manufacturing competence. In the mid-Nineties, our Company entered into an engagement with BorgWarner, the global transmissions specialist. BorgWarner came with inspiring credentials; the Company had been a global leader in propulsion systems for vehicles.

During the engagement period that lasted a little over two decades, Divgi-TTS graduated from a significant exposure to Indian OEMs to global OEMs; the Company evolved from the manufacture of components and sub-components to overall transmission systems development; from a mere conventional absorption of technology to an understanding of why technology was being applied; from a focus on the micro within a transmission system to a familiarity with the overall system itself; from an exposure to local manufacturing practices to an understanding of the discipline behind solutions development.

The coming together of the two balanced competencies– design and manufacturing of components to systems development –– represented the quiet confidence behind Divgi-TTS announcing itself as an independent transmission systems development company in 2016.

The result is that from that inflection moment of 2016 onwards, Divgi focused not on addressing more of the same; it placed a priority on delivering more of the different.

Divgi-TTS addressed its challenging objective with a measured strategy

Divgi-TTS responded with a customised approach that protected its downside and maximised opportunities, deepening its competitive sustainability

Investment in research

When Divgi-TTS selected to walk the road less travelled independent of BorgWarner, its first challenge was the need to invest in IP-enhancing research and development. The Company was relatively small. There was a premium in knowing exactly what segment of the vast advanced technology universe one needed to invest in. The payback from the investment in research could not be immediately predicted. The monetised return needed to be reinvested in the next frontier of research, the outcome of which could not be similarly estimated. These challenges notwithstanding, Divgi invested a cumulative ₹250.6 mn in research in the four years ending 31 March, 2020. This investment accounted for 4.05% of the Company's aggregate revenue during the period. The effectiveness of the research spending: a virtuous cycle of margins, reinvestment and business sustainability.

Aspiration of uniqueness

When Divgi-TTS turned independent, it could have selected to develop commodity products with a desire to graduate only gradually to the complex. The Company did the more difficult thing: it focused on the complex from the start of its independent journey. It ventured to focus on what had not, until then, been achieved in the world. This big hoary audacious goal (BHAG) could have been dismissed as the instance of a company attempt a reach well beyond its grasp; what Divgi-TTS recognised was that an exposure of five decades to this transmission niche had helped mature a unique convergence of competence, cost structure and global eco-system development capability.

Law of adjacency

A Divgi-TTS independent of its relationship with BorgWarner recognised the urgency to extend to new products, widen the portfolio and broadbase the operating structure. The Company launched an aggressive programme of extending its portfolio based on a superior leverage of capabilities. The most effective means comprised the Law of Adjacency: utilise competence in an existing space to extend to the next version or generation. This adjacency would also be relatively de-risked; it would not warrant a significant leap that stretched the Company's technology or financial bandwidth; it would represent a logical direction in which the industry (or company) would need to grow across the foreseeable future. This adjacency helped the Company provide customers with a technology road map; it helped Divgi-TTS provide customers with a superior proposition over competition (demonstrated when it developed a six-speed transmission system for a Russian customer, bettering the five-speed alternative provided by a previous Chinese supplier); the Company built over the four-wheel drive transfer case construction architecture to develop the electric vehicle transmission system in considerably less time and cost.

Divgi-TTS: Providing a new interpretation to the national Atmanirbhar priority

During the last few years, Divgi-TTS has evolved from a conventional insourcing role to that of a company engaged in prudent insourcing cum outsourcing. In doing so, the Company has graduated its role to that of a competent global synthesiser of cutting-edge concepts and products

Overview

A disruption in global supply chains following the Covid-19 pandemic has increased the premium on the need to develop proximate supply chain systems. At Divgi, we believe that the Atmanirbharta (self-reliance) is a calling whose time has come: for a more fundamental reason than supply stability. We believe that one of the most important shifts to have come out of the pandemic is for the need to move supply chains out of China and seek alternative supplier countries. India is one of the most attractively placed to capitalise on a probable transition: the country possesses a rich knowledge pool, large and growing market, attractive export base and a relatively low cost structure, which can facilitate the aspiration of self-sustainability.

Increasing relevance

The aspiration of an Atmanirbhar Bharat is relevant to the Indian automotive sector where we see a definitive declining trend in the import of inputs going into a vehicle being assembled within the country.

Besides, the Indian automotive sector enjoys a strong correlation to economic growth, the inference being that a larger offtake of automobiles (passenger, commercial or agricultural) widens urban spatial growth, accelerates urbanisation, transports products faster, moderates inflation and enhances mechanisation and productivity in the agricultural sector. In turn, increased automobile offtake generates spin-off demand for the alloy steel sector, catalysing economic growth. In view of this, the country's automotive sector is not peripheral to national self-sufficiency but integral to it.

Sectorial landscape

A focus on national self-sufficiency comes at a time when the global automotive sector is passing through one of its most exciting transitions. The sector is at an inflection point; the conventional internal combustion engine (ICE) is being progressively replaced by the electric vehicle equivalent. Only recently, Europe purchased more EVs than IC-based cars. This one change has created an entirely new way of designing the automobile, widening opportunities for a new range of vendors for select inputs.

Besides, even within the conventional ICE segment, the transmission technology, for instance, is graduating towards sophisticated segments (dual clutch transmission, for instance) with corresponding upsides in operational seamlessness, noise cum vibration reduction and fuel efficiency.

The sophistication and speed of change are resulting in vendor churn. A number of large conventional technology vendors who professed to do 'everything' are being replaced by smaller nimbler specialists focused on technology niches across systems, products and sub-products. The emergence of this dynamic technology environment has put a premium on the identification, selection and engagement with these select technology providers and their integration into a sophisticated eco-system.

Divgi-TTS' capability

At Divgi-TTS, we see our role as an ensemble aggregator: bringing into play the right complement of technology providers that makes it possible to permute and combine with flexibility. The result is an outcome that is the most effective, making it possible to manufacture where the cost is lowest and market where the returns are highest.

As an extension, we now sit at a ringside, decoding global technology cross-flows, while deepening our presence at the cutting-edge of processes, practices, products and overall systems.

At Divgi-TTS, we believe that this global mindset resides at the heart of the Atmanirbhar Bharat model. The model then is not as much about being able to manufacture as much as possible of mid-to-low technology products as much as it is about being able to leverage our intellectual property to expertly synthesise global components and products into a sophisticated overarching India-designed system. This approach – using the best of the world to make the best that India has to offer – represents a stepping stone in the transformation of India from a commodity product replicator into a specialised solutions designer. By the ability to draw specialised global products into our eco-system, we are increasing our familiarity with global benchmarks, which could also represent a decisive step towards phased indigenisation.

Collaboration

At the heart of our Atmanirbhar Bharat initiative lies a competence in appraising and selecting the right technology provider (differentiated from an umbrella technology collaboration model where one is tied to one partner across all segments and products). The reality is that one has created an eco-system of specialists belonging to respective niches, not necessarily large by size but specialised by scope and nimble by responsiveness.

During the four years following the exit from the BorgWarner relationship, Divgi-TTS entered into technology arrangements with a number of partners.

Cultural ambidexterity

Within four years of having stepped out of BorgWarner's shadow, Divgi-TTS has exported products and systems to Russia, China, South Korea, USA, Thailand and Europe.

Divgi-TTS' widening global footprint is the result of its cultural ambidexterity. The Company's promoters and senior management were exposed to BorgWarner's global mindset for more than two decades; the Company's product design, development and manufacturing teams have been exposed to customer requirements across continents. The result is a team that may be Indian by origin but global by mindset.

The Divgi-TTS of today is a confident global technology citizen; the Company has leveraged its locational advantages (Pune and India) to enhance familiarity with diverse cultures. The Company's familiarity with English has enhanced its relevance across continents; its ability to have sustained a two-decade relationship with BorgWarner (presence in USA, China and South Korea) widened its cultural bandwidth.

The result is that Divgi-TTS generated 50% of its revenues from exports in 2019-20; exports have grown at a 24.58% CAGR in the four years ending 2019-20 compared to the Company's revenue growth of 9%. The Company exported to four countries; no country accounted for more than 17% of exports.

Divgi-TTS stands at the exciting cusp of an unprecedented opportunity

In a rapidly transforming global automotive sector, the future will belong to the nimble and the technologically superior, of which Divgi-TTS expects to emerge as an outlier

A daring new world

The next decade promises to be one of the most dramatic in the history of personal mobility.

Frontier-pushing companies are not just investing in electric vehicles and autonomous driving vehicles; they are investing in autonomous commercial vehicles that ply from one city to another; they are investing in the development of flying vehicles. The emergence of these parallel technologies could transform everyday living at one level and the prospects of automotive ancillary companies at the other.

The convergence of quantum computing and robotics in the industrial environment could translate into unprecedented improvements in capabilities, efficiencies and economies. As the cost of mobility declines – the introduction of electric vehicles could reduce the cost of personal mobility to less than INR 1.5 per km; freight rates could decline to an all-time low. This, in turn, could help relocate manufacturing facilities away from markets to regions of low production costs; this could help integrate manufacturing facilities towards larger consolidated capacities that enhance economies of scale; this could enhance product affordability, consumption and market size across a range of products, driving economy growth and national prosperity.

Sectorial outcomes

At Divgi-TTS, we have two observations to offer.

One, the addressable market opportunity is vast. It is estimated that even if electric vehicles account for no more than 20% of the overall automobile consumption the world over, that itself would still translate into an annual market in excess of 20 mn pure electric vehicles a year.

Two, this increase in the water table may not raise the level of all ships. Companies with conventional response systems that fail to adapt their structures could become irrelevant. There will be a bigger premium on the need to invest in research, stay ahead of the technology curve, graduate towards comprehensive transmission solutions that utilise a large proportion of insourced material, widen the product portfolio to address the need for transmission systems for any kind of vehicle being developed, enter into multi-year product development agreements with OEMs and generate a sizable proportion of business from customers of five years or more.

Our strategic road map

At Divgi-TTS, we have drawn out a strategic direction for our business in conjunction with FEV, our global technology consultant.

The Divgi-TTS of the future will graduate from its Indian manufacturing locations to those with some of the largest markets in the world, strengthening its global presence and personality.

The Divgi-TTS of the future will deepen its presence across its four product-driven business verticals, validating their standalone year-on-year growth and profitability.

The Divgi-TTS of the future will continue to work in cutting-edge transmission technology spaces and niches, generating a global respect for 'If you need something specialised and sophisticated that is cost-competitive, go to Divgi-TTS.'

The Divgi-TTS of the future will seek to enhance its respect for innovation – as distinct from replication – in the complex end of the automotive sector.

The Divgi-TTS of the future will seek to indigenise the conceptualisation and delivery of world-class automatic transmission systems for the first time in the country's existence.

Disruption and innovation in the automotive components industry

Connected car

The internalisation of cars makes it possible for a driver to connect with online platforms, facilitating real-time communication. Connected cars ease connectivity on wheels, offering comfort, convenience, performance, safety and security with powerful network technology. As a first move towards the adoption of autonomous vehicles, the government of India has made it mandatory to install ADAS in all the new cars and other vehicles to be sold by 2022. ADAS stands for the Advanced Driver Assistance System and is an essential part of autonomous vehicles to promote safety. The system helps detect objects such as other vehicles and pedestrians and avoid a collision without manual intervention. With IoT-enabled technologies, vehicles will be able to access real-time data in massive quantities and also present a comprehensive analysis of the same for its users. From communicating simple information of traffic jams to sending an SOS to the concerned service provider in case of an emergency, vehicles will supply all the relevant data and information to save time and drive better. The global connected car market is projected to reach US$ 166.0 bn by 2025, from US$ 53.9 bn in 2020.

Electric vehicles

The invention of the electric vehicle is a dynamic development to eliminate the use of finite fossil fuels in transportation. Sales of electric cars topped 2.1 mn globally in 2019, surpassing 2018 – already a record year – to boost the stock to 7.2 mn electric cars. Electric cars, which accounted for 2.6% of global car sales and about 1% of global car stock in 2019, registered a 40% year-on-year increase.

Autonomous vehicles

One of the most exciting developments of the last few centuries is the invention of the driverless vehicle. This global autonomous car market is expected to decline from US$ 24.10 bn in 2019 and to US$ 23.33 bn in 2020 at a compound annual growth rate (CAGR) of -3.19%. The decline is mainly due to economic slowdown across countries owing to the COVID-19 outbreak and the measures to contain it. The market is then expected to recover and reach US$ 37.22 bn in 2023 at CAGR of 16.84%.

Transmission

The world is witnessing a rapid transmission. Automotive transmissions have changed from manual to automated manual (automatic) to auto transmission to stepped automatic to continuous variable transmission (automatic) to dual clutch transmission (automatic) to intelligent manual transmission (manual). These changes have been largely driven by fuel efficiency, smoother upshifting and downshifting, better drivability in cities and highways and a feel-good factor of being in control like in a manual transmission.

AI and ML

The use of Artificial Intelligence and Machine Learning in the automobile sector is a growing trend. Because it will allow the players to automate functions of vehicles, AI and ML will play a role in deepening the connection between the use and his/her car. This can make it possible for users to check their engine's status, monitor temperature and turn their vehicles into a connected alarm mechanism. Android Auto has already been developed that allow users to stay connected while driving and also perform various functions via voice command.

Managing testing and measurement

With increased dispersion of technology, consumer demands, and high industry competition, the gestation period of introducing innovative concepts in the automotive industry is reducing drastically. This puts the test and measurement teams under immense pressure to align their processes as per the renewed goals and also impacts the budget allocated for testing. However, the companies can now save their up-front cost of acquiring equipment with help from third-party solution providers. Due to various benefits and flexibility offered in terms of short-term renting, long-term renting and other types of schemes on testing equipment, various auto firms are already reaping the benefits of such services. In terms of testing, the auto firms are readily adopting a new mantra of 'renting is the new buying.'

Case studies of how Divgi-TTS surprised its critics and the world

Case study

UAZ
(Ulyanovsky Avtomobilny Zavod)

Ulyanovsk Automobile Plant is a Russian manufacturer of four-wheel drive SUVs, cross-country LCVs, vans and spare parts. The UAZ cars are in demand in every field of the country's economy, fit for stressed use for work and off-work outdoor activities. The plant's production capacity is 100,000 vehicles per year.

Key challenges of the Russian automobile market and how Divgi-TTS addressed them …

Language barrier

UAZ: Strong language barrier at the technical team level as they prefer conversing in local Russian language

Divgi-TTS: To help the Company overcoming language issues and help in creating bi-lingual pitch letters and contracts with the clients, Divgi-TTS appointed a Russian consultant.

Market penetration

UAZ: Create trust with the OEM for replacing the existing South Korean vendor supplying for more than a decade

Divgi-TTS: Offered attractive techno-commercial proposition and value-adds, creating a win-win opportunity for both the parties.

Trust

UAZ: The Russian OEM had issues trusting the Indian system for durability in Russian conditions

Divgi-TTS: Divgi-TTS developed the entire system leveraging its technology for the customer (current under test) and provided warranty for its products. Divgi-TTS conducted rigorous product testing with the client after necessary application engineering in harsh conditions, difficult terrains in Russia and certified 'unbreakable' by the client.

Long-term partnership

UAZ: The client required a partner who could provide a complete portfolio of 4WD transmission system. Divgi-TTS developed the entire system, leveraging its technology for the customer (currently under development).

Superior product performance

Divgi-TTS after necessary application engineering conducted rigorous product testing with the client in harsh conditions, difficult terrains in Russia and certified 'unbreakable' by the client.

How entry in the Russian market represents a win-win proposition for Divgi-TTS

Widening market base › Establishing credibility of Indian engineering › Ensure product durability › Creating a base for reaching out to related markets

57

US$ mn, Russian automotive market size for Transfer Cases

Case study

How Divgi-TTS is developing a complex dual clutch transmission system that will be accepted as a global showpiece

Overview

One of the most significant developments in the global transmission space in the last couple of decades has been the emergence of the dual clutch transmission where two wet clutches have replaced one clutch, enhancing durability that could well outlast even the life of the vehicle. Besides, the ability to shift from one level to another – 150 to 200 milliseconds for a dual clutch transmission system compared with 250 to 400 milliseconds for a conventional automatic transmission system – is being perceived as a technology game-changer.

Challenges

When Divgi-TTS began working in this space, the challenges were considerable. There was a premium on the need to mobilise capital to invest in the development of proprietary capabilities following the buyout of BorgWarner.

There was a need to leverage the domain knowledge of the decades. There was a need to complement proprietary and global competencies. Nearly 250 line items needed to be sourced and machined to ultra-precision standards. Besides, the Company had never attempted such a vast technology challenge.

Approach

Divgi-TTS entered into a long-term technology agreement with Hofer, one of the best design companies in the world, commencing in 2016. The technology provider came with impressive credentials:

- Its system competence ranges from internal combustion, hybrid to fully electrical solutions.
- Its engineering capabilities include the entire design and development process
- It possessed deep manufacturing partner capabilities – from single component to entire systems of powertrain solutions

Achievements

Divgi-TTS is developing India's first indigenous automatic transmission 13 years after automatic transmission had been launched in Indian vehicles in 2007, a landmark in the indigenisation of Indian automotive systems and components.

The ongoing development will be one of global significance; it will come in the face of a global apprehension whether an Indian company could pull off this technology challenge.

This will represent the first instance of an Indian company owning the non-infringing intellectual property for a complex variant of an automatic transmission system, extending from design know-how to design know-why.

The superior system will be developed using the best-in-class components and top-notch assembly practices; the developed product will be lower in cost compared with prevailing global benchmarks.

The ongoing development will opens the Company to the prospect of direct manufacture in addition to licensed manufacture to OEMs across the world.

Outlook

Divgi-TTS was awarded the mandate for the indigenous development of a DCT for an Indian OEM SUV, which comes packed with a host of exciting features and advanced enhancements, to be launched in 2023, validating its successful development. The development of the DCT can potentially revolutionise the Company's prospects, accounting for a third of total revenues across the future.

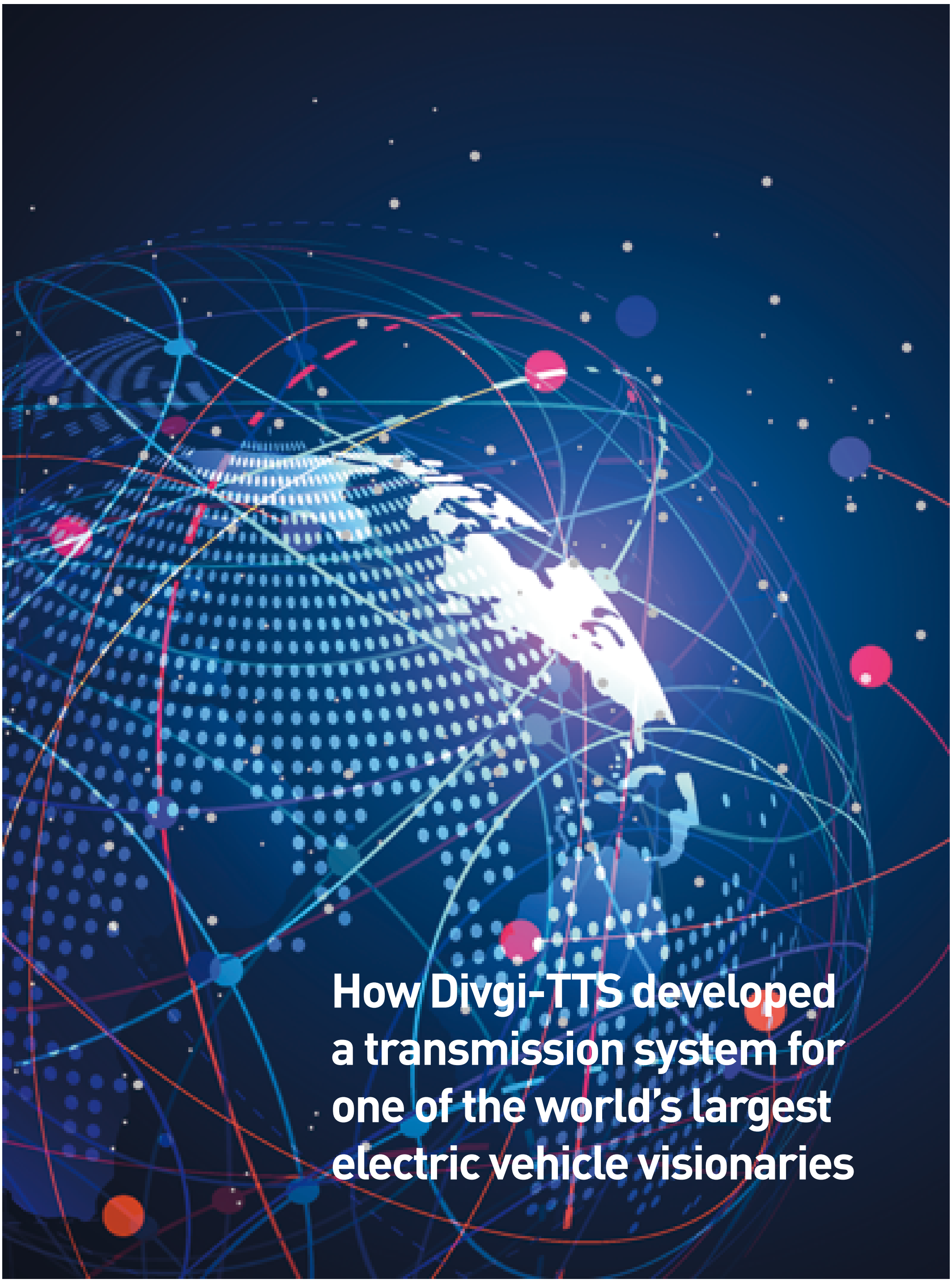
Divgi's DCT edge

Association with competent technology partner → Used best-in-class components → Owning non-infringing intellectual property rights

11

US$ mn, Global DCT market size

Case study



Overview

One of the largest and most dynamic automobile visionary companies in the world needed a final drive gear for the transmission system of one of its electrical vehicles. When Divgi-TTS engaged with this giant, the inequity was evident: on the one hand was a company that represented one of the most exciting in the world and hailed as an outlier that would lead humankind into a new Electric Vehicle Age; on the other hand, Divgi-TTS was a relatively unknown Indian company with no experience of having worked in the EV space. Divgi-TTS was awarded a contract to supply final drive gears for transmission on the basis of a proportion to design and manufacture a new implementation system.

Challenges

The challenges related to the product development were considerable. There was a premium on the need to unlearn a number of things that had worked for the Company in the development of transmission systems for ICE vehicles and graduate to the EV technology. The customer, who is an automobile giant, needed a relatively noiseless transmission system contributing to the overall driving experience. The fact that the customer needed a transmission system to accommodate an increase in revolutions per minute (RPM) from 5,000 to 15,000 warranted the need for gears to be super-finished; the noiselessness warranted a high degree of precision surface finish normally not associated with conventional transmission systems. There was a premium on the need to generate a high sustained quality from the heat treatment process warranting batch-after-batch appraisals. The product warranted the convergence of cutting-edge technologies and an extensive engagement with the eco-system.

Approach

Divgi-TTS responded with a structured investment in high precision equipment. The Company invested in training and selective recruitment. It engaged vendor partners for complex products across Europe. It designed a new production system that comprised new processes.

Achievements

In addition to the successful execution of Final Drive Gear, the Company also delivered a new generation EV Transmission solution.

The combination of the part, on which the transmission system was to be mounted, enhanced complexity. The product needed to be blended into the assembly system developed by another company. The complement of the core and complex subsidiary features enhanced development sophistication.

The Company delivered low contamination at high speeds, resulting in low noise, depreciation and vibration. The specialised crafting resulted in a smooth meshing of the gears even at a high speed.

The result was that the Company delivered a complex world-class product at zero parts per million defects, validating its capacity to embrace emerging technology spaces.

