Impossible!

Divgi TorqTransfer Systems Private Limited
Annual Report 2020-21

Divgi TorqTransfer Systems

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'16116, '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 realized, 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 materialize, 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.

Contents

Online Annual report
www.divgi-tts.com

Part **one**

Personality and Performance

Impossible!

At Divgi-TTS, nothing provokes our pride more than someone saying that it cannot be done.

This annual report is dedicated to all those naysayers who said we were punching dangerously above our weight and ought to show more respect to convention.

We did not throw caution to the winds; we used it to sail better and longer.

The result is documented in the pages of this report.

Divgi TorqTransfer Systems Limited.

If you think we are just another transmission systems company, you might have missed the picture.

We are a company driven by the dream of pushing the technology frontier.

We are a company fired by the ambition to make Indian proud.

We are a company motivated by the possibility of being an inspiration to all those wondering whether they should or shouldn't.

Our story is not just about realities; it is about possibilities.

Our story then is not just about what is; it is about what can be.

Vision

To be recognized 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

The Divgi Group was created by Mr. Ramrao Divgi and Mr. Bhaskar Divgi in the early 1960s. DivgiWarner was formed in September 1995 as a joint venture between Divgi Metalwares and BorgWarner. In a significant development, Divgi Metalwares acquired the joint venture in 2016; the name of the company was changed from Divgi MetalWares to Divgi-TTS. In the last few years, 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.

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.

Products

The prominent products developed by Divgi-TTS comprise automotive drivetrain systems and related components for applications in passenger cars, utility vehicles, commercial vehicles and agricultural and farm sector vehicles. Divgi-TTS possesses a diverse product portfolio: 4WD transfer cases, torque couplers and automatic locking hubs, synchronizer systems, electric vehicle transmissions, manual and automatic transmissions and transmission components for four-wheel and all-wheel drive vehicles.

Technology

Divgi-TTS's technology pedigree has been derived from its two-decade engagement with global joint venture partner BorgWarner. 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.

Customers

Divgi-TTS may be located in India but its diversified customer base comprises leading Indian and global OEM manufacturers like BorgWarner locations (USA, China and Korea) and Force Motors

Partnerships

Divgi-TTS entered into strategic alliances with specialized R&D institutions like BITS Pilani and IIT Mumbai. This enriched the company's knowledge pool through the recruitment of qualified engineers (M. Tech and post-graduate degree holders) and with FZG and other specialized agencies in Stuttgart and Aachen specializing in Dual Clutch Transmission technology.

Locations

Divgi-TTS is headquartered in Pune (India) with three manufacturing facilities in the country - two in Pune (Maharashtra) and one in Sirsi (Karnataka).

Footprint

India is a major Divgi-TTS market, which accounted for 53% revenues in 2020-21. The Company's products are also exported to Russia, Korea, China, Thailand and USA. Russia and China accounted for the Company's largest international markets, generating 30% revenues in 2020-21.

Employees

Divgi-TTS' human capital comprises around 225 employees, 20% from the R&D function. The average employee age was 42 as on 31 March 2021.

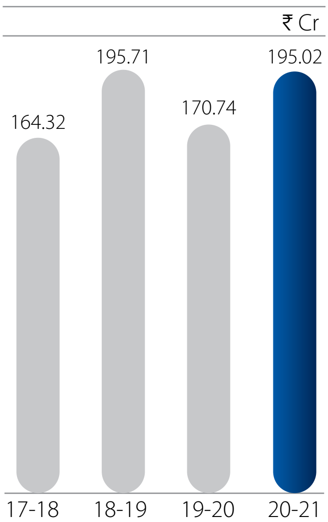
Certifications

Divgi-TTS was 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 Award 2018
- CII HR Best Practices & TOYOTA TKSA QCC for 2019-20
- Toyota Zero PPM award for 2017

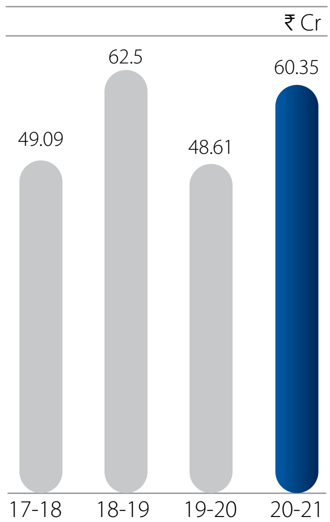
How we have **performed** over the years



Revenues

Performance, 2020-21

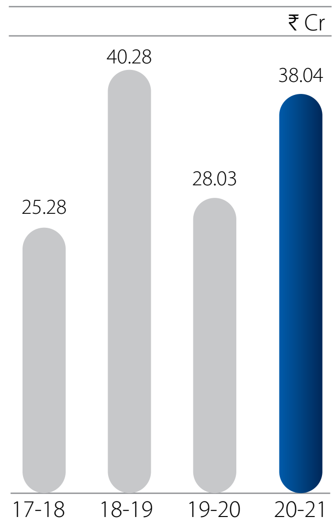
Aggregate sales increased 14.22% to ₹195.02 Cr in 2020-21, largely owing to a recovery from the second half of the year under review and enhanced exports.



EBITDA

Performance, 2020-21

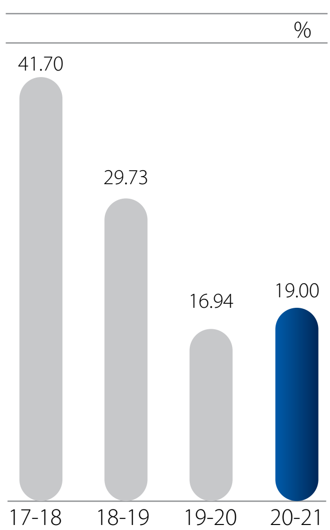
The Company's EBITDA increased 24.15% on account of superior cost management, increased offtake and a superior product mix.



Net profit

Performance, 2020-21

The Company's PAT increased 35.71% over the previous year on account of superior amortising arising out of enhanced offtake and stronger operating efficiencies.



ROCE

Performance, 2020-21

The ROCE of the Company increased 2.06 bps over the previous year, largely owing to enhanced offtake, less than disproportionate increase in employed capital and better capital sweating.

Debt-equity ratio

Performance, 2020-21

The Company's debt-equity ratio continued to remain at zero across over three years.


'Ah, but a man's reach should exceed his grasp… or what's a heaven for?'
Robert Browning

'Impossible!'

This is the first – and often, only – pronouncement we heard across the years after we had indicated what we at Divgi-TTS wanted to be.

Our inspiration...

What we are today is the result of various conclusions that were made after we had presented our strategic blueprint.

"You are wasting your time."

"It has never been done before by a company of your size."

"Indians are good at replicating; they are not good at innovating."

"Where will you get the deep pockets for such a multi-year investment?"

"This is the exclusive preserve of OEM giants and large global Tier one companies, not small Indian companies like Divgi-TTS."

"We don't have a culture of doing this kind of work in India."

"How will you navigate an intellectual property minefield?'

When they pronounced the word **‘Impossible!’** this is what we heard…

“We possess one of the lowest cost structures in the world.”

“If we succeed, it will be a historic breakthrough for India’s automotive sector.”

“It is surprising that this has not been attempted before; it is an idea whose time has come.”

“We possess rich engineering and entrepreneurial talent. How can we not succeed?”

“If we fail, we will have learned various ways of not doing this.”

When we separated from BorgWarner in 2016, a number of industry observers felt that our game was over.

They felt that with our technology pipeline having snapped, we would stagnate and die.

They felt that no large automobile brand would take us seriously.

They felt that we would be reduced to a company of nominal academic interest.

We didn’t just fight for survival; we played to **win.**

We extended from standalone products and components made to print to complete solutions

We widened our perspective from a narrow field to diverse products and applications

We extended from an India presence to diverse global customers and geographies

We focused on open source innovation-driven global collaborative technology engagements

We focused on innovative manufacturing and integration processes

We are now being spoken of differently in the global automotive transmissions space. As a respected ‘gamechanger’.

We deliver world-class products and solutions

We possess one of the lowest global costs (product development and manufacture)

We deliver products within the shortest product development tenures in the world

We are adequately capitalized for sustainable growth

We possess an under-borrowed Balance Sheet

Divgi-TTS. Now **recognized** among a new breed of nimble cutting-edge global drivetrain players

Perceived as disruptive	Among the smallest in a rarified technology space	Attracting attention for effective frugal engineering	Referred to as a case study

What Divgi-TTS has **achieved** in the last five years is not routine

It represents a watershed in India's automotive transmission segment

1

For decades, India imported advanced automotive 4WD systems and solutions

Divgi-TTS is now exporting these products to developed markets (with a virtual monopoly in India)

2

For decades, the automatic transmission costs inside Indian vehicles were high on account of imports

Divgi-TTS is delivering a world-class solution at one of the lowest global costs, helping moderate vehicle costs and widening ownership

3

For decades, Indian automobile engineering was dismissed as a wage arbitrage play

Divgi-TTS is delivering a holistic solution (technology, manufacturing, supply chain and price-value proposition)

4

For decades, global independent automotive transmission solution providers needed large volumes to achieve attractive profitability

Divgi-TTS has demonstrated that it is possible to generate attractive cash flows and margins at relatively low volumes and shorter product life cycles.

5

For decades, transmission system design was controlled by large OEMs or global specialists while manufacturing would be addressed by Indian 'replicators'

Divgi-TTS reconciled transmission system design and manufacture (both), carving out a seat at the exclusive high table of product design

6

For decades, transmission system design was about single point proprietary knowledge and captive manufacture

Divgi-TTS blended globally dispersed complex transmission system knowledge (using insourced components manufacture) - a complete technology combination and aggregation expertise

Part **two**

Perspectives

'We can **do** it.'

The four words that encapsulated the body language of Divgi-TTS where it faced a technology-complex space in an independent personality

Overview

To understand what Divgi-TTS has truly achieved, it would be important to retrace to the time when it stepped out of a long-standing technology partnership with BorgWarner.

The transmission space was complex; there was no existing playbook of an Indian company that had succeeded in this technologically-forbidding space, the company's small Balance Sheet needed to mobilise patient capital and the company needed to aggregate a focused team in the pursuit of a medium-term objective.

The standard response in this challenging environment was to proceed patiently, proceed to the extent the Balance Sheet permitted and draw out a decadal vision of how an Indian company could make a modest presence in the global transmission system sector.

At Divgi-TTS, we politely disregarded well-meaning caution.

Our four-word resolution was encapsulated in the following words: 'We can do it.'

The nudge

The challenges were considerable.

The transition from being a back-end vendor in an emerging economy to a front-end partner seeking a seat at the strategic table of some of the largest OEMs from developed nations had possibly never been attempted.

There was the evident possibility of the company bleeding itself for a number of years while being engaged in scale-up, affecting its capacity to invest in a new project while funding its existing business.

There was a prospect of the largest companies in the world dropping their prices to squeeze a fledgling Divgi-TTS out of business even before it could find its feet.

The reality was that if Divgi-TTS played the conventional game, it would be a non-starter from day one.

The company had nothing to lose; it set out to do something that has possibly ever been attempted in the rarefied transmission technology space in this part of the world. It set out to match and then improve on the standards of some of the best transmission system players the world over in less than half a decade.

Punching above our weight

A fitting analogy of what this means in everyday lives is someone fighting for years in the featherweight category and then one morning asked to go out and outbox the heavyweight champion of the world.

This is what made the roadmap challenging: for years, Indian companies like Divgi-TTS had been given designs of components that they were required to fabricate.

The game now was considerably different: Divgi-TTS was required to design those components; it was required to assemble those components into an overarching integrated system; it was required to benchmark this system with the best in the world at around the lowest costs.

There was no one goalpost; Divgi-TTS was required to play with a number of footballs at the same time, engaged in a number of concurrent matches and address different goalposts – with the same number of players.

And all this at a time when the quality standards were evolving and increasing.

Anyone who could have analysed this scenario in 2016, when Divgi-TTS selected to disengage from a long-standing partnership with BorgWarner, would have encapsulated the scenario in one word: 'Blunder.'

Global case study

At Divgi-TTS, there was something that the promoters knew that the rest of the sector did not.

For more than two decades, the company had served as more than an apprentice to the famed BorgWarner. The company had not merely done what it had been told; it had exceeded its brief.

It had absorbed technologies, so it could replicate all that had been observed; it could decode global trends to stay ahead in the game; it understood transmission systems every single component onwards; it understand what component needed to be tweaked to customise the overall solution for different customers; it possessed the capacity to locate eco-system partners who specialized in specific components and could deliver more for less; it acquired the flavour of engaging with considerably larger global partners without being displaced off its balance; it had matured a unique convergence of competence, cost structure and global eco-system development capability.

These learnings and competencies, drawn from more than two decades were now being summoned and fused into play.

The outcome

The result of these multi-decade engineering competencies, some drawn from the company's specialized capabilities and others selectively drawn from the country's resident advantages, was that the company came to a definitive conclusion.

It would engage eye-to-eye in the heavyweight category and not blink.

If you ask, it is not what transpired thereafter that is important; it is that silent and nervous moment when something from inside us, said 'You can do it.'

That was the inflection point of Divgi-TTS existence. After that, nothing would be the same again.

How Divgi-TTS pulled off the 'Impossible'

Divgi-TTS extended beyond a fabrication competence to reinvent its personality

Overview

There are two parts to the Divgi-TTS success story.

The one part of the success story is the capacity of the company to comprehend the complexity of a transmission system and get it replicated through a proprietary eco-system – the company's shopfloors across three manufacturing facilities and through a complement of more than 132 vendors.

The stability of this eco-system empowered the company to produce with scale, speed and sophistication.

The compelling value of this proposition is that the company now addresses the needs of some of the most demanding Indian automobile giants as well as demanding companies the world over, including one that is considered iconic when it comes to the emerging space of electric vehicles.

These companies have not engaged with Divgi-TTS just once; they have selected to order and re-order, a validation of quality sustainability.

Beyond fabrication

There is a second aspect to the company's competence that extends beyond fabrication.

During the last few years, the company has extended into the forbidding space of transmission system design.

The company is no longer only taking design instructions from its large international customers; it is proposing the best transmission system design that can be customized around the customer audience, terrain nature, cost proposition and competitive factors.

As a result, the company has graduated from the 'We did as we were told' engagement to a point where it is increasingly suggesting 'We believe that this design will be in your best interest'.

What is empowering Divgi-TTS to provide the most effective solution is that it is at liberty of making within and buying without; what it is best at it would rather manufacture within the company and what is not its core competence it would rather buy from the best providers in the world. During the four years following the exit from the BorgWarner relationship, Divgi-TTS entered into technology arrangements with a number of partners. The result is that it is more than a specialized fabricator; it is a design specialist; it is a specialized aggregator of designs, products and capabilities; it is an Indian company sitting in the first global row of its business with a real-time understanding of how it can mix, match and produce the best at the lowest cost.

How we transformed with speed

Focused on the complex from the outset

Leveraged a multi-decade relationship with BorgWarner

Extended from one space to adjacent spaces

The outcomes

The company has graduated from a multi-decade understanding of transmission technologies and product manufacture to a position where it can attempt to develop the complex transmission system itself (coupled with the insourced manufacture of components).

Divgi-TTS is spoken of less as a 'technology-dependant replicator' and more as an 'IP-driven solution provider'.

The company has graduated to a position with enhanced pricing power.

The company has widened margins and domain presence.

The model makes the business resilient to changes in the arbitrage window of global labour costs.

The company is integral to the long-term strategic plans of its customers, strengthening its brand.

The company has graduated from anonymous vendorship to a seat at the strategic high table the world over.

The company has graduated from feeding the markets of today; it is seeding the markets of tomorrow.

From a long-term perspective, the company is at the right place at the right time: rather than be a mid-sized fabricator with a declining influence, it is convinced that it has got its fundamentals right in being a relatively small company that is engaged in design cum fabrication.

This is holding out prospects of sustainable growth from years on end. More than that, it is holding out prospects of Divgi-TTS emerging as a full-fledged transmission company with the highest global standards at one of the lowest development costs in one of the shortest development tenures.

Conclusion

At Divgi-TTS, we see our role evolve into that of an ensemble aggregator. We bring into play the right complement of technology providers. This makes it possible to permute and combine with flexibility.

The result is a capacity to manufacture where the cost is lowest and market products where the returns are highest.

Controlled knowledge across the entire value-chain

Invested ₹35.23 Cr in research in 5 years ending 31 March 2021

Invested 4.07% of the company's aggregate revenues during this period

The one word that is transforming our world faster than ever: ‘Now!’

A culture of impatience is making Divgi-TTS more relevant than ever

The big question

The one question that we keep getting asked is ‘What has happened in the last couple of years that could represent a ground-shift in your business?’

The pandemic and how we expect it to transform the world could well be one of the most decisive things to happen to our sector in general and our prospects in particular.

One of the principal things to have been affected following the outbreak of the pandemic has been a disruption in global supply chains. A restriction in the movement of products from abroad into India was delayed. Why this affected the Indian automotive sector was that most players worked with just-in-time inventories. When the Indian market opened and customers began to seek personal mobility as a way of staying safe, Indian manufacturers faced the risk of stock-outs – the risk of having a customer turn up to buy with no models available to make that happen.

When this reality emerged for the first time in 2020, one could have assumed that making a significant change in the business model would not be necessary as the prospects of another lockdown being announced appeared remote. However, towards the later part of the financial year under review, a second pandemic wave emerged followed by yet another lockdown. This time round, the writing was clearer on the wall: companies dependent on imports would need to indigenise a larger proportion of their vehicles – in return for proximate supplies, for anytime access and a lower logistical distance (read lower carbon footprint).

This increasing preference for proximate supply chains is bringing a specialized player like Divgi-TTS into the limelight. There is a greater recognition among automobile giants that the inability to access material from an international geography on account of logistical disruption could have a larger impact than just the absence of a product: it could affect assembly-line efficiency; it could increase inventory holding; it could postpone sales; it could affect

the brand and it could moderate competitiveness.

The tailwind for proximate supply chains is also being derived from the government's priority. Atmanirbharta (self-reliance) is not just a government policy or direction; it is the need of the hour in exchange for supply stability, self-reliance, national industralisation, automobile indigenisation and a platform for India to sell more vehicles abroad around a competitive cost structure.

What makes this Atmanirbhar Bharat model compelling is the decision of the country to support the automobile sector with Production Linked Incentives (PLI), which will empower and enrich component manufacturers broad base their sectoral pyramid, infuse knowledge, catalyse start-ups and energise the sector.

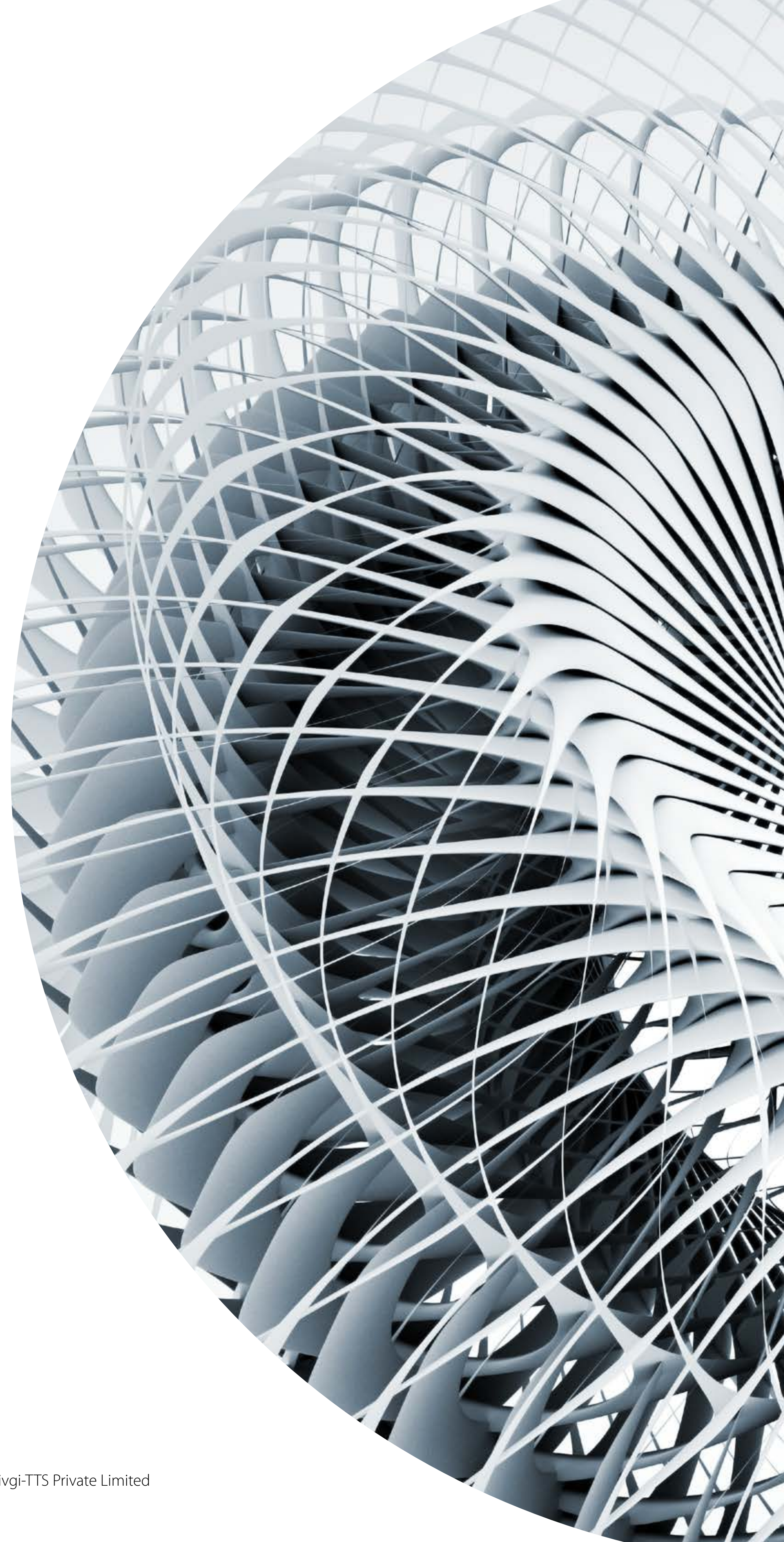
At the heart of our Atmanirbhar Bharat initiative lies a competence in appraising and selecting the right technology provider (differentiated from an umbrella technology collaboration model where one is tied to one partner across all segments and products). The reality is that Divgi-TTS has created an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

Confident Indian

The Divgi-TTS of today is a forward-looking global citizen; the company has leveraged its locational advantages (Pune and India) to not only manufacture for India; it generated 47% of its revenues of 2020-21 from outside the country.

Exports have grown at a 24.58% CAGR in the five years ending 2020-21 compared to the company's revenue growth during this period of 14.22%. The company exported to five countries; no country accounted for more than 15% of exports.

The result is a team that may be Indian by origin but global by mindset.