Outlook

The successful graduation from the conventional to the EV space helped the Company enter a large new space with increasing relevance across the future, empowering its extension from an insular market (India) to an exciting global playing field.*

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*The global electric cars market is expected to decline from US$ 533.4 bn in 2019 to 515.8 bn in 2020 at a compound annual growth rate (CAGR) of -3.31%. The decline is mainly due to economic slowdown across countries owing to the COVID-19 outbreak and the measures to contain it. The market is then expected to recover and reach US$ 1,150.7 bn in 2023 at CAGR of 30.67%. The growth is mainly because of their low cost, low maintenance, less carbon emission, convenient charging, less noise from the engine, higher fuel costs, and most importantly being environmentally friendly.

According to a McKinsey 2018 report, there could be an estimated 120 mn electric vehicle units on road by 2030. According to the InsideEVs report (Electric vehicle world sales database), in 2019 nearly 2.2 mn electric vehicles were sold globally. And, according to Forbes, Electric vehicles (EVs) will surge to 57%, more than half global passenger car sales by 2040. Tesla, BYD, BAIC Motor, and other international OEMs are expected to launch 66 electric vehicle models in 2020. The major companies in the automobile industry such as Tesla, BMW, Volkswagen, and others are expected to release around 200 models of electric vehicles. The demand for an electric vehicle is growing because of their low maintenance, less carbon emission, convenient charging, less noise from the engine, higher fuel costs.

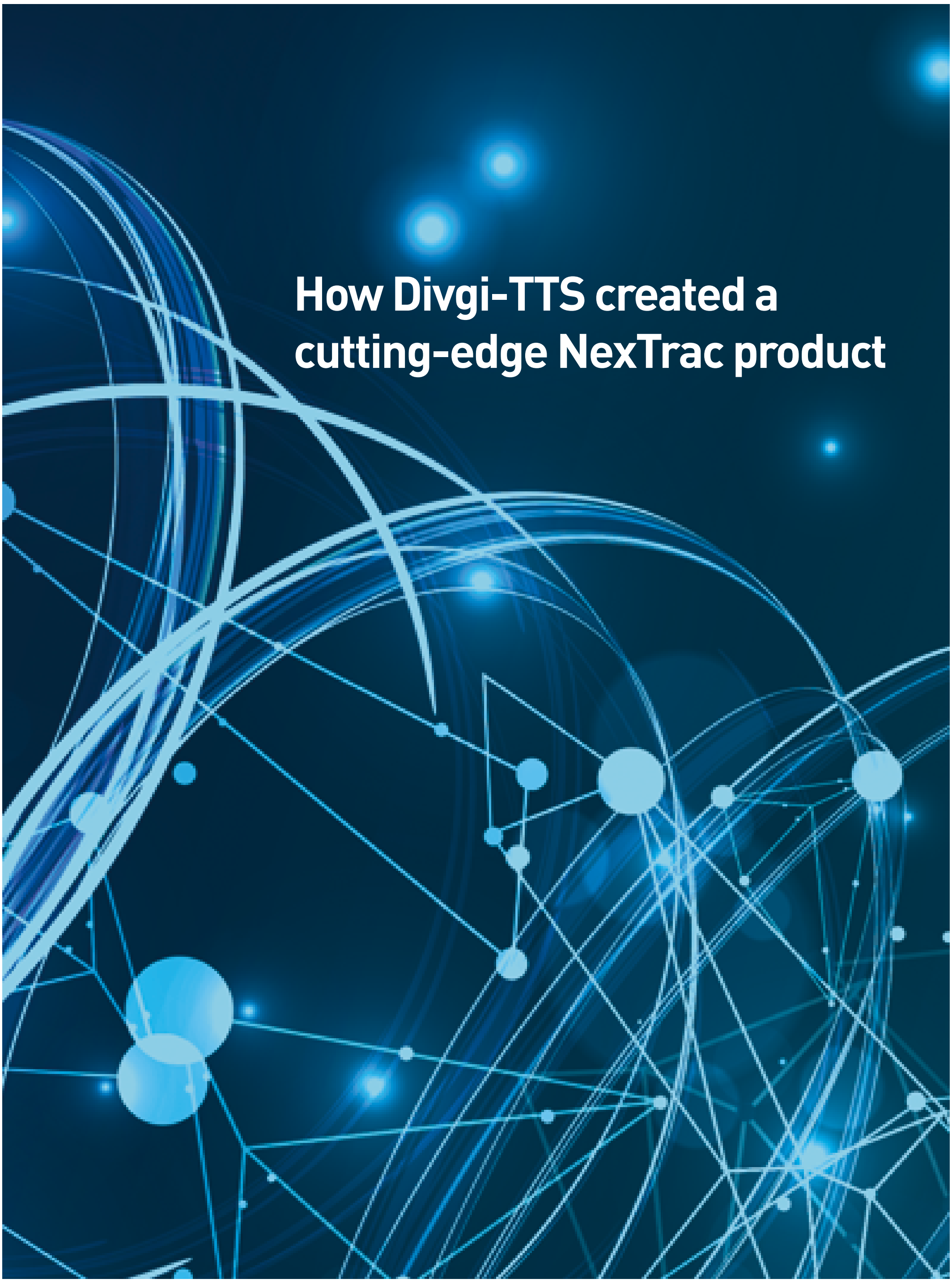
(Source: Businesswire)

Entered the segment with zero experience → Invested in high-precision equipment → Jointly developed with vendor-partners → Created products with almost zero PPM defects

8.8

Mn units, projected global pure EV vehicle market size in 2025

Case study



How Divgi-TTS created a cutting-edge NexTrac product

Overview

There was a growing need the world over for vehicles with enhanced stability across all terrains including low-friction surfaces. As consumers drive wider and deeper across geographies on account of a greater need for adventure and commercial access, there is a premium on the need for vehicles that are not only necessarily suited for specific surfaces but for all surfaces. This need has grown perceptibly on account of abrupt climate changes, making it imperative to adapt to sudden changes in the weather influence on roads without compromising safety.

Opportunity

This growing need for customers has made it imperative to develop transmission systems to distribute the torque from across the four wheels that enhance vehicular stability. Besides, there was a need for technology to transform a two-wheel drive into a four-wheel equivalent to establish a faithful connection between the driver's intent and vehicle action. The NexTrac® Interactive Torque Coupler is to front-wheel drive based all¬ wheel drive vehicles as what the Transfer Case is to Rear-wheel drive based all-wheel Drive vehicles i.e. it senses the torque requirement and transfers the necessary torque to the rear wheels when wheels start slipping on the surface.

The NexTrac® employs the latest generation electro-magnetic actuation system for direct actuation of the primary clutch. The functionality is delivered in conjunction with another complementary unit called the Power Transfer Unit (PTU).

Challenges

The challenges were extensive. There was a need to localise product manufacture away from imports. There was a need to work at the cutting-edge of technologies. There was a need to reconcile the mechanical with the electronic, designing a product that would use fuzzy logic that would instinctively transfer torque across wheels based on emerging requirements.

There was a need to understand next gen traction control electromagnetic wet clutch torque transfer systems for front wheel drive based all-wheel drive system, modulating torque by current.

There was a need to develop high complex CAN-based software specific to IVN (IN Vehicle network) of target application.

There was a need to map thermal modelling for a thermal shutdown to enhance vehicle safety, warranting vehicle-level calibration for functionality.

Achievements

The Company leveraged its multi-year exposure to specialised transmission knowledge. The product – the muscular nervous system of the vehicle – was designed to provide torque on demand and developed completely with indigenous capability, validating the Company's comfort in emerging from the shadows of a license agreement.

The Company emerged among a handful of companies the world to have produced this system – NexTrac – and possibly the smallest within the exclusive technology-driven community. The Company delivered a viable system development model and at an annual throughput that was around only 10% of that within the larger technology companies, testifying that the investment in technology development was moderate and break-even point possibly among the lowest in the world.

The product delivered a superior solution where torque transfer capacity to the rear wheel increased from 458 newton metre torque to 850 newton metre torque (and can potentially increase to 1,600 newton metres of torque).

The product leveraged electric and electronic functions for actuation as opposed to hydraulic and mechanical actuation.

The product delivered a superior motoring experience with enhanced safety and stability.

The product developed the ability to produce front wheel drive four-wheel drive and real wheel drive-four wheel drives based on market responsiveness.

The Company developed competent traction control where the system – through its electronic centre points - senses the need for torque distribution and responds with seamless distribution.

Outlook

The Company demonstrated the foresight to estimate the direction of the transmission segment and invest proactively in research; besides, it leveraged its extensive intellectual capital to deliver a complex solution at a fraction of the cost of the MNC benchmark.

Graduating to the next level of engineering

Create a technology-intensive product → Enhanced localised component sourcing → Leveraged electric and electronic functions for actuation → Developed competent traction control sensing the need for torque distribution

10.1

US$ bn, global 4WD vehicle market size

Case study

How Divgi-TTS indigenised Defence Transfer Case against odds for the benefit of the country, customer and company

Overview

The Indian Army is the third largest and India's Defence budget is the third largest in the world. Nearly 70% of the purchase of India's Defence equipment is imported; even a modest replacement of the imported proportion with indigenised equipment can have potentially significant implications for domestic equipment companies and their technology-driven vendor eco-system.*

The Ministry of Defence recently released the draft Defence Procurement Procedure (DPP) 2020 which amends existing military procurement rules in line with Governments' long-running targets to enhance indigenous defence capability and reduce a reliance on imports under its Make in India initiative. This policy change has created one of the most exciting opportunities for a range of Indian engineering companies.

Opportunity

For decades, the light and medium duty vehicles used by the Indian army utilised the dual offset transfer case with two specific tonnage applications. The fact that there was no vehicle in between these two segments created an attractive opportunity to introduce a compact low silhouette vehicle (resembling the effective Humvee used by the US Army) that would enhance operational agility and flexibility.

Commitment

The Company commenced working on the Advanced Light Specialist Vehicle that comprised a four-wheel drive platform on which the Army plans to build various applications for its tactical needs, including logistics, combat and medical applications to build applications comprising automatic transmission.

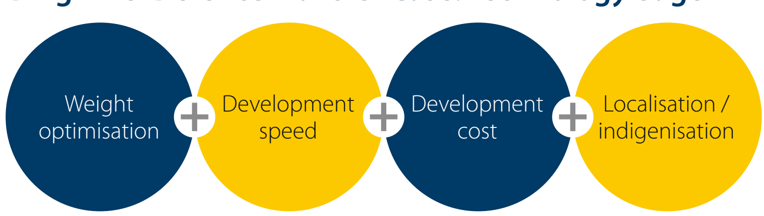
Challenges

The challenges entailing the design and development of a customised 4WD transfer case were varied. For one, the development of the system had never been attempted in India. The space was considered the exclusive preserve of European engineering companies that had been established in this space for decades. There was a case for Divgi-TTS to convince Indian companies focused on the manufacture of Defence vehicles to consider the engagement of Divgi-TTS as a prospective vendor-partner. The product needed to be designed, developed and manufactured to scale within the demanding parameters of weight, speed, effectiveness and cost.

Focus

The Company deployed an effective approach: as opposed to reinventing every wheel and sub-wheel within the product eco-system from scratch, the Company identified and selected specialised technology players – small and large – who could manufacture components better and faster. The result is that the Company graduated from a complete manufacturing role to the role of an expert synthesiser of global knowledge, competencies and systems. This developed the

Divgi-TTS' Defence Transfer Case: Technology edge



Company's insight into the best price-value deliverer across the global eco-system.

Achievements

The Company's competence in being able to synthesise with skill and sophistication translated into the development of a cutting-edge product that took the prevailing benchmark ahead.

The Company leveraged its deep understanding of the space to create the next generation of product for the first time in India.

The Company's deep insight into design helped moderate the system's weight from a prevailing standard of 120kgs to around 65 kgs.

The Company leveraged concurrent working and preference for the use of standard products to shrink product development time from an estimated 18 months to eight months.

The Company accessed a competent eco-system – BorgWarner's transfer case plant in USA – that provided a library of components and sub-assemblies, which was dovetailed with the Company's existing eco-system in India, reducing the cycle time of product development

The Company delivered a customised and cutting-edge 4WD Transfer Case with a significant competitive advantage

The Company's engineering efforts facilitated the integration of other powertrain aggregates that enabled the OEM to quickly synthesise the complete powertrain system.

Outlook

From an immediate perspective, the successful application development of this product strengthened the Company's standing among select global transfer case specialists. From a wider perspective, the development of this next generation platform empowered Indian automobile companies to develop vehicles of an international standard that can be sold the world over. What started out as an initiative to indigenise manufacture and save foreign exchange is likely to generate attractive foreign exchange earnings for years to come.

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*In 2020-21, the Ministry of Defence was allocated ₹4.71 trn. The modernisation of the armed forces represents a growing segment. The allocation to the Ministry of Defence was the highest allocation among all ministries of the central government. The expenditure on defence constituted 15.5% of the central government's budget and 2.1% of India's estimated GDP for 2020-21. Over the last 10 years (2010-11 to 2020-21), the budget of the Ministry of Defence has grown at an annual average rate of 9%. The Standing Committee on Defence (2018) had recommended that the Ministry of Defence should be allocated a fixed budget of about 3% of GDP to ensure adequate preparedness of the armed forces. According to the Stockholm International Peace Research Institute (SIPRI), India was the fourth-largest defence spender in absolute terms in 2018 (after USA, China and Saudi Arabia). Countries such as USA and Saudi Arabia spent higher than India on defence, both in absolute terms as well as percentage of GDP. China spent lower in terms of percentage of GDP, but its absolute expenditure on defence was 3.8 times that of India.

Significant expenditure on salaries and pensions, leaves only 9% of the Army's budget (₹26 bn) for modernisation. Modernisation involves acquisition of state of the art technologies and weapons systems to upgrade and augment defence capabilities of the forces. Funds for modernisation of the Army have grown at an annual average rate of 8% between 2010-11 and 2020-21. The Standing Committee on Defence (2018) has noted that a modern armed forces should have one-third of its equipment in the vintage category, one-third in the current category, and one-third in the state-of-the-art category. However, the current position of the Indian Army is that 68% of its equipment is in the vintage category, 24% in the current category, and only 8% in the state-of-the-art category. The Committee stated that such a situation does not augur well in the context of a two-front war. The Standing Committee (2019) noted that India's expenditure on defence research and development is much lower compared to countries such as USA and China which spend 12% and 20% of their defence budget on research and development, respectively.

Big numbers

Outlay

3

₹ trn, Indian Defence spending, 2009-10

3.19

₹ trn, Indian Defence spending, 2019-20

Indigenisation

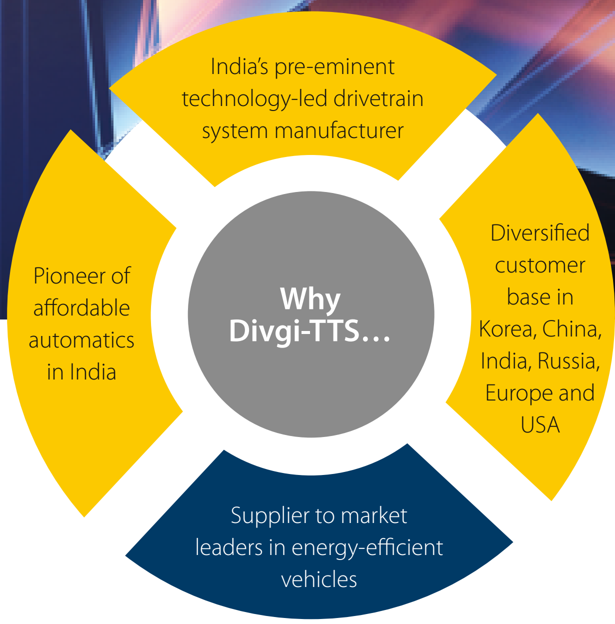
45

% of indigenisation in India's Defence equipment, 2019-20

70

% of indigenisation in India's Defence equipment, 2024-25E

Our business model



Products and application diversity

Knowledge

The Company's access to cutting-edge technology comes from its decades-long association with BorgWarner. Besides, the Company invested in a capable research and innovation team working relentlessly on emerging technologies, product design and application engineering.

The Company's competence reflected in publishing seven papers in the SAE international (COMVEC) forum

Integration specialist

The Company's edge is derived from its ability to select the best technology, localise supplies and create a system to deliver innovative cost-effective products in a time-bound manner.

Widening product portfolio

Starting with a single product line in 2016 post-BorgWarner stake buy out, Divgi-TTS expanded into multiple innovative technology products and expanded its presence into adjacent spaces, making it a preferred supplier for global OEMs.

Hardware standardisation for control systems

The Company's superior technology and innovation team standardised hardware for its products, which can be used for diverse transmission application with customised software applications developed in-house. This helped the Company in achieving economies of scale.

Customer and geographic diversity

Widening customer base

The Company's continuous focus on exploring emerging opportunities helped in expanding its customer base. This includes the defence sector, front-wheel drive cars with four-wheel drive options and electric vehicles, among others.

Growing market

Divgi-TTS is present in India, a largely under-penetrated automobile market. Strengthening incomes, large base of young consumers and favourable government initiatives are expected to drive the Indian market.

Expanding across geographies

With a view to reduce dependence on a single market, the Company expanded its global footprint and entered markets like Russia, United States and Germany. It is working closely with a major European OEM to develop a product for hybrid vehicles.

Culture of manufacturing excellence

India advantage

Divgi-TTS' key global competence is derived from its India advantage comprising relatively low manufacturing costs, high engineering capabilities, large pipeline of engineering talent from the second-largest English speaking nation of engineering talent, creative capabilities and entrepreneurial mind set.

Fungible assets

Over the years, Divgi-TTS has invested in manufacturing equipment without compromising quality or productivity. A majority of the Company's manufacturing equipment is fungible, making it possible to shift from one product to another without incremental investments. This has helped the Company report a Return on Gross Block in excess of 30% in five years.

Asset advantage

Divgi-TTS' presence in the engineering business since the Fifties helped in creating a sizable investment in a manufacturing facility at historical costs. The Company is engaged in innovative manufacturing processes to manufacture quality products without a large corresponding investment in equipment and infrastructure.

Supplier eco-system

Divgi-TTS has aggregated an eco-system of vendors and sub-vendors, helping ramp overall capacities with speed and respond to growing customer needs. The Company enjoys a multi-year supply relationship with these vendors, ensuring a maintenance of quality standards, just-in-time delivery and customisation. Close to 95% of the Company's vendors are located within 20 kms of the Company's Pune plant and 99% within 100 kms of the Company's Sirsi plant.

Recall

The brand Divgi-TTS is trusted for quality, delivery commitment and innovation. It is the first company to design, develop and supply a transfer case system to a global auto OEM; it was the first to introduce cutting-edge carbon-lined steel synchroniser full system solutions for OEMs in India

Culture of financial discipline

Balance Sheet strength

Divgi-TTS' strength is derived from its robust financial foundation. With a cash balance of ₹1,498.9 mn and a low gearing of 1.99%, the Company is geared to invest in business expansion without stretching its Balance Sheet.

Collaborative engagements with technology specialists

Partnership

Divgi-TTS' ability to partner a global counterpart for technology transfer helped deliver products that helped customers commercialise projects faster.

Creating a robust corporate foundation

Governance

Divgi-TTS is a responsible corporate citizen built around a robust governance framework. The Company is policy-directed and policy-compliant. The Company's Board comprises three Independent Directors who are professionals with respect and achievement, enriching the strategic direction.

Agile

The Company believes in re-skilling its human capital to stay abreast of sectorial developments, helping it adapt faster. As a result, despite being small player, the Company is future-ready.

Strong roots

Global

The foresight of the Divgi family was aligned with emerging opportunities across the decades. The Company imported products from the UK, Germany and Czechoslovakia, which enhanced the country's technological appetite and helped address arbitrage opportunities.

Capitalising on emerging opportunities

Though the Divgi family was engaged in trading, it recognised the importance of manufacturing in a young, under-consumed and import-dependent India. As the Kirloskar Group ventured to build a local ancillary eco-system to indigenise the imported content of their industrial components, the Divgi family commissioned a back-end industrial facility called Craft Tools Pvt Limited to manufacture automotive transmission systems. Besides, the Divgi family pressed young family members into this business, freshly returned from their engineering studies abroad. Within a decade, the Divgi family graduated from trading to construction to industry – the complete value-chain.

Networking capabilities

The family leveraged its deepening technology understanding to enter a new business. Between 1960 and 1962, the Divgi family (Ramrao and Bhaskar) entered the audio speaker space. It partnered with Ramakrishna `Ram' Chattopadhyay and Madhusudhan Timblo to manufacture audio components and systems (Precision Radionics). It indigenised the manufacture of the world-famous KLH speakers in India, reduce costs and widen the market.

Deep product re-engineering competence

The Divgi family demonstrated a successful capability in technology import, global trading, identifying arbitrage opportunities between Europe and India by the early Sixties. It switched cities, entered diverse sectors, established linkages with large Indian industrial groups, negotiated back-to-back product supply agreements and showcased the confidence that whatever the opportunity, it would be able to deliver.

From 1964 to the mid-Nineties, the Divgi family began to specialise in the manufacture of metalware components, gears and other powertrain components. This helped Indian OEMs and virtually every OEM entering the country to indigenise product manufacture in addition to addressing a growing export demand. By 1980, Bhaskar and Bhalchandra Divgi's sons joined the business, helping Mahindra localise the Peugeot BA10 transmission components.

Readying for the next level

In 1995, BorgWarner Automotive, USA, expressed interest in a joint venture, validating Divgi-TTS' capability to strengthen proprietary technologies and manufacture globally acceptable components. The equity cum technology arrangement deepened the transfer of four wheel drive system technology from the American giant to Divgi-TTS. Besides, the engagement enhanced Divgi-TTS' confidence and exposure to a considerably larger playing area.

Leveraging partnership to deepen product knowledge

The partnership of two decades provided Divgi-TTS with uninterrupted access to BorgWarner's technologies with a corresponding freedom of operations. During the course of a two-decade relationship, Divgi-TTS received unfettered access to proprietary technologies. Divgi-TTS established itself as a trusted player with the ability to extend from the manufacture of components to complete proprietary products, customise products as per requirements and extend its presence from India to the global markets.

Globally competitive

The Company has built global competitiveness: indigenisation of complex transmission systems on lean budgets, assimilation of cutting-edge transmission technologies, addressing the demanding and evolving requirements of automotive majors, successful multi-disciplinary integration (electronics, electrical and mechanical), extension into the area of product design and establishing dependable supply pipelines to multinational companies (inside and outside India).

Forward-looking

With the closure of the joint venture in 2016, DivgiWarner became Divgi TorqTransfer Systems. It widened its portfolio beyond four-wheel drive transmission systems and extended towards complementary manual transmissions, prepared for electric transmission systems and produce India's first truly indigenous automatic transmission system.

Global citizen with Indian identity

Divgi-TTS enjoys a technology licensee arrangement with BorgWarner but has established a respect for accessing technologies across a range of proprietary products, comparable head-to-head with marquee global brands and carving away attractive global contracts. The Company established itself as the only true Indian Tier One supplier, leveraging state-of-the-art technologies to provide driveline solutions for global customers.

Outcomes

Revenue growth

6.99

%, CAGR in revenues between 2016-17 and 2019-20

Margins

130

bps, EBITDA margin declined from 2016-17 to 2019-20

Stronger Balance Sheet

0.00

Debt-equity ratio in 2019-20 against 0.03 in 2016-17

Receivables

70

days, Receivable cycle in 2019-20 against 78 days in 2016-17

Creating value for stakeholders in 2019-20

Revenues

1,707.4

₹ mn in 2019-20

Raw material procurement

582.1

₹ mn in 2019-20 from various vendors

Employee expenses

199.4

₹ mn spent on 500 employees of the organisation in 2019-20

Contribution to the society

8.3

₹ mn in 2019-20 spent towards CSR activities

Government exchequer

111.4

₹ mn paid in taxes and duties during 2019-20

Environmentally responsible

41.85

kg, Reduced of CO_2 emission in 2019-20

Divgi-TTS' excellence drivers

Excellence driver

Our engineering and new product development commitment

Perspective

Q What is that one reality that makes Divgi-TTS distinctive in the world of drivetrain technologies?