Part **three**

Review and outlook

Chairman's message

When the pandemic tested us, we emerged stronger and grew our company

Overview

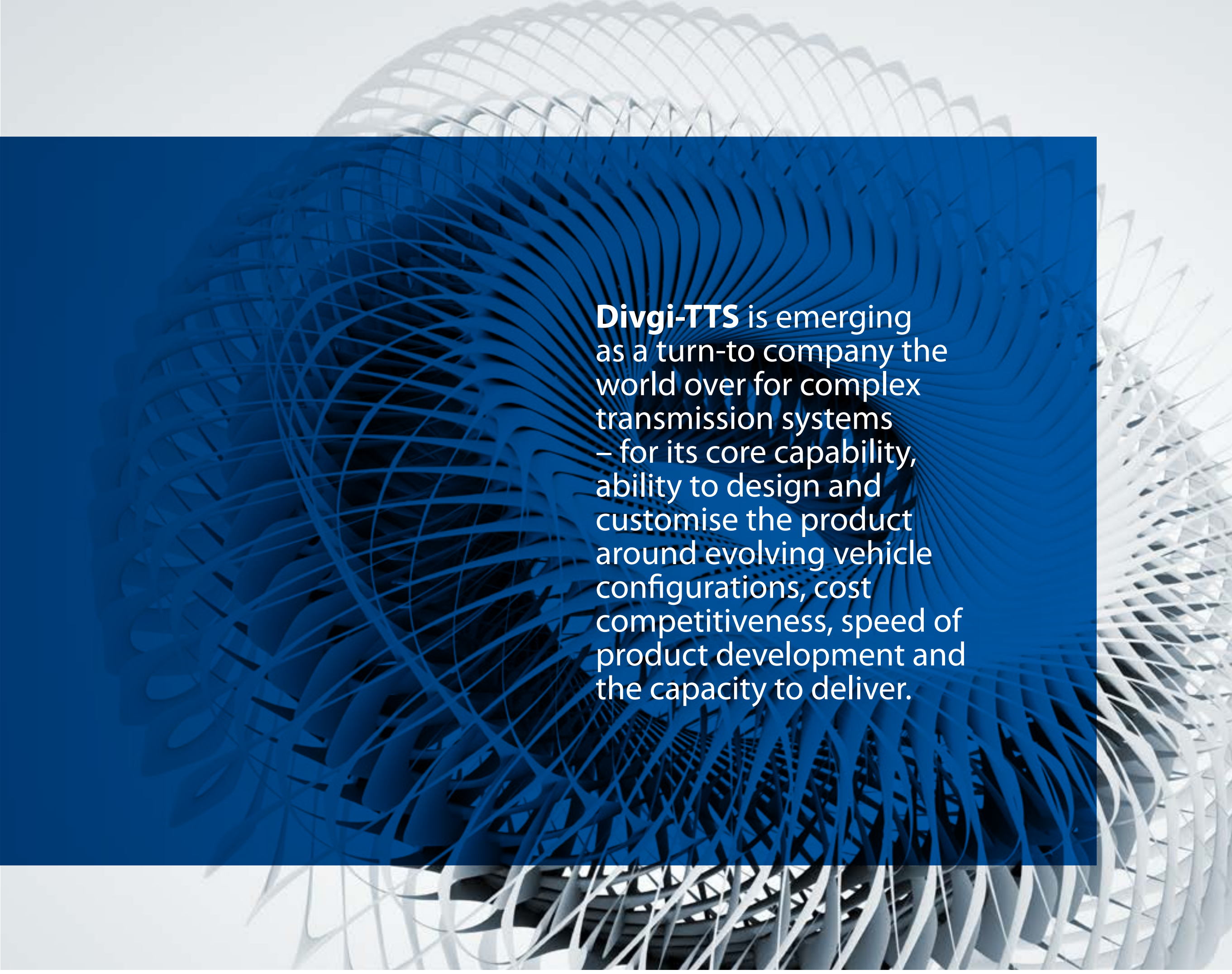
If there is one business reality that has become increasingly critical to corporate survival and success, it is the need for contingency preparedness.

There is a growing recognition that this is not the last of the Black Swans; digitalisation, climate change and other geo-political realities (the US pull-out from Afghanistan and the collapse of the existing regime in that country) have highlighted that a number of changes are not just unforeseen but also swift, sharp and sweeping.

The results of these changes is that the exercise of annual sales plans and medium-term business outlooks have become suspect. Revenue visibility is circumspect; medium-term business sustainability is being questioned.

A central need to have emerged from this reality is that of any-market competitiveness. Companies are being restructured with the objective to enhance their viability across market cycles. More companies are being appraised by their capacity to be liquid and profitable during the extreme downtrend of an economic cycle.

This is where a company like Divgi-TTS comes in. The ongoing pandemic has put a premium on companies to reduce their cost structure. However, this is not as simple as it appears: at a time of sales decline when basic economies have been disrupted, the conventional approach of seeking am lower cost per



Divgi-TTS is emerging as a turn-to company the world over for complex transmission systems – for its core capability, ability to design and customise the product around evolving vehicle configurations, cost competitiveness, speed of product development and the capacity to deliver.

unit has been threatened. It is no longer possible for a buyer to invoke the volume-based proposition to seek a reduction in costs. Besides, in technologically complex businesses where one cannot switch vendors overnight – and definitely not on the basis of only a cost differential – it becomes increasingly challenging for such businesses to remain competitive when customers are deferring purchases.

It is within this perspective that a company like Divgi-TTS has become increasingly relevant to its customers (existing and prospective) the world over. The company has successfully demonstrated something unusual and disruptive within the transmission systems industry the world over – the capacity to break even at low offtake, stay liquid through the slowdown, enter new markets and help customers become successful (through relevant and timely productization).

The result is that Divgi-TTS is not just a systems provider; by the virtue of having empowered a prominent Indian automobile major become successful with a new launch, the company has underlined its competence in emerging as a success driver.

The result is that Divgi-TTS is emerging as a turn-to company the world over for complex transmission systems – for its core capability, ability to design and customise the product around evolving vehicle configurations, cost competitiveness, speed of product development and the capacity to deliver. The result is that customers are turning to Divgi-TTS not just for product development; they are turning to our company for a comprehensive solution.

The principal message that I wish to send out to our shareholders is that while the pandemic initially tested us, we emerged stronger. We enhanced our revenues 14.22% and profit after tax 35.71% during the year under review; we consider that this achievement of profitable growth – in a year when revenues of most automobile companies declined – to be one of our most memorable.

We believe that by demonstrating the capacity to grow our business in this challenging phase, we are placed to grow even more decisively when the global economy revives, enhancing value in the hands of those associated with our company.

Praveen Kadle
Chairman

Analysis

The big story is not where we have come from. It is about where we are headed

Overview

At Divgi-TTS, we stand at an exciting moment in our existence.

The coming decade promises to be one of the most dramatic for personal mobility.

Vehicles are transforming from the conventional internal combustion engine to the electric and autonomous. Innovating companies are investing in autonomous commercial vehicles that can run from one city to another and in flying vehicles that could transform commuting, transportation and the way we live.

The internalization of cars makes it possible for a driver to connect with online platforms; through IoT-enabled technologies, vehicles will be able to access real-time data and present a comprehensive analysis for its users. The use of Artificial Intelligence and Machine Learning in the automobile sector will allow players to automate functions of vehicles, empowering users to check their engine status, monitor temperature and turn vehicles into a connected alarm mechanism. Besides, automotive transmissions have evolved, enhancing fuel efficiency, smoother upshifting and downshifting, better drivability in cities and highways and superior control.

What makes these developments compelling is the projected impact that these are likely to have on society. The coming together of quantum computing and robotics could moderate the cost of mobility; the introduction of electric vehicles could reduce the cost of personal mobility to less than ₹1.5 per Km; freight rates could decline to an all-time low.

How transmission systems have evolved

Manual transmission → Automated manual (automatic) → Auto transmission → Stepped automatic

Continuous variable transmission (automatic) → Dual clutch transmission (automatic) → Intelligent manual transmission (manual)

The combination of these realities could provide a significant upside to the global economy, environment responsibility and business sustainability. Even as these realities are unfolding, unprecedented opportunities could emerge.

What excites me is the vastness of this unprecedented opportunity. Even if electric vehicles account for no more than 20% of the overall automobile population the world over, that itself could translate into an annual market of 20 mn pure electric vehicles a year.

At Divgi-TTS, we see ourselves as a technology-driven company that is attractively placed to capitalise. We are perpetually restructuring, each time enhancing our speed of response and competitiveness. We are continuously investing in research, staying ahead of the technology curve, graduating towards comprehensive transmission solutions that utilise a large proportion of insourced material, widening the product portfolio to address transmission system requirements of any vehicle kind, entering multi-year product development agreements with OEMs and generating a sizable proportion of business from customers of five years or more.

What is driving Divgi-TTS is its research alliance with FEV, one of the most respected global technology consultants. This research pipeline could generate attractive upsides when complemented with our frugal but quality engineering capability. Divgi-TTS could graduate its manufacturing locations from within India to some of the largest markets in the world. The company will deepen its presence across four product-driven business verticals. It will continue to work in cutting-edge transmission technology spaces and niches, accelerating beyond replication to innovation.

In doing so, we expect to indigenise the conceptualisation and delivery of world-class automatic transmission systems for the first time in the country's existence. We believe that this indigenisation will moderate our costs, strengthen our eco-system, empower us to service the growing demand for transmission systems within India, help Indian manufacturers export vehicles and, in doing all of these, enhance national prosperity.

We may be a drop in the national ocean of possibilities today, but we are optimistic that we possess the fundamentals to emerge as a bigger and more valuable drop across the foreseeable future.

Jitendra Divgi
Managing Director

The big picture of how we **transformed**

What Divgi-TTS could have been

- Outpost of an MNC
- Complete technology dependence
- Development of me-too components and sub-components
- Presence in the mid-to-low technology sophistication index
- Option of slow and staggered technology independence
- India-focused company
- Worked in safe and unchallenging spaces
- Specialized in the ICE space
- One of many automotive transmission component companies

What Divgi-TTS became

- Standalone innovation-driven personality in its own right
- Largely free from technology-dependence on any one company
- Development of complex products marked by under-crowded presence
- Presence in the mid-to-high sophistication index
- Accelerated absorption of cutting-edge technologies
- Generated half its revenues from global markets
- Extended to the advanced hybrid transmission system space
- Extended to electric vehicle transmission systems
- Among the world's most exciting automotive transmission players

Bottom-line
Divgi-TTS transformed during five of the most challenging years in India's automotive sector in living memory

Why Divgi-TTS is at the right place and the right time

Overview

What is exciting automobile sector analysts is that the market for technology-rich components and systems is likely to selectively widen following disruptive changes projected across the foreseeable future.

What is even more exciting for most analysts is that it is getting increasingly challenging putting a figure to the quantum of projected change on account of the diversity of variables - regulations, cost pressures, consumer needs, policy support, alternative cost movements, national tariff policies, millennial response – on the one hand and the quantum of disruptive change on the other. The bottomline is that the automobile components market is at the cusp of its biggest transition in a century.

The global 4WD/AWD segment is also experiencing extensive changes. There are less than a dozen global drivetrain players in the 4WD and AWD markets. There is a sectoral cost push that is becoming increasingly evident as governments insist on higher safety standards translating into higher costs. Concurrently, a new trend is emerging: budgets declining for new patent technology research, some transmission players shutting operations and market gaps getting wider.

At Divgi-TTS, we perceive in this sectoral blur an emerging global opportunity. The company is strategically positioned to capitalise: the company is located in one of the fastest growing automobile markets of the world, marked by an extensive under-penetration in vehicle ownership on the one hand and increased incomes making it possible for more personal vehicles to be purchased on the other. Besides, India is not manufacturing vehicles only for domestic consumption; the country has emerged as a prominent exporter across the last decade, its quality and price value proposition benchmarked around global appetites.

In this encouraging environment, Divgi-TTS has established its capability in extending from application engineering to a prototype in less than 14 weeks, which has enhanced the company's respect worldwide for a rapid turnaround. In turn, this competence has made it possible for the company's customers to respond to marketplace opportunities with speed, strengthening their chances of success. In view of this, Divgi-TTS has established a reputation as a go-to partner among nimble and market-responsible automobile brands the world over.

Divgi-TTS is taking its global ambition ahead through the export of 4WD transfer cases and FWD-based AWD systems. What makes the Divgi-TTS story compelling is that the company is developing valuable intellectual property that is being increasingly manifested in enhanced subsystems (mechatronics, high speed disconnect systems, synchronizer) can be taken global. The company intends to extend this competence to its logical conclusion: it is focused on emerging in the top ten of its technology-intensive niche the world over.

Divgi-TTS has deepened its respect as a specialist

Overview

One of the biggest opportunities for automobile transmission companies is drawn from a fundamental human characteristic: fatigue.

There is a growing recognition that with an increase in the vehicle population on Indian roads and the inability of infrastructure builders to widen road coverage, the result is a decline in vehicular speed. An increasing number of Indian roads are reporting slower traffic movement; this is making it necessary to shift gears more frequently, enhancing driver fatigue. In view of this, there is a growing consensus that owners will seek to shift to automatic transmission systems to enhance driving convenience.

The result is that automobile brands expect the automatic transmission proportion of their vehicles to increase sustainably across the coming years. OEMs expect 15-20% of their sales from vehicles fitted with automatic transmission systems; interestingly, 46-50% of the demand is generated from automatic transmissions in new model launches. Given its consumer traction, the writing is on the wall: automobile companies will need to increase the production of vehicles fitted with automatic transmission systems.

Herein lies a catch: until now, automatic transmission systems could not be fabricated and produced within India, making their imports necessary. However, these imports usually came at a high tariff and landed cost, increasing the overall pricing of the vehicle. This reality has made it imperative for India to develop the capability to design and fabricate its own automatic transmission systems – for proximate access, just-in-time product availability and lower costs. The development of this capability will not just benefit system developers like Divgi-TTS; they will also empower OEMs to buy a world-class product at a lower price, strengthening their overall viability.

In the past, OEMs narrowed their assembly focus on engines. The result is that most extensively under-invested in the development and fabrication of automatic transmission systems. Besides, with technology shifts being continuous, OEMs are recognising that this niche would be best addressed by leaving it to a specialist as the development of such a capability warrants a sizable investment that would be under-utilized for an extensive initial period before the sub-business acquired critical mass and corresponding economies of scale. This realisation is widening the berth for a specialist like Divgi-TTS; companies would rather outsource a transmission system - especially automatic transmission – than reinvent any wheel through direct manufacture.

Divi-TTS is leading India into tomorrow through the design, development, fabrication and mass production of automatic transmission systems. The capacity to manufacture large volumes around one of the most compelling price-value propositions in the world will empower Indian vehicle manufacturers to enhance the India-produced proportion of their vehicles, customize its systems around the specific needs (terrain, pricing, vehicle configuration) of customers and widen the eco-system required to produce this product in a sustainable way.

More importantly, Divgi-TTS is providing OEMs with the prospect of a long-term automatic transmission partner collaborating with the objective to take mutual businesses ahead.

Divgi-TTS. Increasingly integral to the customer's success

Overview

There used to be a time when the transmission system would be usual, routine and predictable – it performed what it anyway did in most other vehicles.

There has been a change since. As consumers have become increasingly selective about why they wish to buy a specific model – as opposed to the days when models were bought when no choice was available – what was once seen as a monolithic passenger car market (for instance) has now become a segmented passenger car market.

Vehicles are bought for a variety of reasons:

"I like the pick-up in this model that can make it possible to rev to 60 kmph in six seconds"

"I like the model I selected because the shift from one gear to another is so smooth that it feels like knife through warm butter"

"I prefer automatic transmission vehicles, period; the model can be any"

"I like to buy a vehicle that is able to take the pressure of winding up a mountain road without panting"

"I prefer to buy a vehicle with smooth changes between gears in downtown traffic"

"I like a vehicle that makes absolutely no sound even at 100 kmph."

What these diverse responses indicate is that the transmission system is not just central to the success of an OEM's model; it is also central to the consumer's mindset.

The result is that transmission technologies are evolving faster than ever. Transmission technologies are deepening. Transmission technologies are making a bigger difference between success and failure. Transmission technologies are influencing consumer decisions more actively than ever.

This structural shift is warranting a closer engagement between products and technologies. This is best captured in the line that is often used in the design room of transmission system companies: 'Design something that talks and interacts with the driver.'

At Divgi-TTS, we deliver a compelling value proposition for the OEM customer. We offer our institutional customers with a complement of product diversity, multi-terrain products relevance and innovative processes. The result is that customers who have worked with us through various market cycles recognise the value that we bring to their end product. We provide a product and service integral to their business growth.

This stickiness has had an upside: Divgi-TTS has been profitable through the most challenging crisis affecting the automobile industry in 2008 and 2020.

Divgi-TTS' 4X4 transfer case and Mahindra Thar

Vehicle-defining solution

Common thread across models

Links petrol / diesel engine variants

Links manual / automatic transmission variants

Divgi-TTS and M&M / Tata Motors

Enhances the shift quality smoothness of gearboxes

In line with Japanese, Korean and European standards

Integral to Scorpio, XUV500 and Tata Safari successes

Electronic Shift on the Fly (ESOF) 4x4 transfer case is India's first true SUV (Safari by Tata Motors)

Divgi-TTS and Indian Army

Our 4x4 transfer cases tested by the Indian Army

Enhanced true off-road mobility

Dependable support across challenging terrains

Dependable all-weather and no-excuses performance

Divgi-TTS' 7-speed DCT automatic transmissions

Set the standard of driving exhilaration

Facilitate acceleration, shift smoothness and durability

Provide attractive fuel-efficiency

Addressed Indian price point expectations

Divgi-TTS and front wheel drive-based AWD system (NexTrac)

Enhances driving experience (improved traction control)

Superior vehicle handling and safety in low friction conditions

Proven efficacy on slippery roads (sand, rain, mud or ice)

Positioned in the latest XUV500 model with proprietary software

Similar to Audi's Quattro technology ('Vorsprung durch technik' positioning)

Part **four**

The space sector and future

The size of the addressable market is vast

23.5 $ bn

Size of the global dual-clutch automatic transmission (AT) segment, 2026

... the AT penetration in India is low

6%

Penetration of AT in the Indian mass market, 2020

~40%

Penetration of AT / DCT in the Indian mass market, 2025

... AT penetration is rising due to a declining cost differential

Then	Now
₹ 100,000 -120,000	**₹ 70,000 -90,000**
Price difference by which the automotive transmission system was more expensive than manual transmission, 2014	Price difference by which the automotive transmission system is more expensive than manual transmission, 2021

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

The automotive transmission space has emerged as one of the most exciting on account of an unprecedented convergence of technologies

Autonomous vehicles

Autonomous vehicles or self-driving vehicles aim to minimize the need for human drivers. Expected to expand the scope of last-mile deliveries, reduce downtime and accelerate public transportation.

Connectivity

Vehicles come with a tamper-proof digital identity that differentiates them from other vehicles in the network. This makes it easy to track vehicular data for various use cases (insurance, driver safety, predictive maintenance and fleet management), strengthening the mobility ecosystem

Artificial intelligence

Artificial intelligence technologies (machine learning, deep learning and computer vision) find applications in robotic automation within the automotive industry. AI finds application in automotive manufacturing (accelerates production and reduces costs).

Shared mobility

Mobility-as-a-service (MaaS) optimizes vehicle availability, reducing waiting time for fleets and related pollution.

Electrification

Depleting fossil fuel reserves and the harm to the environment caused by their use calls for promoting the use of electric vehicles (EVs).

Big data and data analytics

Advanced data analytics informs decisions through the lifecycle of a vehicle (fleet health, predictive maintenance needs and accident alerts) and applications (enhancing product design)

Human machine interface

Human-machine interfaces (HMI) use voice-based or haptic feedback to operate vehicles, which makes the driving experience safer and enjoyable.

Block chain

Blockchain finds application in sharing vehicle data over a secure network for connectivity, shared mobility solutions and making sure that raw materials and spare parts are sourced exclusively from legal and trusted sources.

Additive manufacturing

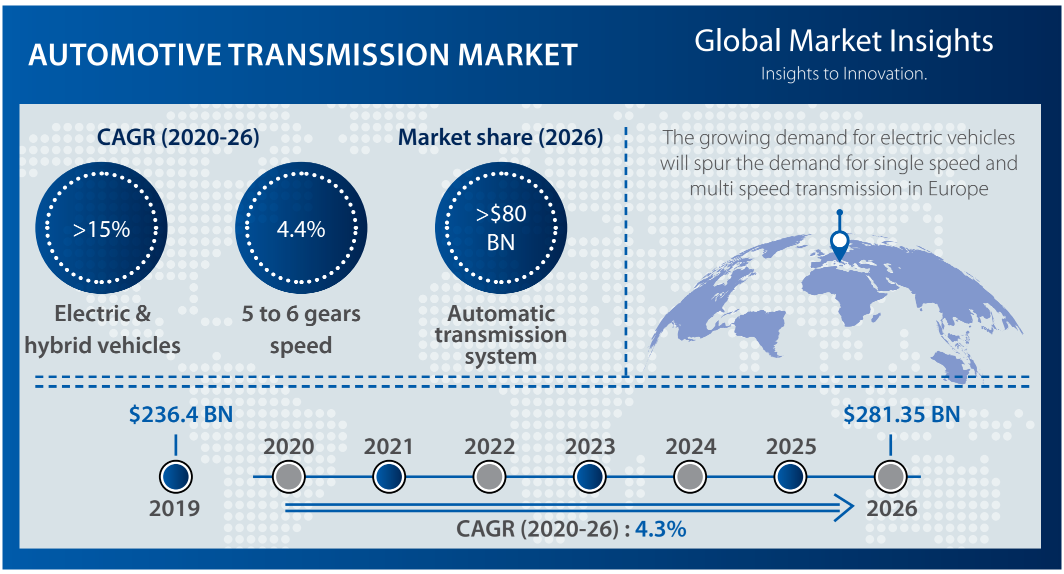
3D printing helps the automotive industry prototype using 3D printed models that accelerate product design and testing; it allows manufacturers to print spare parts to match requirements; it helps make automotive parts lighter, stronger and durable.

Internet of Things

IoT enables secure communication between vehicles as well as vehicles and infrastructure components, translating into road safety, traffic decongestion, lower pollution and moderated energy expenditure.

Wide range of emerging technologies	Accelerated digitalisation a long-term platform
Technology helping widen markets	Technology increasing operational efficiency

The global automotive transmission segment is at an inflection point



Market segmentation

The automatic transmission system is likely to generate more than US$ 80 bn revenue by 2026, which could be 30% of the overall automotive transmission market size by then. The growth of this segment is likely to be catalysed by functional convenience and comfort for drivers compared to the conventional manual transmission system. North America and Europe are likely to generate much of the demand for automatic transmission whereas Asian and Latin American countries are expected to account for a larger proportion of manual transmission system demand on account of its lower costs. The automotive transmission market size for electric & hybrid vehicles was over USD 4 bn in 2019 and is projected to grow 15% through 2026.

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.

Automatic transmissions were first used in India when Hyundai launched the i10 in 2008, followed by Maruti Suzuki's AT-equipped A-Star in 2010. There was a fear that this cutting-edge technology would be more expensive by ₹100,000 to 120,000 over the manual transmission system, deliver 10-20% lower fuel efficiency and entail high maintenance costs.

This perception transformed following the introduction of the automatic manual transmission (or auto gear shift technology) launched by Maruti Suzuki in 2014 (model Celerio). The technology comprized a manual gearbox that featured an electronic or hydraulic actuator that monitored driving behaviour and shifted gears. The AMT delivered an advantage: the price difference between manual transmission and automatic manual equivalent had by now narrowed to around ₹50,000-60,000 around the same fuel-efficiency.

The penetration of AT in the Indian mass market of around 6% is indicated to rise to 35-40% in a few years, largely driven by AMT and dual clutch transmission technologies.

Preference for lighter vehicles

The global automotive lightweight materials market is projected to grow 7.2% CAGR between 2019 and 2027, catalysed by the implementation of stringent government regulations to improve vehicle fuel efficiency.

Light weight vehicle sales: Auto and light trucks

Year	mn units
1980	11,192
1985	15,443
1990	13,863
1995	14,728
2000	17,350
2005	16,948
2010	11,555
2015	17,408
2020	14,436

Source: (U.S Bureau of Economic Analysis

Rising number of gears

The 5 to 6 gear speed transmission segment accounted for over 30% share in 2019 and is forecast to register 4.4% CAGR between 2020 and 2026. Many cars in Europe and North America, which previously had less than five gears, now have five to six gears. Manufacturers are opting for more speed transmissions/ gears owing to fuel economy and performance, a priority for automobile companies who are under pressure to improve their average fuel economy consumption, moderate greenhouse gas emissions and deliver better performance.

Aftermarket gaining traction

The automotive transmission market was traditionally dominated by OEMs as vehicle owners rarely replaced the transmission system. There is an increasing evidence of buyers selecting to use old vehicles instead of new due to financial constraints and emotional attachments. The result is that the after-market share of automotive transmission crossed US$ 4 bn in 2019 and is poised to report 3.5% growth up to 2026.

Innovation driving the European automotive industry

European automotive companies invest around US$ 60 bn annually on R&D (Source: European Automobile Manufacturers Association), the highest across the globe, and accounting for the highest number of patents for self-driving cars (33% of applications). Going ahead, a growing demand for electric vehicles could catalyse demand for single-speed and multi-speed transmission systems in Europe. (gminsights.com)

Increase in road network

India is passing through an unprecedented growth in its road network. The majority of this growth is coming from state and central highways. A preference for higher driving speed on these networks is encouraging users to gravitate towards vehicles invested with a higher number of gears leading to cruising comfort.

Increased urban road congestion

Mumbai, Bengaluru and New Delhi were among the top 10 cities worldwide in terms of traffic congestion in 2020. According to the 2020 TomTom Traffic Index, Moscow leads the world in terms of traffic congestion with 54%, displacing Bengaluru – which had taken the top spot in 2019 and is now in the sixth place with 51%. Mumbai tied at second place (53%) alongside capital cities of Bogota and Manila. New Delhi is in the eighth position with 47%. The only other Indian city to feature in the index is Pune at 16th place with 42%. (Source: frontline.hindu.com). This urban congestion is inspiring a shift towards automatic transmission systems.

Digital impact

Up to 76% of organizations are investing in emerging digital technologies to stay competitive. In addition, AI will handle 15% of all customer service transactions, according to Gartner, by 2021, an increase of about 400% from 2017. Predictive maintenance, based on the IoT connectivity solution, provides results comprising a prediction of failure and improvements of 30% in maintenance uptime.

Transformation in material technology

The producers in the automotive industry are expressing more and more interest in the industrial applications of light, strong and thus energy efficient and cleaner solutions, such as composites. The percent of plastics by mass in an average vehicle has gone from 6% in 1970 up to 16% in 2010 and is expected to reach 18% in 2020.

Contemporary priorities

The modern-day priorities related to the automotive transmission sector comprises cost, safety, recyclability of products and life cycle considerations. Within the transmission space, there is a movement towards weight reduction in the automotive industry through the design and replacement of materials of high specific weight with lower density materials without reducing rigidity and durability and optimizing the production process. (Source: Scientific and academic publishing).

Dual clutch transmission system

The dual clutch transmission market size was valued at US$ 37.47 bn in 2018 and could grow at a CAGR of around 4.4% between 2019 and 2026. Dual Clutch Transmission or DCT is a combination of automatic and manual gearbox system. It has no torque converter like a traditional automatic transmission. This technology comprises two separate shafts with their own clutches for gear shifting, one with even-numbered gears and one for odd-numbered gears.

DCTs in general have proved efficient over the conventional automatic transmission. DCTs are deepening their presence in the Indian mass market, especially in sports utility vehicles. The DCT technology is preferred for vehicles above 1.5 l engine vehicles as they are 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.

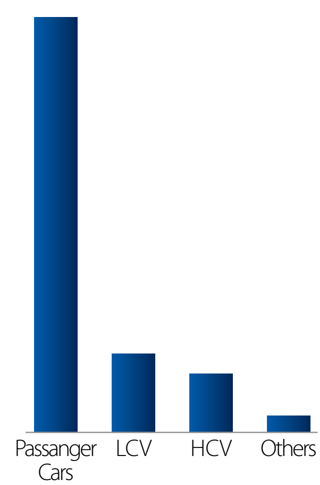
Automotive Mission Plan (AMP)

The Automotive Mission Plan (AMP) 2016-2026 prepared by the Ministry of Heavy Industries, Government of India in collaboration with the industry outlines the collective vision of the government and industry leaders. It projects India to be among the top three global automotive industries, accounting for 12% to India's GDP and create 65 mn additional jobs within this time frame. AMP 2026 envisages that the Indian automotive industry will grow 3.5-4 times in value from its current output of ₹464,000 Cr (circa 2015, which is one year before the end of the Mission Plan period) to about ₹1,616,000-1,888,500 Cr by 2026, based on a base case with average GDP growth of 5.8 % and an optimistic case with an average GDP growth of 7.5 % during the period. (Source: autotechreview.com)

Automotive Transmission Market by Engine, 2019 (US$ mn)

Source: www.gminsights.com

Automotive Transmission Market by vehicle, 2019 (US$ mn)



Source: www.gminsights.com

Big numbers

6%
Penetration of AT in the Indian mass market today

35-40%
Penetration of AT in the Indian mass market in a few years

236.4 $ bn
Size of the global automotive transmission market, 2019

281 $ bn
Size of the global automotive transmission market, 2026

4.3%
CAGR in the size of the global automotive transmission market, 2020 to 2026

Part **five**

The growing influence of ESG

Divgi-TTS and **ESG** commitment

Overview on sustainability

A number of global manufacturers are recognizing the benefits of sustainable practices. Besides, stringent environmental norms regulating agencies are helping reduce resource depletion, water scarcity, pollution and harmful impacts.

The result of these realities is a greater emphasis on sustainable manufacture. This comprises the manufacture of products around economically sound processes that moderate the consumption of energy and natural resources while reducing negative environmental impact, in addition to enhancing employee, community and vendor interests.

Besides, there is a growing emphasis on aligning business existence with United Nations' 10 principles for manufacturing responsibility and environmental sustainability covering Human Rights, Labour interests, Environment responsibility and Anti-Corruption initiatives.

Environment, society and governance (ESG)

Divgi-TTS has prioritized investments in ESG, strengthening holistic growth, business quality, sustainability and respect.

Environment	Society	Governance
Investment in equipment, processes and practices to reduce the Company's carbon footprint.	Investment in enduring relationships with vendors, customers, employees and community-a secure eco-system.	• Strong Board with respected Independent Directors • Three Independent Directors • Effective Board Committee structures • Anti- bribery policy, Quality policy, Sustainability policy • Whistleblower policy/Vigil mechanism • Sexual harassment policy in place

Our Social priority at Divgi-TTS

Overview

At Divgi-TTS, we believe that a complement of soft skills contributes effectively to sustainability. The operative word that makes this a reality is 'relationships' across stakeholders like employees, vendors, customers and community. The stability of these engagements makes it possible to enhance a systemic predictability.

Employees

At Divgi-TTS, our employee engagement has been marked by a culture of safety, caring, fair treatment, skill renewal (training) and attractive remuneration. Over the years, this has reflected in a high employee retention, making it possible to retain knowledge and experience, strengthening the organisational culture. During the year under review, the company implemented various safeguards (social distancing, work from home, workplace sanitization and other safeguards that protected employees from the pandemic). Employee retention was an attractive 96% during the year under review.

The company believes that employee safety and health are fundamental to business success. We provide and maintain safe working conditions, continuous education and training. Our commitment to safety, health and environment have been encapsulated in the following priorities:

• Safety, health and environmental awareness through the development of knowledge and skills in all employees through need-based systematic training and internal communication

• Continually improving safety, health and environmental aspects through holding various programmes.

• Complying with relevant legal statutory provisions

• Utilising personal protective equipment, systems and facilities to provide a safe work atmosphere to employees, contractors and visitors.

• Good housekeeping, resource conservation and pollution

Divgi-TTS' standards of employee health and safety for employees were validated by the OHSAS 18001:2007 certificate. The Company undertook the following initiatives: scrap storage covered compartment; installation of a billet machine for effective metal scrap handling and segregation for recycling; dedicated resource for coordinating EHS activities; skill upgradation through training from professional certification bodies like TUV Nord, Bureau Veritas, DQS and MCCIA.

The outbreak of the pandemic and the consequent lockdown put a premium on the need for safety across manufacturing facilities. The company introduced safeguards with the objective to protect workers and their families. The institution of health-focused standard operating protocols comprised the following: masks for all employees, hand sanitizers provided at all entry gates, measurement of the body temperature of every individual entering the manufacturing facilities, sanitisation of all transport vehicles at the main gate before entering the manufacturing facilities, sanitisation of vehicle stands, toilets and canteens daily, maintenance of social distancing, provision of wash facility at the entrance of manufacturing facilities, maintenance of medical oxygen in stock to address emergencies and display of posters and banners enhancing awareness in different places.

Vendors

At Divgi-TTS, we seek to work with like-minded vendors who share our passion for world-class quality, timely capacity investments and systemic predictability. The result is that we draw on a high quality of resources and equipment on the one hand and a sustained access through demand cycles. The result is that this has not just translated into a correspondingly high quality of end product but also a high material inflow that has helped us sustain high asset utilisation. The robust dependability of this eco-system has made it possible for us to keep to our product delivery schedules, inspiring the customer's response that 'If we have ordered from Divgi-TTS, it will arrive just the way we want it – on time, in full and of the right quality.'

Customers

At Divgi-TTS, success is derived from the ability of the company to retain customers, add new customers and count for a progressively larger share of their wallet. Over the years, the company has serviced the specific customized needs of its downstream transmission system customers. This has made the company integral to the business plans of its customers. The result is that we do not just manufacture the usual but the customized. This empowers our customers to not merely maintain a given quality but to introduce new vehicle features that make it possible for them to strengthen their brand in competitive spaces. The result is that our products have proved business-strengthening, which explains why we generated 85% of our revenues in 2020-21 from customers working with us for five years or more, strengthening our revenue visibility.

Community

The company engaged with the community around its manufacturing locations, widening its circle of prosperity in line with the United Nations' Sustainable Development Goals.

How we enhanced value for our stakeholders

Employee value

Year	2017-18	2018-19	2019-20	2020-21
Salaries and wages (₹ Cr)	16.86	18.22	19.65	21.77
Talent retention %	94%	91%	94%	96%
Productivity per person (₹ lakh)	51.07	44.77	33.60	38.15
Fatalities on job	NIL	NIL	NIL	NIL
Lost hours due to injuries	NIL	NIL	NIL	NIL

Vendor value

Year	2017-18	2018-19	2019-20	2020-21
Procurement (₹ Cr)	58.1	70.8	56.0	68.9

Community

Year	2017-18	2018-19	2019-20	2020-21
CSR spending (₹ Cr)	-	0.13	0.83	0.92

Government

Year	2017-18	2018-19	2019-20	2020-21
Taxes paid (₹ Cr)	14.52	15.50	97.23	145.12

Our Environment priority

Divgi-TTS' focus lies in consuming less and manufacturing more while minimising environment impact. It is the company's conviction that the most successful, profitable and sustainable companies are ones benchmarked with the most stringent environmental standards.

Divgi-TTS fabricates a range of products related to the transmission segment, employing moderated carbon footprint and 'greener' product alternatives.

The company focused on the reduction of its environmental footprint, planet preservation and moderated resource consumption through a proactive investment in the use of modern technologies, practices, methodologies and standards.

At Divgi-TTS, our operations are woven around the 5Rs – Recycling, Replacement, Recycling, Reduction and Responsible sourcing.

Reduction

To reduce waste across all plants, the Company embraced the principles of Lean Six Sigma. The company's waste management comprized Key Performance Indicators (KPIs) for managing waste by types from generation until recycled, treated or disposed. The waste reduction, indexed to production volume, has been declining.

The Company moderated the consumption of finite resources like water. The company endeavours to reduce water consumption. The Company plans to install rainwater harvesting at its Sirsi plant; it invested in effluent treatment plants (ETP) installed in factory premises. The Company is engaged in the reduction of emissions and effluents, moderating the use of finite resources, promoting sustainability. The company calculates emissions associated with its operations (Scope I and II). Scope I emissions (due to use of HSD in diesel gensets, gasoline in company-owned vehicles and LPG in the canteen) stood moderated at 105 tCO_2 of product in the previous year and Scope II emissions stood moderated at 1603 tCO_2 in 2019-20.

Replacement

The Company is committed to replace finite or hazardous resources with alternative materials, moderating the company's carbon footprint.

Recycling

The Company recycles water into the process, treated in a state-of-the-art effluent treatment plant following which treated water finds application in gardening inside the plant premises.

Restoration

The Company has restored the green cover following drip irrigation in gardening to minimise water consumption and protect natural integrity near the plant.

Responsible sourcing

The Company imposed restrictions of hazardous substances, which ensured that the company used different types of material for manufacturing products (natural resources and heavy metals), without consuming harmful materials. This commitment was validated by the Company's ISO 14000 certification and quality management plans based on the Annex II of Directive 2000/53/EC, which act as a guideline for companies, identifies harmful materials and educates manufacturers on the extent of harmfulness. The Company limits the use of hazardous materials to amounts permitted by international standards and educates suppliers and customers.

The Company has 132 suppliers from 12 countries handling different commodities (castings, forgings, machined parts, sheet metal parts, electrical/electronic parts and powder metal parts).

Our EHS Policy

Divgi-TTS' EHS commitment has been reinforced by a policy, which derives as a reference point for the entire organization and lays out a direction on compliance.

Above all, Divgi-TTS is committed to protect the environment and improve occupational health and safety compliances.

The company's EHS Policy highlights the importance of energy saving, resource optimization, waste reduction & control as well as safe work practices.

The company is committed to promote a safe working environment, standardized practices, minimized risks by preventing work-related injuries or ill health and eliminate hazards.

The company is committed to observe statutory & regulatory compliances.

The employees are trained in SEW (Safe work practices, Energy saving and Waste reduction & control), enhancing operational predictability.

The company trains in enhancing EHS awareness across levels and is a part of the Operator Licensing Programme.

The growing importance of the EHS discipline

The Environment and Safety priorities represent the foundation of Divgi-TTS, helping protect workers, sub-contractors, customers and the environment, essential to business continuity.

The EHS framework ensures legal and corporate governance, higher people retention and lower financial impairment from business unforeseen. A strong EHS compliance enhances customer service, product traceability and eco-system integrity, reinforcing business sustainability.

A non-compliance with the broad elements of the EHS framework can lead to illnesses and injuries. In turn, work-derived illnesses and injuries can potentially impact life quality and impair the business, productivity and brand. Among the other potential downsides from a slack EHS culture can comprise legal repercussions and penalties, business instability, lower productivity, weak stakeholder morale ad increased employee attrition, each of which has a corresponding cost that erodes profitability. In an increasingly competitive world, EHS compliance represents a desired ideal that provides companies with a platform to enhance their sustainability.

EHS-strengthening initiatives

Over the years, the company has strengthened its EHS commitment through various initiatives.

The daily FRM comprises a review of the safety performance and corrective actions.

Each workstation equipped with SOS and JES, safety and ergonomics needs that were factored while designing a workstation.

A layered process audit is conducted to identify compliance deficiencies.

Employees are encouraged to provide suggestions; kaizens /JDI are recorded; the Management provides resources for implementing kaizens.

The company has invested in machine/ equipment safety through a TPM approach and predictive tests (vibration and thermography for electrical fire hazards).

The company conducts mock drills in line with EPRP plans / procedures.

The company installed fire protection and smoke detector systems, enhancing systemic alertness.

Timely EHS investments

The company reinforced its business through credible certifications (ISO 14001 and ISO 45001); it was audited by the DQS Gmbh certification body.

The company addressed evolving EHS needs through timely budgets (₹90 lacs for 2020-21) that addressed EHS audits and certification, hazardous waste disposal, ETP maintenance and servicing, annual health checks and first-aid medicines, fire systems testing and validation, predictive equipment and power supply maintenance, hazardous material disposal to third parties as well as applicable legal compliance and annual returns.

The company invested in employee training, EHS awareness building (World Safety Day, Environment Week), dedicated ambulance for the Sirsi plant and state-of-the art briquetting/billet press machining (Sirsi) to recycle scrap.

The EHS spending increased 30% as the company upgraded the Shivare facility in 2020-21.

Achievements

The company published a Sustainability Report with sustainability data declaration for each financial year.

The company optimized energy / water consumption / hazardous waste generation.

The company did not encounter any major safety incident.

Initiatives, 2020-21

The company focused on initiatives that moderated oil consumption, energy-saving, plastic waste reduction and water conservation.

The company outlined forward-looking projects like renewable energy and rainwater harvesting.

The company engaged in an exercise to map the carbon footprint of its products across their life cycle, aligning closer with major OEM commitments on CO_2 emission reduction to 'Carbon Neutral by 2035.'

Water management initiatives, 2020-21

The company embarked on a number of initiatives to conserve water.

Water taps were made foot-activated, reducing water consumption.

Excess water was stored in a container for gardening.

Health and safety initiatives, 2020-21

The company followed all regulatory guidelines and mandatory requirements published by the government to protect from the pandemic

The company maintained 50% occupancy, staggered seating, enhanced sanitization frequency, took a COVID insurance and provided PPEs among workers.

The company provided Work from Home flexibility to employees; support was extended to the Operations team to enhance seamless business continuity.

A COVID System Basic System (CSB) was designed to enhance employee confidence in the workplace.

The company's CSR addressed COVID needs in national interest.

The company donated 2D Echo Machine to Sasoon Hospital and provided donations for the construction of a Covid care hospital at PCMC, Pune.

Outlook

The company will align Sustainable Development Goals deeper with its EHS policy.

The company intends to introduce digital tools for Safety Incidents reporting, suggestions, legal compliance notifications and audit management, enhancing the role of digitalization.

The company will seek certifications (ISO 14001 and ISO 45001) for its Shivare facility.

The company will seek a re-certification for its Bhosari and Sirsi facilities by September 2021.

The company will improve Safety Element Score to '5' in the production system

Our certifications and accolades

ISO14001:2015 environment management system

ISO45001 Occupational Health & Safety system

Maintenance EFMEA theme and activity (awarded by CII)

Divgi-TTS was the only Indian MSME cited by GRI for third party audited Sustainability Report (GRI standards 2019).

Divgi-TTS invested ₹ 0.9 mn in EHS responsibility in 2020-21

Divgi-TTS reduced 146377 Kg of CO_2 emissions in 2020-21

Case study

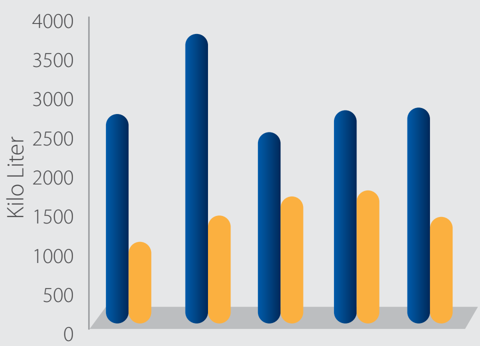
In the past, corrugated boxes were utilized to package Transfer Cases. The company invested to replace this with returnable polypropylene boxes. The 'returnable' element makes it possible for the company to utilize the same box half a dozen times, moderating costs and environment impact.

In the past, product supply represented the end of the transaction. In an increasingly sensitized world, the company has invested in a number of initiatives to establish product integrity and material traceability. This is enhancing the eco-system's assuredness that environment-friendly practices have been used to the extent possible. The company now provides an IMDS datasheet and a Conflict of Minerals declaration to customers to map material and weight contribution to the vehicle's bill of materials.

Big numbers

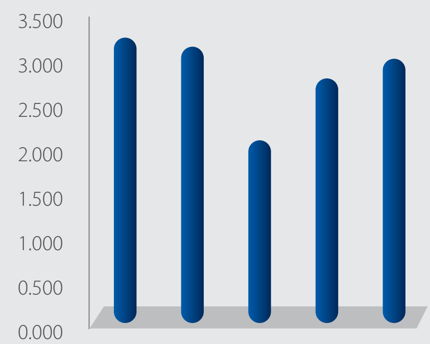
Decline in water consumption per unit of end product produced

Water Consumption KL



	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Pune-BH	2785	3878	2526	2870.17	2890.92
Sirsi	1189.87	1596	1746.23	1810.83	1552.60

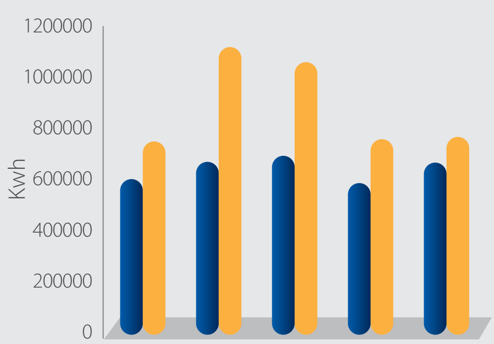
Water Intensity KL/1000 Unit



	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Water Intensity KL/1000 Unit	3.364	3.237	2.159	2.945	3.079

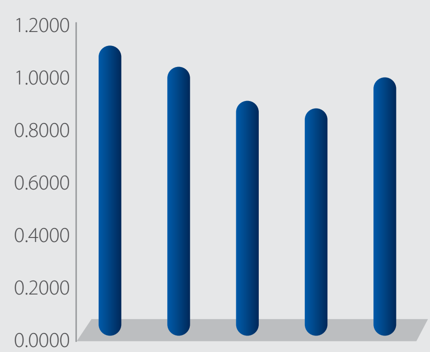
Power consumption per unit of end product produced

Power Consumption Kwh



	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Pune-BH	574742	639294	641610	569994	638502
Sirsi	762243	1121712	1074594	771051	795494

Energy Intensity (Kwh/Unit)



	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Energy Intensity (Kwh/unit)	1.1316	1.0415	0.8672	0.8436	0.9937

Governance represents our article of faith

At Divgi-TTS, our governance platform comprises clarity on the way we will grow our business. This enhances organizational predictability and stability. Our governance architecture has been influenced by the following priorities.

Big picture: At Divgi-TTS, we recognise that we are in business to address humankind's needs for smoother and convenient mobility across the conventional and electrical engines, marked by a need to generate superior power from a given unit of energy

Long-term competitiveness: At Divgi-TTS, we have invested in our business around a long-term commitment cascading to allocations towards the highest standards of assets, technologies, brands, people, locations, products and trade partners.

Global mindset: At Divgi-TTS, we are present in a globally relevant space where the standards need to be international even as the delivery of products and solutions need to originate out of India. Over the years, we have invested in processes and practices that are global and contemporary in character, benchmarking us with some of the best standards in our sector.

Research-driven: We may be a design and manufacturing company but we are essentially research-driven – into processes that make it possible to produce faster, better and at a lower cost. The effectiveness of our research capability is reflected in the fact that we are seen as disruptive in a long-standing sector

Board of Directors: At Divgi-TTS, our strategic direction is influenced by our Board of Directors, who comprise professionals and industrialists of standing and have enriched our multi-sectorial business understanding and strategic direction.

Positioning: At Divgi-TTS, we have positioned ourselves not as much as a transmission systems company as much as a single-stop solutions provider across the customer spectrum. This positioning has enhanced our strategic clarity, opening us to opportunities, attracting knowledge professionals and strengthening our product / process research.

Compliant: At Divgi-TTS, much of our sustainability is derived from an alignment with national priorities and compliance with the laws of the lands in which we are present. This provides stakeholders a comfort in engagement around complete integrity and credibility

Systems-driven: At Divgi-TTS, we have created a platform around systems, processes, practices and digitalisation. The result is that we have graduated beyond arbitrariness and dependance on individuals to an orientation around systemic predictability, the basis of scalability.

Brand-driven growth: At Divgi-TTS, we believe the biggest asset in our business (brand) is not reflected in our Balance Sheet. Over the years, we have built our brand through patient investments in technology, digitalization, environmental responsibility, new product introductions and world-class quality. The one sentence that encapsulates all that we are and all that we do is provide a 'technology peace of mind'.

Controlled growth: At Divgi-TTS, we invested accruals in our business to capitalize on fleeting market realities, but going ahead, much of our growth will be derived from the prudent use of accruals without stretching the Balance Sheet. We are a zero-debt company, which represents a secure platform in an uncertain world.

Complex: At Divgi-TTS, we have selected to embrace the complex, graduating from relatively simple products to overall solutions with corresponding value-addition and customer retention.

Environment focus: At Divgi-TTS, we see our role aligned with that of an environment-friendly world through the fundamental nature of our product. The transmission systems that we design and fabricate help enhance a greater engine output and in doing so, moderate the consumption of fuel. We also seek to optimize the consumption of finite resources in direct fabrication, moderating our carbon footprint, one of the outcomes of which is reflected in our cost austerity and competitiveness.

Divgi-TTS and its community responsibility

Overview

At Divgi-TTS, we strive to deliver goods and services of superior quality to our consumers; we generate gainful livelihoods for our talents and responsible interventions for communities. The result is that Divgi-TTS has emerged as a respected corporate citizen.

At Divgi-TTS, our CSR engagement is aligned with our vision to strengthen communities. In 2020-21, the Company's CSR expenditure was valued at ₹92.98 lacs, allocated across the education, youth leadership, health care and other social areas.

Our educational initiatives

The Company supported educational initiatives based on the fundamental conviction that education can help provide the answers to challenges like poverty, inequality and environmental degradation. The Company is focused on the development of leadership qualities among underprivileged children through innovative programmes, developing soft skills through music, games and sport.

In 2020-21, the Company donated to Saraswat Education Society under the Parijnan Vidyalaya Expansion Project. Parijnan Vidyalaya Expansion Project envisions the setting up of a full-fledged, modern, well-equipped, CBSE-affiliated English medium secondary school in Kotekar, 16 kms from Mangalore. The students in Parijnan Vidyalaya pre-primary, primary and secondary sections at peak utilization would be 1000. Saraswat Education Society started planning for the commencement of Phase 3 of the project, which comprises the construction of 32,000 square feet of built-up area for Classes 6 to 10 and be ready for admissions by May 2022.

Creating the leaders of tomorrow

The Company focuses on enhancing a spirit of leadership among the underprivileged children, developing their skills through music, games and sports. In 2020-21, the Company supported the Pragati Foundation in Uttar Kannada to address seven schools in seven villages. A leadership development programme commenced in Wadagere, Kekkar, Chandawar, Hodkesirur, Kekkar, Kujjali and Divgi where football was used as a medium to impart leadership. Lesson plans were based on life skill outcomes for every session.

The Company also made CSR contribution to Vedanta Cultural Foundation, an institution dedicated to the study, research and application of India's spiritual and philosophical heritage of Vedic knowledge to our modern times. Vedanta Cultural Foundation works to preserve, disseminate, and rejuvenate our ancient cultural, intellectual and spiritual heritage that distinctly defines Indian civilization. We believe that this is critical to India in finding its distinctive and authentic spirit and voice in the global comity of nations and building the character of our communities, society and country. As such the work resonates with our beliefs that include responsibility towards our communities. At a higher transcendental and profound level, the Vedanta Cultural Foundation does work that is complementary to that done by Enabling Leadership by working at a fundamental level to overcome the deficit of character in our communities, society and country.