A: The one reality for which the Company is being increasingly respected is the ability to not just provide components and sub-components that are used in the overall drivetrain solution. The Company is being increasingly respected for its ability to manufacture a large proportion of the components used in the drivetrain solution and also deliver that composite solution. This ability to extend the business from components to solutions makes Divgi-TTS distinctive in this space the world over.

Q In what way apart from the evident?

A: By the virtue of being able to develop a globally competitive supply chain, the Company has achieved two things: extended its presence across a longer value-chain, moderating costs on the one hand and enhancing profitability on the other. As a result, the ability to provide complete drivetrain solutions is integral to the Company's personality the world over. Large OEMs respect that when they come to Divgi-TTS, they are coming to a specialist that provides a peace of mind, period.

Q What is that other feature that sets Divgi-TTS apart?

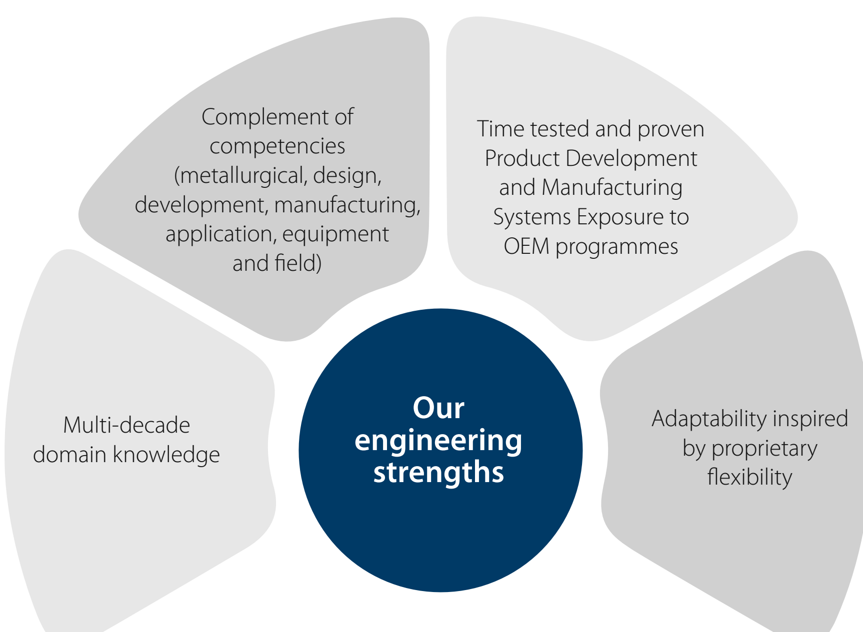
A: Divgi-TTS does not just provide a solution; it provides an 'advanced' solution. This immediately places Divgi-TTS within a niche among global drivetrain solution providers. There is a related recall: that when an OEM in India needs a specialised drivetrain solution – in terms of capability, compactness, weight, performance, endurance or cost – then one needs to be a specialist. While a number of OEMS have their own drivetrain solutions unit within their companies, there is a growing recognition that given the complexity of what is needed it would be best to turn to a specialist; besides, there is a growing case for large OEMs to moderate their own capital expenditure programmes and turn to cost-effective OEMs like Divgi-TTS.

Q How would you describe the technology foundation of Divgi?

A: This is a unique coming together of the systems and technologies that the Company absorbed from BorgWarner across 22 years. In 2016, Divgi-TTS possessed the technology maturity and entrepreneurial spirit to go independent; while the Company would seek project-based engagements with global consultants, the Company believed that it had acquired the proprietary critical technology mass on which to build. We believe that this represented a watershed in the Company's existence: it provided the Company with the platform to emerge out of the shadow of its illustrious global partner and carve out an identity in its own right.

Q What was the Company's strategy following this 2016 watershed?

A: Divgi-TTS focused on the development of advanced technology products not available in India; provide what is not available in India. The result is that it began to be engaged in the programmes of OEMs present in India, liberating them from a complete dependence on global vendors. What proved critical in the Company's acceptance was that it graduated beyond a transaction to a relationship: it continued to strengthen portfolio and evolve the product through file studies, analyses and improvements leading to a demonstrated track record of field success.



Our products

Mechanical shift transfer case

Installed in part-time four-wheel-drive off-road vehicles like trucks, rock-crawling vehicles, and military vehicles.

It allows the driver to select between 2WD and 4WD modes and also high versus low gear ranges based on road conditions to provide optimum traction and stability while driving.

Features

- Part-time system allows driver to select between two- and four-wheel drive operation.
- Lightweight construction reduces total vehicle weight to enhance fuel use efficiency.
- BorgWarner HY-VO® Chain-driven output provides quiet, four-wheel drive operation.
- Upper disconnect to chain stops unnecessary parasitic losses in two-wheel drive
- Positive displacement oil pump and filter assures full lubrication when driving or towing. Reduces maintenance needs
- Helical gearing delivers quiet, high- & low-range operation
- Single lever shift control simplifies selection of transfer case operating modes

Electric shift-on-the-fly transfer case

The Electric shift-on-the-fly (ESOF) is installed in part-time four-wheel-drive off-road vehicles such as trucks, rock-crawling vehicles and some military vehicles.

With a 16-bit/ 32-bit CAN-enabled Electronic Control Unit (ECU) providing the mechanism to choose between two-wheel drive and four-wheel drive as well as between high and low gear ranges vide an electrical switch.

The ESOF is available in several variants.

Features

- Part-time system allows driver to select two- or four-wheel drive operation.
- Lightweight construction reduces total vehicle weight to enhance fuel use efficiency.
- BorgWarner HY-VO® chain-driven output provides quiet, four-wheel drive operation
- Upper disconnect to chain stops unnecessary parasitic losses in two-wheel drive.
- Positive displacement oil pump and filter assures

full lubrication when driving or towing. Reduces maintenance needs

- Helical gearing delivers quiet, high- & low-range operation.
- Four-wheel drive indicator light switch indicates four-wheel drive mode for driver convenience
- Electric shift / Single lever shift control simplifies selection of transfer case operating modes
- Electro-magnetic shift-on-the-fly provides smooth engagement of four-wheel drive at highway speeds

Torque on demand transfer case

Torque-On-Demand® is a transfer case that provides active 'On-demand' all-wheel drive capability.

It combines on-road handling of a rear-wheel drive with all terrain capability. It uses a proprietary electronic control unit and software to monitor steering wheel angle and pedal position, automatically delivering the precise amount of torque needed to the front and/or rear axle.

By predicting slip and providing pre-emptive torque, TOD technology improves vehicle dynamics, increases stability and enhances driver comfort, whether driving off-road or on-highway, in normal or difficult weather conditions. It is available in single-speed and two-speed variants.

Features

- Provides a controlled amount of torque to the front axle via modulation of a patented electromagnetic clutch
- Potential for improved fuel economy over traditional passive full time systems

Double-offset transfer case

Like its mechanical and electrical counterpart, the Double-offset transfer case (DOTC) is typically installed in part-time four-wheel-drive off-road vehicles such as trucks for military, rock-crawling vehicles and commercial vehicles.

The DOTC is designed with a 16-bit/32-bit CAN-enabled Electronic Control Unit (ECU) that enables selection between 2WD and 4WD as well as between high and low gear ranges through an electrical switch.

The reduced propeller shaft angle achieved from the double-offset design makes it suitable for it to be offered as a 4x4 option on vehicles with a shorter wheelbase and high ground clearance.

Features

- Part-time system allows driver to select two or four-wheel drive operation.
- Lightweight construction reduces total vehicle weight to enhance fuel use efficiency.
- BorgWarner HY-VO® Chain-driven output provides a quiet, four-wheel drive operation.
- Positive displacement oil pump and filter assures full lubrication when driving or towing.
- Helical gearing delivers quiet, high & low-range operation.
- Four-wheel drive indicator light switch indicates four-wheel drive mode for driver convenience.
- Electric shift/Single lever shift control simplifies selection of transfer case operating modes.

Auto locking hub

The Auto locking hub enables the connection and disconnection of the 'free-wheeling' wheels with the active drive system when switching modes between two-wheel drive and all-wheel drive.

Shifting to the all-wheel drive mode connects the front prop shaft and the axle shafts to the other moving members front wheels of the drive system.

Likewise, the front wheels and front axle shafts disconnect when shifting back into the two-wheel drive mode returning the front wheel to the 'free-wheeling' condition.

The Auto locking hub accomplishes two basic operations, commonly known as 'Lock' and 'Unlock'.

Features

- Stops unnecessary parasitic losses in two-wheel drive
- Provides engagement of four-wheel drive at highway speeds
- Black powder coated with choice of aluminium decorative plate

NexTrac interactive torque coupler

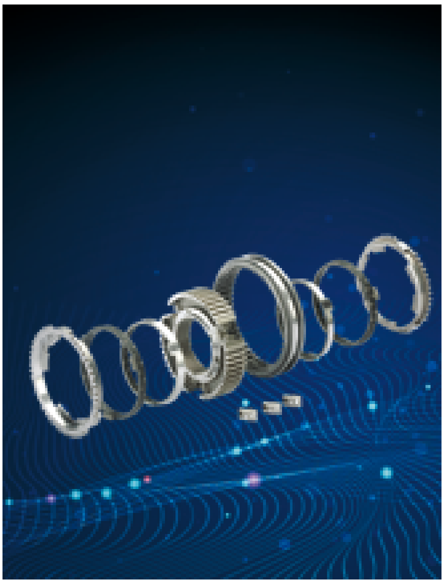
The NexTrac® interactive torque coupler is to front-wheel drive based all wheel drive vehicles as the transfer case is to rear-wheel drive based all-wheel drive vehicles i.e. it senses the torque requirement & transfers the necessary torque to the rear wheels when wheels start slipping on the surface.

The NexTrac® employs the latest generation electro-magnetic actuation system for direct actuation of the primary clutch. The functionality is delivered in conjunction with another complementary unit called the Power Transfer Unit (PTU).

Features

- Weight: 6-9 kgs; overall length: 180-200 mm
- Torque: 500 Nm to 1600 Nm
- Input configuration: flange, output configuration: Splines
- Housing material: Aluminium
- Shift control: automatic through ECU, CAN controlled
- Modes: auto and 'smart' lock system
- Four-wheel traction in 'blink-of-an eye'

Synchronisers



The Synchroniser system is a collection of highly precision engineered set of conical clutches that work in tandem within a manual transmission to provide a very smooth engagement of gears as they are 'shifted' from one gear to another during the driving process.

As the name suggests, these rings 'synchronise' the parts that are spinning at different speeds within the transmission system.

Divgi-TTS supplies complete multi-cone steel-based synchroniser systems with carbon lining – single, dual & triple cone – to several leading Indian customers.

Recognising the inherent advantages of steel as a base metal with organic friction lining for synchroniser rings over brass, Divgi-TTS pioneered the introduction of steel based synchroniser systems in India and currently is the biggest integrated Indian steel synchroniser systems supplier.

Features

Multi Cone Connected Systems

- High levels of friction torque
- Reduced shift times
- Reduced hand ball / Actuation loads
- Refinement in shift quality and high durability

High Mechanical Strength

- Heat treated steel outer synchroniser rings
- Accommodate high shift forces
- Allowing smaller tooth module

Composite Friction Materials

- High co-efficient of friction
- Improved frictional characteristics
- Constant friction levels across product life
- No wear of friction materials

Woven Carbon Friction Materials

- High energy absorption
- Abuse resistance
- Withstand higher surface pressure
- Greater durability

The six-speed manual transmission system

Pioneering: First instance of the Company graduating from components and transfer case assembly to the development of full-fledged transmission systems

Solution: The Company engaged in the development of complete manual transmission systems from scratch

Improvement: Positioned as an improvement over the five-speed equivalent, possessing higher torque capacity

Technology: Engaged with renowned technology firm for benchmarking and development assistance

Benchmarked: Developed a six-speed manual transmission system comprising high torque capacity benchmarked to BS VI emission requirements

Timely: The development of this product validated the Company's competence in developing the right product at the right time at the right place and at the right cost

Product attributes

- Addressed best contemporary standards
- Good gear shift functionality
- Low noise transmission
- Superior gear geometry
- High operating efficiency

Technology competence

- Flexible architecture
- Five and six-speed models
- Single and double overdrive
- Direct and remote shifting
- Very high Torque Density/ Capacity
- Best-in-class precision standards to achieve world-class performance and reliability standards
- State-of-the-art contemporary synchroniser technology, best in class shift feel
- Flexible for integration with all four-wheel drive technologies
- Designed for ease of manufacturing-cost competitiveness

The five-speed manual transmission system

Our investments

- Software tools to analyse design calculations and analysis
- Proprietary testing systems

Commenced this programme in 2020

Validated the Company's respect in being able to graduate from component manufacture to systems design

Facilitated the Company's reinvention in terms of respect and visibility

Engaged in independent benchmarking and application

Validated the Company's engineering design and development maturity

Validated the Company's presence across the value chain (design, development, testing, field validation and manufacturing scalability)

Endorsed the Company's capacity to absorb and replicate best practices

Features

- Moderated weight of the transmission system by 2000 gms (~5%)
- Ideal for application in short and small sports cars
- Enhanced drive train efficiency in small wheel base vehicles, moderating vibration
- Demonstrated improvement in strength and performance over legacy equivalents
- Enhanced vehicle design flexibility through increased ground clearance
- Time-tested and proven systems, strengthening quality and reliability.
- Compact design around torque density
- India's best Synchronised Reverse competence
- 2-piece construction
- State-of-the-art and best-in-class Synchronisers
- Precision of standards for gears leading to efficiency improvement and reliability
- Branded under VelvetDrive and VelvetShift

The dual clutch transmission system

30

% lower in the cost of development when compared with the landed cost of the internationally manufactured product, a sizable pricing advantage to an OEM customer

9

₹ mn, investment in the DCT programme in the three years ending 2019-20, expensed from the P&L account

Commenced programme in 2015; addressed a growing trend for automatic transmission systems

Landmark attempt to indigenise the automatic transmission in India; relevant to an evolving India's priority of indigenisation (Atmanirbhar Bharat)

Commenced with an indigenisation of 30% with a roadmap to increase this over the future

Validated success in an area marked by a high rate of development failure and the need for a high throughput to cover fixed costs

Froze product design specifications benchmarked to the best DCT systems in the world

Emerged as a global case study for the cost and tenure of development keeping in mind the size of the Company

Cutting-edge project presently under development; placed the Company among select companies the world over

Features

- Complex systems (hydraulics, electronics and mechanics)
- Backbone from two manual transmission systems fused into one DCT
- Addressed the challenge of running the business and invested in the future (₹110 mn in 2019-20), postponing profits
- Addressed the challenges of complex manufacturing, assembly line testing, training, investment in technical infrastructure and field results

Electric vehicle transmission

The Electric Vehicle Transmission is the next generation of technology developed for adaptability across a broad range of applications for the emerging vehicle electrification market.

Features

- High efficiency helical gear train for extended electric driving range.
- Adaptable motor flange interface for ease of motor integration.
- Installation orientations from 10 degrees to 90 degrees.
- Wide range of gear reduction ratios for optimum vehicle acceleration and top speed.
- Electronic park-pawl actuation for electric shift-by-wire for park locks system.
- Torque (engineered for three-wheelers, Passenger Cars, LCVs, Pick-up Trucks), Flexible Ratio Pattern with industry standard RPM and packaging flexibility

Excellence driver

Our operations function

Challenges

- Strengthening overall competitiveness
- Optimise revenue per employee
- Moderate inventory per rupee of sales
- Strengthen quality and moderate rejections (parts per mn)

Addressing the challenges

- Accelerated the kaizen movement to moderate costs (70% kaizens proved effective)
- Adapted to changes in customer product delivery schedules
- Upgraded technology to moderate product non-conformances (visible improvement at the Sirsi plant)
- On-time delivery predictability strengthened
- Extended the successful prototype of the transfer case for the revamped Thar vehicle to production within six months, however launch delayed due to pandemic.
- Enhanced equipment efficiency to in excess of 85%

Our operational strengths

- Invested in world-class equipment
- Delivered component dependability at the Six Sigma level
- Strengthened its cell layout approach, strengthening its flexibility to address low to high volumes
- Possesses skilled engineering talent willing to embrace operational challenges
- Deployed professionals based on its validated 'operating license' system, resulting in flexible multi-tasking professionals with a high quality orientation
- Retrofitted and upgraded equipment in line with world-class efficiency standards

Our outlook

The Company intends to upgrade technology and engage in infrastructure development with the objective to enhance quality, throughput and cost management.

Excellence driver

Our sales and marketing function

Challenges

- Low demand visibility; sectorial slowdown in progress
- New model launches deferred
- OEM growth stalled by changes in emission norms
- Re-productisation warranted by the introduction of new electric vehicle norms
- New safety norms resulted in some longstanding products being discontinued

Addressing the challenges

- Diversified geographically with a new customer in Russia leading to additional revenues
- Reported an attractive order from UAZ Russia for manual transmission systems
- Developed a drivetrain product for a new generation Mahindra Thar vehicle
- Deepened investments and commitment to develop products for electric vehicles
- Reported orders for electric vehicles (P4 hybrid solution)
- Serviced growing Defense sector needs for four drive applications through prominent Indian automotive companies
- Developed the Dual Clutch Transmission in readiness to meet the rapidly expanding segment of automatic transmissions

Our marketing strengths

- Visible brand by the virtue of working in specialised cutting-edge niches
- Respected for the unique capability to deliver low-to-high volume high precision technology products
- Engaged in the joint development of customised products
- Established capability in the delivery of a large volume of components for global companies
- Capability in the periodic development of new products in alignment with global trends

Our outlook

Even as the Company reported no revenues in April 2020, it rebounded to report a reasonable performance in the first quarter of 2020-21. Even as domestic sales were muted, the Company reported increased exports (China, South Korea, Russia, USA and Mexico). The maturing of two OEM programmes in the current financial year (revamped Thar vehicle and synchroniser for Force Motors) is expected to drive revenues during the current financial year.

Excellence driver

The internationalisation of Divgi-TTS

Overview

The global slowdown and increasing competition from within India are incentivising India-focused automotive ancillary manufacturers to seek global markets. This internationalisation could help manufacturers defray an excessive dependence on India and help global buyers defray an excessive dependence on China – a win-win.

Challenges

This aspiration is however fraught with challenges. There is a need to enhance confidence among global players to shift from their existing vendors within an industry where such switches are patient, exacting and risky. Global vendors entrenched in large automobile customers leverage the power of relationships to keep competition at bay. And lastly, there is often a cultural gap – perception, language and customs – that makes an entry into a new country intimidating.

Internationalisation of Divgi-TTS

Divgi-TTS pioneered the four-wheel drive (4WD) transfer system in India but with the market being limited owing to the tropical nature of the country, the 4WD option was restricted to high-end vehicles and the high-end variants of mid-segment vehicles. This made it imperative for the Company to seek relevant global markets.

Russia and Divgi-TTS

Russia continues to be an attractive automotive market in the world. The country has a vehicle population of 381 per 1,000 people, indicating headroom coupled with an ageing vehicle population.

The Company recognised the specialness of the opportunity: it was the first time it would be establishing itself as an independent volume supplier to a developed global market (apart from when it exported through BorgWarner). This decision would need patient investments across the medium-term. It would warrant an understanding of the demand potential within that country. It would require a sensitisation towards the Russian language and culture. It would warrant product customisation to adapt to temperature-extreme conditions (snow and sand. It would warrant the establishing of the Indian brand over competition from South Korea and China. It would require entering into compatible commercial agreements. More than anything, it would warrant a start from scratch and a leap of faith.

Building the Russian presence

Divgi-TTS responded with a structured approach that indicated strength, sequence and sustainability. The Company engaged a professional of Indian-origin based in Russia to overcome cultural and communication barriers.

It established the credentials of its product to sustain in harsh Russian conditions (100% 4x4 market) in addition to value-added engineering inputs.

It invested in a flawless launch channelled through efficient program management using Advance Product Quality Planning tools.

It engaged with influencers within the customer's organisation (engineering personnel in the UAZ transfer case) to build support and acceptance.

It provided its large Russian customer with the assurance of a probable establishment in Russia depending on the growth of business within that geography

It delivered a world-class product around superior price-value proposition.

Performance

Divgi-TTS was awarded an order worth ₹215.2 mn in 2019-20 for the delivery of 7,500 transfer cases until March 2020. The Company generated ₹215.2 mn in revenues that corresponded to 12.6% of overall turnover during the year under review. This performance reinforced the Company's respect as a prominent Indian supplier possessing capabilities in the design and development of sophisticated technologies and products to address a range of operating conditions.

Outlook

The Company intends to build on the transfer case business and capture a larger share of the customer's wallet through manual transmission offerings.

Besides, the Company intends to leverage its successful UAZ engagement to make inroads into other large Russian OEMs.

The successful experience in Russia has validated the Company's capability in being able to enter markets with High entry barrier. The Company intends to explore the markets of US, Europe, Mexico, Brazil and South Africa across the foreseeable future.

Big numbers

12.6
Percentage of revenues derived from Russia, 2019-20

0.98
Percentage of revenues derived from Russia, 2018-19

50.5
Percentage of revenues derived from non-India sales, 2019-20

36.6
Percentage of revenues derived from non-India sales, 2018-19

The Divgi-TTS response

How we have created a robust financial foundation at Divgi-TTS

Perspective

"The Company is attractively placed to capitalise on the global traction for its products through a broadbasing of its business across geographies, technologies and products."

Q: How important is a financial foundation within the Company?

A: It would be no exaggeration to state that while technology resides at the heart of the organisation, a robust financial foundation plays the role of an enabler that makes it possible for the power of the technology to be unleashed to the fullest. IT would not be possible to build business sustainability without each.

Q: What has contributed to the strength of the Company's financial foundation?

A: Discipline. Over the years, if there is any feature that has stood out within the Company's business model it has been a sense of discipline. This is how the discipline has manifested: ensured that the Company's bets were sized in line with the strength of its Balance Sheet; ensured that the Company's investment in capital expenditure was made with a short payback; ensured that cash flows were aggregated to liberate the Company from debt (short term and long term) rather than invested away completely in assets; ensured that the Company did not compromise margins in pursuit of revenue growth.

Q: How has this approach been validated?

A: This discipline and conservatism have translated into a unique business model: the Company has not reported a loss in the last seven years; the Company has grown revenues in the automobile sector slowdown of the last few years; the Company possessed ₹1,498.9 mn in cash and cash equivalents, almost equivalent to the turnover of the Company at the close of 2019-20; the Company reported an EBITDA margin in excess of 28%, which is remarkable for companies within its peer group with a turnover under ₹2 bn (the margin would normally have been associated with larger companies leveraging superior economies of scale); if one deducts the capex made in 2019-20 (that could have an impact across the foreseeable future) then the Company protected its EBITDA margin at 32% during the last financial despite a 12.8% decline in revenues during a challenging year for the economy.

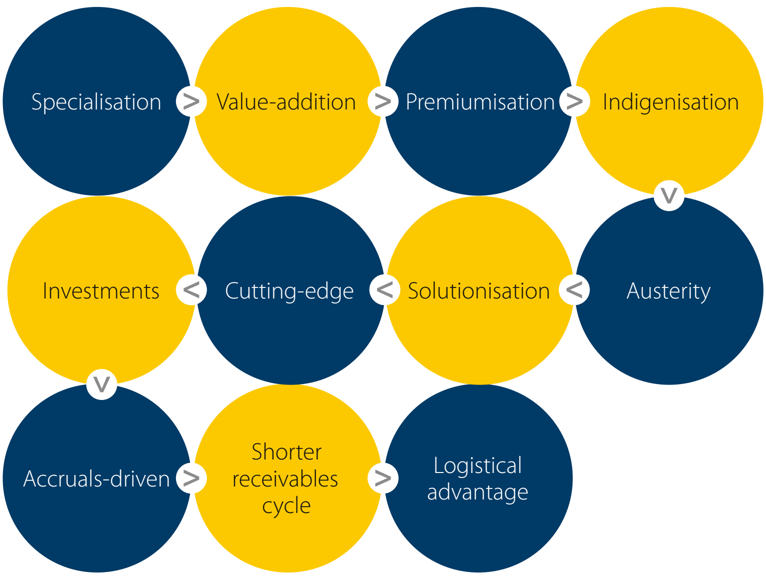
Q: What is the import of the Company's financial approach?

A: The big message that company intends to communicate is that the financial discipline will enable the Company to resist the sectorial and economic slowdown, suffer minimal impairment, protect its liquidity and make it possible to move quicker off the blocks when demand revives. The Company is attractively placed to capitalise on the global traction for its products through a broad-basing of its business across geographies, technologies and products.

Q: How will the Company's discipline translate into business sustainability?

A: The Company is respected as one of the most competitive drivetrain companies in the world, reporting margins higher than MNCs at a fraction of their volumes. This reality enhances the optimism that at higher volumes the Company could generate even higher margins and cash flows, strengthening its sustainability.

Strategic focus



Strategic outcomes

Our responsibility

Our commitment to environment, health and safety

With sustainability becoming one of the most crucial functions, companies have increasingly started focusing on sustainable operations. Sustainability does not only mean the sustenance of topline or bottom-line of a company but also its initiatives directed towards ensuring the availability of natural resources for the future generations. In ensuring that, environment, health and safety have emerged as one of the top priorities of companies.

Divgi-TTS' commitment

Divgi-TTS enjoys longstanding relationship with some of world's most trusted automobile brands. Divgi-TTS' longstanding relationship has been built not only on the back of the Company's technology-led innovation and product quality but also its commitment to environment integrity and health & safety of its employees. The Company conducts periodic internal audits and supplements this with customer audits to ensure that norms are addressed. The Company invested ₹4.5 mn in EHS responsibility during the year under review.

To attain the UN SDGs towards achieving a better and more sustainable future for all, Divgi-TTS is committed to the 4R's - reduction, replacement, recycling and restoration. On this front, the Company undertook the following measures:

Reduction: The Company believes in moderating consumption of all major natural resources like water. The Company is also engaged in the reduction of emissions and effluents, in turn, moderating the usage of finite resources, promoting sustainability.

Replacement: On its journey towards a sustainable future, the Company also strives to replace finite resources in the process with alternative materials and also replace hazardous materials with alternative materials.

Recycling: The Company also believes in the recycling water back into the process. In order to achieve this, the Company has a state-of-the-art effluent testament plant, which treats the effluent disposed by the Company and the treated water finds downstream application in gardening inside the plant premises.

Restoration: The Company believes that environmental preservation is the need of the hour and in doing so, undertakes gardening initiatives inside its plant premises. Further, the Company also uses drip irrigation for gardening which minimises water consumption. The waste management process adopted by the Company also helps in restoring the natural integrity of the land and water near the plant.

Emissions

Divgi-TTS has a system in place to help the Company calculate emissions associated with its operations, namely Scope I and II. The scope I emissions (due use of HSD in DG, gasoline in company-owned vehicles, LPG used in canteen) stood at 105 tCO_2 of product and Scope II emissions stood at 1,603 tCO_2 in 2019-20.

This process promotes one among the 4 Rs of sustainability - reduction.

Effluent

Divgi-TTS strives to reduce water consumption. The Company has planned to install rain water harvesting system at its Sirsi plant, enabling the Company to reduce its freshwater consumption. The Company has an Effluent Treatment Plants (ETP) installed in the Divgi-TTS factory premises, enabling the Company to utilise the recycled processed water in its process for gardening purpose. Further, the waste water from water coolers is also collected efficiently and utilised for gardening purpose. The Company uses drip irrigation for gardening.

This process promotes 3 among the 4 Rs of sustainability: reduction, recycling and restoration.

Waste management

In order to reduce waste across all its plants, Divgi-TTS has adopted the Lean Six Sigma process. Divgi-TTS's waste management procedures comprises Key Performance Indicators (KPIs) for managing waste by types, from the time of generation until recycled, treated or disposed. Divgi's waste reduction indexed to production volume has been continuously decreasing, validating the Company's commitment towards environment integrity. This process promotes 2 among the 4 Rs of sustainability - reduction and restoration.

Employee health and safety

Divgi- TTS is driven to attain the highest standards of employee health and safety for its employees, which is validated by the OHSAS 18001:2007 certificate the Company is accredited with. On thus front, the Company undertook the following initiatives to strengthen the health and safety of its employees in the year under review:

- Scrap storage covered compartment
- Installed Billet Machine for effective Metal scrap handling and segregating for recycling purpose
- Dedicated resource for coordinating EHS activities
- Skill upgradation of task force by training from professional certification bodies like TUV Nord, Bureau Veritas, DQS, MCCIA etc

Restrictions of hazardous substances (ROHS)

Divgi-TTS uses different types of material for manufacturing its products comprising natural resources and heavy metals. Owing to the numerous instances of adverse effects of manufacturing activities on the environment, the governing bodies have laid down some laws in order to protect the environment and guide the manufacturing companies about the effects of harmful materials on the environment.

Keeping this in mind, Divgi-TTS formulated its quality plans and ROHS system. Divgi-TTS is now a company driven to service customers with best-in-class products in an environment-friendly way by ensuring that the manufacturing processes does not include any harmful materials. This is validated by the Company's ISO 14000 certification Hence, our quality plans are made based on the Annex II of Directive 2000/53/EC, which acts as a guideline for companies and identifies harmful materials and educates the manufacturers extent of its harmfulness.

The use of heavy metals is known to have adverse effect on the health of people. Hence, the Company ensure that the use of such materials in the process is limited to amount permissible by the international standards. The Company also makes sure to educate the suppliers and its customers about this specific matter.

This process promotes two among the 4 R's of sustainability - reduction and replacement.

Responsible sourcing

Divgi-TTS does not only focus on sourcing materials at lower costs, but also believes in efficient supply chain management and maintaining longstanding relationship with the suppliers, ensuring sustenance of a rather strong suppler network. The Company has a network of 121 suppliers across 12 countries, handling different commodities like castings, forgings, machined parts, sheet metal parts, electrical and electronics parts and powder metal parts. A strong supply chain management is vital in sustaining competitiveness in the global market. A committed supply chain is an integral part of the overall value chain of an organisation, with the intent of utilising the systems and processes to develop, monitor and control supplier performance.

At Divgi-TTS, we have developed a framework called Supplier Capability Maturity Model, wherein the primary objective is to improve capabilities of suppliers and to meet customer expectations by focusing on the level of knowledge, skills and process abilities.

Management Discussion and Analysis

Global economic overview

The global economy grew 2.9% in 2019 compared to 3.6% in 2018. This sharp decline was precipitated by an increase in global trade disputes that affected the cross-border movement of products and services, a slowdown in the global manufacturing sector, weak growth coming out of some of the largest global economies and the impact of Brexit. The result was that global trade grew a mere 0.9% in 2019, pulling down the overall economic growth average. Going ahead, the 'Great Lockdown', as a result of the pandemic Covid-19, is projected to shrink the global growth in calendar year 2020 and thereafter.

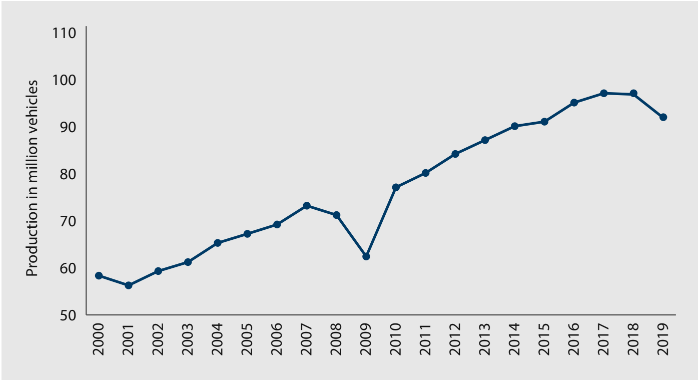
(Source: World Economic Outlook, April 2020, CNN, Economic Times, trading economics, Statista, CNBC)

Review of the Indian economy

India emerged as the fifth largest world economy in 2019 with a gross domestic product (GDP) of US$ 2.94 trillion. India jumped 14 places to 63 in the 2020 World Bank's Ease of Doing Business ranking. However, there was a decline in consumer spending that affected India's GDP growth during the year under review. India's growth for FY2019-20 was estimated at 4.2% compared with 6.1% in the previous year. Manufacturing growth was seen at 2%, a 15-year low as against 6.9% growth in FY19.

Global automotive industry

Automobile production from 2009 to 2019



There has been growing disruption in the automotive industry worldwide. The most important trends in the industry indicating the directions of the automotive market development are currently battery powered vehicles, connectivity and digitisation, fuel cell electric vehicles and hybrid electric vehicles.

Vehicle production numbers, including passenger cars and commercial vehicles, stood at around 96.87 mn units in 2018 which declined by around 5.2% to reach 91.79 mn vehicles in 2019. The slowdown can largely be attributed to sluggish demand from the Chinese market, heightened geopolitical risks during the year and slowing economic activities across a number of countries.

(Source: OICA)

Outlook

The COVID-19 pandemic has adversely impacted a wide array of industries. The automotive industry is also not immune to the disruptions caused by the virus. Following lockdowns in the months of March and April in cities across the globe, the sales of automobiles have plummeted.

(Source: Globe News Wire)

Consumer powertrain preferences for their next vehicle (2020)

Country	Gas/diesel vehicle	Hybrid electric vehicle	Battery electric vehicle	Other vehicles
U.S.	59%	27%	8%	6%
India	51%	25%	15%	9%
Germany	49%	31%	9%	11%
China	43%	33%	19%	5%
Republic of Korea	42%	37%	11%	10%
Japan	37%	47%	12%	4%

(Source: https://www2.deloitte.com)

Indian automotive industry overview

The automobile industry in India is world's fourth largest manufacturer of cars and seventh largest manufacturer of commercial vehicles in 2018. The India automotive industry accounts for 7.1% of the country's total Gross Domestic Product (GDP). Two wheelers market is the major segment in the Indian automobile market with approximately 80% market share, owing to a growing middle class and a young population in the country. Moreover, the market players are now exploring the rural markets of the country which has been further augmenting the growth of Indian automobile industry growth. On the other hand, passenger vehicles segment accounts for about 15% of total automobile industry of the country. The Indian automobile industry received Foreign Direct Investment (FDI) worth US$ 23.51 bn between April 2000 and September 2019. 5% of total FDI inflows to India went into the automobiles sector.

After growing successively since 2015-16, the Indian automobile sector registered a de-growth with production of 26.3 mn vehicles in 2019-20 against a production of 30.9 mn vehicles in 2018-19. Passenger vehicles production declined from 4.02 mn units in 2018-19 to 3.4 mn units in 2019-20. Production of commercial vehicle stood at 752,000 units against a production of 1.11 mn units in 2018-19.

Domestic sales

The sale of passenger vehicles declined by (-) 17.88% in 2019-20 over the same period last year. Within this segment, passenger cars and vans sales declined by (-) 23.58% and (-) 39.23% respectively while sales of utility vehicles marginally increased by 0.48% during the aforementioned period.

The overall commercial vehicles segment declined (-) 28.75% in 2019-20 over the same period last year. Within this segment, medium & heavy commercial vehicles (M&HCVs) and light commercial vehicles declined (-) 42.47% and (-) 20.06% respectively.

Sale of three wheelers declined by (-) 9.19% in 2019-20 over the same period last year. Within the three wheelers segment, passenger carrier and goods carrier declined by (-) 8.28% and (-) 13.27% respectively.

Two wheelers sales reported de-growth of (-) 17.76% in 2019-20 over 2018-19. Within the two wheelers segment, scooters, motorcycles and mopeds declined by (-) 16.94%, (-) 17.53% and (-) 27.64% respectively in April-March 2020 over April-March 2019.

Exports

In 2019-20, overall automobile exports registered a growth of 2.95%. Exports of commercial vehicles and three wheelers exports declined by (-) 39.25% and (-) 11.54%, respectively. Passenger vehicles exports marginally increased by 0.17% and two wheelers exports registered a growth of 7.30% in 2019-20 over the same period last year.

(Source: Economic times, Statista, IBEF, SIAM)

Outlook

In India, 22 people out of a thousand own a car, while in the US and UK, 980 and 850 per 1,000 individuals have car respectively. The International Energy Agency (IEA) finding suggests that the passenger car ownership in India will grow by 775% over the next two decades with 175 cars per 1,000 people in 2040. With the adoption of electric vehicles and lower per capita cars is expected to drive the automobile market in the country in the coming years.

Growth drivers of the Indian automotive industry

The fundamentals for growth drivers in the automotive industry remain intact and the sector is likely to see an increased upward trend in demand in the coming years if the economic environment improves and investments increase.

In this scenario, India's automotive industry (including component manufacturing) is expected to reach US$ 51.4–282.8 bn by 2026. There are a number of key trends that are shaping the industry today, which are expected to have a significant bearing on its ability to realise the objectives of the AMP. In addition to automation of various processes to meet these goals, the sector is also expected to generate additional direct and indirect jobs.

(Source: https://www.pwc.in)

Favorable macroeconomic and demographic trends

The Automotive Mission Plan 2016–26 sets an aspiration to increase the contribution to 12% of the GDP from 7% currently.

A number of economic trends could help in meeting this target. Rapid Urbanisation means the country will have over 500 mn people living in cities by 2030 - 1.5x the current US population. Rising incomes will also play a role, as roughly 60 mn households could enter the consuming class (defined as households with incomes greater than US$ 8,000 per annum) by 2025. At the same time, more people will join the workforce. Participation could reach 67% in 2020, as more women and youth enter the job market, raising the demand for mobility.

Continued government focus on supporting the industry

Through the Automotive Mission Plan, the National Electric Mobility Mission Plan (NEMMP), and other initiatives, the government seeks to achieve two objectives—facilitate long-term growth in the industry and reduce emissions and oil dependence. In the Automotive Mission Plan 2026, the government and industry set a target to triple industry revenues, to US$ 300 bn, and expand exports sevenfold, to US$ 80 bn. To meet these aims, it is estimated that the sector could contribute more than 60 mn additional direct and indirect jobs, and the result could be improved manufacturing competitiveness and reduced emissions.

Reduction of dependency on oil imports

To reduce dependency on oil imports, the government is promoting adoption of alternative fuels through FAME2, which is an extension of the original FAME (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles) initiative. Where "FAME1" offered incentives to electric vehicles (EV) and hybrid EV buyers, FAME2 is expected to incentivise electrification of the public-transport fleet of buses and taxis, as well as facilitate demand for all types of alternative fuel. Furthermore, to enable immediate adoption, a lower goods and services tax of 12% is applied to battery electric vehicles, compared with 31 to 48% for other vehicles.

India as a manufacturing hub

The World Economic Forum ranks India 30th on the global manufacturing index, which assesses the manufacturing capabilities of more than 100 countries. The government's Make in India initiative has played an important role in elevating country's position. Companies in the automotive sector are embracing the opportunity to leverage India as a hub for low-cost, high-quality products. After creating a strong value proposition in mini cars, India is gaining global recognition in the compact sedan and SUV category.

(Source: https:www.mckinsey.com)

Government initiatives for the Indian automotive sector

The Government of India encourages foreign investment in the automobile sector and allows 100% FDI under the automatic route.

Some of the recent initiatives taken by the Government of India are –

- Under Union Budget 2019-20, government announced to provide additional income tax deduction of ₹ 0.15 mn (US$ 2,146) on the interest paid on the loans taken to purchase EVs.

- The government aims to develop India as a global manufacturing centre and an R&D hub.

- Under NATRiP, the Government of India is planning to set up R&D centres at a total cost of US$ 388.5 mn to enable the industry to be on par with global standards.

- The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the country for introduction of electric vehicles (EVs) in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme. The government will also set up incubation centre for start-ups working in electric vehicles space.

- In February 2019, the Government of India approved the FAME-II scheme with a fund requirement of ₹ 100 bn (US$ 1.39 bn) for FY20-22.

(Source: IBEF)

Global auto components industry

Over the past few years, the automotive parts and accessories manufacturing industry has gone through a comprehensive re-modelling, which is leading to the advent of a highly competitive industry. According to the market estimates, the global auto parts manufacturing market is projected to reach ~US$ 532 bn by the end of the forecast period, registering a CAGR of ~3%. Rising disposable incomes in developing countries, especially in Asia, and approval of 100% FDI in countries such as India present the automotive sector lucrative growth opportunities in the region. Government incentives, growing regional demand and easy availability of raw materials are expected to be key drivers for the growth of light duty vehicles in the region, which in turn, is expected to drive the demand for auto parts manufacturing during the forecast period.

Over the past five years, a considerable increase in the number of consolidation and expansion activities has been witnessed in the auto parts manufacturing market. Post the global slowdown, Asia Pacific automotive sales have been gaining traction.

(Source: Persistence Market Research)

Credit rating agency Moody's Investor Service cut its 2020 outlook for global auto sales to 20% as the global economy outlook worsens due to coronavirus concerns. The agency said here it expects global auto sales to fall 20% in 2020, more than its previous estimate of about 2.5% drop. Moody's retained a 'negative' outlook on the sector and said it expects healthy rebound in global sales in 2021 with growth of 11.5%.

"Beyond next year, the recovery in auto demand is likely to continue, but at a slower pace. We expect mid-to-high single-digit sales growth in 2022, bringing total global unit sales up to around 85 mn to 88 mn units, still short of the 2019 sales level of 90.2 mn units, much less the recent peak of 95.3 mn units in 2017," the rating agency said in a statement.

(Source: Economic Times)

The Indian auto components industry overview

The auto component industry contributes to 2.3% of the country's national GDP, 25% of the national manufacturing GDP and employs over five million people. The industry, dominated by SMEs, is one of the key drivers of India's economic growth and the 'Make in India' program. The auto component industry manufactures a wide variety of products including engine parts, drive transmission and steering parts, body & chassis, suspension & braking parts, equipment & electrical parts, besides others.

Owing to demand slowdown and impact of the coronavirus pandemic, the Indian auto-component industry reported a de-growth and registered a turnover of ₹3.49 Lac Cr (US$ 49.3 bn), a decline of (–) 11.7% compared to ₹3.95 Lac Cr (US$ 57 bn) in FY2018-19. The CAGR of the industry stood at 8% over a period of six years.

The Indian auto component industry exports declined by (-) 3.2% to ₹1.02 Lac Cr (US$ 14.5 bn) in FY2019-20, from ₹1.06 Lac Cr (US$ 15.16 bn) in FY2018-19, registering a CAGR of 8% over a period of six years. The industry exports to more than 160 countries including North America and Europe contributing to more than 60% of the industry's export.

Though the domestic aftermarket remained steady, it rupee terms it grew by 2.8% to ₹0.69 trn from ₹0.67 trn when compared with the previous fiscal.

(Source: ACMA)

Growth drivers of the auto components industry in India

- Growing working population and expanding middle class are expected to remain key demand drivers
- High exports also happen to be a driving force behind the growth of the auto components industry in India
- Relative to competitors, India is geographically closer to key automotive markets like the Middle East & Europe
- 100% FDI allowed under automatic route for auto-component sector in India
- Under new GST regime, GST on electric vehicles is reduced from 12% to 5%
- A cost-effective manufacturing base keeps costs lower by 10% to 20% relative to operations in Europe and Latin America
- India is the second largest steel producer globally and hence has a cost advantage

Outlook

The Government of India's Automotive Mission Plan (AMP) 2006–2016 has come a long way in ensuring growth for the sector. As per the Union Budget 2019-20, government moved GST council to lower the GST rate on electric vehicles from 12% to 5%. Also, to make electric vehicle affordable to consumers, the government will also provide additional income tax deduction of ₹1.5 Lac (US$ 2,115) on the interest paid on loans taken to purchase electric vehicles.

Government has come out with Automotive Mission Plan (AMP) 2016-26 which will help the automotive industry to grow and will benefit Indian economy in the following ways:

- Contribution of auto industry in the country's GDP will rise to over 12%
- Around 65 mn incremental number of direct and indirect jobs will be created
- End of life Policy will be implemented for old vehicles

Source: IBEF

However, despite all these efforts, the Indian economy, much like many other economies at present times, is likely to suffer quite severely due to the ongoing Covid crisis. A larger decline in imports of auto-components than that of domestic auto-components is expected.

(Source: Economic Times)

Company's overview

Divgi-TTS began its journey in the 1960's. In 1964, Divgi Metalwares Pvt. Limited was created. Since 1995, Divgi-TTS has manufactured a variety of highly engineered solutions. The Company is engaged in the manufacture of Transfer Cases, Torque Couplers & Auto- Locking Hubs (ALH), essential components for 4WD/ AWD vehicles, Synchronisers for Transmissions (gearboxes) and components for these products.

Financial analysis, FY2019-20

Balance Sheet

- Borrowings for FY2019-20 stood at ₹2.5 mn compared to ₹4.9 mn during FY2018-19
- Total non-current assets for FY2019-20 stood at ₹984.2 mn compared to ₹912.0 mn in FY2018-19
- Net worth stood at ₹2,596.0 mn as on 31 March, 2020 compared to ₹2,336.0 mn as on 31 March, 2019, an increase of 11.15%.
- Total assets increased by 8.72% from ₹2,786.7 mn as on 31 March, 2019 to ₹3,029.7 mn as on 31 March, 2020.
- Inventories increased by 5.10% from ₹197.6 mn as on 31 March, 2019 to ₹207.7 mn as on 31 March, 2020.

Profit & Loss statement

- Revenues decreased 12.8% from ₹1,957.1 mn in FY2018-19 to ₹1,707.4 mn in FY2019-20
- EBITDA decreased to ₹478.6 mn in FY2019-20 compared to ₹625.0 mn in FY2018-19
- Profit after tax decreased 23.27% from ₹402.8 mn in FY2018-19 to ₹309.1 mn in FY2019-20
- Total expenses for FY2019-20 stood at ₹1,291.4 mn compared to ₹1,399.3 mn in FY2018-19
- Depreciation and amortisation stood at ₹60 mn in FY2019-20 compared to ₹62 mn in FY2018-19

Working capital management

- Current assets as on 31 March, 2020 stood at ₹2,045.5 mn compared to ₹1,874 mn as on 31 March, 2019
- Current ratio as on 31 March, 2020 stood at 5.4 compared to 4.6 as on 31 March, 2019
- Inventories increased from ₹197.6 mn as on 31 March, 2019 compared to ₹207.7 mn as on 31 March, 2020
- Current liabilities stood at ₹381.0 mn as on 31 March, 2020 compared to ₹410 mn as on 31 March, 2019
- Cash and bank balances stood at ₹1,498.9 mn as on 31 March, 2020 compared to ₹1,252 mn as on 31 March, 2019

Key ratios

Particulars	FY2019-20	FY2018-19
EBITDA/Turnover	28.03	31.90
EBITDA/Net interest	195.16	113.98
Debt-equity ratio	0.00	0.00
Return on equity (%)	12.53	24.40
Book value per share (₹)	3,821.93	3,371.00
Earnings per share (₹)	449.01	592.35

Risk management at Divgi

Risk management is applied across all management levels and functional and project areas. Risk management initiatives are overseen by the Risk Management committee comprising Board members.