Our healthcare engagements

In 2020-21, the Company donated towards a COVID care hospital's construction in PCMC Pune. The Company donated funds to install a 2D Echo Machine in Sassoon Hospital.

Other social contributions

The Company promoted rural development through the development of educational infrastructure. The Company donated to Sirsi Police Station for the installation of laptops and desktops, which enhanced tracking and control during the Covid period.

Outlook, 2021-22

The Company donated 80% of its CSR outlay for education and cultural heritage. These funds were invested to widen ground level impact and will be sustained in 2021-22.

Part **six**

Drivers of excellence

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 broad basing 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 ₹149.89 Cr 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 ₹200 Cr (this 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 year despite a 12.8% decline in revenues during a challenging period for the global economy.

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

A: The big message that the 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

Specialisation

Value-addition

Premiumisation

Indigenization

Austerity

Solutionisation

Cutting-edge

Investments

Accruals-driven

Shorter receivables cycle

Logistical advantage

Strategic outcomes

Leadership position

Globally competitive

Superior liquidity

Attractive margins

Attractive gearing

Financial excellence

Manufacturing excellence

Overview

Manufacturing represents the heart of the company's competitiveness, marked by the ability to translate complex designs into fabricated components and products delivered around the highest quality, first-time right, lowest cost and in the shortest time.

Strengths

Brand: Trusted for quality, delivery commitment and innovation; the company delivered component dependability at the Six Sigma level

Knowledge: Deployed professionals based on its validated 'operating license' system, resulting in flexible multi-tasking professionals with a quality orientation

India advantage: Low manufacturing costs, high engineering capabilities, large talent pipeline, creative capabilities and an entrepreneurial mindset.

Fungible assets and structures: The company invested in world-class equipment; it empowers the company to shift from one product to another without incremental investments; it strengthened its cell layout approach, strengthening its flexibility to address low to high volumes

Asset advantage: Investment in state-of-the-art manufacturing facility servicing global component requirements

Supplier eco-system: Global family of vendors and sub-vendors; focus on proximate component access ~95%+ vendors within 100 kms of plants.

Business-strengthening initiatives

Zero-defect pursuit: The company was challenged by complexities related to precision engineering up to DIN class 6, maintaining zero defects, addressing the global supply chain needs through just-in-time inventory management, embracing industry 4.0 digitalization and automation, supporting accelerated product development, achieving production targets despite pandemic restrictions (social distancing, limited workforce permission, limited ability to transport and employee travel).

The management of variables comprized various initiatives: manufacturing various parts with advanced manufacturing processes in all facilities, leveraging the experience of more than 20 years; mapping the operations value stream for effective resource utilization; exploring manufacturing feasibility on hitech precision machines. The company trained new engineers through induction programs on the homegrown learning tool (Operator Licensing). The company implemented visual lean tools like Job Element Sheet and standard operating protocols to sustain desired productivity and quality. A culture of Maintaining Product and Process Quality was enhanced through Divgi TTS Production System, Lean principles, and Quality system Basics to enhance product and process quality. The company followed best practices at the workstation and on the shop floor (Quality System Basics) complemented by 5S audits, risk reduction through FMEA, zero defects through installing POKA Yoke error-proof methods. The company achieved process improvements to minimize defects comprising PPM and Poka-yoke, which are a part of PFMEA, Kaizen, Jishuken and VSM activities to minimize process errors. The company implemented quality checks through quality tools (SPC and FMEA, MSA, SPC, FMEA and PPAP). A culture of continuous improvement was reinforced; suggestion schemes like Chit for Change and Each Idea Matters were deepened; a culture of Toyota Lean Principles was intensified.

The result was that customer parts per mn defects were contained within 20, (internal benchmark at below 100) and the company received recognition from prestigious customers like Toyota and BorgWarner for zero defect supplies.

These initiatives generated recognition: Toyota Quality Award Zero-Defect Supplies for 2020 and Mahindra Excellence Award for supporting the on-time launch of the Mahindra Thar vehicle.

Ontime delivery: Divgi TTS remained committed to hassle-free delivery through material planning by the Production Planning & Control functions and Control to meet the CRS demand. Input quality was ensured through APQP programs; WAR _ We initiative was ready for assessment through Gate Review and Early Production Containment to validate the production control plan.

The team trained for problem-solving methods in the CFT approach, utilizing tools like 8D, A3 problem solving, GEMBA visits and FMEA priority risk reduction, visual control like Andon (Jidoka installed for quicker signals on removing obstacles/bottleneck).

The experienced team possessed a hands-on experience in managing global suppliers, enhancing the supply chain management function, providing right components with quality and right time availability for making world-class products. Training for Lean Manufacturing techniques (Jishuken and Kaizen) was intensified, resulting in OEE productivity targets higher than 85%.

Total Productive Maintenance (TPM) was practiced; asset utilization was tracked to evaluate if machines needed to be refurbished for latest tools and fixtures technology. KPI indicators (Mean time to repair and Mean time between failure) were tracked, minimizing machine breakdowns. Issue were critically evaluated with equipment like FMEA.

Inventory management audit was conducted quarterly by a competent authority, reconciling SAP data and physical stock. Daily Material Status Report was reviewed, critical parts followed for planning and escalation, discussed in daily meetings.

The result of this manufacturing excellence ensured that the company achieved the following benchmarks:

• India's first company to design, develop and supply transfer case systems to a global auto OEM.

• India's first company to supply transfer cases to China and Thailand

• Won the first contract in Asia for BorgWarner's active Torq management system (RWD and FWD).

• Commenced the supply of Engine Timing Gears to a new customer (Nissan Ashok Leyland) in 2013.

• Material planning helped control air freight at a minimum level.

The company associated with professional bodies like CII, MCCIA, and technology partners like Hofer and FEV for product development, and with engineering test validation centers like ARAI and VRDE that resulted in the launch of the right product.

Kaizen: Divgi-TTS is an automotive manufacturing company certified to IATF 16949:2016, ISO 45001:2018, and ISO 14001:2015. Kaizen is a continuous improvement discipline that seeks a better way of doing things in a space considered competitive, demanding and evolving. The company's Kaizen process (OP/MFG/004) comprises four activities considered critical (brainstorming, employee suggestion schemes, VSM analysis, and benchmarking factory trips/visits). Other secondary activities comprized time study, motion study, Layered Process Audits and 5S. The three best suggestions were awarded; a monthly award was given to the most deserving employee.

Approximately 150 kaizens were implemented enterprise wide in 2020; 70% kaizens proved effective.

In 2015, Divgi-TTS received the Best Eco Kaizen Award from Toyota, strengthening the Kaizen movement. In 2019, Yoke Part 3 operations helped enhance people productivity and quality while moderating value-addition. Jishuken activity of layout modification helped reduce 26 people and 1450 sq ft in addition to kaizens that directly contributed towards energy-saving and moderating resource depletion. The employees that provided kaizens comprized those with a diploma in Mechanical Engineering, Bachelor's in Mechanical Engineering, Master's degree etc. and interns. Our organization collaboration with BITS Pilani and College of Engineering, Pune (COEP), which enabled the company to regularly recruit students from these institutions. Kaizens have become a movement at Divgi-TTS. The Divgi-TTS Production System Score improved in 15 years from 45 points to 105 in 2019 to targeted 115. There were 23 tactical strategies on the Divgi-TTS Production scorecard; in 2019, all strategies had a rating of either Standard or World Class.

No unsafe incidents occurred in the past couple of years. The average OEE for the Assembly department was 85%. The company consistently maintained high On-Time Delivery scores – all due to regular Kaizen events.

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 Award 2018
- CII HR Best Practices & Toyota TKSA QCC for 2019-20
- Toyota Zero PPM award for 2017

Driver of excellence

Our digitalisation

Overview

The world is becoming increasingly digital; this change has permeated manufacturing-driven companies like Divgi-TTS where operations digitalized over the years, enhancing organisational responsiveness and competitiveness.

Challenges

The company encountered a number of challenges during the last financial year. These comprised: increased workload, addressal of IT issues and resources of those working from home, remote resolution of issues, setting up systems for those needing to work from home, cyber security, mobilisation of the right competencies, adequate IT resource allocation, delivering digital transformation, data protection and enhancing functional delivery despite COVID sanctions and travel restrictions.

Counter initiatives

Following evolving end user needs, there was an increase in the workload of IT services; the IT team coped with these expectations, especially digital support channels that addressed needs during the pandemic.

In organizations with a large number of entry-level users, the first-time-resolution ideal proved challenging; yet, the company maintained customer satisfaction ratings at erstwhile levels.

Even as it became difficult to make headway with improvements and cyber security, the company maintained data security with no single data loss instance.

Highlights, 2020-21

- The company provided remote and in-person support
- The company commissioned new workstations
- The company achieved a first-time resolution of most issues
- The company reduced the call volume, guiding users to proactively resolve issues

Strengths

The company developed the skill to do more with less to support more IT customers within the same Budget

The company enhanced responsiveness to failure demand, shrinking the turnaround time

The company strengthened its data management for enhanced effectiveness

The company continued to respond to the needs for newly-launched apps that enhanced functional delivery

The company focused on the delivery of services to end users to empower them to resolve issues

Transformation initiatives

The company provided laptops, desktops and workstations across all plants (Bhosari, Shivare and Sirsi) that empowered users to enhance effectiveness

The company set up software for users as per their requirement, enhancing their delivery

The company created a network at all plants, enhancing cross-functional effectiveness

Case study

In 2018, Divgi-TTS implemented Office 365 across all three plants – Bhosari, Shivare and Sirsi - that empowered employees to use MS teams for virtual meetings and generating business growth.

The company strengthened its bandwidth across the plants, upgrading the leased lines that made it possible for employees to work from home without disruption.

Driver of excellence

Our culture of sales effectiveness

Overview

In a business where a sophisticated product is manufactured by a company and marketed to another business through a range of demanding filters, there is a premium on the need to be completely dependable – with regard to the quality of the product, operational dependability, multi-terrain endurance, capacity to deliver, responsiveness to ESG requirements and provide a superior price-value proposition.

Over the years, Divgi-TTS has established respect for holistic competence, translating into enhanced sales visibility across the world.

Challenges, 2020-21

The business was affected by a number of challenges during the year under review.

The onset of the pandemic translated into a nationwide (India) lockdown from the last week of March 2020, which had cascading impacts: virtually no sales in the first quarter of the year under review; struggle to fulfill export requirements to China, Korea, Russia and USA; no physical contact within the organization or visits to customers.

Besides, the market uncertainty translated into the following realities: changes in manufacturing and sales schedule translated into a gap between budgets and actuals; there was an increase in demand from China, Korea and Russia that put a pressure on the company to ramp up, the lockdown notwithstanding; there was a demand shock in the form of a sharp revival from the second half of the financial year. The market for the company's products was also affected on account of low downstream visibility. Most automobile manufacturers (the company's customers) delayed fresh model launches.

The company encountered unprecedented challenges related to cashflow management, which put a premium on the need to realize dues on schedule; there were letter of credit issues with UAZ; customers abruptly froze all capital and production expenditure, affecting the company's cash flows.

The company was required to proceed with the launch of the prominent Indian vehicle model called Thar W501, which warranted a preparedness for ramp-up.

Besides, the company encountered a sharp increase in freight rates, commodity price swings and change in foreign currency values.

A re-productisation was warranted by the introduction of new electric vehicle norms; new safety norms resulted in some longstanding products being discontinued.

Counter-challenges, 2020-21

The company engaged in networking with customers (through virtual means) to understand their evolving requirements; it escalated customer needs to local governments to seek approval to run the production / facilities during the lockdown that would help in the country's export obligation and enhance domestic capability to assemble ambulances / essential service vehicles.

The company assigned key account managers for customers and regions that enhanced focus.

The company adapted to the work-from-home environment without productivity loss.

Achievements, 2020-21

The launch of the W501 Thar vehicle by Mahindra helped enhance revenues from the second half of 2020-21

The quantum of revenues generated from UAZ and China increased 13% over the previous year

The company reported successful geographic diversification by enlisting a prominent new customer in Russia (UAZ Russia) for manual transmission systems

The company developed a drivetrain product for a new generation Mahindra Thar vehicle. The company delivered a successful new W501 Thar transfer case in addition to the extension of the Thar CRDe (older generation).

The company deepened investments to develop products for electric vehicles; it reported orders for electric vehicles (P4 hybrid solution)

The company serviced growing Defence sector appetite for four drive applications through prominent Indian automotive companies

The company developed a Dual Clutch Transmission system to address a rapidly expanding segment of automatic transmissions

The increase in 4WD business, increase in the export of components and the imminent launches of manual transmission and dual clutch transmission (under progress) emerged as highlights of the business that could strengthen business sustainability.

Our strengths

The company's products are marketed under the tag line of 'Product leadership like no other', which has proved to be a fitting recall.

The company has carved out respect for its ability to provide the complete drivetrain system, graduating it to a responsible one-stop solution provider. The solution comprises the following: part-time mechanical shift and electric shifts; all-wheel drive – Torque on Demand; Planetary differential 60:40; single offset / double offset; Center axle differential within the transfer case; NexTrac® Couper for four-wheel drive or all-wheel drive

The company is a respected provider of transmission systems (5/6 speed manual transmission; electric vehicle transmission; dual clutch automatic transmission.

The company provides the full range of synchronizers.

The company demonstrated strategic agility in reaching out to prospective customers, which helped utilize limited resources to the fullest and address customer needs (domestic and global).

The company has developed a distinctive brand by the virtue of working in cutting-edge niches, reflected in the ability to deliver low-to-high volume high precision technology products for global companies

Outlook

The company intends to enhance visibility and market leadership in the 4WD segment through technology upgradation and innovation.

The company will deepen its positioning as a transmission assembly manufacturer; it will market the flagship DCT gearbox around a concerted strategy for five years.

The company expects to generate incremental revenues following an extension into diversified product lines (All-wheel drive systems, manual transmission and automatic systems).

The company intends to develop a transmission system for electric and hybrid vehicles, a new growth area for the sector.

How we strengthened our international **visibility,** positioning and competitiveness

Overview

Even as the company designs and fabricates transmission systems in India, the application of the company's competence is global. Over the last few decades, the company collaborated with one of the most influential drivetrain brands in the world, which helped widen the company's understanding of technologies and global manufacturing practices. When complemented by the company's Indian costs and management practices, the result has been a competitive global capability in the delivery of drivetrain assemblies.

The combination of the global slowdown and increasing competition from within India are encouraging hitherto India-focused automotive ancillary manufacturers to develop an international footprint. In turn, a wider global presence of Indian manufacturers could help international buyers create a sourcing point away from China – an initiative of mutual benefit.

Challenges, 2020-21

The company's international business was affected by the outbreak of the pandemic during the first quarter of the last financial year. The company was affected by a lockdown in India and disruption in international delivery logistics.

Besides, there was an ongoing challenge to enhance confidence among global players and shift from existing vendors, a time-consuming process. In addition to competitive pressure, a cultural gap in terms of perception, language and customs makes it is increasingly difficult to widen one's global footprint.

Counter-initiatives, 2020-21

The company responded to the pandemic outbreak by setting up a task force to evaluate the situation, protection and preparedness. The company created a standard operating protocol that helped protect employees and laid down guidelines for pandemic-appropriate behaviour. These guidelines were implemented in Bhosari, Shivare and Sirsi facilities, laying the basis of sustainable operations.

The company's manufacturing facilities were closed briefly; operations resumed fully in June 2021, reviving the supply of assemblies and components to manufacture essential vehicles like ambulances and medical vehicles in Russia, Korea, China and USA.

Achievements, 2020-21

The company generated ₹91.3 Cr in global revenues that corresponded to 47% of the overall turnover during the year under review, a validation of the company's credentials in the design and development of sophisticated technologies and products customized to the terrain of focus.

The company reported its peak monthly revenue during the year under review owing to the launch of the successful new Thar vehicle in the India market and 20% growth in overall revenues from UAZ Russia over the previous financial year.

The company reported increased traction from products like ESOF Transfer case, synchronizers and ring gears.

The company continued to build on the momentum in reaching out to customers through online engagements to stay abreast of their product development projects and regular supplies.

The company accelerated its paperless working through the increased use of electronic documentation for purchase orders, contracts and agreements, which shrunk the cycle time for approvals

The company responded with lean manufacturing practices that addressed customer needs within deadline and budget, enhancing delight while moderating inventories

Strengths

The company pioneered the four-wheel drive (4WD) transfer system in India; given the tropical nature of the country, the 4WD option was restricted to high-end vehicles and high-end variants of mid-segment vehicles, which encouraged the company to export.

The company established itself as an independent volume supplier in a developed global market (Russia), addressing challenges related to patient investments, appraisal market size, sensitisation towards the Russian language and culture, adapting the product around temperature-extreme conditions and competing with international brands (South Korea and China). This validated the company's ability in comprehending and addressing holistic requirements.

The company established product credentials 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 delivered a world-class product around superior price-value proposition.

The company leveraged a positive employee mindset that helped deliver products on time and in full

The company's focus on systemic efficiency has resulted in revenue growth without compromising cost management

The company is growing its respect as a globally relevant vendor, providing one of the best internationals value propositions in the transmission space

The company enjoys robust long-standing relationships with customers and technology partners, validating its capacity to sustain engagements

Outlook

The company will focus on countering successive pandemic waves through a combination of safety, discipline and sustainable workflows.

The company intends to build on the transfer case business and capture a larger share of manual transmission offerings.

The company intends to leverage its successful UAZ engagement to widen its presence in Russia and enter US, Europe, Mexico, Brazil and South Africa across the foreseeable future.

How Divgi-TTS moved with agility and flexibility to empower the success of the new Mahindra Thar launch

The robustly successful SUV Mahindra Thar was launched in 2011. Since then, Divgi-TTS has been an integral part of the model's success story.

Divgi-TTS was responsible for the development and customisation of the Divgi- TTS Mechanical Shift Transfer Case that empowered the vehicle's 4WD.

Mahindra selected to phase this product out and launch the all-new improved Mahindra Thar (new Thar) in April 2020.

In view of the impending new launch from April 2020, production of the erstwhile Thar variant was discontinued and replaced with the new variant. The pandemic outbreak prompted a deferment in new vehicle launch by six months.

This deferment abruptly interrupted the Divgi-TTS supply chain. The production of transfer cases was stopped. Revenues declined to nil in April 2020. The company had a new challenge on its hands – virus containment, protecting cutting-edge equipment integrity, adhering to stringent government regulations, engaging with customers on their evolving plans, protecting the Balance Sheet from impairment and work-from-home for the first ever time.

As the lockdown was progressively relaxed, Divgi-TTS was left with only four months to produce the entire requirement of transfer cases to empower its marquee customer to launch its model on the revised date. Divgi-TTS set up a focused task force to prioritize project rollout; it deputed resources to address day-to-day progress; project evolution was monitored; deviations from plan were corrected with speed. The result is that Divgi-TTs completed its delivery on schedule.

The challenges should have ended with a timely launch; a new round of challenges emerged instead. The Thar relaunch proved hugely successful; demand was higher than anticipated; Divgi-TTS needed to produce more than was initially expected. The company rose to the occasion a second time round: it invested with speed to enhance capacity to address the increased demand (new MAKINO vertical machining center within 12 weeks).

The result: Divgi-TTS empowered Mahindra to carve out an attractive market share. Besides, Divgi-TTS generated a production figure that exceeded its pre-COVID budget!

The most challenging hour brought out the best from within Divgi-TTS.

Big numbers

Increasing Russian presence

15% of revenues derived from Russia, 2020-21

12.6% of revenues derived from Russia, 2019-20

0.98% of revenues derived from Russia, 2018-19

Growing internationalisation

47% of revenues derived from non-India sales, 2020-21

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

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

The Divgi-TTS approach in Russia

- Structured response
- Engagement of a Russia expert
- Created customized product
- Enhanced customer trust
- Efficient programme management
- Engagement with influencers
- Assurance of an establishment in Russia
- Superior price-value proposition

How we have strengthened our engineering competence

Overview

The company is respected as one of the most exciting drivetrain assembly companies in the world on account of its engineering absorption competence, entrepreneurial appetite, cost economy and customer service.

Challenges

The company's operations were restricted during the first quarter of the last financial year but by the close of the second quarter, the employee headcount had been restored to status quo.

There was a premium on the need to keep employee morale high, attracting employees, who had returned to their hometowns, back to work, protecting employee health while taking all safety precautions near the plant locations.

The company was required to commence the W501 program launch (delayed by a quarter).

The company's supply chain was affected, making it imperative to co-ordinate closer for ongoing supplies that could sustain workflow seamlessness.

Counter-challenges, 2020-21

The company enhanced engagement between the management and employees; meetings were conducted on virtual platforms daily, enhancing preparedness.

The company enhanced employee awareness at plant locations about the need for increased safety precautions.

The first time P-PAP for the W501 programme was done virtually with the customer; queries were addressed online and all processes were completed virtually that resulted in a successful launch.

Achievements, 2020-21

The company established a respect for delivering in a challenging environment; the W501 programme was delivered through the pandemic and launched on schedule.

The company exported the four-wheel drive transfer case, synchronizers and components with no recalls.

The company validated its existence as a standalone entity following the separation from BorgWarner.

The company developed new products like W501, W-601 NexTrac, Z101 and manual transmission variants (5MT and 4MT).

The company deepened its presence in the automatic transmission segment through the dual clutch transmission technology.

The company strengthened its local software development for NexTrac and Z101.

Strengths

The company is respected for its innovation in product design and solution; it comprises a complement of competencies (metallurgical, design, development, manufacturing, application, equipment and field).

The company absorbed cutting-edge technology from technology partner DCT- HOFER that was deployed for the first time in India.

The company provided solutions to customer needs the world over

The company launched a new transfer case variant like W501 AT and MT, which generated a positive response.

The company carved away 100% market share of the transfer case business of two of the largest automotive brands in India.

Outlook

The company is engaged in the development of a new DCT technology.

The company intends to engage in the mass production of NexTrac (W-601 and W-502, a variant of W-501.

How Divgi-TTS addressed the demanding needs of Mahindra through timely initiatives

When Mahindra announced the launch of an all-new Mahindra Thar SUV model, the challenges were considerable.

The model that Mahindra intended to relaunch was technologically evolved (4x4 drive); Divgi-TTS' proposed transfer case (W501) needed to be of a correspondingly higher generation as well.

The company addressed the challenge through a combination of method and intensity. The development was classified into five phases (Plan and Define; Product Design and Development; Process Design and Development; Product and Process Validation; Production).

The priorities of this new transfer case development comprised the following:

- The need to moderate the cost of development
- The need to enhance engineering through CAE analysis for housing and shafts validation.
- The need to develop two transfer case variants (manual and automatic transmission)
- The need to develop a new shift level suitable for cable shift.
- The need for the transfer case to be validated through different bench tests (Dyno durability tests etc.)
- The need to address all the customer's requirements.
- The need for superior controls on the assembly line leading to defect-free production.

The company strengthened its focus in addressing the stringent requirements of its marquee customer. It invested in enhancing its transfer case manufacturing capability; its HMC machine installation increased its housing machining capability; it strengthened learning through a participation in vehicle-level testing; it enhanced capabilities in CAE analysis in ANSYS and Masta software.

The result: Divgi-TTS was presented the Supplier Excellence Award by Mahindra, validating its competence in servicing the demanding needs of marquee automobile giants.

Our research & development commitment

Overview

At Divgi-TTS, we are engaged in a knowledge-driven business, putting a premium on the need to engage in ongoing research and development. During the last few decades, the company enjoyed an alliance with BorgWarner that facilitated a learning, research and development opportunity. Following the conclusion of the partnership, the company continued to invest in research; this was reflected in allocations in people engagement, infrastructure, equipment and certifications. Besides, the company engaged in select partnerships for specific applications with research-led companies the world over, widening the range of its research and increasing its flexibility in the selection of the right partner.

Challenges and counter-initiatives

There was a temporary slowdown in research projects during the pandemic.

The company helped its research professionals retain their positive mindset and drive ongoing projects.

Achievements, 2020-21

The team continued to support the development of the landmark W501 project and launch.

The company strengthened its capability in software development; it developed the ability to our control systems and enhanced its transfer case product analysis ability through software.

Strengths

The company has demonstrated agility in learning and absorbing cutting-edge developments

The company demonstrated the capacity for sustained product improvement

The company demonstrated its capacity to graduate a technology from the concept stage to prototype development

The company reinforced a learning environment through ongoing training

The company is being increasingly respected for its ability to manufacture a large proportion of components leading to a composite solution, providing customers with a peace of mind.