Key risks and their explanation	Mitigation measures
Presence in niche segment could be detrimental in case of shift in the demand of its customers	• The Company is working continuously to increase its diversity of products, applications (Passenger Vehicles, Commercial Vehicles, Agriculture & Tractors, Construction Equipment), customers and geographic presence. • More than 80% of the Company's revenues were derived customers 10 years or more with the Company.
A slowdown in the economy could adversely impact the Company's output due to subsequent fall in the demand of automobiles	• The Company has expended its presence across 4 countries to de-risk from dependence on a single market. • The Company widened the application diversity of its products to defray risks arising from a single or limited applications. • Exports accounted for 50% of the Company's exports in 2019-20.
Strong competition in the global market based on cost and volume	• Divgi enjoys brand leadership. • The Company applied the principles of Lean Manufacturing, strengthening its cost management.
There is a growing trend of global OEMs to engage in a vendor's product carbon footprint and life cycle assessment studies, raising their screening bar	• The Company widened its knowledge partner base, deepening its environmental responsibility. • For the past several years, the Company was certified for ISO 14000. The Company commenced GRI reporting around the subject of sustainability. • The Company is working is with the world's best brands in the area of energy-efficient vehicles.
Inability to attract and retain human resource could impact business sustainability	The Company provides an enabling work environment free of discrimination. This along with a superior career progression plan help the Company in attracting and retaining key talents. The Company's HR initatives have won them the CII National Awards 3 years in a row.
The employment of child labour could attract censure and loss of respect	The Company has taken stringent policy against employment of child labour in its strong ethical code of conduct based on values.
Environment regulation are becoming stricter day by day and could detrimental to the Company's growth	The Company invested in advanced R&D projects to reduce the impact of its products on the environment; the deepening of the Lean Manufacturing discipline moderated the use of raw Materials.
Innovations could adversely impact the existing technologies	The Company periodically invests in upgradation of technology to remain relevant in the long-range strategy review and business planning.
The global OEMs are increasingly becoming focused on moderating cost while enhancing product quality	The Company introduced supplier CMM (Capability Maturity Model) for Vendor Development and Supplier Quality Improvement Program, enhancing quality benchmarks. The Company invested in additional capital equipment to improve productivity.

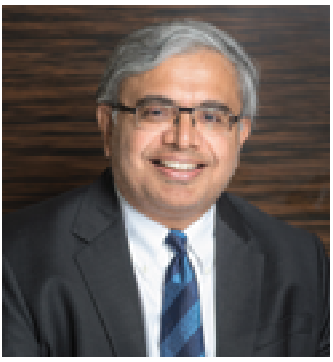
Human resources

The Company has a favourable work environment that motivates performance, encourages a customer-oriented focus and innovation while adhering to the highest degree of quality. As a part of our program of human capital development with the goal of enhancing operational efficiency, employees of the Company have been regularly provided training and skill upgradation. The Company is committed to nurturing, enhancing and retaining talent through superior learning and organisational development programme. To enhance engagement, retention and work-life balance of the employees, the Company has introduced progressive policies and programs like diverse reward and recognition program and employee interaction programs. During the year under review industrial relations remained cordial through all the plants of the Company.

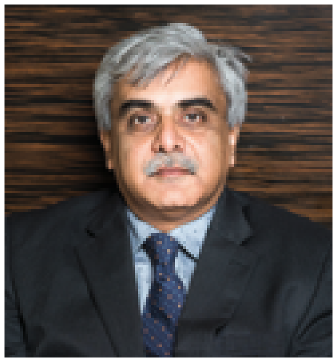
Internal control systems and their adequacy

The Company has an adequate system of internal controls to ensure that transactions are properly authorised, recorded, and reported, apart from safeguarding its assets. An internal financial control system forms the backbone of risk management and governance. The Company has put in place a well-defined and adequate internal controls system commensurate with the size of the Company and the complexity of its operation. These have been operating effectively throughout the year. These controls were routinely tested and certified by external as well as internal auditors covering all offices, factories and key business areas. Cross functional teams in all the factories also play a significant role in the internal control system of production operations. System certification further strengthens these systems.

Divgi-TTS Board Members

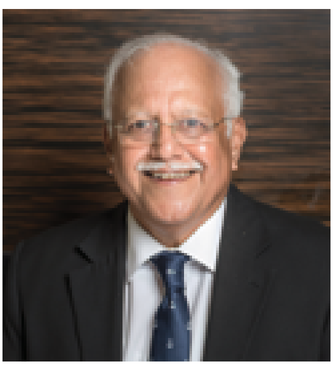


Jitendra Divgi
Managing Director

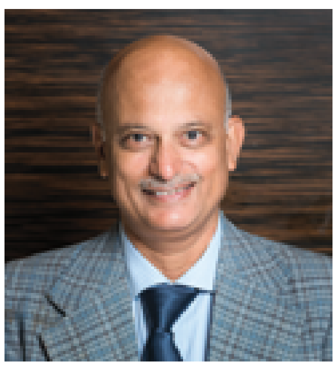


Hirendra Divgi
Executive Director

Praveen Kadle
Chairman



Pradip Dubhashi
Independent Director



Pundalik Kudva
Independent Director

Ajay Limaye
Independent Director

Bharat Divgi
Director

Sanjay Divgi
Director

Directors' Report

Dear friends

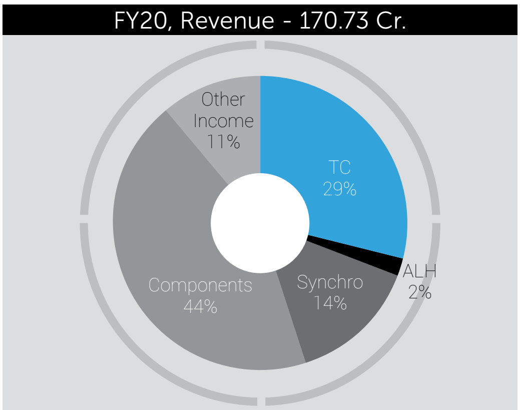
Your Directors have pleasure in presenting the 55th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended on 31st March 2020.

1. Financial results

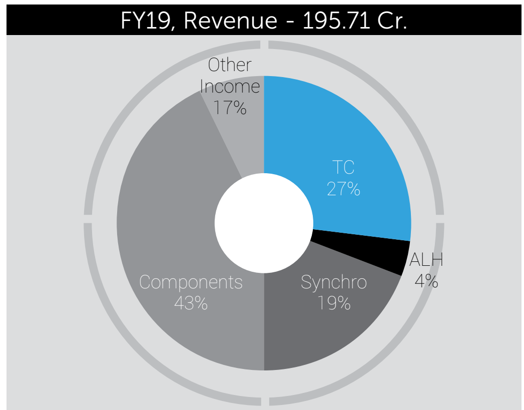
Particulars	For the FY ending on 31/03/2020	For the FY ending on 31/03/2019
Total Revenue	170,73,98,198	195,70,92,291
Total Expenditure	129,14,49,933	139,93,14,559
Profit/(Loss) before Depreciation	47,61,36,013	61,94,84,621
Depreciation	6,01,87,748	6,17,06,889
Profit/(Loss) After Depreciation	41,59,48,265	55,77,77,732
Provision for Current Tax	9,66,26,417	14,94,35,291
Provision for Deferred Tax	(36,79,875)	55,45,601
Profit/(Loss) after Tax	32,30,01,723	40,27,96,840

i. Revenue trend graph – Product-wise and Geography-wise

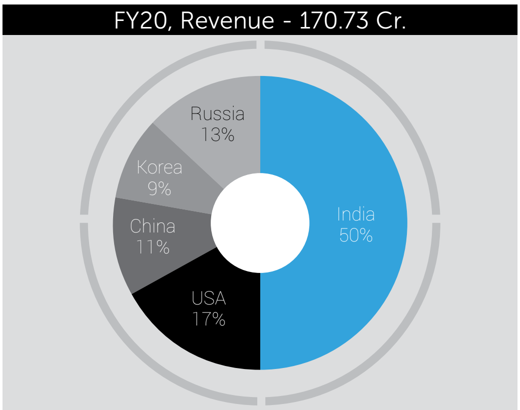
FY20, Revenue - 170.73 Cr.



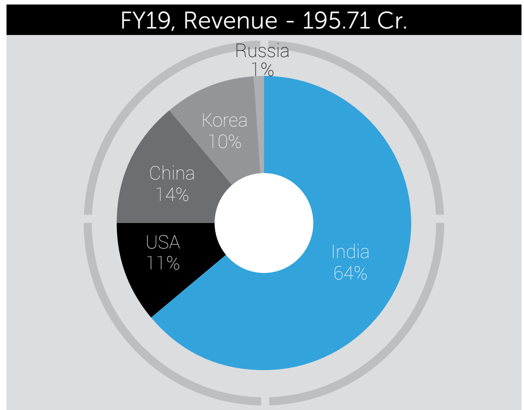
FY19, Revenue - 195.71 Cr.



FY20, Revenue - 170.73 Cr.



FY19, Revenue - 195.71 Cr.



ii. **The following table summarizes the Company's total revenue with its product lines:**

Particulars	2019-20 (In Rs. Crore)	2018-19 (In Rs. Crore)
Transfer Cases	49.84	53.24
Automatic Locking Hubs	3.06	6.68
Synchronizers	24.89	37.23
Components, Export	74.55	84.31
Other Income	18.41	14.25
Total Revenue	**170.74**	**195.71**

The year ended at Rs. 170 crores revenue down from Rs.195 crores last year. The decline in sales revenue was due to two principal reasons – a decline in domestic demand exacerbated by withdrawal of key customer vehicle models due to the change in emission norms from BSIV to BSVI. The profitable domestic demand in transfer cases declined from 16,300 units to 7,900 units a decline of more than 50%. Mahindra volumes declined from 11,970 to 6,700 while TATA volumes went down from 3,800 units to 1200 units. The situation at TATA was further exacerbated by loss of continuity of defence orders that contributed significantly in FY2019.

Despite this steep decline in the domestic demand the overall transfer case business went down only 10 % from 16,900 units to 15,400 units. The company was able to mitigate the adversity of local demand due to growth in the Russian market which went up from 610 units to 7,500 units. Our company wrested this share of business from UAZ in Russia against very competent competitors from China and Korea. This was a powerful demonstration of our product leadership as we become India's first automotive supplier to export an electronically - controlled drivetrain assembly aggregate to Russia.

Through FY 2020 Divgi-TTS further diversified its geographic market portfolio and was able to register a further 20% growth in exports. Consequently, exports went up from Rs. 72 crores to Rs. 86 crores in FY 2020. Of this, Rs. 28 crores was new business gained from UAZ in Russia and Tesla in the US. We exported close to 24000 final drive gears to Tesla for the Model X SUV application and achieved a ZERO PPM record for the year. We also continued our flawless track record of supplies to China, Korea and the US in our legacy business.

Whatever the vagaries and vicissitudes of the marketplace, the company diligently continued its focus on its quality management practices throughout its value chain. FY 2020 was marked by key achievements in all areas of the company's operations.

Our Sales & Marketing team opened up new markets in Russia, United States, France and the defence sector in India and abroad in overseas markets. Our Product Engineering and Development team continued its record of unleashing innovations too numerous to be enumerated here. Suffice it to say that the aggregators of these innovations have consolidated our product development to give us award-winning best-in-class product lines in manual transmissions, AWD transfer cases and troq couplers, EV transmissions and dual-clutch transmissions. In conjunction with marketing and sales, our organization did spectacular groundwork to win India's FIRST indigenous contract to develop and manufacture India's first truly indigenous automatic transmission.

Our manufacturing operations teams spread across three plants in Bhosari and Shivare in Maharashtra, and Sirsi in Karnataka, kept up the momentum of excellence even as they smoothly inducted unprecedented modernization in our facilities to sustain the delivery of world-class products in all major automotive markets around the world, from Korea in the east to California in the USA in the west. The energy and enthusiasm of our teams in learning continuously and implementing cutting edge practices for quality and productivity is a benchmark in India.

Our Sourcing and Global Supply Management team is a key strategic asset in building competitive advantage in technology acquisition, product development and enhancing our competitive edge. It efficiently manages a global supply base across the planet with attendant dimensions of complexity with considerable cultural ambidexterity and best-in-class commercial acumen, while aligning with the needs of product development and manufacturing operations. Their intellectual leadership was very instrumental in the successful implementation of SAP.

The HR and Organizational Development Team continued its solid progress. The most conspicuous marker of its brilliant achievements was winning the National CII HR Circle Award for the third year in a row. Its sincere and earnest efforts to improve employee engagement was evident in a 75% score in the Gallup Employee Engagement Survey conducted online for neutrality and objectivity. Deployment and continuing implementation of our Product Leadership Competency Model is underway and producing encouraging outcomes.

Finally, our Management Systems function continue its efforts to integrate our various tools and systems into a collective whole that brings a collective capability alive that is much more than a mere assemblage of individual parts. We do this while ensuring a mature compliance in letter and spirit with international standards such as IATF 16949, ISO 14000 and ISO 45000 for the overall well-being and sustainability of the enterprise.

In conclusion, we wish to assure our shareholders and other shareholders that the company continues its progress towards fulfilling its vision of building a world-class brand that India can be proud of in terms of its historic achievements and the economic well-being it brings to its many stakeholders.

iii. Long range strategy and growth plans

The Company is focusing on innovation across the following categories:

- Sustaining innovation: Improving existing products, leading to larger market shares and sustainable revenue growth.
- Efficiency innovations: Engaging in activities that moderate costs of manufacturing and delivery, strengthening margins.
- Disruptive innovation: Focusing on the creation of new products and market segments while entering new geographies.

The Company invested considerable resources during the year under review to emerge future-ready, particularly given the current state of flux in the automotive industry as global emission-related legislation gets more stringent and the onslaught of hybrid and electric drive technology increases consistently. The result is that product development time expectations are shrinking coupled with shortening product life cycles.

In this challenging scenario, there is a premium on the ability to prudently allocate resources across initiatives that sustain innovation and efficiency on the one hand and those catalyzing disruptive innovation on the other.

Beyond technology alliances, resources were allocated towards research in identifying new global markets and disruption opportunities.

The company’s portfolio comprises four product lines where sustained market and product development are underway – manual transmissions and synchronizers, 4WD products including transfer cases and torque couplers, transmissions and components for electric vehicles, and dual clutch automatic transmissions for internal combustion and hybrid applications.

The company is engaged in manufacturing modernization to address the requirements of new product lines. It is concluding export programs to utilize investments under EPCG schemes and operate high monthly production for global markets in China, Korea, Europe and the USA. Besides, our Business Development Register tracks new business opportunities across four product lines including global opportunities for DCTs.

The product development and investment timetable is synchronized with our LRP and a separate Growth & Launch team works within the context of the LRP. Resource mobilization is communicated and piloted through a mature Capital Appropriation Request process that links individual teams, senior management and the Board in a cohesive way.

iv. Employee and competence development

People and Culture:

A vision statement defined for HR as "Strengthening the leadership pipeline by developing, attracting & retaining the talent" supported by the strategies as below,

1. Workforce planning
2. Competency Analysis & Development
3. Competency based practices
4. Workgroup Development
5. Career Development
6. Participatory culture

Inline with the vision and strategies the work plan and actions were planned and initiated in Y19-20, overall the year resulted with few notable achievements.

Highlights Y2019-20 :

1. The Company won the first in the National HR Circle competition conducted by Confederation of Indian Industry in the category of Leadership and employee Development. This was the third consecutive year that Divgi grabbed the success in CII forum.
2. Gallup Employee Engagement Survey was conducted, and the Overall Score reported is 75%.
3. Structured succession planning was made for Mr. Ashwin Koppikar, Head of Sales, Marketing and Business Development. Mr. M V Balaji joined our group and took over the charge from Aswin as his successor
4. Strengthened the Business Development Group by adding talents as Key Account Managers and ensured that all customers are taken care of.
5. Streamlined Operations Leadership across all facilities
6. Highly educated (MBA, M.Tech.) talent hiring was made from reputed institutes such as COEP, IIT Bombay, Management institutes from Hubli & Dharwad in the core supporting functions.
7. Looking the Growth, infrastructure development activities also initiated
   - DCT-technology centre and warehouse set up made at new rented facility at Bhosari
   - 3rd floor construction started at Bhosari facility and plant renovation initiated at Shivare.

Long Range Plan an Overview:

1. **Major New Projects:** DCT,6 Speed MT,5 Speed MT, e-Gear Drive

2. **Perspectives towards HR strategies**

- Workforce management
- Diversity in Skillsets
- Enterprise Productivity Improvement
- Career Opportunities
- Global exposure

Focus areas year 2020-21.

- Talent in foreign countries
- Skill Development Centre at Sirsi
- Sponsorship at least 2 leaders for Global Education Program
- Mediclaim (family cover) facility
- Certified Safety officer in the organization

2. Transfer to Reserves

The Company did not transfer any amount to General Reserves during the year ended on 31/03/2020.

3. Dividend

The Board in its meeting on 18th September recommended an equity dividend of 26% per equity share and preferential dividend of Rs 20.3390 per share.

4. Financial summary -

The authorized share capital of the Company is Rs. 10,40,00,000 (Rupees Ten Crore Forty Lakh only.) the subscribed and Paid up Capital of the Company is Rs 6,79,24,500 comprising equity shares and Compulsory Convertible Preference Shares at the end of the financial year.

5. Financial position of subsidiary company, associate company and joint venture company

The Company did not have any subsidiary company, associate company or joint venture company.

6. Fixed deposits

The Company did not accept any deposits from the public during the year under review.

7. State of the Company's Affairs

a. **Changes in Constitution of Board:** Mr. Praveen P. Kadle was appointed as an additional director on the Board of the Company with effect from 15th November 2019 to hold office till this Annual General Meeting. He has kindly consented to chair the Board and we are happy that his experience and guidance will help the company navigate through the many challenges of the uncertain times we are faced with. The members are requested to reappoint him as a director.

Mr. Ramesh Savoor retired from the Board of Directors of the Company with effect from 15th November 2019 after a long and distinguished tenure with the company.

The Board of Directors places on record its deep gratitude and appreciation to Mr Ramesh Savoor for his unswerving and unstinted support, guidance and encouragement to the company through the many difficult challenges it faced during the period from 2002 to 2020. His sagacity and experience helped us overcome the great recessions of 2002 and 2009 and the enormous challenge of the transition to an independent operation after the buyout of BorgWarner shares. His presence on the Board brought a certain gravitas, stature and credibility that helped us navigate the very challenging period of raising capital to enable the transition to an entity independent of BorgWarner. He challenged us at every step in performance and governance standards and was there for us when we needed his moral support the most. His legacy will continue in the way we set performance standards in business planning and execution, governance matters and overall sustainability and risk issues.

b. **Change in Shareholding Structure** – 76,981 CCPS held by Oman India Joint investment Fund II were converted into 63,396 equity shares as per the terms of the investment agreement.

c. **Change in the Share Capital of the Company** – The authorized share capital of the Company is Rs. 10,40,00,000 (Rupees Ten Crore Forty Lakh only.) The subscribed and Paid up Capital of the Company is Rs 6,79,24,500 comprising of equity shares and Compulsory Convertible Preference Shares at the end of the financial year.

8. Auditors

Pursuant to the provisions of section 139, 141 and other applicable provisions, if any, of the Companies Act, 2013, M/s B K Khare & Co., Chartered Accountants, having Firm Registration No. 105102W, were appointed as the statutory auditors of the Company to hold office for a period of five years commencing from the conclusion of Annual General Meeting held at 2017 up to conclusion of the sixth consecutive Annual General Meeting to be held in 2022, on such remuneration as may be mutually decided by the auditors and the board of directors.

9. Details of frauds reported by auditors under Section 143(12) of Companies Act, 2013

The Auditors have not reported any case of frauds in auditor's report during the year under review.

10. Particulars of employees

Disclosure under Companies (Particulars and Employees) Rules 2014 read with Section 134 of the Companies Act 2013 for Employees having remuneration above prescribed limit of Rs. 1.02 Crore p. a. as follows:

Sr. No	Name of the employee	Designation	INR Amount in crore	Qualifications	Date of Commencement of employment	Age	% of equity shares held in the Company
1	Mr. Jitendra B. Divgi	Managing Director (Promoter)	1.49	B.E. (Hons.) Mechanical Engineering, BITS Pilani, 1984. M.S., Manufacturing Engineering University of Massachusetts, Amherst, Massachusetts, USA , 1986	12/03/1997	57 Years	1.36%

11. Details with respect to adequacy of internal financial controls with reference to the financial statement

Based on the recommendations of the management, the Board believes that the Company has implemented internal financial controls that are adequate for a company of the size and operations as that of the Company and engaged in a business similar to that of the Company in the territories that the Company operates in and with the systems and resources that a company of similar size and operations has in India.

12. Material orders passed by the regulators or courts or tribunals

No material order was passed by the regulators, courts or Tribunals during the period under review.

13. Event based disclosure

A. Company has not issued equity shares with differential rights.

B. Company has not issued sweat equity shares during the relevant financial year.

C. The Company has not exercised any Employee Stock Scheme in the relevant financial year.

D. Company has not provided any money to its employee for purchase of its own shares.

14. Material changes since the end of FY 2020 through the date of this report

There were no material changes since the end of financial year 2020 through the date of this report.

15. Board of Directors

Number of Board meetings held –

Sr. No	Date of Meeting	Total no. of Directors on date of Meeting	Number of Directors Attended
1.	22 April 2019	8	3
2.	26 June 2019	8	8
3.	12 August 2019	8	5
4.	15 November 2019	8	5
5.	27 March 2020	8	6

Responsibilities of the Board leadership

The responsibilities and authority of the Chairman, the Managing Director, the Executive Director, and the independent directors are as follows:

The Chairman leads the Board. As Chairman, he is responsible for promoting the integrity of the Board. He ensures that it works for the long-term benefit of the Company and all its stakeholders.

The Chairman is primarily responsible for ensuring that the Board provides effective governance to the Company.

The Chairman plays a pivotal role in managing the Board and facilitates effective communication among directors. He is responsible for overseeing matters pertaining to governance, including the organization, composition and effectiveness of the Board and its committees, and individual directors in fulfilling their responsibilities.

The Managing Director (MD) along with the Executive Director (ED) are responsible for executing corporate strategy in consultation with the Board, as well as for brand equity, planning, building external contacts and all matters related to the management of the Company. He is responsible for achieving annual and long-term business targets. The MD and ED also monitor the external and internal competitive environment and new industry developments and standards, identifies opportunities for expansion and acquisition, and builds relationships with customers and markets with an eye to enhancing shareholder value and implementing the organization's vision, mission, and overall direction.

The MD and ED have overall strategic and operational responsibility for the entire portfolio of the

Company's offerings and is responsible for ensuring that the business enabling functions provide the necessary support for the sales and delivery teams in enabling them to help our clients achieve their business objectives while keeping the highest standards of governance and professionalism.

Independent Directors

In order to effectively implement the principles of Corporate Governance, the Company has appointed three independent directors on the Board.

Succession planning

The Nomination and Remuneration Committee has been entrusted with the responsibility to ensure orderly succession in appointments to the Board and in senior management. The Company strives to maintain an appropriate balance of skills and experience within the organization and the Board in an endeavor to introduce new perspectives while maintaining experience and continuity.

Independent directors' compensation

The compensation payable to the independent directors is limited to a fixed amount per year. The Board reviews the performance of independent directors on an annual basis. The Board, while deciding the basis for determining the compensation of the independent directors, takes various things into consideration. These include the participation of individual directors in Board and committee meetings, other responsibilities, such as membership or chairmanship of committees, time spent in carrying out other duties, roles and functions and such other factors as the Board deems fit.

Audit committee

The primary objective of the Committee is to assist the Board with oversight of:

i. The accuracy, integrity and transparency of the Company's financial statements with adequate and timely disclosures.

ii. Compliance with legal and regulatory requirements

iii. The Company's Independent Auditors' qualifications and independence

iv. The performance of the Company's Independent Auditors and internal auditors

v. Acquisitions and investments made by the Company.

Nomination and remuneration committee

The main objectives and responsibilities of the nomination and remuneration committee of the Board is to:

i. Assist the Board in discharging its responsibilities relating to compensation of the Company's directors, Key Managerial Personnel (KMP) and senior management.

ii. Evaluate and approve the adequacy of the compensation plans, policies, programs and succession plans for the Company's executive directors, KMP and senior management.

iii. Setting the targets/ KRAs for the full-time directors towards the end of the financial year, based on the next year budgets approved by the board,

iv. Review of actual performance against the approved targets for the previous financial year and accordingly decide the commission or the performance bonus, payable to the full time directors.

v. Formulate the criteria for determining qualifications, positive attributes and independence of a director and for performance evaluation of directors on the Board.

16. Particulars of loans and guarantees U/S 186 -

There are no loans & guarantees given by the company in the financial year 2019 – 2020.

17. Disclosure of related party & transactions with them

Please refer to Form AOC-2 annexed hereto as **Annexure –I.**

18. Directors' Responsibility Statement -

Based on the information and explanation provided by the management of the Company and to the best of their knowledge and ability, the Board believes that: -

a. The annual accounts of the Company have been prepared in accordance with the accounting standards applicable to the Company and any material departures have been explained;

b. The accounting policies applied by the Company and the judgments and estimates made are such that it will provide a true and fair view of the state of affairs and profit of the Company for FY 2019-2020;

c. Sufficient care has been taken for a company of the size and operations as that of the Company and operating in territories that the Company operates in, relating to the maintenance of accounting records required to be maintained under the Companies Act, 2013 in order to safeguard the assets of the Company and for preventing and detecting any fraud;

d. The annual accounts of the Company have been prepared on a going concern basis;

e. The Company has implemented systems in respect of compliance with the provisions of material laws applicable to the Company that a company of the size and operations as that of the Company and operating in the territories that the Company operates in and having the resources that a company of similar size and operations in India has and in view of the limited proceedings and enquiries pending against the Company or which the Company is involved in, such systems are adequate in respect of the purpose that they were designed for and have been effective in addressing the Company's compliance with such material laws.

19. Board of Directors -

The total Board consists of eight (8) directors. Mr. Jitendra Divgi (DIN 00471531) is the Managing Director of the Company; Mr. Hirendra Divgi (DIN 01634431) is Executive Director of the Company.

The other board members are Mr. Pradip Dubhashi (DIN 01445030), Mr. Sanjay Divgi (DIN 00471465), Mr. Pundalik Kudva (DIN 03385091), Mr. Bharat Divgi (DIN 00471587), Mr. Praveen Kadle (DIN: 00016814) and Mr. Ajay Limaye (DIN 02762738).

20. Industrial relations -

The Industrial relations of the Company during the period were very cordial.

21. Energy conservation, technology absorption and foreign exchange earnings and outgo

A. Environmental conservations and foreign exchange earnings and outgo:

Divgi-TTS continuously engages in various environmental conservation activities and as parts of its commitment, company recently recommended for latest Environment management standard

ISO 14001:2015 by DQS Holding Gmbh.

Retained occupational health and safety management systems standard BS OHSAS 18001.

The Company has imported raw materials and officials of the Company had undertaken business tours to China, Thailand, Korea, USA and few more countries.

Foreign exchange outgo as a result is Rs. 22.05 Cr. (Previous year Rs. 27.23 Cr.).

As against this the earnings from exports amounted to Rs. 87.75 Cr (previous year Rs. 72.80 Cr).

22. Sustainability and CSR

Divgi-TTS is committed to good corporate citizenship. We strive to supply goods and services of superior value to our customers; to create jobs that provide meaning for those who do them and to contribute generously of our talents and our wealth of the communities in which and for whom we do business.

Since the 'Responsibility to our Communities' is one of our core values, Divgi-TTS strives the efforts in the area of social and community development under the initiative of Corporate Social Responsibility with planned and systematic actions put in investment projects.

- **To strengthen the educational and knowledge base:** Strengthen the educational and knowledge base, for promoting education based on the fundamental conviction that education can help provide the answers to some of the greatest challenges like poverty, inequality and environmental degradation. To inculcate and develop leadership qualities in underprivileged children through innovative and creative programs, by developing soft skills through music, games and sports.
- **Rural development:** Rural development to improve the living standards of rural people by development of educational infrastructure in rural area where the Company is operating one of its plants. Help in building better & Progressive communities, Youth development & better family living.
- **Compliance with the law:** Section 135 of the Companies Act; 2013 and Rules made under it prescribe that every company having Net worth of Rs. 500 crore or more, or Turnover of Rs.1000 crore or more, or a Net Profit of Rs. 5 crore or more during any financial year shall ensure that it spends at least 2% of the average net profits made during the preceding three financial years. The provisions pertaining to CSR as prescribed under Companies Act; 2013 are applicable to the Company.

CSR calculations: 2% of the average net profit (PBT) of the Company for the last three financial years. (FY 2016-17, 2017-18 and 2018-19)

Particulars	Amount In Rs. crore
Average Net Profit of the company for last three financial years	42.28 Cr
Prescribed CSR expenditure	84.05 Lacs
Total amount spent for the financial year 2019-20	83.03 Lacs

Our CSR Responsibility: - We hereby affirm that the annaeve Policy, as approved by the Board, would be implemented and the CSR Committee monitors the implementation of the projects and activities in compliance with our CSR objectives.

Please see annexure III for CSR Policy Annual report.

23. Risk management policy

The Company's overall policy with respect to managing risk arising in the normal course of the Company's business is to minimize the potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

a. **Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The carrying amounts of the financial assets are identical to their maximum credit risk. Trade receivables are receivables from related parties and are considered risk free. Cash and cash equivalents are placed with credit worthy financial institutions.

b. **Interest rate risk management**

The Company has no significant interest rate risk as its financial assets and financial liabilities are non-interest bearing.

c. **Foreign exchange risk management**

The Company's foreign currency exposures arise mainly from the exchange rate movements of the United States Dollar against the India Rupee. Foreign exchange losses are included in the revenue calculation and are therefore not considered a risk to the company.

d. **Liquidity risk management**

The Company monitors liquidity closely and ensures that it has sufficient funds to meet its contractual and financial obligations. Cash required for day to day operations is funded from related group companies upon settlement of trade receivables whereas Cash required for capital investment including office fit out, is funded by a loan from related group companies, and repayable over a number of years.

24. Disclosures under Sexual Harassment of Women and Workplace (prevention, prohibition & redressal) Act 2013

The Company has in place an Anti-Sexual Harassment policy in line with requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. This policy has been extended to all three facilities and team has been re-visited and re-defined. The same has been communicating to concerned government authorities and all employees. No complaints of sexual harassment were reported in the Company during FY 2019-20. Awareness sessions are being conducted in monthly employee meetings.

25. Explanation or comments on qualifications, reservations or adverse remarks made by the auditor

There are no qualifications, reservations or adverse remarks made by the auditor that require reply from the Board of directors.

26. Extract of annual return under Section 92 (3)

Annual Return Extract is attached as **Annexure – II**

27. Compliance with applicable Secretarial Standards:

The Company has generally complied with the applicable secretarial standards during the year under report.

28. Acknowledgements

The Directors wish to place on record their sincere appreciation for the co-operation received from the executives, employees, Bankers, State & Central Government Departments at all level during the period under review and look forward to their continued support.

For and on behalf of the Board of Directors of
Divgi TorqTransfer Systems Private Limited

	Praveen P. Kadle	**Jitendra B. Divgi**
Date: [ ]	*Chairman*	*Managing Director*
Place: Pune	DIN 00016814	DIN 00471531

Annexure - I

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]

Form for 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 thereto

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

(a)	Name(s) of the related party and relationship	NA
(b)	Nature of contracts or arrangements or transactions	
(c)	Duration of contracts or arrangements or transactions	
(d)	Salient terms of the contracts or arrangements or transactions, including the value, if any	
(e)	Justification or entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advance, if any	
(h)	Date on which special resolution was passed in general meeting as required under first proviso to section 188	

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

(a)	Name(s) of the related party and nature of relationship	1. Divgi Transmission Systems & Technologies Private Limited.
(b)	Nature of contracts or arrangements or transactions	1. Machine and Development charges. 2. Rent Income.
(c)	Duration of contracts or arrangements or transactions	01st April 2019 to 31st March 2020.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	1. Machine and Development charges - Rs. 28,681,243 2. Rent Income - Rs. 24,05,088
(e)	Date(s) of approval by the Board	N. A.
(f)	Amount paid as advance, if any	NIL

FOR DIVGI TORQTRANSFER SYSTEMS PRIVATE LIMITED

	Praveen Kadle	**Jitendra B. Divgi**
Date: 18 September 2020	*Additional Director*	*Managing Director*
Place: Pune	DIN: 00016814	DIN 00471531

Annexure - II

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U32201MH1964PTC013085
ii)	Registration Date	16/12/1964
iii)	Name of the Company	Divgi TorqTransfer Systems Private Limited
iv)	Category / Sub-Category of the Company	Private Company
v)	Address of the registered office and contact details	Plot no. 75, General Block MIDC, Bhosari Pune, MH 411026, INDIA.
vi)	Whether Listed Company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Not Applicable

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated: -

Sl. No	Name and description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1.	Transfer Cases	4530	32.72%
2.	Components	4530	61.34%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Nature of Relationship	% of shares held
1.	Divgi Holding Private Limited	U67120KA1997PTC022620	Holding Company	65.04%

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Shareholding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	-	16,439	16,439	3.05	-	16,439	16,439	2.73	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	**-**	**16,439**	**16,439**	**3.05**	**-**	**16,439**	**16,439**	**2.73**	**-**

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Foreign									
a) NRIs -	-	-	-	-	-	-	-	-	-
Individuals	-	-	-	-	-	-	-	-	-
b) Other –	-	-	-	-	-	-	-	-	-
Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Shareholding of Promoter (A)=(A)(1) + (A)(2)		**16,439**	**16,439**	**3.05**		**16,439**	**16,439**	**2.73**	
B. PUBLIC SHAREHOLDING									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance	-	-	-	-	-	-	-	-	-
Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture	-	-	-	-	-	-	-	-	-
Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (Trust)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian		3,93,867	3,93,867	73.09		3,93,867	3,93,867	65.40	
ii) Overseas									
b) Individuals									
i) Individual Shareholders holding nominal share capital upto Rs. 1 Lakh		140	140	0.03		140	140	0.02	-
-ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh		68,554	68,554	12.72		68,554	68,554	11.38	
c) Others (Trust)	59,868	-	59,868	11.10	1,23,264	-	1,23,264	20.47	-
Sub-total (B)(2)	**59,868**	**4,62,561**	**522,429**	**96.95**	**1,23,264**	**4,62,561**	**5,85,825**	**97.27**	
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**59,868**	**4,62,561**	**522,429**	**96.95**	**1,23,264**	**4,62,561**	**5,85,825**	**97.27**	
C. Shares held by Custodian for GDRs & ADRs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
GRAND TOTAL (A+B+C)	**59,868**	**4,79,000**	**5,38,868**	**100**	**1,23,264**	**4,79,000**	**6,02,264**	**100**	**-**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change In share-holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of shares	% of Total shares of the Company	% of Shares Pledged / encumbered to total shares	
1.	Hirendra Divgi	8,243	1.53	NIL	8,243	1.37	NIL	-
2.	Jitendra Divgi	8,196	1.52	NIL	8,196	1.36	NIL	-
	Total	**16,439**	**3.05**		**16,439**	**2.73**		

(iii) Change in Promoters' Shareholding:

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	**Hirendra Divgi**				
	At the beginning of the year	8,243	1.53	8,243	1.37
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer/bonus/sweat equity etc):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	8,243	1.37	8,243	1.37
2	**Jitendra Divgi**				
	At the beginning of the year	8,196	1.52	8,196	1.36
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer/bonus/sweat equity etc):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	8,196	1.36	8,196	1.36

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	**Divgi Holdings Private Limited**				
	At the beginning of the year	393,867	73.09	393,867	65.40
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	393,867	65.40	393,867	65.40

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
2	**NRJN Family Trust**				
	At the beginning of the year	59,868	11.11	59,868	9.94
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	59,868	9.94	59,868	9.94
3	**Oman India Joint Investment Fund – II**				
	At the beginning of the year	0	-	63,396	10.53
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Conversion of CCPS into equity shares.			
	At the End of the year (or on the date of separation, if separated during the year)	63,396	10.53	63,396	10.53
4	**Mr. Bhaskar Divgi**				
	At the beginning of the year	11,733	2.18	11,733	1.95
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	11,733	1.95	11,733	1.95
5	**Mr. Mohan Divgi**				
	At the beginning of the year	10,087	1.87	10,087	1.67
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	10,087	1.67	10,087	1.67
6	**Mr. Bhalchandra Divgi**				
	At the beginning of the year	9,162	1.70	9,162	1.52
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	9,162	1.52	9,162	1.52

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
7	**Ms. Ambika Divgi**				
	At the beginning of the year	8,407	1.56	8,407	1.40
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	8,407	1.40	8,407	1.40
8	**Ms. Jayashree Divgi**				
	At the beginning of the year	7,733	1.44	7,733	1.28
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	7,,733	1.28	7733	1.28
9	**Mr. Ashish Divgi**				
	At the beginning of the year	5,201	0.97	5,201	0.86
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	5,201	0.86	5,201	0.86
10	**Mr. Bharat Divgi**				
	At the beginning of the year	4,943	0.92	4,943	0.82
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	4,943	0.82	4,943	0.82

iv) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	**Mr. Sanjay Divgi**				
	At the beginning of the year	4,746	0.88	4,746	0.79
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	4,746	0.79	4,746	0.79
2	**Mr. Jitendra Divgi**	-	-	-	
	At the beginning of the year	8,196	1.52	8,196	1.36
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	8,196	1.36	8,196	1.36
3	**Mr. Bharat Divgi**				
	At the beginning of the year	4,943	0.92	4,943	0.82
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	4,943	0.82	4,943	0.82
4	**Mr. Hirendra Divgi**				
	At the beginning of the year	8,243	1.52	8,243	1.37
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/sweat equity Etc.):	Decrease in percentage shareholding consequent to conversion of CCPS issued to Oman India Joint Investment Fund II.			
	At the End of the year (or on the date of separation, if separated during the year)	8,243	1.37	8,243	1.37

V. INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	37,72,326	3,45,000	-	41,17,326
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i +ii +iii)	**37,72,326**	**3,45,000**	**-**	**41,17,326**
Change in Indebtedness during the financial year				
Addition				
Reduction	18,47857	-		18,47857
Net Change	18,47857	-		18,47857
Indebtedness at the end of the financial year				
i) Principal Amount	19,24,469	3,45,000		22,69,469
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i +ii +iii)	**19,24,469**	**3,45,000**		**22,69,469**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director, Whole Time Directors and / or Manager:

Company does not have any Whole Time Director and have not appointed any Manager

Sl. No	Particulars of Remuneration	Hirendra Divgi	Jitendra Divgi	Total Amount
1.	Gross Salary	7,476,149	1,49,63,632	22,439,781
(a)	Salary as per provisions contained in section 17(1) of Income Tax Act, 1961	-	-	-
(b)	Value of perquisites under section 17(2) of Income Tax Act, 1961	-	-	-
(c)	Profits in lieu of salary under section 17(3) of Income Tax Act, 1961	-	-	-
2.	Stock Options	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, specify (PF & Gratuity)	-	-	-
	Total (A)	**7,476,149**	**1,49,63,632**	**22,439,781**
	Ceiling as per the Act	-		-

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Ram Savoor	Praveen Kadle	Pradeep Dubhashi	P.D.Kudwa	Total Amount (Rs.)
1.	**Independent Directors**	5,00,000	15,00,000	15,00,000	15,00,000	50,00,000
	Remuneration to Independent directors					
	Fee for attending board / committee meetings	50,000	75,000	75,000	75,000	2,75,000
	Commission		-	-	-	-
	Others, please specify		-	-	-	-
	Total (1)					-
2	**Other Non-Executive Directors**					
	Fee for attending board / committee meetings		-	-	-	-
	Commission		-	-	-	-
	Others, please specify		-	-	-	-
	Total (2)		-	-	-	-
	Total (B)=(1+2)					-
	Total Managerial Remuneration	5,50,000	15,75,000	15,75,000	15,75,000	52,75,000
	Overall Ceiling as per the Act		NA	NA	NA	NA

C. Remuneration to Managerial Personnel other than Managing Director / Whole Time Director / Manager:

Sl. No	Particulars of Remuneration	Key Managerial Personnel			Total Amount in lakhs
		Chief Executive Officer	Company Secretary	Chief Financial Officer	
1	Gross Salary	NA	5,23,800	NA	5,23,800
	(a) -	-	-	-	-
	(b) -	-	-	-	-
	(c) -	-	-	-	-
2	Stock Option	NA	NA	NA	-
3	Sweat Equity	NA	NA	NA	-
4	Commission	NA	NA	NA	-
	- -	-	-	-	-
	- -	-	-	-	-
	Total	NA	5,23,800	NA	5,23,800
	Ceiling as per the Act	NA	NA	NA	NA

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.
B. DIRECTORS					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.

FOR DIVGI TORQTRANSFER SYSTEMS PRIVATE LIMITED

Praveen Kadle
Additional Director
DIN: 00016814

Jitendra B. Divgi
Managing Director
DIN 00471531

Date: 18 September 2020
Place: Pune

Independent Auditor's Report

To the Members of
Divgi Torq Transfer Systems Private Limited (Formerly Divgi Metalwares Private Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Divgi Torq Transfer Systems Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss and the Cash Flow Statement then ended, and 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 Financial statements, give the information required by the Companies Act,2013 (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, 2020, and its profits and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing 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 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 ("the ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, 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 opinion.

Other Information

The Company's Board of Directors is responsible for the other information. The other information obtained at the date of this auditor's report is included in the Director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the 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 on the other information obtained prior to the date of this auditor's report, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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 system 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 financial statements, including the disclosures, and whether the 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, issued by the Central Government of India in term of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure 1, a statement on the matters specified in the paragraphs 3 and 4 of the Order, to the extent applicable.

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 purpose of our audit;

   (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, Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);

   (e) On the basis of written representations received from the directors as on March 31, 2020, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020, 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure 2' to this report;

   (g) 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, 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 financial statements;

      ii. The Company did not have any long term derivative 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; and

For **B. K. Khare & Co.**
Chartered Accountants
ICAI Firm Registration Number: 105102W

Padmini Khare Kaicker
Partner
Membership No.: 044784
UDIN: 20044784AAAACC2338

Place: Pune
Date: September 18, 2020

“Annexure 1” referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: Divgi Torq Transfer Systems Private Limited (‘the Company’).

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of immovable properties included in the Fixed Assets of the Company are held in the name of the Company.

(ii) According to the information and explanations given by the management, the physical verification of inventory has been conducted by the management during the year. The discrepancies noticed on physical verification of inventory as compared to book records been appropriately dealt with in the books of accounts. In our opinion the frequency of verification is reasonable. Inventories lying with third parties have been confirmed by them as at March 31, 2020 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 Act. Accordingly, the provisions of clause 3(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 Act 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) In our opinion and according to the information and explanations given to us, the Central Government has not specified the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the products/services Company.

(vii) (a) According to the records of the Company and information and explanations given to us, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees’ State Insurance Scheme, Income Tax, Goods and Service Tax, Custom Duty and other statutory dues applicable to it with concerned authorities.

(b) According to the records of the Company, the dues of sales-tax, service tax, and cess on account of any dispute, are as follows:

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount Unpaid (Rs. in Lakhs)
Service Tax	Tax & Interest	Assistance commissioner of Service Tax	F.Y.2013-14	2.93
Sales Tax	Tax, Interest, Penalty	Joint Commissioner of Sales Tax (Appeal)	F.Y.2010-11	2.36
Employees Provide Fund	Penalty	High Court	F.Y.2011-14	5.00

(c) According to the records of the Company, there are no dues of income-tax, duty of custom, duty of excise, value added tax, goods and service tax and cess not deposited on account of any dispute.

(viii) Based on the records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date. The Company has not taken any loans or borrowings from Government and has not issued any debentures.

(ix) Based on the records examined by us and according to the information and explanations given to us, during the year, term loans were applied for the purpose for which the loans were obtained. According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the Generally Accepted Auditing Practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or no material fraud on the Company by its officers or employees, nor have any instances of material fraud been reported to us by the management during the year.

(xi) The Company is not a public company as defined under Section 2(71) of the Act. Hence, provisions of Paragraph 3(xi) of the said Order in respect of payment of managerial remuneration are not applicable to the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Therefore, the provisions of clause (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) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Therefore, reporting under provision of Clause 3 (xiv) of the Order is not applicable to the Company.

(xv) 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 the Company has not entered into any non-cash transactions with directors or persons connected with them as referred to in section 192 of the Act.

(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 **B. K. Khare & Co.**
Chartered Accountants
ICAI Firm Registration Number: 105102W

Padmini Khare Kaicker
Partner
Membership No.: 044784
UDIN: 20044784AAAACC2338

Place: Pune
Date: September 18, 2020

“Annexure 2” referred to in paragraph 2(f) under the heading “Report on other legal and regulatory requirements” of our report of even date

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

To the Members of
Divgi Torq Transfer Systems Private Limited.

Opinion

We have audited the internal financial controls over financial reporting of Divgi Torq Transfer Systems Private Limited (‘the Company’) as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, 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, 2020, 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.

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. 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 over financial reporting 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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 internal financial controls system over financial reporting.Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 control over financial reporting 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.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B. K. Khare & Co.**
Chartered Accountants
ICAI Firm Registration Number: 105102W

Padmini Khare Kaicker
Partner
Membership No.: 044784
UDIN: 20044784AAAACC2338

Place: Pune
Date: September 18, 2020

Balance Sheet as at March 31, 2020

(Rs.)

	Notes	As at March 31, 2020	As at March 31, 2019
Equity and Liabilities			
Shareholders' funds			
Share capital	3	6,79,24,500	6,92,83,000
Reserves and surplus	4	2,52,81,01,557	2,26,62,47,715
Non current liabilities			
Long term borrowings	5	22,69,469	41,17,326
Deferred tax liabilities (net)	13	59,78,429	1,04,74,241
Long term provisions	6	4,44,10,693	2,70,53,072
Current liabilities			
Short term borrowings	7	1,80,871	7,41,879
Trade payables	8		
Total outstanding dues of micro, small and medium enterprises		41,13,041	35,93,988
Total outstanding dues of creditors other than micro, small and medium enterprises		22,58,37,324	20,13,84,961
Other current liabilities	9	10,57,37,070	15,46,43,713
Short term provisions	10	4,51,22,051	4,91,70,822
Total		**3,02,96,75,005**	**2,78,67,10,717**
Assets			
Non current assets			
Property, plant and equipment			
Tangible assets	11	88,24,98,790	77,97,38,033
Intangible assets	11	49,34,904	45,05,553
Capital work-in-progress		97,98,655	6,06,58,887
Intangible assets under development		5,15,38,355	2,82,14,632
Non current investments	12	4,55,000	4,55,000
Long term loans and advances	14	3,49,60,929	3,89,09,398
Current assets			
Inventories	15	20,76,90,973	19,76,05,570
Trade receivables	16	23,40,63,658	38,00,12,888
Cash and bank balances	17	1,49,89,07,987	1,25,22,86,279
Short term loans and advances	18	5,30,27,309	3,18,26,841
Other current assets	19	5,17,98,445	1,24,97,636
Total		**3,02,96,75,005**	**2,78,67,10,717**
Significant accounting policies	2		

The accompanying notes (1-35) are an integral part of these financial statements.

In terms of our report of even date

For B. K. Khare & Co.
Firm Registration Number: 105102W
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership Number: 044784

Place: Mumbai
Date: September 18, 2020

For and on behalf of the Board of Directors

Praveen P Kadle
Chairman
DIN: 00016814

Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: September 18, 2020

Statement of Profit and Loss for the year ended March 31, 2020

(Rs.)