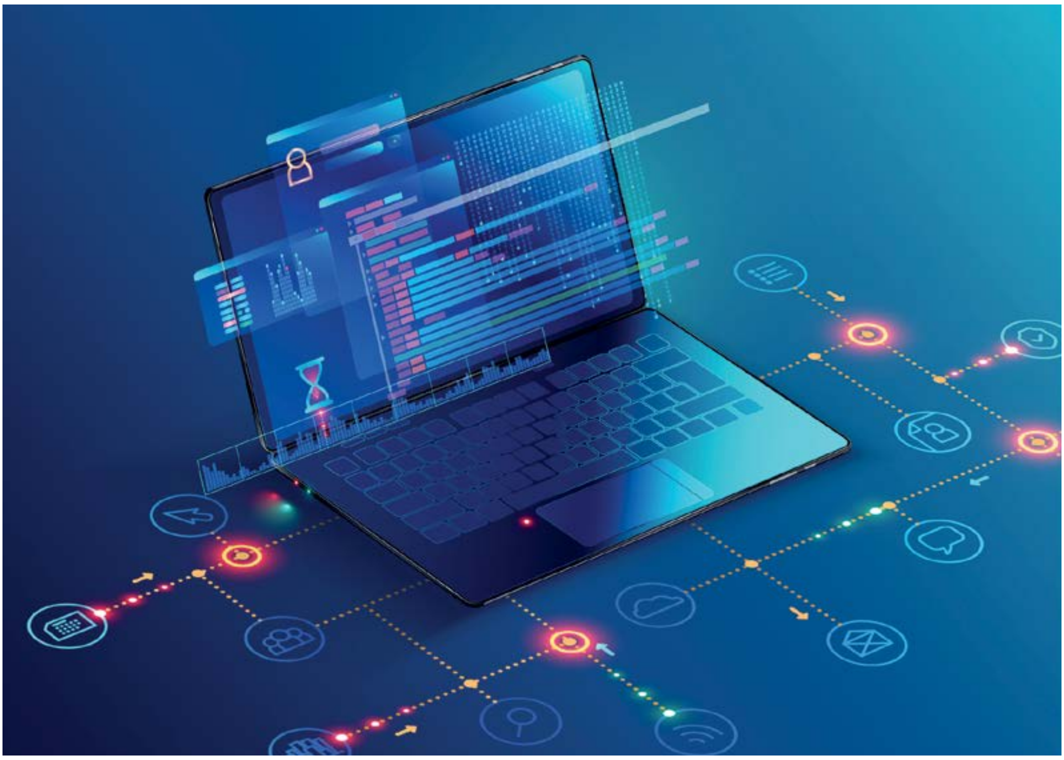
The company is respected for delivering 'advanced' solutions, which places it in a niche among global drivetrain solution providers possessing the capacity to deliver compactness, weight, performance, endurance and cost efficiency

Divgi-TTS is respected as a specialist, an incentive for large OEMs to moderate their proprietary capital expenditure programmes and turn to cost-effective vendors like Divgi-TTS.

The company represents a coming together of systems and technologies that the company absorbed from BorgWarner across 22 years.

Outlook

The company expects to sustain its innovation commitment leading to the development of distinctive products. The company intends to strengthen manufacturing process, manifested in the production of more from less; it will focus on software development for the dual clutch transmission and other products.



How Divgi-TTS incorporate the most advanced **software** into its latest product

One of the biggest challenges that Divgi-TTS faced in the development of W601 NexTrac was in the area of customized software development.

The company addressed the NexTrac software development into four phases (Bootloader Development, Base Functionality Development, Network Security & Calibration as well as Final software calibration, validation & release).

The key points of the W601 NexTrac Software Development comprised the following:

• The CAN Controller compliant with ISO-11898-1 and CAN transceivers compliant with ISO 11898-2

• The CAN protocol standard used for development was Bosch CAN version 2.0B.

• Bootloader was developed compliant to the Unified Diagnostic Services protocol.

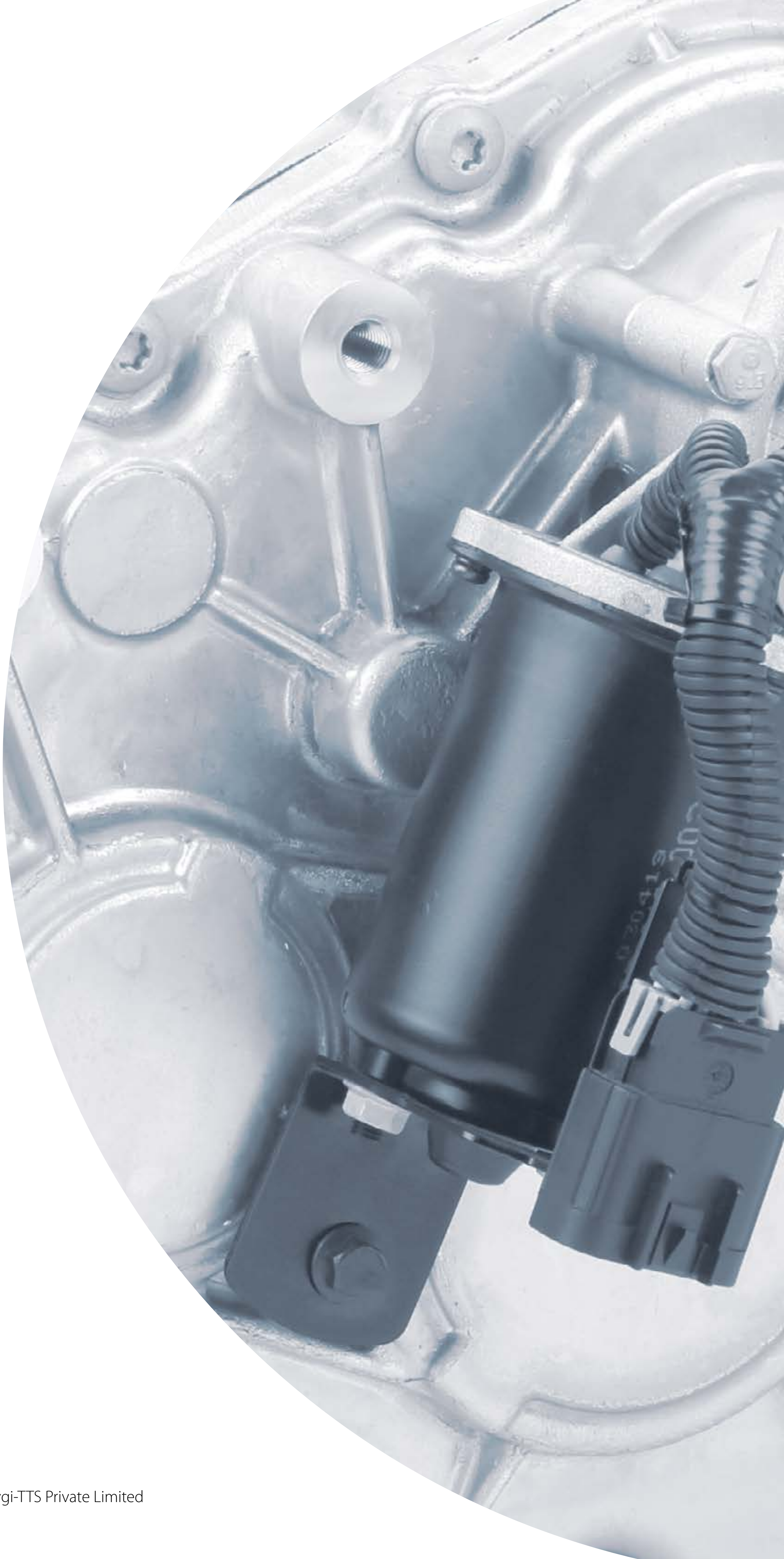
• Network Diagnostic tool implemented was as per the Unified Diagnostic Services protocol.

• Application software comprised smart clutch controlling for pre-emptive torque.

• Thermal Modelling and the Thermal protection algorithm implemented for clutch protection against heating/ burning, was based on the NexTrac W201 program.

• The commitment of the company in utilizing the most sophisticated software technologies translated into the following achievements:

• The company demonstrated its capability and experience to develop CAN 2.0B and UDS-based bootloader & application software for products as per the customer's application requirement. The company demonstrated its competence in the development of thermal strategy MATLAB model for the new application.



Part **seven**

Our products

Product **#1**

The six-speed manual transmission system

Overview

• Flexible architecture

• Five and six-speed models

• Single and double overdrive

• Direct and remote shifting

• High torque density/capacity

• Best-in-class precision standards to achieve world-class performance and reliability standards

• State-of-the-art contemporary synchronizer technology, best-in-class shift feel

• Flexible for integration with all four-wheel drive technologies

• Designed for ease of manufacturing cost competitiveness

Product attributes

• Addressed best contemporary standards + Good gear shift functionality + Low noise

• Transmission + Superior gear geometry + High operating efficiency

Technology competence

• All forms manufactured with sheet metal

• Super-finished ground gears

• Reverse synchronisers

• Triple cone in the first and second gears

• Dual cone in the third and fourth gears

• All gears synchronized with high coefficient of friction carbon lining

• All gears possessing needle roller bearings

• Shafts possessing deep-grooved ball bearings

• Shafts designed with central bearing support

• Engaged with a renowned technology firm for benchmarking and development assistance

Product **#2**

The five-speed manual transmission system

Overview

• 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

• Reduced length of the transmission system at 65mm (~10%)

• 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 Synchronized Reverse competence

2-piece construction

- State-of-the-art and best-in-class synchronizers
- Precision of standards for gears leading to efficiency improvement and reliability
- Branded under VelvetDrive and VelvetShift
- Our investments
- Software tools to analyse design calculations
- Proprietary testing systems

Product **#3**

The dual clutch transmission system

Overview

- Commenced programme in 2015; addressed a growing trend for automatic transmission systems
- Landmark attempt to indigenise the automatic transmission; relevant to India's priority of indigenisation (Atmanirbhar Bharat)
- Commenced with the 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
- 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 (₹11 Cr in 2019-20), postponing profits
- Addressed the challenges of complex manufacturing, assembly line testing, training, investment in technical infrastructure and field results

Creation of complex sub-systems

Hydraulics (Pumping, Cooling, Filtration) + Electronics (Controller, Sensors) + Mechanical (Gear Trains, Shift Systems, Housings)

30

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

1.4

₹ Cr, investment in the DCT programme in last three years ending 2020-21, expensed from the P&L account

Product **#4**

Mechanical shift transfer case

Overview

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 operations.

• Lightweight construction reduces total vehicle weight to enhance fuel efficiency.

• BorgWarner HY-VO® Chain-driven output provides quiet, four-wheel drive operation.

• Upper disconnect to the chain stops unnecessary parasitic losses in the two-wheel drive

• Positive displacement of the oil pump and filter assures full lubrication when driving or towing. Reduces maintenance needs

• Helical gearing delivers quiet, high- & low-range operations

• Single lever shift control simplifies the selection of transfer case operating modes

Product **#5**

Electric shift-on-the-fly transfer case

Overview

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 the driver to select two- or four-wheel drive operations.

• 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

Product **#6**

Torque on demand transfer case

Overview

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

It combines the 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 controlled torque to the front axle via modulation of a patented electromagnetic clutch

• Potential for improved fuel economy over traditional passive full time systems

Product **#7**

Auto locking hub

Overview

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 the two-wheel drive

• Provides engagement of the four-wheel drive at highway speeds

• Black powder coated with a choice of the aluminium decorative plate

Product **#8**

NexTrac interactive torque coupler

Overview

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 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).

Features

- Weight: 6-9 kgs; overall length: 180-200 mm
- Torque: 500 N-m to 1600 N-m
- 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 the 'blink-of-an eye'

Product **#9**

Double-offset transfer case

Overview

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 a high ground clearance.

Features

- Part-time system allows the driver to select two or four-wheel drive operations.
- Lightweight construction reduces total vehicle weight to enhance fuel 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 operations.
- 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.

Product **#10**

Synchronizers

Overview

The Synchronizer 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 'synchronize' the parts that are spinning at different speeds within the transmission system.

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

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

Product **#11**

Electric vehicle transmission

Overview

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

Product **#12**

Dual clutch transmission

Overview

The 7DCT350 Dual Clutch Transmission (DCT) uses two separate wet clutches for odd and even gears in synchromesh. The gears are controlled hydraulically by an Electronic Control Unit which senses gear positioning and shifting. The 7-speed DCT is designed for handling engine torque capacities between 250 Nm and 350 Nm and is most suitable on sedans and crossover vehicles.

Features

• The Dual clutch transmission has hydraulic system with direct controlled solenoid valves.

• The oil pump is internal gear driven by engine.

• It has automatic calibration and adaption functions for compensation of wearing and serial spread

Product **#13**

6-speed manual transmission

Overview

The 6MT400 6-speed Manual Transmission from Divgi-TTS is the latest product of the company. It has been designed and developed entirely in-house by leveraging all of Divgi-TTS's decades of design and manufacturing experience in the Torque Transfer technology space for the Indian marketplace. The 6MT400 can engine torque capacities up to a maximum of 400 Nm and is best suited on sedans and crossover vehicles.

Features

• The synchronizer technology is steel-based, carbon-lined, single, dual and triple cone systems.

• The speed gears have heat-treated chrome manganese steel with options of shaving and honing.

• It has two shaft designs

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
Nominee Director

Bharat Divgi
Director

Sanjay Divgi
Director

Management discussion & analysis

Global economic overview

The global economy reported a de-growth of 3.5% in 2020 compared to a growth of 2.9% in 2019, the sharpest contraction since World War II. This steep decline in global economic growth was largely due to the outbreak of the novel coronavirus and the consequent suspension of economic activities across the world. This led to global supply chain disruptions, resulting in a de-growth in some of the largest global economies.

Consequently, global FDI reported a significant decline from $1.5 tn in 2019 to $859 bn in 2020, the lowest since the 1990s and more than 30% below the investment trough that followed the 2008-09 global financial meltdown.

In 2020, global economic activity was affected by the pandemic, resulting in a contraction of (-) 3.4% after a slow growth 2.4% in 2019. G20 countries experienced an aggregate slowdown of (-) 3.2%, with the Euro area contracting by (-) 6.8%, UK by (-) 9.9%, Japan by (-) 4.8% and the US by (-) 3.5%. Among major economies, India contracted by (-) 8% while China was the only major economy to record a growth of 2.3% in 2020.

Regional growth %	2020	2019
World output	(3.5)	2.9
Advanced economies	(4.9)	1.7
Emerging and developing economies	(2.4)	3.7

(Source: IMF)

Performance of some major economies

United States: The country witnessed a GDP de-growth of 3.4% in 2020 compared to a growth of 2.3% in 2019.

China: The country's Gross Domestic Product grew 2.3% in 2020 compared to 6.1% in 2019 despite being the epicentre of the outbreak of the novel coronavirus.

United Kingdom: Britain's GDP shrank 9.9% in 2020 compared to 1.4% growth in 2019, 2x the annual contraction recorded in the aftermath of the global meltdown in 2009.

Japan: Japan witnessed a contraction of 4.8% in 2020, the first instance of a contraction since 2009. (Source: CNN, IMF, Economic Times, trading economics, Statista, CNBC)

The global economy is projected to grow by 5.5% in 2021 largely due to the successful roll-out of vaccines across the globe, coupled with policy support in large economies. (Source: IMF). Drivers of resilience and growth have been different across economies, with the US being led by household spending, while emerging markets and East Asia are catalysed by industrial production, exports and the commodity boom. Europe is benefiting from a resumption in world trade, while its consumer spending remains constrained.

There could be a combination of pent-up demand, accumulated household savings and the easing of restrictions as vaccination progresses could spur inflation, especially as cost pressures and temporary supply disruptions emerge due to surging demand and strict containment measures. However, the idle and spare global manufacturing capacity could keep inflation in check.

Indian economic review

The Indian economy passed through one of the volatile periods in living memory in 2020-21.

At the start of 2020, India was among five largest global economies; its economic growth rate was the fastest among major economies (save China); its market size at 1.38 bn was the second largest in the world; its rural population of the under-consumed was the largest in the world.

The Indian government announced a complete lockdown in public movement and economic activity from the fourth week of March 2020. As economic activity came to a grinding halt, the lockdown had a devastating impact on an already-slowing economy as 1.38 bn Indians were required to stay indoors - one of the most stringent lockdowns enforced in the world.

The outbreak of the novel coronavirus and the consequent suspension of economic activities due to the pandemic-induced lockdown, coupled with muted consumer sentiment and investments, had a severe impact on the Indian economy during the first quarter of the year under review. The Indian economy de-grew 23.9% in the first quarter of 2020-21, the sharpest de-growth experienced by the country since the index was prepared.

The Indian Government announced a bold economic stimulus to combat the sharp slowdown caused by the lockdown, its various measures aimed at easing liquidity and credit unavailability faced by the MSME sector to reinvigorate economic activity. Similarly, various measures targeted at incentivizing investments in economic segments and labour reforms, helped improve sentiment and attract global investments, strengthening India's self-reliance for critical needs.

The Indian and state governments selectively lifted controls on movement, public gatherings and events from June 2020 onwards, each stage of lockdown relaxation linked to corresponding economic recovery. Interestingly, as controls relaxed what the country observed was a new normal: individuals were encouraged to work from home; inter-city business travel was replaced by virtual engagement; a greater premium was placed on the ownership of personal mobility modes (cars and two-wheelers); there was a sharp increase in home purchase following the need to accommodate an additional room for home working.

The result is that India's relief consumption, following the lifting of social distancing controls, translated into a full-blown economic recovery. A number of sectors in India – real estate, steel, cement, home building products and consumer durables, among others - reported unprecedented growth. India de-grew at a relatively improved 7.5% in the July-September quarter and reported 0.4% growth in the October-December quarter and a 1.6% growth in the last quarter of the year under review.

The result is that India's GDP contracted 7.3% during 2020-21, largely on account of the sharp depreciation of the first two quarters. This sharp Indian recovery – one of the most decisive among major economies – validated India's robust long-term consumption potential.

During 2020-21, while the Agricultural sector posted a growth of 3%, the Industrial sector contracted by (-) 7.4% and the Services sector was hit the hardest with a decline of (-) 8.4%. As a result, consumption expenditure declined (-) 7.1% while Gross Fixed Capital Formation contracted (-) 12.4%. A decline in global commodity prices helped contain inflation, with Consumer Price Index inflation rising 6.18% and Wholesale Price Index inflation rising 1.2% during the year.

Y-o-Y growth of the Indian economy

	FY18	FY19	FY20	FY21
Real GDP growth (%)	7	6.1	4.2	-7.3

Growth of the Indian economy, 2020-21

	Q1, FY21	Q2, FY21	Q3 FY21	Q4,FY21
Real GDP growth (%)	(23.9)	(7.5)	0.4	1.6

(Source: Economic Times, IMF, EIU, Business Standard, McKinsey)

Indian economic reforms and recovery

There were a number of positive features of the Indian economy during the year under review.

India reported improving Goods and Services Tax (GST) collections month-on-month in the second half of 2020-21 following the relaxation of the lockdown, validating the consumption-driven improvement in the economy.

The per capita income was estimated to have declined by 5% from ₹1.35 lakh in 2019-20 to ₹1.27 lakh in 2020-21, which was considered moderate in view of the extensive demand destruction in the first two quarters of 2020-21.

The Indian currency strengthened from a level of ₹76.11 on 1April 2020 to a US$ to ₹73.20 as on 31March 2021 after peaking at ₹ 76.97/ US$ on 21 April 2020 (Source: Poundsterlinglive, exchangerates.org.uk)

India's foreign exchange reserves continue to be in record setting mode – FY21 saw $101.5 bn dollars accretion in reserves, the steepest rise in foreign exchange reserves in any financial year; India's forex reserves are ranked third after Japan and China and can cover more than a year's import payments.

India jumped 14 places to 63 in the 2020 World Bank's Ease of Doing Business ranking and was the only country in the emerging market basket that received positive FPIs of $23.6 bn in 2020; the country ranked eighth among the world's top stock markets with a market capitalisation of $2.5 tn in 2020.

The Indian government initiated structural reforms in agriculture, labour laws and medium-small enterprise segments. The labour reforms were intended to empower MSMEs increase employment, enhance labour productivity and wages.

India extended the Partial Credit Guarantee Scheme by relaxing the criteria and allowing state-owned lenders more time to purchase liabilities of shadow banks. Under the ₹45,000 Cr partial credit guarantee scheme, announced as a part of the Atmanirbhar Bharat package, three additional months were given to banks to purchase the portfolio of non-banking financial companies.

The government approved amendments to the Essential Commodities Act and brought an ordinance to allow farmers to sell their crop to anyone; the changes to the Essential Commodities Act, 1955, were intended to 'deregulate' agricultural commodities (cereals, pulses, oilseeds, edible oils, onions and potatoes from stock limits). The government approved the Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020, to ensure barrier-free trade in agriculture produce.

The Government relaxed foreign direct investment (FDI) norms for sectors like defence, coal mining, contract manufacturing and single-brand retail trading.

The Union Cabinet approved the production-linked incentive (PLI) scheme for 10 sectors. These incentives could attract outsized investments, catalysing India's growth journey.

Outlook

The emergence of the second COVID-19 wave dampened outlook for a strong projected rebound in real GDP growth of 10.5% in 2021-22, which had been supported by a strong revival achieved in Q4 2020-21 and impact of fiscal stimulus packages under Atmanirbhar 2.0 and 3.0 schemes, increased capital outlays and the promotion of investments in the Union Budget 2021-22.

As a result of the setback caused by the second wave, real GDP growth for 2021-22 may finish lower than expected before India returns to robust growth in 2022-23 with a projected 6.8% growth over 2021-22.

Despite recent developments, India's economic activity has been gathering strength with demand and supply sides staging an appreciable recovery, improved mobility and optimism due to a sustained vaccination rollout programme, growth-enhancing proposals in the Union Budget and reasonably favourable monetary conditions. However, India's growth outlook could also depend on the trajectory of global economic recovery, in view of external trade linkages, hardening crude oil prices and competition in the export markets.

The outlook for the country appears to be positive in view of the possibility that three down cycles – long-term, medium-term and short-term – could well be reversing at the same time. The long-term downtrend, as a result of non-performing assets, scams and overcapacity could be over; the medium-term downtrend that was caused by the ILFS crisis, select banks collapse and weakening NBFCs could well be over; the short-term downtrend on account of the pandemic has weakened following the introduction of the vaccine.

There is a possibility of each of these downtrends having played out, which could well lead to a multi-year revival in capital investments. Besides, a change in the US leadership could result in a revival in global, trade, benefiting Indian exporters.

Global automotive industry

The global automotive industry market size is estimated to grow from US$ 20.3 bn in 2020 to US$ 25.7 bn by 2025, growing at a CAGR of 4.8%. The growth of this industry is driven owing to the forthcoming concept of autonomous vehicles, in a combination of multiple applications, which includes different motors for supervising the functions. Vehicle electrification and strict norms of the government are opportunities for market players in the next five years.

Owing to travel restriction measures and an overall reduction in economic activity due to the COVID-19 pandemic, global motor vehicle production registered a sharp drop of 15.4% in 2020. Production of passenger cars dropped by 16.9% whereas production of electric vehicles de-grew by 11.6%. According to the International Organization of Motor Vehicles Manufacturers, there is a major reduction in production in all manufacturing regions, which includes Latin America (24.8%), Western Europe (24%) and North America (20.3%). Passenger car sales significantly dropped by 15.9% y-o-y whereas commercial vehicles drop was slightly less destructive at 8.7%. In some parts of the world, passenger car sales declined by more than 20% from 2019 which includes Latin America (-29.3%), the NAFTA region (28.9%), Africa (24.7%) and Western Europe (21%). At the back of a contraction in the overall motor vehicles market, EV sales have expanded by a massive 43% in 2020 as a contrast to an overall plunge in vehicle sales. Sources: (knoema.com)

Outlook

A wide range of industries have been impacted owing to COVID-19. The automotive industry is also susceptible to the disturbances caused by the virus. Demand for passenger cars dropped in 2020 but is set to revive this year as the economic activities are taking pace along with increased electrification. The speed of recovery differs from region to region though some downside risks still exist. According to Moody's, the organic revenue growth of European auto part suppliers are expected to surpass global auto unit sales growth by 200-300 basis points. Electrification is considered to be an important factor to drive growth in the industry in the coming years. The effect of big tech companies moving into the traditional automotive space could lead to an ever growing blend between the two industries. Sources: (think.ing.com)

Consumer powertrain preference for their next vehicle (2021)

Country	Gas/diesel vehicle	Hybrid electric vehicle	Battery electric vehicle	Other vehicles
US	74%	16%	5%	5%
India	68%	24%	4%	4%
Germany	59%	25%	7%	9%
China	55%	29%	11%	5%
Republic of Korea	43%	35%	11%	11%
Japan	45%	45%	7%	3%

Source: (www2.delloite.com)

Indian automotive industry overview

Indian automobile industry, contributing 49% to the country's manufacturing GDP and 7.1% to its overall GDP, surpassed Germany in 2018 to become the fourth largest manufacturer of cars and the seventh largest manufacturer of passenger vehicles in the world. Owing to a growing middle-class and increasing young population in the country, two-wheelers emerged as the leading segment in the Indian automobile industry with an ~80% market share. Besides these, industry peers are looking for a wider penetration in the rural markets of India which strengthened the Indian automobile industry. On the other side, about 12.9% of the Indian automobile industry was constituted by passenger vehicles. Between April 2000 and September 2020; the Indian automobile industry attracted Foreign Direct Investments (FDI) valued at US$ 24.62. The Indian automobile sector reported slower growth as it produced 22.65 mn vehicles in 2020-21 as against a production of 26.3 mn vehicles in 2019-20. Passenger vehicles production contracted from 3.4 mn units in 2019-20 to 3.06 mn units in 2020-21. Commercial vehicles production was at 6, 24,939 units in 2020-21 as against 7, 56, 725 units in 2019-20. (Source: siam.in)

Domestic sales

The sales of passenger vehicles have declined by over 2% in 2020-21 over the same period last year. Passenger vehicles wholesales dropped by 2.24% from 27, 73, 519 units in 2019-20 to 27, 11, 457 units in 2020-21. Passenger cars and vans within these segment have declined by 9.06% and 17.62% respectively while sales of utility vehicles increased by 12.13% during the aforementioned period.

The sales of overall commercial vehicles segment dropped by 20.77% from 7,17, 593 units in 2019-20 to 5, 68, 559 units in 2020-21. Medium & heavy commercial vehicles (M&HCVs) and light commercial within the segment declined by 28.40% and 17.30 % respectively.

The sales of three-wheelers witnessed a substantial de-growth of 66.06% as the pandemic stifled most public movements in the first half. Three-wheeler sales in 2020-21 stood at 2, 16, 197 units compared to 6, 37, 065 units in 2019-20. Passenger carrier and goods carrier within the three-wheeler segment dropped 74.49% and 26.38% respectively.

Two-wheeler dispatches contracted for the period under review. Sale of units from manufacturer to dealers declined by 13.18%. In 2020-21, industry only registered wholesale of 1, 51, 19, 387 units as against 1, 74, 16,432 units in 2019-20. Within the two-wheeler segment, scooters, motorcycles and mopeds declined by 19.51%, 10.65 % and 3.07% respectively in March-April 2020 compared to March-April 2019.

Vehicle sales across categories dropped by 13.6% to 1,86,15,588 units compared to 2,15,45,551 units in the previous year. (Sources: Mint, siam.in)

Exports

In 2020-21, overall automobile exports declined by 13.05%. Exports of commercial vehicles and three wheelers declined by 16.64% and 21.67% respectively. Passenger vehicles exports reduced by a massive 38.92% and two-wheeler exports de-grew by 6.87% in 2020-21 compared to the same period last year. (Sources: Business standard, siam.in)

Outlook

In 2021-22, the Indian auto industry is estimated to witness stronger growth after reviving from the effect of the COVID-19 pandemic, with positive movements anticipated in electric vehicles especially two-wheeler sales. Jato Dynamics has forecasted PV sales in 2021 at 3.34 mn, while IHS Markit sees India overtake Germany as the fourth largest vehicle manufacturer, whereas for two-wheelers it might be achieved a year later. Additionally, price hikes estimated with the introduction of new regulations could postpone the recovery.

Growth drivers of the Indian automotive industry

The principle for steering growth in the automotive industry is similar and the sector is anticipated to witness growth once the economy revives and investments increase.

In this situation, India's automotive industry is anticipated to reach US$ 251.4-282.8 bn by 2026. The industry is transforming with various trends, anticipated to have a bearing on its potential to discern the goals of AMP. In line with the automation of numerous processes to attain these objectives, the sector is anticipated to provide additional direct and indirect employment.

Favourable macroeconomic and demographic trends

The Automotive Mission Plan 2016-26 laid down an ambition to enhance GDP contribution to 12% from 7% at present.

Various economic trends could help in achieving this target. Some 40% of our population or 600 mn Indians are anticipated to live in urban regions by 2030, which is 1.5x the present US population. Increasing incomes are also expected to play a key role as approximately 60 mn households might enter the consuming class (signified as households with incomes more than US$8000 per annum) by 2025. More people are expected to join the workforce at the same time, the increase mostly dominated by women as their participation is expected to increase by 10 % which is expected to add $770 bn to India's GDP by 2025. The increasing participation of women and youth is expected to boost mobility.

Constant focus of the government to support the industry

The government had introduced the Automotive Mission Plan and the National Electric Mobility Mission Plan (NEMMP) and other initiatives to achieve two objectives to catalyse long-term growth in the industry and lessen emissions and dependence on oil. In the Automotive Mission plan, 2026 the government and the industry has set a target to expand revenues by three times to reach US$300 bn, and exports seven times to attain US$80 bn. It is expected that the sector could account for 60 mn additional jobs directly and indirectly, which could lead to superior manufacturing competitiveness and lower emissions.

Less dependency on oil imports

The government is promoting adoption of alternative fuels through FAME2, which is an augmented version of the original FAME (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles) initiative in order to diminish oil import dependency. Where FAME 1 provided incentives to electric vehicles (EV) and hybrid EV buyers, FAME 2 is anticipated to boost the electrification of the public transport fleet of buses and taxis, as well as smoothen demand for various types of substitute fuels. Moreover, to empower instant adoption, the government has reduced GST on all electric vehicles from 12% to 5% whereas fuel-run vehicles attract a GST of 28% Sources: (inc42.com)

India as a manufacturing hub

India has achieved the 3rd rank among 48 countries as one of the most suitable locations for global manufacturing in terms of cost efficiency and operating conditions. The government's Make in India initiative has occupied a key role in improving the country's position. Companies in the automotive sector are the opportunity to strengthen the country's respect as a hub for lower cost, superior quality products. As the country has generated a strong value proposition in mini cars, India renowned globally in the compact sedan and SUV category. (Source: Business Standard)

Government initiatives for the Indian automotive sector

The Government of India expects to attract foreign investment in the Indian automobile sector and allows 100% FDI under the automatic route.

Some of the initiatives undertaken by the Government of India are:

- The Government has introduced a vehicle scrappage policy in which private vehicles older than 20 years and commercial vehicles older than 15 years shall be scrapped if they do not pass a fitness test at government appointed centres.
- The Government aims to develop India as a global manufacturing centre and a research and development hub
- The Government of India, under NATRiP, is planning to establish R&D centres incurring a total cost of US$388.5 mn, to ensure that the industry maintains international standards.
- The Ministry of Heavy Industries, Government of India, has nominated 11 cities in the country for the introduction of electric vehicles in the public transportation system under the FAME scheme. The government will also establish an incubation centre for start-ups working in the electric vehicles segment.
- The Government of India has approved the FAME-II scheme with a fund allocation of ₹100 bn for FY20-22. Under phase-II of FAME India scheme, 56,900 electric vehicles were supported till 10 March, 2021 through a demand incentive of around ₹170 crores.

Global auto components industry

The automotive parts and accessories industry has gone through extensive transformation over the past few years, which is leading to the creation of a highly competitive industry. The global auto parts and accessories market was pegged at US$ 1.9 tn in 2020 and projected to reach US$ 2.3 tn by 2027, growing at a CAGR of 3 % in the forecasting period. Driveline & powertrain, one of the segments of the industry, is estimated to reach US$775.9 bn, growing at a CAGR rate of 3.7% by the end of the forecasting period. The interiors and exteriors segment is expected to grow at a CAGR of 2.8% over the next seven year period. In 2020, the auto parts and accessories market in the US was estimated at US$ 510.2 bn. The world's second largest economy, China, is estimated to grow at a CAGR of 5.5% to reach US$ 474.8 bn by 2027. Japan and Canada are among the other remarkable markets, each forecast to grow at a CAGR rate of 0.8% and 2.2% respectively by 2027. Within Europe, Germany is expected to grow at ~1.4% CAGR. Increase in production and sales of vehicles and passenger cars, along with growing digitisation and the automation of systems within the automotive industry, are steering the global automotive industry. The growing usage of automotive parts such as train parts, body parts and trimmers, electronics, braking systems, motors and engine components, steering, suspension components and others have remarkably contributed to industry growth. The market is further fueled by innovations in the field and increasing demand of luxury cars among consumers. (Sources: Globe newswire, market watch. com)

Indian auto components industry overview

The auto components industry accounts for 2.3% of the India's national GDP, 25% of the country's manufacturing sector and provides job opportunities to over five mn people. The industry is dominated by SMEs and is a major contributor to the country's economic growth and "Make in India "program. The auto components industry produces a variety of products, which constitute engine parts, drive transmission and steering parts, body & chassis, suspension & braking parts, equipment and electrical parts, among others.

The Indian auto component industry faced a contraction and reported a turnover of ₹3.40 lakh Cr (US$ 45.9 bn), a de-growth of 3% as against ₹3.49 lakh Cr (US$ 49.3 bn) in 2019-20 due to sluggishness in demand and impact of the COVID-19 pandemic.

However, the auto component industry in India witnessed a trade surplus for the first time with exports of ₹39,003 Cr in the first half of 2020-21. The Indian auto components industry exports reported a de-growth of 8% from ₹1.02 lakh Cr (US$ 14.5 bn) in 2019-20 to ₹98,000 Cr (US$ 13.3 bn) in 2020-21. The industry exports more than 160 countries around the globe, which includes North America and Europe accounting for more than 60% of the total exports in the industry.

The domestic aftermarket contracted 7% from ₹0.69 tn to ₹0.64 tn in rupee terms when compared with the preceding fiscal year. (Source: The Hindu business line, ACMA, businessworld.in)

Growth drivers of the auto components industry in India

• Increased working population and growing middle-class are major contributors of demand.

• High exports remain a major driving force in the growth of the auto component industry in India

• India enjoys a competitive advantage as it is geographically closer to the markets of Europe & Middle East than countries

• The auto component sector in India has been approved for 100% FDI under the automatic route by the government.

• The Government of India has reduced GST on all electric vehicles from 12% to 5% under the new GST regime.

• India enjoys a cost advantage of being the second largest steel producer worldwide.

• An economical manufacturing base helps in incurring lower operational costs by 10% to 20% compared to Europe and Latin America.

Outlook

According to ICRA, since the automotive industry volumes are anticipated to rebound to pre-COVID highs in 2-3 years, the investments in the sector is expected to remain fragile. In FY21, the industry capex stood at 5%, which was the lowest in the decade as industry players concentrated on conserving liquidity. While the capex intensity are expected to rebound to the normal 6-7% rate by FY22-23, there is relatively low chance of an adequate increase in debt funded capex and investment plans owing to a massive reduction in capacity utilization in FY21. The Indian auto components industry's revenue is anticipated to grow 16%-18% in FY22 owing to increasing content per vehicle, low base effect and a part increase in realisations from the pass through of commodity price hikes. Due to the OEM's cost control measures, growing indigenisation and superior economies of scale, the industry operating margins, after hitting multi-year lows, are anticipated to rebound to their normal level of 13% (± 50 bps) in FY21.

The Government of India has undertaken various initiatives for the growth of the Indian auto components industry, such as launch of the Automotive Mission Plan, reduction of GST rate on EVs, introduction of vehicle scrappage policy and providing additional income tax deductions, among others. Despite all these efforts, the Indian economy, just like all other economies, is anticipated to be severely hit due to the rapid second Covid wave. (Source: Economic times)

Company's overview

Divgi-TTS commenced its operations in the 1960s. In 1964, Divgi Metalwares Pvt Limited was established. Divgi-TTS has produced various superior quality engineered products since 1995. The Company is involved in the production of transfer cases, torque couplers and Auto-Locking Hubs (ALH), vital components for 4WD/AWD vehicles, synchronizers for transmissions (gearboxes) and constituents for these products.

Financial analysis 2020-21

Balance sheet

• Borrowings for 2020-21 stood at ₹1.3 mn compared to ₹2.3 mn during 2019-20

• Total non-current assets for 2020-21 stood at ₹1132.72 mn compared to ₹990.7 mn in 2019-20

• Net worth stood at ₹2958.76 mn as on 31 March, 2021 compared to ₹2,095.3 mn as on 31 March, 2020, an increase of 41%.

• Total assets increased by 19.34% from ₹3,037.0 mn as on 31 March, 2020 to ₹3,624.4 mn as on 31 March, 2021.

• Inventories increased by 29% from ₹207.7 mn as on 31 March, 2020 to ₹267.0 mn as on 31 March, 2021

Profit & loss statement

• Revenues increased 14 % from ₹1,707.4 mn in 2019-20 to ₹1,950.2 mn in 2020-21

• EBITDA increased to ₹603.5 mn in 2020-21 compared to ₹486.1 mn in 2019-20

• Profit after tax increased 36% from ₹280.3 mn in 2019-20 to ₹380.4 mn in 2020-21

• Total expenses for 2020-21 stood at ₹1,424.7 mn compared to ₹1,329.8 mn in 2019-20

• Depreciation and amortisation stood at ₹76 mn in 2020-21 compared to ₹63.9 mn in 2019-20

Working capital management

• Current assets as on 31 March, 2021 stood at ₹2,491.6 mn compared to ₹2,046.3 mn as on 31 March, 2020

• Current ratio as on 31 March, 2021 stood at 4.1 compared to 2.3 as on 31 March, 2020

• Inventories increased from ₹207.7 mn as on 31 March, 2020 compared to ₹267 mn as on 31 March, 2021

• Current liabilities stood at ₹605.4 mn as on 31 March, 2021 compared to ₹886.2 mn as on 31 March, 2020

• Cash and bank balances stood at ₹1,589 mn as on 31 March, 2021 compared to ₹1,499.7 mn as on 31 March, 2020

Key ratios

Particulars	2020-21	2019-20
EBITDA/Turnover	30.94	28.47
EBITDA/Net interest	327.89	10.90
Debt-equity ratio	0.00	0.00
Return on equity (%)	12.90	13,32
Book value per share (₹)	4,298.63	3,479.07
Earnings per share (₹)	552.73	465.55

Risk management at Divgi-TTS

Risk management extends across all functional, management levels and project areas. A Risk Management Committee comprising all Board members appraise risk management initiatives.

Key risk and their applications	Mitigation measures
The Company's presence in the niche segment might be injurious at a time of shift in consumer demand	• The Company is operating at length to enhance its diversity in products and applications (passenger vehicles, commercial vehicles, agriculture & tractors, construction equipment), consumers and footprint in various geographies • Consumers attached with the Company for 10 years or more contributed 80% of revenues
Economic slowdown could hamper the Company's production owing to a drop in automobile demand	• The Company enhanced its presence across four countries to reduce its risk of dependence on a single market. • The Company expanded the application diversity of its products to cover the risks occurring from single or sparse applications • Exports accounted for 47 % of the Company's exports in 2020-21

Key risk and their applications	Mitigation measures
Growing competition in the international market on the basis of cost and volume	Divgi-TTS reaps the benefits of brand leadership The Company embraced lean manufacturing practices, reinforcing its cost management
There is an increasing trend of global OEMs to engross in a vendor's product carbon footprint and life cycle assessment studies, increasing their screening bar	The Company extended its knowledge partner base, intensifying environmental responsibility The Company was certified for ISO14000 for the past several years. The Company started GRI reporting, addressing the subject of sustainability. The Company is functioning with the best brands in the world in the field of energy-efficient vehicles
Inability to retain human resources could affect sustainability	The Company provides quality work environment and provides adequate opportunities for career growth, which helps the Company attract and retain talented professionals
Child labour employment can be criticized and might hamper goodwill	The Company has implemented strong policy action against child labour employment in its vigorous ethical values and code of conduct
Gradual strictness in environment regulations could affect Company's growth	The Company's investments in state-of-the art R&D projects could diminish the impact of its products on the environment, intensify Lean Manufacturing discipline and reduce raw material usage
Existing technologies might be overblown due to innovations	The Company invests in technological advancements to stay relevant
The global OEMs have increasingly concentrated on reducing cost while improving quality	The Company has improved quality benchmarks by introducing quality CMM for vendor development and supplier quality improvement program. The Company invested in supplementary capital equipment to boost 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 authorized, 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.

Directors' Report

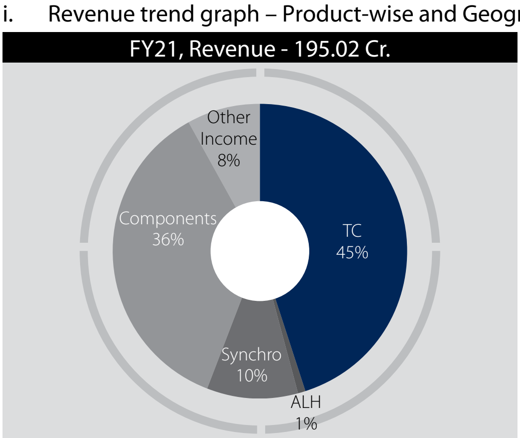
Dear friends

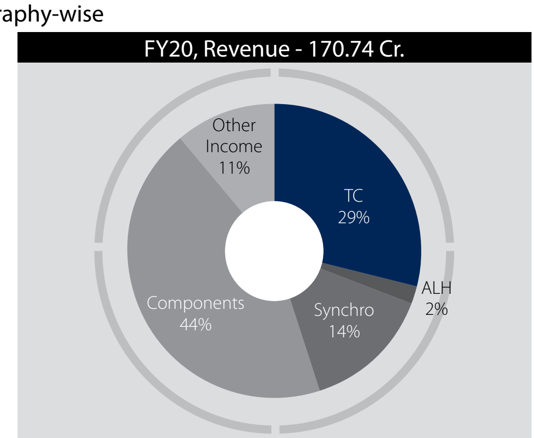
Your Directors have pleasure in presenting the 56th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended on 31 March, 2021. The year was an eventful one because of the COVID pandemic that burst upon the country on the eve of the new financial year in March 2020. It was marked by the resilience of our operations in not only withstanding the effects of the pandemic but also registering a growth of more than 10% compared to FY 20. This was made possible by heroic efforts of all our team members and by their presence of mind and overall agility in surmounting various challenges in operations and product development.

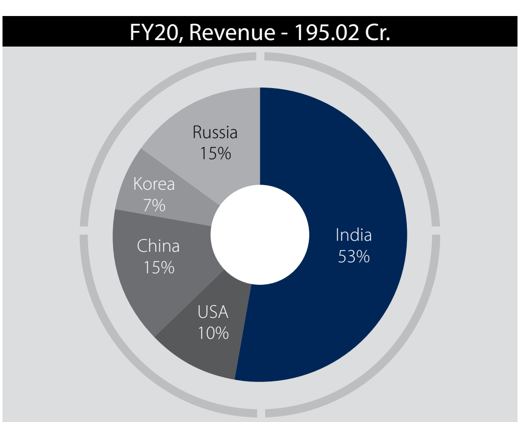
1. Financial results

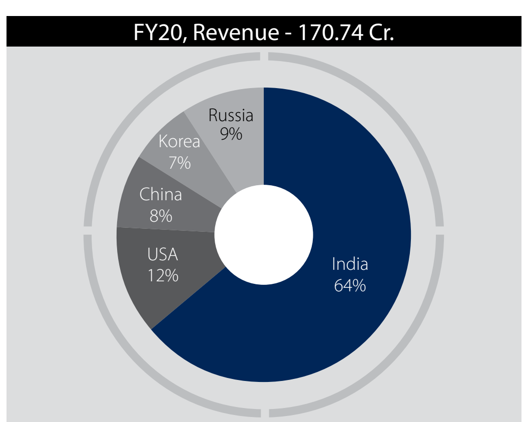
Particulars	For the FY ending on 31/03/2021	For the FY ending on 31/03/2020
Total Revenue	1,950,244,259	1,707,398,198
Total Expenditure	1,424,675,558	1,329,785,015
Profit/(Loss) before Depreciation	601,648,579	441,510,281
Depreciation	76,079,878	63,897,098
Profit/(Loss) After Depreciation	525,568,701	377,613,183
Provision for Current Tax	143,855,400	111,389,442
Provision for Deferred Tax	1,268,885	(14,158,284)
Profit/(Loss) after Tax	380,444,416	280,382,024

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









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

Particulars	2020-21 (In ₹ Cr.)	2019-20 (In ₹ Cr.)
Transfer Cases	87.36	49.84
Automatic Locking Hubs	2.34	3.06
Synchronizers	19.65	24.89
Components, Export	70.05	74.55
Other Income	15.62	18.41
Total Revenue	**195.02**	**170.74**

* Other Income =Sale of tool+ Income from services+ Other Operating Income+ Other Income

The year ended at ₹ 195 Cr revenue up from ₹ 170 Cr last year. The increase in sales revenue was due to two principal reasons – a significant increase in the domestic transfer case business with a steady increase in the export business, including transfer cases to Russia. The domestic demand in transfer cases increased from7,924 units to 22,175 units, an increase of more than 180%. Mahindra volumes increased from 6,697 to 20,527 while UAZ volumes went from 7,500 units to 9,400 units. The situation in export orders further contributed significantly in FY 2021.

The Russian market held steady and increased incrementally from 7,500 to 9,400 units. Your company continues to supply in the competitive Russian marketplace against competition from Korea and China. This is made possible because of our flexibility in responding to our customers' need to quickly and cost effectively design and develop a transfer case for their automatic transmission from France. Our supplies continue to be right first time consistently and on time. We offer a reliable payment system through reputed banking channels without demanding cash advances that Russian customers were compelled to furnish in their international supplies.

Through FY 2021 Divgi-TTS further intensified its geographic market portfolio and was able to register a further 6% growth in exports. Consequently, exports went up from ₹ 86.28 Cr to ₹ 91.25 Cr in FY21. We also continued our flawless track record of supplies to China, Korea and the US in our legacy business and despite the constraints of the pandemic continued our supplies successfully.

The year was marked by the successful development of the manual-shift transfer case for the award-winning Mahindra Thar Sport Utility Vehicle, SUV. The company delivered the program on time and within budget and was 100% on time in deliveries to Mahindra all through the ramp-up period. Mahindra recognized our contribution with an Appreciation Award for the Thar Program. The company continues to be Mahindra's exclusive four wheel drive systems supplier with work going on in both mechanical and electronic hardware and control software.

Our Sales & Marketing team continued to open up new markets in Russia, United States, France, China, Korea, and Thailand, 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 aggregation 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 torque 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. Product development on India's first truly indigenous automatic transmission is underway with product introduction planned late in FY24/early FY25.

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 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 as proven by three-time record of winning CII quality and organizational development awards. The company once again won the Toyota ZERO PPM award for FY21.

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 world 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. Our Strategic Sourcing leadership team successfully negotiated a path-breaking new exclusive technology transfer agreement for dual clutch automatic transmissions with Hofer Powertrain of Stuttgart in Baden Wuerttemberg, Germany.

The HR and Organizational Development Team continued its solid progress. The most conspicuous marker of its achievements was the COVID System Basics, CSB Framework, with which managed company operations through the extremely difficult period of the COVID pandemic. 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. HR and OD work in close coordination with our Management Systems Group to advance our overall competence in improving Product Leadership.

Our Management Systems function continued 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.

Our Growth and Launch function focuses on critical infrastructure needs of the company to enable capacity creation in the realization of our company vision while maintaining the highest standards of operating a sustainable manufacturing organization.

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 in electric drive systems including the development of AC motor and inverter technology.

The company's portfolio comprises four product lines where sustained market and product development efforts are underway – manual transmissions and synchronizers, 4WD products including transfer cases and torque couplers, drive systems 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:

Our HR mission is to strengthen the business leadership pipeline by developing, attracting & retaining talent supported by initiatives in the following areas:

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

The following were some notable achievements in FY 20-21:

Highlights Y2020-21:

I. The year 2020-21 was marked by the unprecedented COVID pandemic that severely affected Q1. To battle this warlike situation, several preventive measures were implemented by the Company:
   a. The company ensured that the production was not hampered due to lockdown restrictions and increasing COVID cases by developing and implementing COVID System Basics (CSB), a systematic and structured framework with corrective and preventive measures. This system was implemented in all three facilities of the Company.
   b. Reaction Plan was developed for clear communication to employees about COVID protocols.
   c. Mediclaim Insurance covering COVID was taken to cover all employee across all three facilities.
   d. Experienced and well qualified doctors were appointed at all three operating facilities.
   f. Tie-Up with a reputed laboratories for RTPCR Testing for employees.