	Notes	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from operations	20	1,59,06,54,831	1,86,88,53,645
Other income	21	11,67,43,367	8,82,38,646
Total revenue		**1,70,73,98,198**	**1,95,70,92,291**
Expenses			
Cost of materials consumed	22	56,04,89,091	70,79,86,231
Changes in inventories of finished goods and work-in-progress	23	2,15,87,105	(4,19,21,980)
Employee benefits expense	24	19,93,89,741	18,22,37,802
Finance costs	25	24,52,291	54,83,009
Depreciation / amortisation	11	6,01,87,748	6,17,06,889
Other expenses	26	44,73,43,961	48,38,22,608
Total expenses		**1,29,14,49,937**	**1,39,93,14,559**
Profit before tax		**41,59,48,261**	**55,77,77,732**
Tax expense			
Current tax		11,13,89,442	14,94,35,291
Deferred tax		(44,95,812)	55,45,601
		10,68,93,630	15,49,80,892
Profit for the year		**30,90,54,631**	**40,27,96,840**
Earnings per equity share - (Nominal value per share - Rs. 100)	27		
Basic		513.15	732.47
Diluted		449.01	592.35
Significant accounting policies	2		

The accompanying notes are an integral part of these financial statements.

In terms of our report of even date

For B. K. Khare & Co.
Firm Registration Number: 105102W
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership Number: 044784

Place: Mumbai
Date: September 18, 2020

For and on behalf of the Board of Directors

Praveen P Kadle
Chairman
DIN: 00016814

Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: September 18, 2020

Cash Flow Statement for the year ended March 31, 2020

(Rs.)

		Year ended March 31, 2020	Year ended March 31, 2019
(A)	**Cash flow from operating activities**		
	Profit before tax	41,59,48,261	55,77,77,732
	Adjustments for:		
	Depreciation / amortisation	6,01,87,748	6,17,06,889
	Interest expense	24,52,291	54,83,009
	Interest on bank deposits	(9,18,92,146)	(6,44,21,066)
	Provision for mark to market losses on derivatives	18,04,903	-
	Provision for doubtful debts and advances	28,12,177	-
	Loss/ (Profit) on sale of fixed assets (net)	-	(36,61,852)
	Operating profit before working capital changes	**39,13,13,234**	**55,68,84,712**
	Changes in Working capital:		
	(Increase)/ Decrease in loans and advances	(2,49,81,171)	1,30,37,177
	(Increase)/ Decrease in trade receivables	14,59,49,229	(90,70,837)
	(Increase)/ Decrease in inventories	(1,00,85,403)	67,84,240
	Increase/ (Decrease) in trade payables, provisions and other liabilities	(87,93,530)	3,95,62,133
	Cash Generated From Operations	**49,34,02,359**	**60,71,97,425**
	Taxes paid (net of refunds)	(11,50,27,191)	(14,74,45,589)
	Net cash from operating activities	**37,83,75,168**	**45,97,51,836**
(B)	**Cash flow from investing activities**		
	Proceeds from sale of tangible assets	-	48,09,766
	Purchases of tangible assets	(13,09,24,353)	(22,05,27,043)
	Interest received	5,25,91,337	5,81,99,732
	Term deposit with banks, matured / (placed) (net)	(16,39,01,554)	(74,23,58,719)
	Net cash used in investing activities	**(24,22,34,570)**	**(89,98,76,264)**
(C)	**Cash flow from financing activities**		
	Short term borrowings availed / (repaid) (net)	(5,61,007)	(47,43,45,936)
	Long term borrowings repaid (net)	(18,47,857)	(63,60,086)
	Interest paid	(24,52,291)	(54,83,009)
	Issue of fresh preference shares	-	96,90,25,539
	Dividend paid	(4,02,79,684)	-
	Tax on dividend	(82,79,605)	-
	Net cash used in financing activities	**(5,34,20,444)**	**48,28,36,508**
	Net changes in cash and cash equivalents	**8,27,20,154**	**4,27,12,080**
	Cash and cash equivalents at the beginning of the year	12,25,14,036	7,98,01,956
	Cash and cash equivalents at the end of the year	20,52,34,190	12,25,14,036

Notes

1. Figures in bracket represents outflows of cash and cash equivalents.
2. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3: Cash Flow Statements.
3. Previous year figures have been regrouped and recast wherever necessary to conform to the current year's classification.

In terms of our report of even date

For B. K. Khare & Co.
Firm Registration Number: 105102W
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership Number: 044784

Place: Mumbai
Date: September 18, 2020

For and on behalf of the Board of Directors

Praveen P Kadle
Chairman
DIN: 00016814

Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: September 18, 2020

Notes to the financial statements for the year ended March 31, 2020

1. Corporate information

Divgi Torq Transfer Systems Private Limited (Formerly known as Divgi Metal Wares Private Limited) (the 'Company') is a private company domiciled in India and incorporated under the provisions of the Companies Act, 1956of India. The Company is engaged in the manufacture and sale of transfer cases, automatic locking hubs, synchronizers and components thereof (transmission components) and related services to automotive Original Equipment Manufacturers (OEMs) and other customers in the Indian and global market.

2. Significant accounting policies

a. Basis of Preparation

The financial statements are prepared in accordance with the Generally Accepted Accounting ('GAAP") in India under the historical cost convention on an accrual basis, and are in conformity with mandatory accounting standards, as prescribed under Section 133 of the Companies Act, 2013 ("Act") read with Rule 7 of the Companies (Accounts) Rule 2014, the provisions of the Act (to the extent notified). The accounting policies have been consistently applied by the Company during the period and are consistent with those used in previous year. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

b. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialise.

c. Fixed assets and Depreciation

Tangible Assets are stated at acquisition cost and net of accumulated depreciation.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Depreciation and Amortisation is provided on a pro-rata basis on the straight-line method over the estimated useful lives of the assets which are as per rates prescribed under Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets.

d. **Impairment**

Assessment is done at each balance sheet date as to whether there is any indication that an asset (tangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each balance sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

e. **Borrowing Cost**

General and specific borrowing costs attributable to acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

f. **Investments**

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

g. **Inventories**

Inventories are stated at lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises material cost, direct labour and manufacturing expenses which is determined using absorption costing method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

h. **Foreign currency transactions**

Initial Recognition

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Subsequent Recognition

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period.

Exchange differences on restatement of all other monetary items are recognised in the Statement of Profit and Loss.

Notes to the financial statements for the year ended March 31, 2020

i. **Revenue recognition**

Sale of goods: Sales are recognised when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of trade discounts, rebates, sales taxes and excise duties.

Sales of services: In contracts involving the rendering of services, revenue is measured using the completed service contract method and is recognised net of service tax.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the right to receive dividend is established.

j. **Taxes on Income**

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date, the group reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set-off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing tax laws.

k. **Employee Benefits**

Defined contribution plans

Superannuation: The Company has defined contribution plans for post-employment benefits in the form of superannuation fund for certain class of employees, which is administered through Life Insurance Corporation (LIC). The Company has no further obligation beyond its contribution.

Provident Fund: The Company has defined contribution plan for post-employment benefits in the form of provident fund for all employees, which is administered by the Regional Provident Fund Commissioner. The Company has no further obligation beyond its monthly contributions.

Defined benefit plans

Gratuity: The Company has a defined benefit plan for post-employment benefit in the form of gratuity for all employees, which is administered through Life Insurance Corporation (LIC). Liability for above defined benefit plan is provided on the basis of actuarial valuation, as at the Balance Sheet date, carried out by an independent actuary. The Company's liability is actuarially determined (using the Projected Unit Credit

method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Compensated absences

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

In respect of encashment of leave, the Defined Benefit Obligation is calculated taking into account all type of the decrement and qualifying salary projected up to the assumed date of encashment.

l. **Provisions and Contingent liabilities**

Provisions: Provisions are recognised when there is a present obligation 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 there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

m. **Warranty**

The provision is based on management's estimate of future cost of corrective action on product failure established using historical information regarding frequency and average cost of servicing the warranty claims. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims from customers.

n. **Leases**

Operating leases

As a lessee:

Assets taken on lease under which all the risk and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on straight line basis in accordance with the respective lease agreements.

o. **Earnings Per Share:**

Basic Earning Per Share are calculated by dividing the net profit or loss for the period attributable to equity Shareholders by the weighted average number of Equity Shares outstanding during the period.

For the purpose of calculating Diluted Earning Per Share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive Potential Equity Shares

Notes to the financial statements for the year ended March 31, 2020

3. Share capital

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Authorised		
886,038 (March 31, 2019: 886,038) equity shares of Rs. 100 each	8,86,03,800	8,86,03,800
153,962 (March 31, 2019: 153,962) Compulsorily Convertible Preference Shares (CCPS) of Rs. 100 each	1,53,96,200	1,53,96,200
	10,40,00,000	**10,40,00,000**
Issued, subscribed and paid up		
Equity Share Capital		
602,264 (March 31, 2019: 538,868) equity shares of Rs. 100 each, fully paid-up	6,02,26,400	5,38,86,800
Preference Share Capital		
76,981 (March 31, 2019: 153,962) Compulsorily Convertible Preference Shares (CCPS) of Rs. 100 each, fully paid-up	76,98,100	1,53,96,200
	6,79,24,500	**6,92,83,000**

(a) **Reconciliation of number of shares**

Equity Shares

	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Rs.	Number of shares	Rs.
Balance as at the beginning of the year	5,38,868	5,38,86,800	5,38,868	5,38,86,800
Add: Conversion of preference shres in equity shares (refer note below)	63,396	63,39,600	-	-
Balance as at the end of the year	**6,02,264**	**6,02,26,400**	**5,38,868**	**5,38,86,800**

Preference Shares

	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Rs.	Number of shares	Rs.
Balance as at the beginning of the year	1,53,962	1,53,96,200	-	-
Add: Shares issued during the year	-	-	1,53,962	1,53,96,200
Less: Conversion of preference shares into equity shares (refer note below)	76,981	76,98,100	-	-
Balance as at the end of the year	**76,981**	**76,98,100**	**1,53,962**	**1,53,96,200**

Note: Pursuant to shareholders agreement dated 27 March, 2018, 50% of the preference shares issued to Oman India Joint Investment Fund II are converted into equity shares as per conversion terms stated in the said agreement. Accordingly the Company has converted 76,981 preference shares into 63,396 equity shares.

Notes to the financial statements for the year ended March 31, 2020

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of Rs. 100 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Term of conversion of preference shares

1) The Company,vide Shareholders and Share Subscription Agreement on 27 March 2018, issued 1,53,962 preference shares at Rs.6,495.11 per share (including premium of Rs.6,395.11 per share) to Oman India Joint Investment Joint Investment Fund II and accordingly received a sum of Rs. 1,000,000,000.

2) As per shareholders arrangement, CCPS shall be converted into equity shares in two equal tranches (in FY 2019-20 and FY 2020-21) of Rs. 500,000,000 each based on 'Conversion Pre-money Valuation' and other conversion terms stated in the said agreement.

(d) Number of equity shares held by the holding company (Rs.)

	As at March 31, 2020	As at March 31, 2019
Divgi Holding Pvt. Ltd	3,93,867	3,93,867
	3,93,867	**3,93,867**

(e) Details of shareholders holding more than 5% of shares in the Company

Equity Shares

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
	Number of shares	%	Number of shares	%
Divgi Holding Pvt. Ltd	3,93,867	65.40%	3,93,867	73.09%
NRJN Family Trust	59,868	9.94%	59,868	11.11%
Oman India Joint Investment Fund II	63,396	10.53%	-	-
	5,17,131	**85.86%**	**4,53,735**	**84.20%**

Preference Shares

Name of the shareholder	As at March 31, 2020		As at March 31, 2019	
	Number of shares	%	Number of shares	%
Oman India Joint Investment Fund II	76,981	100%	1,53,962	100%
	76,981	**100%**	**1,53,962**	**100%**

Notes to the financial statements for the year ended March 31, 2020

4. Reserves and surplus

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Securities Premium Account		
Balance as at the beginning of the year	1,24,76,41,087	29,40,11,748
Add: Amount received on issue of preferent shares	-	98,46,03,925
Add: Adjustment on account of conversion of preference shares in equity shares (refer note below)	13,58,500	-
Less: Expenses related to fundraising	-	3,09,74,586
Less: Expenses related to fundraising	1,24,89,99,587	1,24,76,41,087
Capital Reserve	73,67,566	73,67,566
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	1,01,12,39,062	60,84,42,222
Add: Profit for the year	30,90,54,631	40,27,96,840
Less: Appropriations:		
Dividend	4,02,79,684	-
Dividend distribution tax on dividend	82,79,605	-
Balance as at the end of the year	1,27,17,34,404	1,01,12,39,062
	2,52,81,01,557	**2,26,62,47,715**

Note: Pursuant to shareholders agreement dated 27 March, 2018, 50% of the preference shares issued to Oman India Joint Investment Fund II are converted into equity shares as per conversion terms stated in the said agreement. Accordingly the Company has converted 76,981 preference shares into 63,396 equity shares. Securities premium related to issuance of preference shares of Rs. 492,301,900/- [Rs. 500,000,000 - Rs. 7,698,100 (amount of preference share capital converted)] is reduced and premium related to converted equity shares Rs 493,660,400/- [Rs. 500,000,000 - Rs. 6,339,600 (amount of equity share capital on conversion)]is recognized during the year.

5. Long-term borrowings

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Secured:		
Term Loans:		
From Banks	35,21,232	48,36,883
Less: Disclosed under Note No. 9 being Current Maturities	15,96,763	10,64,557
	19,24,469	37,72,326
Unsecured:		
Loan from holding company	3,45,000	3,45,000
	22,69,469	**41,17,326**

(a) Nature of security and terms of repayment for secured borrowings

	Nature of security	Terms of Repayment
1	Vehicle loan of Rs 35.12 Lacs (March 31, 2019 Rs.48.36 Lacs) from The Saraswat Co-operative Bank Limited. The loan is secured by first charge on vehicles (Mahindra XUV, TATA Tiago, TATA Tigor, TATA Hexa & Maruti Dzire)	Repayable in 60 equal monthly instalnements from the date of disbursement of loan along with interest @8.40%p.a.

Notes to the financial statements for the year ended March 31, 2020

6. Long term provisions

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits: (Refer Note 24)		
Provision for gratuity	70,40,832	36,71,484
Provision for compensated absences	3,73,69,861	2,33,81,588
	4,44,10,693	**2,70,53,072**

7. Short term borrowings

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Secured loans from banks, repayable on demand	1,80,871	7,41,879
	1,80,871	**7,41,879**

(a) Nature of security for secured borrowings

i. Above borrowing is secured by:

(a) Hypothecation of stock and book debts

(b) Equitable mortgage of factory land and building at Bhosari, Pune

(c) Hypothecation of other movable fixed assets

(d) Personal guarantee provided by the Managing Director of the Company

(e) Rate of interest ranging from 8.75% to 9.50%

8. Trade payables

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Trade payables		
(a) Total outstanding dues of micro, small and medium enterprises	41,13,041	35,93,988
(b) Total outstanding dues of creditors other than micro, small and medium enterprises	22,58,37,324	20,13,84,961
	22,99,50,365	**20,49,78,949**

(a) The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Amount outstanding as at March 31 on account of:		
Principal amount	30,99,115	26,64,496
Interest due thereon	84,434	53,527
Total interest paid on all delayed payments during the year under the provisions of the MSMED Act	-	-
Payment made to supplier beyond the appointed day	1,26,71,110	84,35,346
Interest due on principal amounts paid beyond the due date during the year	52,053	8,703
Interest accrued but not paid	10,13,926	9,29,492

Notes to the financial statements for the year ended March 31, 2020

9. Other current liabilities

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Current maturities of long term debts	15,96,763	10,64,558
Advances from customers	52,06,750	66,99,145
Employee benefits payable	7,85,59,928	6,94,44,001
Statutory dues, including provident fund and tax deducted at source	27,37,295	1,67,84,846
Capital creditors	1,31,36,334	5,66,24,830
Others	45,00,000	40,26,333
	10,57,37,070	**15,46,43,713**

10. Short term provisions

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits: (Refer Note 24)		
Provision for gratuity	58,09,806	59,38,333
Provision for compensated absences	15,08,057	36,99,958
Super annuation	3,37,349	2,06,669
Other Provisions		
Provision for Warranty*	17,35,092	17,61,268
Provision for Statutory liabilities**	17,00,000	17,00,000
Taxation (net of taxes paid)	3,22,26,844	3,58,64,594
Provision for derivative losses	18,04,903	-
	4,51,22,051	**4,91,70,822**

(a) Additional disclosures relating to provision (as per Accounting Standard 29)

	Warranty *		Statutory liabilities **	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	17,61,268	22,44,652	17,00,000	17,00,000
Add: Provision made during the year	9,65,223	11,80,843	-	-
Less: Amount utilised	9,91,399	16,64,227	-	-
Less: Unused amounts reversed	-	-	-	-
	17,35,092	**17,61,268**	**17,00,000**	**17,00,000**

* Provision for warranties: A provision is estimated for expected warranty claims in respect of products sold during the year on the basis of a technical evaluation and past experience regarding failure trends of products and costs of rectification or replacement. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims.

** The Customs Department had carried out an investigation in earlier years, in respect of import of parts from the companies then Collaborator and others and had issued 'Show Cause Notices'. The Company approached the Settlement Commission and received orders in its favour during the year ended March 31, 2006. The Company had provided Rs. 2,700,000 during the year ended March 31, 2005 towards the disputed custom duty liability and had paid Rs. 1,000,000 during the year ended March 31, 2006. Pending final determination of the liability, the Company has retained provision of Rs. 1,700,000.

Notes to the financial statements for the year ended March 31, 2020

11 : Property, plant and equipment

Fixed assets for the year ended March 31, 2020 (Rs.)

	GROSS BLOCK COST/BOOK VALUE				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at April 1, 2019	Additions during the year	Disposal during the year	As at March 31, 2020	As at April 1, 2019	For the year	On deletions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Leasehold land	63,28,720			63,28,720	16,01,514	73,373		16,74,887	46,53,833	47,27,206
Own Assets:										
Tangible assets										
Free Hold Land	33,07,00,000			33,07,00,000	-			-	33,07,00,000	33,07,00,000
Factory building	6,58,55,869	48,08,639		7,06,64,508	3,83,10,783	23,18,814		4,06,29,597	3,00,34,911	2,75,45,086
Plant and machinery	86,90,29,834	15,04,36,044		1,01,94,65,877	47,69,19,452	5,04,33,271		52,73,52,723	49,21,13,154	39,21,10,381
Office equipment	55,52,077	3,98,623		59,50,700	47,01,010	2,93,402		49,94,412	9,56,288	8,51,067
Furniture and fixtures	98,49,277	3,69,225		1,02,18,502	78,46,684	2,87,456		81,34,140	20,84,362	20,02,593
Vehicles	3,09,13,451	43,04,991		3,52,18,442	1,50,59,974	30,10,904		1,80,70,878	1,71,47,564	1,58,53,477
Computers	2,79,17,779	11,30,659		2,90,48,438	2,19,69,557	22,70,203		2,42,39,760	48,08,678	59,48,222
	1,34,61,47,007	16,14,48,181	-	1,50,75,95,187	56,64,08,974	5,86,87,423	-	62,50,96,397	88,24,98,790	77,97,38,033
Intangible assets										
Computer software	**1,11,93,092**	**19,29,676**		**1,31,22,768**	**66,87,539**	**15,00,325**		**81,87,864**	**49,34,904**	**45,05,553**
TOTAL	**1,35,73,40,099**	**16,33,77,857**	**-**	**1,52,07,17,955**	**57,30,96,513**	**6,01,87,748**	**-**	**63,32,84,261**	**88,74,33,694**	**78,42,43,586**

Notes to the financial statements for the year ended March 31, 2020

11 : Property, plant and equipment (Contd.)

Fixed assets for the year ended March 31, 2019 (Rs.)

	GROSS BLOCK COST/BOOK VALUE				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at April 1, 2018	Additions during the year	Disposal during the year	As at March 31, 2019	As at April 1, 2018	For the year	On deletions	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Leasehold land	7,07,020	56,21,700	-	63,28,720	1,73,665	14,27,849	-	16,01,514	47,27,206	5,33,355
Own Assets:										
Tangible assets										
Free Hold Land	33,07,00,000		-	33,07,00,000	-		-	-	33,07,00,000	33,07,00,000
Factory building	6,35,84,621	22,71,248	-	6,58,55,869	3,65,91,832	17,18,951	-	3,83,10,783	2,75,45,086	2,69,92,789
Plant and machinery	78,38,52,299	11,00,46,715	2,48,69,180	86,90,29,834	44,94,16,743	5,12,23,972	2,37,21,263	47,69,19,452	39,21,10,381	33,44,35,557
Office equipment	55,17,784	1,19,787	85,494	55,52,077	44,66,099	3,20,404	85,493	47,01,010	8,51,067	10,51,685
Furniture and fixtures	87,48,494	11,00,783	-	98,49,277	71,57,719	6,88,965	-	78,46,684	20,02,593	15,90,774
Vehicles	2,65,83,543	43,29,908	-	3,09,13,451	1,21,91,699	28,68,275	-	1,50,59,974	1,58,53,477	1,43,91,844
Computers	2,45,81,846	33,35,933	-	2,79,17,779	1,98,79,977	20,89,580	-	2,19,69,557	59,48,222	47,01,869
	1,24,42,75,607	12,68,26,075	2,49,54,674	1,34,61,47,007	52,98,77,735	6,03,37,996	2,38,06,756	56,64,08,974	77,97,38,033	71,43,97,873
Intangible assets										
Computer software	**88,70,341**	**23,22,751**	**-**	**1,11,93,092**	**53,18,646**	**13,68,893**	**-**	**66,87,539**	**45,05,553**	**35,51,695**
TOTAL	**1,25,31,45,948**	**12,91,48,826**	**2,49,54,674**	**1,35,73,40,099**	**53,51,96,381**	**6,17,06,889**	**2,38,06,756**	**57,30,96,513**	**78,42,43,586**	**71,79,49,568**

Notes to the financial statements for the year ended March 31, 2020

12. Non current investments

(Rs.)

	As at March 31, 2020	As at March 31, 2019
(Unquoted)		
Equity shares:		
5,000 equity shares (March 31, 2019: 5,000)of Rs 10 each fully paid, held in Saraswat Co-operative Bank Limited, pledged with Saraswat Co-operative Bank Limited towards cash credit loan availed from that bank	50,000	50,000
40,000 Equity Shares (March 31, 2019: 40,000)of Rs 10 each fully paid, held in Tejal Transmission Pvt. Ltd.	4,00,000	4,00,000
Deposit with government authorities	5,000	5,000
	4,55,000	**4,55,000**

13. Deferred tax asset (liability)

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Deferred tax liability		
Property, plant and equipment and Intangible assets	3,04,96,593	3,11,93,819
	3,04,96,593	3,11,93,819
Deferred tax asset		
Employee benefits	1,42,92,587	1,19,29,435
Provision for doubtful debts, advances and inventory	89,06,670	77,82,222
Other timing differences	13,18,907	10,07,921
	2,45,18,164	2,07,19,578
Deferred tax asset (liability)	**(59,78,429)**	**(1,04,74,241)**

14. Long term loans and advances

(Rs.)

	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good unless otherwise stated)		
Capital advances	2,52,20,100	3,01,37,095
Security deposits:		
Considered good	97,40,829	87,72,303
Considered doubtful	15,50,421	2,58,160
Less: Provision for doubtful balances	15,50,421	2,58,160
	97,40,829	87,72,303
	3,49,60,929	**3,89,09,398**

15. Inventories

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Raw material (Includes intransit inventory of Rs. 11,861,234) (March 31, 2019: Rs. 5,285,040))	12,08,16,424	8,32,99,697
Work in progress	8,80,01,992	11,07,74,377
Finished goods (Includes intransit inventory of Rs. NIL)	2,38,77,577	2,26,92,297
Less: Provision for non-moving inventory	(2,50,05,020)	(1,91,60,801)
	20,76,90,973	**19,76,05,570**

Notes to the financial statements for the year ended March 31, 2020

16. Trade receivables

(Rs.)