II. Participated in 4th CII National HR Circle Competition and presented case study on CSB.

III. Appointment of a full-time working Company Secretary, Ms. Meenal Barhate

IV. Highly qualified (MBA, MTech) candidates from reputed institutes such as College of Engineering, Pune (COEP), IIT Bombay, and Management institutes from Hubli & Dharwad were hired in core functions.

V. Looking at our growth prospects, various infrastructure development activities also initiated. Additional 3rd floor at the Bhosari facility was built to accommodate employees working in product development function. Plant renovation initiated at Shivare.

VI. On the Education and Training front, various online programs were conducted; employees also participated in the programs run by customers like Mahindra, Tata Motors and Toyota.

2. Transfer to Reserves

The Company did not transfer any amount to General Reserves during the year ended on 31 March, 2021.

3. Dividend

The Board in its meeting on 27 August, 2021 recommended a dividend of ₹ 30.82 per equity share.

4. Financial summary -

The authorized share capital of the Company is ₹ 10,40,00,000 (Rupees Ten Crore Forty Lakh only.) the subscribed and Paid up Capital of the Company is ₹ 6,88,30,200 comprising of all equity 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:** There was no change in the constitution of Board for the period under consideration.

b. **Change in Shareholding Structure** – 76,981 CCPS held by Oman India Joint investment Fund II were converted into 86,038 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 ₹ 10,40,00,000 (Rupees Ten Crore Forty Lakh only.) The subscribed and Paid up Capital of the Company is ₹ 6,88,30,200 comprising of equity 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 ₹ 1.02 Cr p. a. as follows:

Sr. No	Name of the employee	Designation	INR Amount in Cr	Qualifications	Date of Commencement of employment	Age	% of equity shares held in the Company
1	Mr. Jitendra B. Divgi	Managing Director	1.49	Mechanical Engineer. Master's degree in Manufacturing from the University of Massachusetts, USA	12/03/1997	58 Years	1.19%

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 2021 through the date of this report.

15. Number of Board meetings held –

Sr. No	Date of Meeting	Total no. of Directors on date of Meeting	Number of Directors Attended
1.	26 June 2020	8	6
2.	18 September 2020	8	8
3.	17 October 2020	8	8
4.	21 November 2020	8	8
5.	22 December 2020	8	7
6.	27 March 2021	8	8

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

There are no loans & guarantees given by the company in the financial year 2020 – 2021.

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 2020-21;

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 ₹ 24.60 Cr. (Previous year ₹ 22.05 Cr.).

As against this the earnings from exports amounted to ₹ 91.98 Cr (previous year ₹ 87.75 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 ₹ 500 Cr or more, or Turnover of ₹1000 Cr or more, or a Net Profit of ₹ 5 Cr 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 2017-18, 2018-19 and 19-20)

Particulars	Amount In ₹ Cr
Average Net Profit of the company for last three financial years	45.72 Cr
Prescribed CSR expenditure	92.98 lakh
Total amount spent for the financial year 2020-21	92.98 lakh

Our CSR Responsibility: - We hereby affirm that the CSR Policy, as approved by the Board and uploaded on our website - www.divgi-tts.com, is implemented and the CSR Committee monitors the implementation of the projects and activities in compliance with our CSR objectives.

Please see **annexure II** 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 20-21. 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. Compliance with applicable Secretarial Standards:

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

27. 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

	Sd/-	Sd/-
	Praveen P. Kadle	**Jitendra B. Divgi**
Date: August 27, 2021	*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. 2. Divgi Holding 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 2020 to 31st March 2021.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	1. Machine and Development charges - ₹ 25,443,382 2. Rent Income - ₹ 24,05,088 3. Rent Expenses 46,20,000
(e)	Date(s) of approval by the Board	N. A.
(f)	Amount paid as advance if any	NIL

FOR DIVGI TORQTRANSFER SYSTEMS PRIVATE LIMITED

	Sd/-	Sd/-
	Praveen Kadle	**Jitendra B. Divgi**
	Chairman	*Managing Director*
	DIN: 00016814	DIN 00471531
Date: August 27, 2021	18, Floor-2, Plot-210/211, CCI Chambers,	'Omkar' 273/1/2,
Place: Pune	Dinshaw Wachcha Road, Brabourn Stadium,	Baner Road,
	Churchgate Mumbai 400020	Pune 411045

Annexure - II

ANNUAL REPORT ON CSR ACTIVITIES FOR FINANCIAL

YEAR AS ON 31 MARCH, 2021

1. Brief outline on CSR Policy of the Company including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

   As stated in Directors Report.

2. Composition of CSR Committee:

   The Committee consists of three members, namely:

Sr. No	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Praveen Kadle	Chairman and Director	1	1
2	Mr. Jitendra Divgi	Managing Director	1	1
3	Mr. Hirendra Divgi	Whole Time Director	1	1

3. Average net profit of the company for last three financial years as per section 135(5): INR 45.72 Cr

4. (a) Two percent of average net profit of the company as per section 135(5): INR 91.44 lakh

   (b) Surplus arising out of the CSR projects or Programmes or activities of the previous financial years.: NA

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

   (d) Total CSR obligation for the financial year (7a+7b- 7c): INR 91.44 lakh

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

Total Amount Spent for the Financial Year. (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
INR 92.98 lakh	NA	NA	NA	NA	NA

   (b) Details of CSR amount spent against ongoing projects for the financial year: NA

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sr. No	Name of the Project.	Item from the list of activities in Schedule VII of the Act.	Local Area (Yes/No)	Location of the Project		Project Duration	Amount allocated for the project In (₹)	Amount Spent in the current Financial year in (₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) in (₹)	Mode of Implementation Direct (Yes/No)	Mode of Implementation though Implementation Agency	
				State	District						Name	CSR Registration No.
1	Sassoon Hospital, Pune	Item no. (i)	Yes	Maharashtra	Pune	FY 2020-21	11.00 lakh	11.00 lakh	Nil	Direct	NA	NA
2	PCMC Pune	Item no. (i)	Yes	Maharashtra	Pune	FY 2020-21	5.00 lakh	5.00 lakh	Nil	Direct	NA	NA
3	Police Station, Sirsi	Item no. (i)	Yes	Karnataka	Uttar Kannada	FY 2020-21	0.95 lakh	0.95 lakh	Nil	Direct	NA	NA
4	Pragatee Foundation	Item no. (ii)	No	Karnataka	Uttar Kannada	FY 2020-21	10.42 lakh	10.42 lakh	Nil	Direct	NA	NA
5	Saraswat Education Society	Item no. (ii)	No	Karnataka	Dakshina Kannada district	FY 2020-21	60.00 lakh	60.00 lakh	Nil	Direct	NA	NA
6	Vedanta Cultural Foundation	Item no. (v)	No	Maharashtra	Pune	FY 2020-21	0.96 lakh	0.96 lakh	Nil	Direct	NA	NA
	TOTAL	-	-	-	-	-	INR 88.33 lakh	INR 88.33 lakh	Nil	-	-	-

(d) Amount spent in Administrative Overheads – INR 4.65 lakh

(e) Amount spent on Impact Assessment, if applicable - NIL

(f) Total amount spent for the Financial Year (5b+5c+5d+5e) - INR 92.98 lakh

(g) Excess amount for set off, if any- NA

6. (a) Details of Unspent CSR amount for the preceding three financial years:

Sr. No	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.	FY 2019-20	Nil	INR 1.54 Lakh	NA	Nil	NA	Nil
2.	FY 2018-19	Nil	Nil	NA	Nil	NA	Nil
3.	FY 2017-18	Nil	Nil	NA	Nil	NA	Nil
	TOTAL						

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): NA

7. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year- NA

(Asset-wise details).

a) Date of creation or acquisition of the capital asset(s).

b) Amount of CSR spent for creation or acquisition of capital asset.

c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

8. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). - NA

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

Sd/-
Praveen P. Kadle
Chairman
DIN 00016814

Sd/-
Jitendra B. Divgi
Managing Director
DIN 00471531

Date: August 27, 2021
Place: Pune

NOTICE

Notice is hereby given that the 56th Annual General Meeting of the members of Divgi TorqTransfer Systems Private Limited will be held on Monday, the 27th Day of September, 2021 through Video Conferencing using ZOOM from 10.00 AM to 01.00 PM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the financial statements for the year ended on 31st March 2021 including the audited Balance Sheet as on 31 March, 2021 and the Statement of Profit & Loss for the year ended on that date together with the Director's Report and Auditor's Report thereon.

2. To declare the dividend.

BY THE ORDER OF THE BOARD OF DIRECTORS
DIVGI TORQTRANSFER SYSTEMS PRIVATE LIMITED

Sd/-
Jitendra B. Divgi
Managing Director

Date: August 27, 2021
Place: Pune

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company.

2. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting at the Registered Office of the Company.

Form No. MGT-11

Proxy form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: U32201MH1964PTC013085
Name of the Company: Divgi TorqTransfer Systems Private Limited
Registered Office: Plot no. 75, General Block, MIDC, Bhosari, Pune 411026

Name of the Member(s):	
Registered Address:	
E-mail Id:	
Folio No/Client Id:	
DP ID:	

I/We, being the member(s) of _____ shares of the above-named company, hereby appoint

1. Name: ....

   Address: ....

   E-mail Id: ....

   Signature: .... or failing him

1. Name: ....

   Address: ....

   E-mail Id: ....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual general meeting of the company, to be held on _______________ 2021 at the registered office of the Company at the __ A.M/P.M. and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Number	Business to be Transacted Ordinary Business
1.	To receive, consider and adopt the financial statements for the year ended on 31st March, 2021 including the audited Balance Sheet as on 31 March, 2021 and the Statement of Profit & Loss for the year ended on that date together with the Director's Report and Auditor's Report thereon
2.	To declare the dividend.

Signed this ...... day of......... 2021

Revenue Stamp of ₹ 1/-

Signature of Shareholders ....

Signature of Proxy holder(s) ....

Note:

1. This form of proxy in order to be effective should be duly filled, stamped, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. The proxy need not be a member of the company.
3. Appointing a proxy does not prevent a member from attending the meeting in person if he / she so wishes.
4. The Proxy holder should bring his/her identity proof at the time of attending the meeting.

Annual General Meeting

(To be presented at the entrance if attending meeting in person)

The 56th Annual General Meeting of Monday, 27 September, 2021 via Video conferencing on Zoom

I hereby record my presence at the 56th Annual General Meeting of the Company on Monday, 27 September, 2021 at _____.

Regd. Folio No. / Dp ID / Client ID	
DP ID:	

Full Name of the *Shareholder/ Proxy
(In block letters)
*strike out whichever is not applicable.

Signature of *Shareholder/Proxy

Note:

1. Only Member / Proxy holder can attend the Meeting.
2. Member / Proxy holder should bring his/her copy of the Annual Report for reference at the Meeting.

   The Proxy holder should bring his/her identity proof at the time of attending the meeting.

FINANCIAL STATEMENTS

Independent Auditor's Report

To
The members of
Divgi TorqTransfer Systems Private Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanyingFinancial Statements of Divgi TorqTransfer Systems Private Limited("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and notes to the Financial Statements, and a summary of significant accounting policies and other explanatory information(herein after referred to as "Financial Statements").

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 Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditors' 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 Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

Information other than the Financial Statements and Auditors' Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors Report and the related annexures, but does not include the Financial Statements and our Auditors' Report thereon.

Our opinion on 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for theFinancial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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.

Auditors' Responsibility

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 skepticism 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.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 A, 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 purposes of our audit;

    b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

    c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity 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.

    e) On the basis of written representations received from the directors as on March 31, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021, from being appointed as a director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure B.

    g) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors') Rules, 2014 (as amended) in our opinion and to the best of our information and according to the explanations given to us:

        i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements;

        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B. K. Khare and Co.
Chartered Accountants
Firm Registration No.: 105102W

Sd/-
Aniruddha Joshi
Partner
Membership No.:040852
UDIN No: 21040852AAAADL9090
Mumbai, August 27, 2021

Annexure "A" to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

i. a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

b) The Company has a regular programme for physical verification of its property, plant and equipment by which the property, plant and equipment are verified by the management according to a phased programme designed to cover all the items over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its property, plant and equipment. In accordance with the programme, the Company has physically verified certain property, plant and equipment during the year and no material discrepancies were noticed on such verification.

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 to us, the inventory comprising of raw materials, work-in-progress and finished goodshas been physically verified at reasonable intervals by the management during the year. In our opinion, coverage and procedure of such verification is appropriate and no material discrepancies for each class of inventory were noticed on such verification between the physical inventory and the book records. We have relied on confirmations and representations from third parties in case of inventory lying in their locations, wherever applicable.

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 reporting under Clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order is not applicable to the Company.

iv. According to the information and explanations given to us, the Company has not granted any loans or made any investments or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Accordingly, the reporting under Clause 3(iv) of the Order is not applicable to the Company.

v. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under, where applicable. Accordingly, the reporting under Clause 3(v) of the Order is not applicable to the Company.

vi. The Central Government has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company. Accordingly, the reporting under Clause 3(vi) of the Order is not applicable to the Company.

vii. (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, the amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Goods and Services tax, Income Tax, Provident Fund, Employees' State Insurance, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. According to the information and explanations given to us and on the basis of our examination of records of the Company, there were no undisputed statutory dues payable in respect of Sales tax, Service tax, Duty of Customs, Duty of Excise and Value Added Tax.

According to the information and explanations given to us and on the basis of our examination of records of the Company, there were no arrears of undisputed statutory dues in respect of Goods and Services tax, Provident fund, Employees' State Insurance, Income-tax, Sales tax, Service tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other material statutory dues as on the last day of the year for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of records of the Company, the dues of in respect of Goods and Services Tax Service tax, Income tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise and Value Added Tax as at March 31, 2021which have not been deposited with the appropriate authorities on account of a dispute, are as under:

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount Unpaid (Rs. In Lakhs)
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

viii. According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company has not defaulted in the repayment of loans or borrowings to banks . The Company has not taken any loans or borrowings from financial institutions, Government and debenture holders.

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, noticed or reported during the year, nor have we been informed of such case by the Management.

xi. The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, the reporting under Clause 3(xi) of the Order is not applicable to the Company.

xii. According to the information and explanations given to us, the Company is not a Nidhi company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the reporting under Clause 3(xii) of the Order is not applicable to the Company.

xiii. In our opinion and according to the information and explanations given to us, the Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the Financial Statements as required by Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

xiv. According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the reporting under Clause 3(xiv) of the Order is not applicable to the Company.

xv. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them during the year and hence the provisions of Section 192 of the Act are not applicable to the Company. Accordingly, the reporting under Clause 3(xv) of the Order is not applicable to the Company.

xvi. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the reporting under Clause 3(xvi) of the Order is not applicable to the Company.

For B. K. Khare and Co.
Chartered Accountants
Firm's Registration No. : 105102W

Sd/-
Aniruddha Joshi
Partner
Membership No.: 040852
UDIN No: 21040852AAAADL9090
Mumbai, August 27, 2021

Annexure B to the Independent Auditors' Report

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date]

Report on the Internal Financial Controls with reference to Financial Statements under Clause (i) of sub-section (3) of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial reporting of Divgi TorqTransfer Systems Private Limited("the Company") as of March 31, 2021 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls with reference to Financial Reporting

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

Inherent Limitations of Internal Financial Controls with reference to Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the criteria for internal financial control with reference to financial statements 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.

For B. K. Khare& Co.
Chartered Accountants
Firm Registration No. 105102W

Sd/-
Aniruddha Joshi
Partner
Membership No.: 040852
UDIN No: 21040852AAAADL9090
Mumbai, August 27, 2021

Divgi TorqTransfer Systems Private Limited

Balance Sheet as at 31st March, 2021

Particulars	Note No.	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Assets				
Non-Current Assets				
Property, plant and equipment	4(a)	1,03,71,65,226	87,78,44,957	77,50,10,826
Capital work-in-progress		2,76,97,369	97,98,654	6,06,58,887
Right-of-use assets	4(b)	1,25,81,092	1,11,45,195	1,49,27,918
Intangible assets	4(c)	43,51,405	49,34,904	45,05,553
Intangible assets under development		3,41,70,847	5,15,38,355	2,82,14,632
Investments	5	4,55,000	4,55,000	4,55,000
Financial Assets				
Other financial assets	6	94,36,389	97,40,829	87,72,303
Other non-current assets	7	68,62,741	2,52,20,100	3,01,37,095
Total non-current assets		**1,13,27,20,069**	**99,06,77,994**	**92,26,82,214**
Current Assets				
Inventories	8	26,70,80,080	20,76,90,973	19,76,05,570
Financial Assets				
i) Trade Receivables	9	54,33,99,971	23,40,63,658	38,00,12,888
ii) Cash And Cash Equivalents	10 (a)	20,28,68,900	20,52,34,190	12,25,14,036
iii) Bank Balances Other Than Cash And Cash Equivalents	10 (b)	1,38,61,41,357	1,29,45,12,444	1,12,97,72,243
iv) Other Financial Assets	11	3,06,05,742	5,17,98,445	1,24,97,636
Other Current Assets	12	6,15,42,948	5,30,27,309	3,18,26,841
Total current assets		**2,49,16,38,998**	**2,04,63,27,019**	**1,87,42,29,214**
Total		**3,62,43,59,067**	**3,03,70,05,013**	**2,79,69,11,428**
Equity And Liabilities				
Equity				
Equity Share Capital	13	6,88,30,200	6,02,26,400	5,38,86,800
Other Equity	14	2,88,99,26,111	2,03,50,92,340	1,31,17,75,828
Total Equity		**2,95,87,56,311**	**2,09,53,18,740**	**1,36,56,62,628**
Liabilities				
Non-Current Liabilities				
Financial Liablities				
i) Borrowings	15	13,39,090	22,69,469	46,28,33,048
ii) Other Financial Liabilities	16	32,57,957	30,52,236	68,15,351
Provisions	17	4,84,84,377	4,44,10,693	2,70,53,072
Deferred Tax Liabilities (Net)	18	70,64,552	57,22,430	2,06,09,526
		6,01,45,976	**5,54,54,828**	**51,73,10,997**
Current Liabilities				
Financial Liabilities				
i) Borrowings	19	-	1,80,871	7,41,879
ii) Trade Payables	20	39,23,11,342	22,99,50,365	20,49,78,949
iii) Other Financial Liabilities	21	13,39,50,354	59,77,96,922	63,24,18,822
Other Current Liabilities	22	37,23,254	79,44,045	2,34,83,991
Provisions	23	2,25,37,728	1,81,32,398	1,64,49,568
Current Tax Liabilities (Net)	24	5,29,34,102	3,22,26,844	3,58,64,594
		60,54,56,780	**88,62,31,445**	**91,39,37,803**
TOTAL		**3,62,43,59,067**	**3,03,70,05,013**	**2,79,69,11,428**
Summary of significant accounting policies	2			
Summary of significant accounting judgements, estimates and assumptions	3			

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

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

Sd/-
Aniruddha Joshi
Partner
Membership Number: 040852

Place: Mumbai
Date: August 27, 2021

For and on behalf of the Board of Directors

Sd/-
Praveen P Kadle
Chairman
DIN: 00016814

Sd/-
Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: August 27, 2021

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

Particulars	Note No.	Year ended March 31, 2021	Year ended March 31, 2020
Income			
Revenue from Operations	25	1,86,57,45,695	1,59,06,54,831
Other Income	26	8,44,98,564	11,67,43,367
Total Income		**1,95,02,44,259**	**1,70,73,98,198**
Expenses			
Cost of raw material and components consumed	27	68,90,43,137	56,04,89,091
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in Progress	28	(1,94,32,380)	2,15,87,105
Employee Benefits Expense	29	21,77,27,191	19,64,94,180
Finance Costs	30	18,40,532	4,45,93,580
Depreciation and Amortization Expense	31	7,60,79,878	6,38,97,098
Other Expenses	32(A)	45,94,17,200	44,27,23,962
Total Expenses		**1,42,46,75,558**	**1,32,97,85,016**
Profit before Tax		**52,55,68,701**	**37,76,13,182**
Tax expense			
For the year			
Current tax	32(B)	14,38,55,400	11,13,89,442
Deferred tax charge/(credit)		12,68,885	(1,41,58,284)
		14,51,24,285	**9,72,31,158**
Profit for the year		**38,04,44,416**	**28,03,82,024**
Other Comprehensive Income			
Items that will not be reclassified to Statement of Profit and Loss			
Actuarial Gain/(Loss) on Remeasurements of net defined benefit plans		2,90,971	(28,95,561)
Income tax relating to above items		73,237	(7,28,813)
Other Comprehensive Income for the year, net of tax		2,17,734	(21,66,748)
Total Comprehensive Income for the year		**38,06,62,150**	**27,82,15,276**
Earnings per equity share	35		
Basic (Face value of Rs. 100 each)		552.73	465.55
Diluted (Face value of Rs. 100 each)		552.73	407.35
Summary of significant accounting policies	2		
Summary of significant accounting judgements, estimates and assumptions	3		

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

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

Sd/-
Aniruddha Joshi
Partner
Membership Number: 040852

Place: Mumbai
Date: August 27, 2021

For and on behalf of the Board of Directors

Sd/-
Praveen P Kadle
Chairman
DIN: 00016814

Sd/-
Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: August 27, 2021

Cash flow statement for the period ended March 31, 2021

		As at March 31, 2021	As at March 31, 2020
A)	**Cash flows from operating activities**		
	Profit/(Loss) before tax	52,55,68,701	37,76,13,182
	Adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortization expenses	7,60,79,878	6,38,97,098
	Provision for mark to market losses on derivatives	-	18,04,903
	Provision for doubtful debts and advances	-	28,12,177
	Development Expenditure written off	4,28,64,224	-
	Interest Expenses	11,66,580	24,52,291
	Unwinding of discounting (lease obligations)	6,73,952	8,56,886
	Finance cost on Preference Shares (unwinding)	-	4,12,84,404
	Interest income	(7,97,96,206)	(9,18,92,146)
	Loss on sale / discard of assets (net)	(2,59,797)	-
	Working capital adjustments		
	(Increase) in Trade Receivables	(30,93,36,313)	14,31,37,052
	(Increase) / Decrease in Inventories	(5,93,89,107)	(1,00,85,403)
	(Increase) / Decrease in Other non-current financial assets	3,04,440	(9,68,526)
	Decrease in Other current assets	(85,15,639)	(2,12,00,468)
	Increase / (Decrease) in Trade Payables	16,23,60,977	2,49,71,416
	Increase / (Decrease) in Long term Provisions	43,64,655	1,44,62,060
	Increase / (Decrease) in short term Provisions	44,05,330	(1,22,073)
	Increase / (Decrease) in Other current liabilities	(42,20,791)	(1,55,39,946)
	Increase / (Decrease) in Other current financial liabilities	3,61,53,431	(3,46,21,900)
	Cash generated from operations	**39,24,24,315**	**49,88,61,007**
	Direct taxes paid (net of refunds received)	(12,31,48,142)	(11,50,27,191)
	Net cash inflow / (outflow) from operating activities	**26,92,76,173**	**38,38,33,816**
B)	**Cash flows from /(used in) investing activities**		
	Purchase of Fixed Assets	(25,56,94,135)	(13,09,24,353)
	Sale of Fixed Assets	5,34,655	-
	Interest received	10,09,88,908	5,25,91,337
	Term deposit with banks, matured / (placed) (net)	(9,16,28,913)	(16,47,40,201)
	Net cash flows (used in) investing activities	**(24,57,99,485)**	**(24,30,73,217)**
C)	**Cash flows from/ (used in) financing activities**		
	Short Term Borrowings from Others/Financial Institutions availed / (repaid) (net)	(1,80,871)	(5,61,007)
	Long Term Borrowings from Others/Financial Institutions availed / (repaid) (net)	(9,30,379)	(18,47,858)
	Dividend paid	(1,72,24,579)	(4,02,79,684)
	Lease rentals paid	(63,39,569)	(46,20,000)
	Tax on dividend	-	(82,79,605)
	Interest paid	(11,66,580)	(24,52,291)
	Net cash flows from financing activities	**(2,58,41,978)**	**(5,80,40,445)**
	Net increase / (decrease) in cash and cash equivalents	**(23,65,290)**	**8,27,20,154**
	Cash and cash equivalents at the beginning of the year	20,52,34,190	12,25,14,036
	Cash and cash equivalents at the end of the year	**20,28,68,900**	**20,52,34,190**

Reconciliation of cash and cash equivalents as per the cash flow statement:

	March 31, 2021	March 31, 2020
Cash and cash equivalents (Note 10(a))	20,28,68,900	20,52,34,190
Book overdraft	-	-
Balances as per Cash flow statement	20,28,68,900	20,52,34,190

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

Sd/-
Aniruddha Joshi
Partner
Membership Number: 040852

Place: Mumbai
Date: August 27, 2021

For and on behalf of the Board of Directors

Sd/-
Praveen P Kadle
Chairman
DIN: 00016814

Sd/-
Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: August 27, 2021

Statement of Changes in Equity for the year ended March 31, 2021

A Equity Share Capital

Particulars	Notes No	March 31, 2021	March 31, 2020	April 1, 2019
Balance at the beginning of the year	13	6,02,26,400	5,38,86,800	5,38,86,800
Changes in equity shares capital during the year	13	86,03,800	63,39,600	-
Balance at the end of the year	13	6,88,30,200	6,02,26,400	5,38,86,800

B Other Equity

Particulars	Reserves and surplus			Equity component of Compound Financial Instruments	Total Other Equity
	Capital reserve	Retained earnings	Securities premium		
As at April 1, 2019	**73,67,566**	**1,01,04,77,981**	**26,30,37,162**	**3,08,93,119**	**1,31,17,75,828**
Adjustment on account of conversion of preference shares in equity shares	-	-	49,36,60,525	-	49,36,60,525
Profit for the year	-	28,03,82,024	-	-	28,03,82,024
Other Comprehensive Income (net)	-	(21,66,748)	-	-	(21,66,748)
Total comprehensive income	**-**	**27,82,15,276**	**49,36,60,525**	**-**	**77,18,75,801**
Dividends paid	-	(4,02,79,684)	-	-	(4,02,79,684)
Dividend distribution tax paid	-	(82,79,605)	-	-	(82,79,605)
As at March 31, 2020	**73,67,566**	**1,24,01,33,968**	**75,66,97,687**	**3,08,93,119**	**2,03,50,92,340**
Adjustment on account of conversion of preference shares in equity shares	-	-	49,13,96,200	-	49,13,96,200
Profit for the year	-	38,04,44,416	-	-	38,04,44,416
Other Comprehensive Income (net)	-	2,17,734	-	-	2,17,734
Total comprehensive income	**-**	**38,06,62,150**	**49,13,96,200**	**-**	**87,20,58,350**
Transfer from other equity to retained earnings*		**3,08,93,119**		**(3,08,93,119)**	**-**
Dividends paid	-	(1,72,24,579)	-	-	(1,72,24,579)
Dividend distribution tax paid	-	-	-	-	-
As at March 31, 2021	**73,67,566**	**1,63,44,64,658**	**1,24,80,93,887**	**-**	**2,88,99,26,111**

*On the conversion of preference shares into equity shares, the equity portion on the date of transition is tranferred to retained earnings.