	As at March 31, 2020	As at March 31, 2019
(Unsecured)		
Considered good:		
Outstanding for a period exceeding six months from the date they are due for payment	78,99,540	92,32,313
Others	22,61,64,118	37,07,80,575
Considered doubtful:		
Outstanding for a period exceeding six months from the date they are due for payment	51,10,425	51,10,425
Less: Provision for doubtful debts	51,10,425	51,10,425
	23,40,63,658	**38,00,12,888**

17. Cash and bank balances

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Cash and cash equivalents		
Cash on hand	2,47,536	61,548
Bank balances		
In current accounts	20,49,86,654	12,24,52,488
	20,52,34,190	12,25,14,036
Other bank balances		
Deposits with maturity more than three months but less than 12 months	1,29,36,73,797	1,12,97,72,243
	1,49,89,07,987	**1,25,22,86,279**

18. Short term loans and advances

(Rs.)

	As at March 31, 2020	As at March 31, 2019
(Unsecured, considered good unless otherwise stated)		
Balances with statutory / government authorities:		
Considered good	2,53,61,944	27,83,028
Considered doubtful	35,29,413	20,09,497
Less: Provision for doubtful balances	35,29,413	20,09,497
	2,53,61,944	27,83,028
Advances to suppliers:		
Considered good	8,32,637	1,02,82,380
Considered doubtful	1,90,779	1,90,779
Less: Provision for doubtful balances	1,90,779	1,90,779
	8,32,637	1,02,82,380
Prepaid expenses	24,87,460	8,80,950
Export benefits	2,21,13,801	1,50,19,491
Others	22,31,467	28,60,992
	5,30,27,309	**3,18,26,841**

19. Other current assets

(Rs.)

	As at March 31, 2020	As at March 31, 2019
Interest accrued on deposits with banks	5,17,98,445	1,24,97,636
	5,17,98,445	**1,24,97,636**

Notes to the financial statements for the year ended March 31, 2020

20. Revenue from operations

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Sale of products	1,52,33,33,712	1,81,45,55,549
Sale of tools	2,21,85,692	3,21,041
Income from services	16,42,340	37,56,017
Other operating revenue		
- Scrap sales	85,83,730	1,25,77,308
- Export benefits	3,49,09,357	3,76,43,730
	1,59,06,54,831	**1,86,88,53,645**

(a) Details of sale of finished products (gross)

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Transfer cases	49,83,66,314	53,23,99,229
Transmission components	93,44,73,577	1,10,85,55,959
Auto locking hubs	3,05,70,867	6,67,60,682
Components with own material	5,99,22,955	10,68,39,678
	1,52,33,33,712	**1,81,45,55,549**

(b) Earnings in foreign exchange

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Export of goods calculated on FOB basis	79,25,74,645	72,79,74,708
Income from services	-	-
	79,25,74,645	**72,79,74,708**

(c) Segment reporting

i. Primary segment

The Company operates only in one business segment viz. Auto Components and Parts.

ii. Secondary segment

The secondary segment is based on geographical demarcation, i.e. domestic and exports

Information about secondary segment is as follows:

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Segment Revenue (net)		
Domestic	79,80,80,186	1,14,08,78,937
Export	79,25,74,645	72,79,74,708
	1,59,06,54,831	**1,86,88,53,645**

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Segment Assets		
Domestic	12,34,17,412	23,72,18,173
Export	11,06,46,246	14,27,94,715
	23,40,63,658	**38,00,12,888**

Note: The Company's tangible assets other than trade receivable considered above are located entirely in India.

Notes to the financial statements for the year ended March 31, 2020

21. Other income

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Rent income (Refer note 28)	24,05,088	24,05,088
Interest on bank deposits	9,18,92,146	6,44,21,066
Provisions written back to the extent no longer required	-	25,36,272
Gain on foreign exchange fluctuation (net)	2,18,16,165	1,34,79,389
Profit on sale of fixed assets (net)	-	36,61,852
Miscellaneous income	6,29,968	17,34,979
	11,67,43,367	**8,82,38,646**

22. Cost of materials consumed

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Opening inventory	6,41,38,896	13,53,79,613
Add : Purchases (net)	59,21,61,600	63,67,45,514
Less : Inventory at the end of the year	9,58,11,405	6,41,38,896
Cost of raw materials consumed during the year	**56,04,89,091**	**70,79,86,231**

(a) Value of imported and indigenous materials consumed

	Year ended March 31, 2020		Year ended March 31, 2019	
	Rs.	%	Rs.	%
Raw material				
Imported	12,40,84,627	22%	15,45,10,947	22%
Indigenous	43,64,04,464	78%	55,34,75,284	78%
	56,04,89,091	**100%**	**70,79,86,231**	**100%**
Stores and spares				
Imported	31,18,032	5%	88,09,831	12%
Indigenous	6,36,13,863	95%	6,77,62,814	88%
	6,67,31,895	**100%**	**7,65,72,645**	**100%**

(b) CIF Value of Imports

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Raw material	12,33,19,130	15,60,78,412
Capital good	7,27,59,071	10,74,04,163
Stores and spares	31,18,032	88,09,831
	19,91,96,233	**27,22,92,406**

23. Changes in inventories of finished goods and work-in-progress

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Opening stock:		
Work- in- progress	11,07,74,377	6,83,08,107
Finished goods	2,26,92,297	2,32,36,587
Closing stock:		
Work- in- progress	8,80,01,992	11,07,74,377
Finished goods	2,38,77,577	2,26,92,297
	2,15,87,105	**(4,19,21,980)**

24. Employee benefits expense

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Salaries, wages and bonus	17,45,16,065	15,46,93,676
Contribution to provident and other funds (Refer Note a below)	1,75,43,184	1,55,20,490
Staff welfare expenses	73,30,492	1,20,23,636
	19,93,89,741	**18,22,37,802**

(a) Disclosure as per Accounting Standard 15

A. Defined contribution plans

The Company has recognised the following amounts in the Statement of Profit and Loss during the year:

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Contribution to Employees Provident Fund	77,41,417	64,93,953
Contribution to Superannuation Fund	24,31,200	23,04,031
	1,01,72,617	**87,97,984**

B. Defined benefit plan

The following figures are as per acturial valuation, as at balance sheet date, carried out by an independent actuary.

i. Changes in the Present Value of Obligation (Rs.)

		Year ended March 31, 2020	Year ended March 31, 2019
(a)	Opening defined benefit obligation	3,03,87,506	2,93,11,933
(b)	Interest Cost	23,53,319	23,06,287
(c)	Current Service Cost	25,81,885	22,78,445
(d)	Past Service Cost	-	-
(e)	Settlement Cost / (Credit)	-	-
(d)	Liability transferred In/ Acquisitions	-	-
(e)	Benefit Paid	(12,83,933)	(30,46,869)
(f)	Actuarial (Gain)/Loss	27,81,843	(4,62,290)
	Closing defined benefit obligation	**3,68,20,620**	**3,03,87,506**

ii. Changes in the Fair value of Plan Assets (Rs.)

		Year ended March 31, 2020	Year ended March 31, 2019
(a)	Opening fair value of plan assets	2,07,77,689	2,04,50,066
(b)	Expected Return on Plan Assets	16,12,349	16,11,465
(c)	Actuarial Gain/ (Loss)	(1,13,718)	(81,626)
(d)	Employers Contribution	18,47,863	3,32,680
(e)	Employees contribution	-	-
(e)	Benefit Paid	(1,54,201)	(15,34,896)
	Closing fair value of plan assets *	**2,39,69,982**	**2,07,77,689**

* Fair value of plan assets represents balance as confirmed by the insurer managed fund.

Notes to the financial statements for the year ended March 31, 2020

iii. Amount recognised in the Balance Sheet including a reconciliation of the Present Value of Defined Benefit Obligation (i) and the Fair Value of Assets (ii)

(Rs.)

		Year ended March 31, 2020	Year ended March 31, 2019
(a)	Present Value of Funded Obligation as at March 31	3,68,20,620	3,03,87,506
(b)	Fair Value of Plan Assets as at March 31	(2,39,69,982)	(2,07,77,689)
(c)	Net (Asset)/Liability recognised in the Balance Sheet	**1,28,50,638**	**96,09,817**

iv. Expenses recognised in the Statement of Profit and Loss (Rs.)

		Year ended March 31, 2020	Year ended March 31, 2019
(a)	Current Service Cost	25,81,885	22,78,445
(b)	Interest Cost	23,53,319	23,06,287
(c)	Expected Return on Plan Assets	(16,12,349)	(16,12,349)
(d)	Net actuarial (Gain)/Loss	28,95,561	(3,80,664)
	Total Expenses recognised in the Statement of Profit and Loss	**62,18,416**	**25,91,719**

v. The Company has a defined benefit plan for post-employment benefit in the form of gratuity, which is administered through Life Insurance Corporation (LIC).

vi. The overall expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the Fund during the estimated term of obligations.

viii. Principal actuarial assumptions used as at the balance sheet date (Rs.)

		Year ended March 31, 2020	Year ended March 31, 2019
(a)	Discount Rate	6.56%-6.83%	7.64%-7.76%
(b)	Expected Rate of Return on Plan Assets	0.00 % - 6.83%	0.00 % - 7.76%
(c)	Salary Escalation Rate	5% - 10%	5% - 10%
(d)	Attrition rate	5% - 10%	5% - 10%

The estimates of future salary increases considered of actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

ix. Accounting Standard 15 (Revised 2005), Para 132, does not require any specific disclosures except where expenses resulting from compensated absence is of such size, nature or incidence that its disclosure is relevant under Accounting Standard 5 or Accounting Standard 18. Accordingly as the expense resulting from compensated absence is not significant, no disclosures are made under various paragraphs of AS 15 (Revised 2005).

x. Amounts recognised in current year and previous years (Rs.)

	As at March 31, 2020	As at March 31, 2019
Defined Benefit Obligation	3,68,20,620	3,03,87,506
Plan Asset	2,39,69,982	2,07,77,689
Surplus / Deficit	1,28,50,638	96,09,817
Experience adjustments in plan liabilities	32,123	(7,45,804)
Experience adjustments in plan assets	(1,13,718)	(81,626)

Notes to the financial statements for the year ended March 31, 2020

xi. **Current and Non-Current Liability** (Rs.)

	As at March 31, 2020	As at March 31, 2019
Current Liability	58,09,806	59,38,333
Non-Current Liability	70,40,832	36,71,484
	1,28,50,638	**96,09,817**

xii. **Expected contribution to the gratuity fund in the next year** (Rs.)

	As at March 31, 2020	As at March 31, 2019
Gratuity	49,27,848	43,77,420
	49,27,848	**43,77,420**

25. Finance costs

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Interest expense	24,52,291	54,83,009
	24,52,291	**54,83,009**

26. Other expenses

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Stores and spares consumed	6,67,31,895	7,65,72,645
Insurance	24,09,731	17,45,788
Repairs and maintenance		
Plant and machinery	1,80,47,300	1,65,32,487
Building	9,45,591	44,31,971
Others	57,87,743	91,65,623
Power and fuel	2,81,89,511	2,54,07,104
Rates and taxes	63,53,162	66,18,031
Rent (Refer note 28)	77,91,116	46,76,340
Contract labour charges	7,33,48,585	8,02,50,870
Housekeeping Expenses	22,78,167	4,23,240
Legal and professional fees	3,07,79,818	2,76,70,884
Bank charges	17,66,152	27,49,958
Travelling and conveyance	2,04,79,396	1,81,45,766
Warranty	9,65,223	11,80,843
Royalty	1,48,04,104	1,71,38,364
Engineering and project services	15,01,066	-
Machining and development charges	10,98,30,156	15,32,78,529
Provision for doubtful debts and advances	28,12,177	-
Provision for mark to market losses on derivatives	18,04,903	-
Freight outward	1,06,21,330	1,35,58,318
Warehouse expenses	78,51,717	60,46,315
Testing & Inspection Charges	63,52,377	47,57,668
Security Charges	45,89,582	40,18,039
Expenditure towards Corporate Social Responsibility (CSR) activities	83,03,000	12,75,000
Printing & Stationery	28,98,017	26,71,118
Communication Expenses	31,05,610	20,44,552
Exhibition & Conference Charges	55,87,658	15,10,438
Miscellaneous expenses	14,08,874	19,52,717
	44,73,43,961	**48,38,22,608**

Notes to the financial statements for the year ended March 31, 2020

26. Other expenses (Contd.)

(a) Legal and professional expenses include payment to Auditors as under (Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Audit fees	10,00,000	8,00,000
Tax audit fees	1,50,000	1,50,000
	11,50,000	**9,50,000**

(b) Expenditure in foreign currency (Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Royalty [net of tax deducted at source Rs. 1,460,593 (March 31, 2019: Rs. 1,713,836)]	1,33,43,511	1,54,24,528
Travelling	23,83,977	30,36,570
Other Expenses (Includes Engineering and project service charges, Warehouse expenses, Transport and Freight Charges and Testing Charges)	17,99,752	43,37,735
	1,75,27,240	**2,27,98,833**

27. Earnings per share

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Basic		
Profit after tax	30,90,54,631	40,27,96,840
Less: Dividend on Preference Shares (including dividend distribution tax)	-	80,94,804
Adjusted net profit for the year	30,90,54,631	39,47,02,036
Weighted average number of equity shares of Rs. 100 each outstanding during the year	6,02,264	5,38,868
Basic earnings per share	513.15	732.47
Nominal value per share	100	100
Diluted		
Adjusted net profit for the year	30,90,54,631	39,47,02,036
Add: Dividend on Preference Shares (including dividend distribution tax)	-	80,94,804
Adjusted net profit for the year	30,90,54,631	40,27,96,840
Weighted average number of equity shares of Rs. 100 each outstanding during the year *	6,88,302	6,80,000
Diluted earnings per share	449.01	592.35
Nominal value per share	100	100

Notes to the financial statements for the year ended March 31, 2020

28. Leases

i) Operating lease: Company as lessee

The Company has significant operating lease arrangements for premises. These lease arrangements range for a period between 1 to 5 years, which are cancellable leases. Most of the leases are renewable for further period on mutually agreeable terms and also include escalation clauses.

	Year ended March 31, 2020	Year ended March 31, 2019
Lease payments recognised in the Statement of Profit and Loss during the year	77,91,116	46,76,340

ii) Operating lease: Company as lessor

The Company has leased certain plant and machinery on operating leases. These lease arrangements range for a period between 1 to 7 years, which are cancellable leases. Most of the leases are renewable for further period on mutually agreeable terms and also include escalation clauses.

	Year ended March 31, 2020	Year ended March 31, 2019
Lease received for the year	24,05,088	24,05,088

29. Contingent liabilities

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Bills discounted	9,17,180	2,86,88,195
Service Tax Matters (Including penalty)	-	33,60,124
Others	-	2,00,000
Sales tax matter (Including interest & penalty)	2,35,815	2,35,815
Claims against the Company, not acknowledged as debts		
a) Employees dues - matters pending in court	1,84,000	1,84,000
b) Damages demanded by provident fund	5,00,000	5,00,000
Others:		
a) Employee Matters / Demands		
1. Sirsi Employees Transfer (Special leave petition pending in Supreme Court against the order of the High Court regarding the transfer of 57 workers from Sirsi to Pune)	1,75,00,000	1,75,00,000
2. Canteen Contractors Workers (Matters pending in Industrial Court regarding employees of Canteen Contractor)	35,00,000	35,00,000
	2,28,36,995	**5,41,68,134**

30.

(Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Estimated amount of contracts remaining to be executed and not provided for (net of advance payments)	30,38,61,106	11,58,65,436

Notes to the financial statements for the year ended March 31, 2020

31. Related Party Disclosures

(a) List of related parties

Parties where control exists	Divgi Holding Private Limited, Holding Company
Key Management Personnel	Mr. Jitendra B. Divgi, Managing Director Mr. Hirendra B. Divgi, Executive Director
Parties where key management personnel have significant influence	Divgi Transmission Systems & Technologies Private Limited (formerly known as Divgi Industries Private Limited) Divgi Holding Private Limited

(b) Transasctions during the year (excluding re-imbursement of expenses) :

(i) Machine and Development charges (Rs.)

	31-Mar-20	31-Mar-19
Divgi Transmission Systems & Technologies Private Limited	2,86,81,243	4,87,59,197
	2,86,81,243	**4,87,59,197**

(ii) Rent expense (Rs.)

	31-Mar-20	31-Mar-19
Divgi Holding Private Limited	46,20,000	46,20,000
	46,20,000	**46,20,000**

(iii) Remuneration (Rs.)

	31-Mar-20	31-Mar-19
Mr. Hirendra Divgi	74,76,149	65,00,992
Mr. Jitendra B. Divgi	1,49,63,632	1,30,00,984
	2,24,39,781	**1,95,01,976**

(iv) Rent Income (Rs.)

	31-Mar-20	31-Mar-19
Divgi Holding Private Limited	5,088	5,088
Divgi Transmission Systems & Technologies Private Ltd	24,00,000	24,00,000
	24,05,088	**24,05,088**

c) Amounts outstanding

(i) Trade Payable (Rs.)

	31-Mar-20	31-Mar-19
Divgi Transmission Systems & Technologies Private Ltd	80,58,398	87,78,407
Divgi Holding Private Limited	6,43,022	4,60,322
	87,01,420	**92,38,729**

(ii) Trade Receivables (Rs.)

	31-Mar-20	31-Mar-19
Divgi Transmission Systems & Technologies Private Ltd	27,55,765	35,62,938
Divgi Holding Private Limited	1,584	6,055
	27,57,349	**35,68,993**

(v) Key Management Personnel (Payable) (Rs.)

	31-Mar-20	31-Mar-19
Managerial Remuneration		
Mr. Hirendra Divgi	36,15,016	29,21,117
Mr. Jitendra B. Divgi	72,30,032	57,69,846
	1,08,45,048	**86,90,963**

Notes to the financial statements for the year ended March 31, 2020

32. Proposed Dividend

As per schedule 6 of shareholder agreement dated 27th March 2018, preference shareholders will be eligible for dividend. These are considered as non-adjusting events as per Accounting Standard 4, since no obligation exist on date of balance sheet.

The final dividend proposed for the year is as follows: (Rs.)

	Year ended March 31, 2020	Year ended March 31, 2019
Proposed Dividend		
On Equity Shares of Rs. 100 each		
Amount of Dividend proposed	1,56,58,864	3,35,65,085
Dividend per Equity Share	Rs. 26.0000 per share	Rs. 62.2881 per share
On Preference Shares of Rs. 100 each		
Amount of Dividend proposed	15,65,715	67,14,599
Dividend per Preference Share	Rs. 20.3390 per share	Rs. 43.6121 per share

33. Derivative instruments and unhedged foreign currency exposure

(a) Particulars of hedged foreign currency exposures as at March 31, 2020.

	Currency	As at March 31, 2020		At at March 31, 2019	
		Foreign Currency	INR	Foreign Currency	INR
Trade Receivables	EUR	6,00,000	4,38,64,000	-	-

(b) Particulars of unhedged foreign currency exposures as at the reporting date:

	Currency	As at March 31, 2020		At at March 31, 2019	
		Foreign Currency	INR	Foreign Currency	INR
Trade Receivables	EUR	763	62,571	763	59,268
	USD	14,30,760	10,78,59,128	23,53,158	16,27,70,998
Bank Balance	USD	8,60,277	6,48,52,791	4,99,158	3,45,27,381
Trade Payables	EUR	29,493	24,19,320	6,66,066	5,17,54,927
	USD	1,57,099	1,18,43,040	1,14,664	79,31,458
	GBP	20	1,862	-	-

34. Estimation of uncertainties relating to the global health pandemic - COVID-19

Spread of COVID -19 has affected the economic activity across the Globe including India. This event has affected the operations of the Company and any further impact of the same depends on future developments, which cannot be predicted reliably at this stage. The management continues to closely monitor changes to economic conditions impacting its operations.

As on the date of approval of these financial statements, management does not expect any impact on the stated amounts and classification of assets and liabilities as of 31 March 2020.

35. Previous year figures have been reclassified to conform to this year's classification.

In terms of our report of even date

For B. K. Khare & Co.
Firm Registration Number: 105102W
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership Number: 044784

Place: Mumbai
Date: September 18, 2020

For and on behalf of the Board of Directors

Praveen P Kadle
Chairman
DIN: 00016814

Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Mumbai
Date: September 18, 2020

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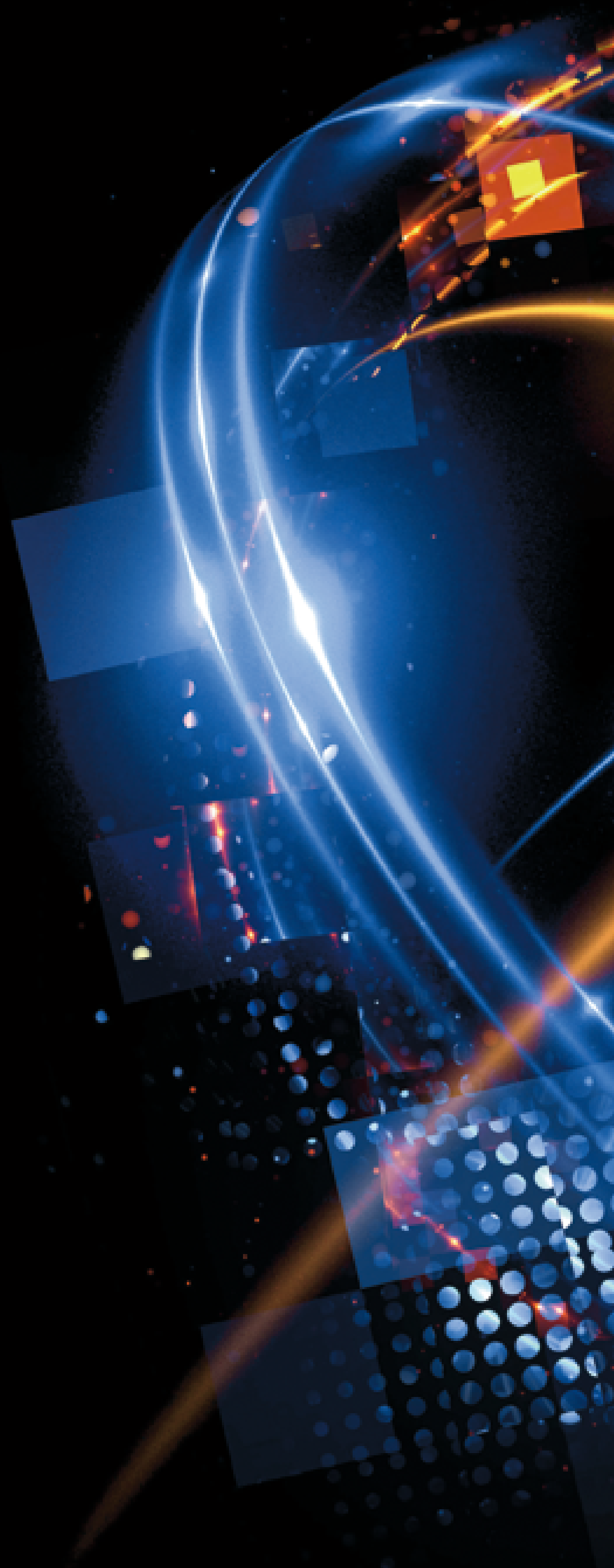
“I am proud to state that under a dynamic management, Divgi-TTS is at the cusp of a historic global opportunity.”

By Nandan Nilekani

Private Equity Investor in Divgi-TTS



Divgi TorqTransfer Systems

Registered Office
Plot No. 75, General Block, MIDC,
Bhosari, Pune 411026