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

Sd/-
Aniruddha Joshi
Partner
Membership Number: 040852

Place: Mumbai
Date: August 27, 2021

For and on behalf of the Board of Directors

Sd/-
Praveen P Kadle
Chairman
DIN: 00016814

Sd/-
Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: August 27, 2021

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

1. Corporate information

DivgiTorqTransfer 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) andother customers in the Indian and global market.

2. Significant accounting policies

2.1. Basis of preparation and measurement

(a) Basis of Preparation

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

The preparation of the financial statements requires the use of certain critical accounting judgements, estimates and assumptions. It also requires the management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Basis of measurement

The financial statements have been prepared on a historical cost convention except for the following.

- Certain financial assets and liabilities (including derivative instruments) are measured at fair value
- Defined benefit plans – plan assets measured at fair value.

2.2. Summary of significant accounting policies

(a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle for the purpose of current and non-current classification of assets and liabilities.

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

(b) Cash flow statement

The Cash Flow Statement is prepared by the indirect method set out in Ind AS 7 on Cash Flow Statements and presents cash flows by operating, investing and financing activities of the Company.

(c) Foreign Currencies

- Functional and presentation currency

The functional and presentation currency of the Company is Indian rupee.

- Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit or loss unless they are relating to qualifying cash flow hedges in which case they are deferred in equity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(d) Fair value measurement

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

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

➢ in the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

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

- Disclosures for significant judgements, estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortized cost)

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

(e) Property, Plant and Equipment

Property, plant and equipment (PPE) and capital work in progress are stated at cost of acquisition or construction net of accumulated depreciation and impairment loss, if any. All significant costs relating to the acquisition and installation of PPE are capitalised. Subsequent costs/replacement costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of profit and loss during the financial year in which they are incurred.

The Company identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset.

Depreciation on PPE is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.

Certain assets which are internally developed, all the incidental costs directly attributable to such machinery are capitalized.

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation.

The management has estimated, supported by independent assessment by professionals, the useful lives of certain classes of assets. The following useful lives are adopted by the management:

Asset category	Company's estimate of useful life (years)	Useful life as prescribed under Schedule II (years)
Factory buildings	30	30
Plant and equipment	5 to 10	15 to 20
Roads	10	5 to 10
Office equipment	5	15
Furniture and fixtures	10	10
Computers and data processing units	3 to 6	3 to 6
Vehicles	8	8

The residual values, useful lives and methods of depreciation of PPE are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis.

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated

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

impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Statement of profit and loss in the period in which the expenditure is incurred.

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

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

Research and development costs

Research expenditure is recognised as an expense as incurred. The cost incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development cost with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed ten years.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at 1 April 2019measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment which will be depreciated over its remaining useful life.

(g) Equity investments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income

subsequent changes in the fair value. The Company makes such an election on an instrument-by-instrument basis, at initial recognition and is irrevocable.

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

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in Statement of profit and loss.

(h) 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.

Write down of inventories are calculated based on an analysis of foreseeable changes in demand, technology, market conditions and ageing of inventories.

(i) Revenue recognition

Initial Recognition

Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.Revenue is measured at the fair value of the consideration received or receivable.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Revenue from operation excludes Goods & Service Tax

Sale of goods

Timing of recognition:

Sales are recognised when control parameters as laid down in Ind AS 115 are satisfied. Control means customer has accepted the product, legal title has been transferred, transfer of significant risk and rewards, right to receive the payment and transfer of physical possession.

Measurement of revenue:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Any change resulting in increase or decrease in estimated revenue or cost are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by Management.

Transaction price is the amount of consideration expected to be entitled to in exchange for transferring of goods and services excluding the amount collected from third party.

Revenue from sales is based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

No element of financing is deemed present as the sales are made with an average credit term of 45-60 days, which is consistent with market practice.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other Operating Income

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in proportion to the depreciation charged over the expected useful life of the related asset. The Company accounts for export incentives for export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

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

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value.

Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents includes balances with banks which are unrestricted for withdrawal and usage.

Financial Assets

Classification

On initial recognition the Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset

Initial Recognition & Measurement

All financial assets (not measured subsequently at fair value through profit or loss) are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset

Financial Assets at amortised cost:

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets are held to collect (HTC Business Model) contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of assets and liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss.

De-recognition

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

a) The rights to receive cash flows from the asset have expired, or

b) The Company has transferred its rights to receive cash flows from the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets (Other than Fair Value)

The Company assesses at each date of balance sheet whether a financial asset or a Company of financial assets is impaired.

Ind AS 109 requires expected credit losses to be measured through a loss allowance. For trade receivables only, Company performs credit assessment for customers on an annual basis. Company recognizes credit risk, on the basis of lifetime expected losses and where receivables are due for more than twelve months.

Equity investments

All equity instruments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income (Subsequent changes in the fair value). The Company makes such an election on an instrument-by-instrument basis, at initial recognition and is irrevocable.

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

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in Statement of profit and loss.

Financial liabilities

Classification

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities measured at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value with changes in fair value being recognised in the Statement of Profit and Loss

Initial Recognition

Financial Liabilities at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method.

Initial recognition and measurement

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

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

Terms of trade payables i.e. non-interest bearing and generally settled in 30 to 60 days to be included.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in the statement of profit and loss.

(k) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(l) Share capital

Equity shares issued to shareholders are classified as equity. Incremental costs directly attributable to the issue of new equity shares are recognized as a deduction from equity, net of any related income tax effects.

(m) Taxes on Income

Current tax

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

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

Deferred tax

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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

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

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

(n) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from an operating lease is recognized on a straight-line basis over the term of the relevant lease. Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

The Company has adopted Ind AS 116-Leases, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognized on the date of initial application (1st April 2019). Accordingly, previous period information has not been restated.

The Company's lease asset classes primarily consist of leases for Buildings, Furniture and Equipments. The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset
- the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
- the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and leases of low value assets. For these short-term and leases of low value assets, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus

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

any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments. The re-measurement normally also adjusts the leased assets.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest on lease liability.

Lease contracts entered by the Company majorly pertains for land and buildings taken on lease to conduct its business in the ordinary course.

(o) Impairment of assets- Non Financial Assets

Tangible and intangible assets Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

(p) Provisions and Contingent Liability

a) Recognition

Provisions for legal claims, service warranties, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions (excluding retirement benefits and compensated absences) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements.

A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and 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 the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

b) Product warranty expenses

The estimated liability for product warranties is accounted when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence based on corrective actions on product failures.

(q) 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 partially 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'sliability is actuarially determined (using the Projected Unit Creditmethod) at the end of each year.

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

Past service costs are recognized in the Statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the Statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Compensated absences

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

Accumulated compensated absences, which are expected to be availed orencashed beyond 12 months from the end of the year end are treated asother long term employee benefits. The Company's liability is actuariallydetermined (using the Projected Unit Credit method) at the end of eachyear. Actuarial losses/ gains are recognised in the Statement of Profitand 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.

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

(r) Segment reporting

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Company assesses the financial performance and position of the Company, and makes strategic decisions. The board of directors of the Company have been identified as being the chief operating decision maker. It consists of Chief Executive officer of the Company. Chief financial officer of the Company assists board of directors in their decision making process. The Company is in the business of manufacture and sale automobile components, which in the context of Indian Accounting Standard 108 'Segment Information' represents single reportable business segment.

(s) 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.

3. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements included in relevant notes together with information about the basis of calculation of each different line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimation of useful life of asset (Refer note 2.1.(e))
- Estimation of provision and for contingent liabilities (Refer note .2.1.(p))
- Estimation of provision for warranty obligation (Refer note 2.1.(p.b.))
- Accounting for arrangements in the nature of lease (Refer note 2.1.(n))
- Estimation of defined benefit obligation (Refer note 2.1.q)
- Estimation of expected credit Losses on trade receivables (Refer Note2.1.j)

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

4 (a) Property, plant and equipment

Particulars	Freehold Land	Factory Building	Plant & Equipment	Office equipment	Furniture & fixtures	Vehicles	Computers	Total
Gross Carrying amount								
Deemed cost as at 1st April, 2019	33,07,00,000	6,58,55,869	86,90,29,834	55,52,077	98,49,277	3,09,13,451	2,79,17,779	1,33,98,18,287
Additions	-	48,08,639	15,04,36,044	3,98,623	3,69,225	43,04,991	11,30,659	16,14,48,181
Disposals	-	-	-	-	-	-	-	-
Balance as at 31st March, 2020	33,07,00,000	7,06,64,508	1,01,94,65,878	59,50,700	1,02,18,502	3,52,18,442	2,90,48,438	1,50,12,66,468
Additions	-	9,04,488	22,70,45,825	1,29,212	-	-	12,30,800	22,93,10,325
Disposals	-		13,18,364			51,41,665		64,60,029
Balance as at 31st March, 2021	33,07,00,000	7,15,68,996	1,24,51,93,339	60,79,912	1,02,18,502	3,00,76,777	3,02,79,238	1,72,41,16,764
Accumulated Depreciation								
Opening Depreciation	-	3,83,10,783	47,69,19,452	47,01,010	78,46,684	1,50,59,974	2,19,69,557	56,48,07,460
Charge during the year	-	23,18,814	5,04,33,271	2,93,402	2,87,456	30,10,904	22,70,203	5,86,14,050
Disposals/ transfers	-	-	-	-	-	-	-	-
Balance as at 31st March, 2020	-	4,06,29,597	52,73,52,723	49,94,412	81,34,140	1,80,70,878	2,42,39,760	62,34,21,510
Charge during the year	-	29,29,799	5,95,09,011	8,15,884	5,51,064	31,29,487	27,79,953	6,97,15,198
Disposals/ transfers	-	-	12,52,445			49,32,726		61,85,171
Balance as at 31st March, 2021	-	4,35,59,396	58,56,09,289	58,10,296	86,85,204	1,62,67,639	2,70,19,713	68,69,51,537
Net carrying amount								
Balance as at March 31, 2021	33,07,00,000	2,80,09,600	65,95,84,049	2,69,616	15,33,298	1,38,09,138	32,59,525	1,03,71,65,226
Balance as at March 31, 2020	33,07,00,000	3,00,34,911	49,21,13,154	9,56,288	20,84,362	1,71,47,564	48,08,678	87,78,44,957
Balance as at April 1, 2019	33,07,00,000	2,75,45,086	39,21,10,381	8,51,067	20,02,593	1,58,53,477	59,48,222	77,50,10,826

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

4 (b) Right- of- use assets

Particulars	Leasehold Land*	Building	Total
Gross carrying amount as at April 1, 2019	63,28,720	1,02,00,712	1,65,29,432
Additions	-	-	-
Disposals/ Transfers/ Adjustment	-	-	-
Gross carrying amount as at March 31, 2020	63,28,720	1,02,00,712	1,65,29,432
Additions	-	58,71,338	58,71,338
Disposals/ Transfers/ Adjustments	-		-
Gross carrying amount as at March 31, 2021	63,28,720	1,60,72,050	2,24,00,770
			-
Accumulated depreciation as at April 1, 2019	16,01,514	-	16,01,514
Charge for the year	73,373	37,09,350	37,82,723
Disposals/ Transfers/ Adjustments	-	-	-
Accumulated depreciation as at March 31, 2020	16,74,887	37,09,350	53,84,237
Charge for the year	73,720	43,61,721	44,35,441
Disposals/ Transfers/ Adjustments	-	-	-
Closing accumulated depreciation as at March 31, 2021	17,48,607	80,71,071	98,19,678
			-
Net Block as at March 31, 2021	45,80,113	80,00,979	1,25,81,093
Net Block as at March 31, 2020	46,53,833	64,91,362	1,11,45,195
Net Block as at March 31, 2019	47,27,206	1,02,00,712	1,49,27,918

The Company has taken certain assets on lease which has been accounted in accordance with Ind AS 116-Leases under right of use assets. Refer note 36 for further disclosure on leases.

4 (c) Intangible assets

Particulars	Computer Software	Total
Gross carrying amount as at April 1, 2019*	1,11,93,092	1,11,93,092
Additions	19,29,676	19,29,676
Disposals/ Transfers/ Adjustments	-	-
Gross carrying amount as at March 31, 2020	1,31,22,768	1,31,22,768
Additions	13,45,740	13,45,740
Disposals/ Transfers/ Adjustments	-	-
Gross carrying amount as at March 31, 2021	1,44,68,508	1,44,68,508
		-
Accumulated amortisation as at April 1, 2019*	66,87,539	66,87,539
Charge for the year^	15,00,325	15,00,325
Disposals/ Transfers/ Adjustments	-	-
Accumulated amortisation as at March 31, 2020	81,87,864	81,87,864
Charge for the year	19,29,239	19,29,239
Disposals/ Transfers/ Adjustments	-	-
Closing accumulated amortisation as at March 31, 2021	1,01,17,103	1,01,17,103
Net Block as at March 31, 2021	43,51,405	43,51,405
Net Block as at March 31, 2020	49,34,904	49,34,904
Net Block as at March 31, 2019	45,05,553	45,05,553

*The Company had elected to continue with the carrying value of property, plant and equipment and intangible assets as recognised in the financial statements as per previous GAAP and had regarded those values as the deemed cost on the date of transition to Ind AS (i.e. April 1, 2019). The Company has disclosed the gross block and accumulated depreciation / amortisation above, for information purpose only.

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

5 Non current investments

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Unquoted			
Equity instruments at cost			
5,000 equity shares (March 31, 2020: 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	50,000
40,000 Equity Shares (March 31, 2020: 40,000)of Rs 10 each fully paid, held in Tejal Transmission Pvt. Ltd.	4,00,000	4,00,000	4,00,000
Aggregate amount of Unquoted Investments	4,50,000	4,50,000	4,50,000
Others	5,000	5,000	5,000
Total	**4,55,000**	**4,55,000**	**4,55,000**

6 Other non-current financial assets

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Security Deposits	1,09,86,810	1,12,91,250	90,30,463
Less:Provision for doubtful deposits	(15,50,421)	(15,50,421)	(2,58,160)
Total	**94,36,389**	**97,40,829**	**87,72,303**

7 Other non-current assets

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Capital Advances	68,62,741	2,52,20,100	3,01,37,095
Total	**68,62,741**	**2,52,20,100**	**3,01,37,095**

8 Inventories

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Raw Materials [(Includes goods in transit Rs.19,036,349/-)(March 31,2020 : Rs. 11,861,234)]	16,47,02,366	12,08,16,424	8,32,99,697
Work-in-Progress	9,75,70,521	8,80,01,992	11,07,74,377
Finished Goods	3,37,41,428	2,38,77,577	2,26,92,297
Less : Provision for non-moving inventory.	(2,89,34,235)	(2,50,05,020)	(1,91,60,801)
Total	**26,70,80,080**	**20,76,90,973**	**19,76,05,570**

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

9 Trade receivables

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Trade receivables from:			
Receivables from related parties (refer note : 34)	29,34,224	27,57,349	35,68,993
Others	54,04,65,747	23,13,06,309	37,64,43,895
Total Receivables	**54,33,99,971**	**23,40,63,658**	**38,00,12,888**
Current portion	54,33,99,971	23,40,63,658	38,00,12,888
Non Current portion	-	-	-

Sub-classification of trade receivables

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Secured, considered good	-	-	-
Unsecured, considered good	55,36,20,821	24,42,84,508	39,02,33,738
Trade Receivables which have a significant increase in credit risk	-	-	-
Trade Receivables - credit impaired	(51,10,425)	(51,10,425)	(51,10,425)
Total	**54,85,10,396**	**23,91,74,083**	**38,51,23,313**
Allowance for doubtful debts	51,10,425	51,10,425	51,10,425
Total Trade Receivables	**54,33,99,971**	**23,40,63,658**	**38,00,12,888**

No trade or other receivables are due from directors or other officers of the company either severally or jointly with any other person or any trade receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Refer note 41 for information about credit risk and market risk of trade receivable

10 (a) Cash and cash equivalents

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Cash on hand	4,42,349	2,47,536	61,548
Balances with Banks -			
- In current accounts	20,24,26,551	20,49,86,654	12,24,52,488
Total	**20,28,68,900**	**20,52,34,190**	**12,25,14,036**

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.

10 (b) Bank Balances other than cash and cash equivalents

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Long-term Deposits (with maturity of more than 3 months but less than 12 months)	1,38,44,94,534	1,29,36,73,797	1,12,97,72,243
Unpaid dividend account	16,46,823	8,38,647	-
Total	**1,38,61,41,357**	**1,29,45,12,444**	**1,12,97,72,243**

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

11 Other current financial assets

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
At amortized cost			
Interest accrued but not due on Deposits with Banks	3,06,05,742	5,17,98,445	1,24,97,636
Total	**3,06,05,742**	**5,17,98,445**	**1,24,97,636**

12 Other current assets

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Balance with government authorities			
Considered good	3,32,68,943	2,53,61,944	27,83,028
Considered doubtful	35,29,413	35,29,413	20,09,497
Less: Provision for doubtful balances	(35,29,413)	(35,29,413)	(20,09,497)
	3,32,68,943	2,53,61,944	27,83,028
Advances to Suppliers			
Considered good	43,60,883	8,32,637	1,02,82,380
Considered doubtful	1,90,779	1,90,779	1,90,779
Less: Provision for doubtful balances	(1,90,779)	(1,90,779)	(1,90,779)
	43,60,883	8,32,637	1,02,82,380
Export incentive receivable	2,15,52,565	2,21,13,801	1,50,19,491
Prepaid Expenses	23,60,557	24,87,460	8,80,950
Others	-	22,31,467	28,60,992
Total	**6,15,42,948**	**5,30,27,309**	**3,18,26,841**

13 Share capital

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Authorised			
886,038 (March 31, 2020: 886,038) equity shares of Rs. 100 each	8,86,03,800	8,86,03,800	8,86,03,800
153,962 (March 31, 2020: 153,962) Compulsorily Convertible Preference Shares (CCPS) of Rs. 100 each.	1,53,96,200	1,53,96,200	1,53,96,200
Issued, subscribed and fully paid up			
Equity Share Capital			
6,88,302 (March 31, 2020: 6,02,264) equity shares of Rs. 100 each, fully paid-up	6,88,30,200	6,02,26,400	5,38,86,800
	6,88,30,200	**6,02,26,400**	**5,38,86,800**

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

13 Share capital (contd.)

Notes:

(a) Reconciliation of number of shares

Equity Shares

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Balance at the beginning of the year			
No. of shares	6,02,264	5,38,868	5,38,868
Amount in Rs	6,02,26,400	5,38,86,800	5,38,86,800
Add: Conversion of preference shares to equity shares			
No. of shares	86,038	63,396	-
Amount in Rs	86,03,800	63,39,600	-
Balance at the end of the year			
No. of shares	6,88,302	6,02,264	5,38,868
Amount in Rs	6,88,30,200	6,02,26,400	5,38,86,800

(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 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Divgi Holding Pvt. Ltd	3,94,567	3,93,867	3,93,867
	3,94,567	**3,93,867**	**3,93,867**

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

Equity Shares

(Rs.)

		As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
	Name of the shareholder			
1)	Divgi Holding Pvt. Ltd			
	No. of shares	3,94,567	3,93,867	3,93,867
	%	57.32%	65.40%	73.09%

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

13 Share capital (contd.)

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
2) NRJN Family Trust			
No. of shares	59,868	59,868	59,868
%	8.70%	9.94%	11.11%
3) Oman India Joint Investment Fund II			
No. of shares	1,49,434	63,396	-
%	21.71%	10.53%	-

14 Other equity

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Reserves and surplus			
Capital reserve (a)	73,67,566	73,67,566	73,67,566
Securities Premium (b)			
Balance as at the beginning of the year	75,66,97,687	26,30,37,162	26,30,37,162
Add: Adjustment on account of conversion of preference shares in equity shares	49,13,96,200	49,36,60,525	
Balance as at the end of the year	1,24,80,93,887	75,66,97,687	26,30,37,162
Retained earnings (c)			
Balance as at the begining of the year	1,24,01,33,968	1,01,04,77,981	1,01,04,77,981
Add: Profit for the year	38,04,44,416	28,03,82,024	
Add: Transfer from other equity to retained earnings	3,08,93,119	-	-
Less: Final Dividend paid	(1,72,24,579)	(4,02,79,684)	-
Less: Tax on final dividend	-	(82,79,605)	-
Items of other comprehensive income recognised directly in retained earnings:			
Re-measurement (loss)/gain on defined benefit plans, net of tax	2,17,734	(21,66,748)	-
Balance as at the end of the year	**1,63,44,64,658**	**1,24,01,33,968**	**1,01,04,77,981**
Equity component of compound financial instrument (d)	-	3,08,93,119	3,08,93,119
Total Reserves and Surplus (a+b+c+d)	**2,88,99,26,111**	**2,03,50,92,340**	**1,31,17,75,828**

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

15 Non-current borrowings

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
(Secured)			
Term Loans (Refer note a)			
From Banks	22,03,364	35,21,232	48,36,883
Less:Current Maturities	(12,09,274)	(15,96,763)	(10,64,556)
	9,94,090	19,24,469	37,72,327
6.5% Cumulative redeemable preference shares (Refer note b)	-	-	45,87,15,721
(Unsecured)			
Loan from Divgi Holding	3,45,000	3,45,000	3,45,000
Total	13,39,090	22,69,469	46,28,33,048

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

Nature of security	Terms of Repayment
Vehicle loan of Rs 22.03 Lacs (March 31, 2020 Rs.35.21 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 installments from the date of disbursement of loan along with interest @8.40%p.a.

(b) On 3rd May 2018 the Company had allotted 1,53,962 compulsory Convertible Preference Shares (CCPS) at issue price of Rs.6,495.11 per CCPS including premium of Rs.6,395.11/- at Face value Rs.100/- @ 6.5% for total amount invested Rs.100 crores by Oman India Investment Fund II. . The preference shares are convertible in two tranches, 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 in FY 2019-20 and remaining 50% converted into equity shares in FY 2020-21 as per conversion terms stated in the said agreement. Accordingly, the Company has converted 76,981 preference shares into 63,396 equity shares in FY 2019-20 & 76,981 preference shares into 86,038 equity shares in FY 2020-21. Equity component of such shares are recorded in other equity.

Considering the terms of conversion, the instrument is considered as compound financial instrument and equity component of this instrument is accounted under other equity Rs.3,08,93,119/- (net of dividend distribution tax of Rs.1,03,91,284/-)

16 Other Non-current financial liabilities

(Rs.)

Particulars	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Lease obligation	32,57,957	30,52,236	68,15,351
Total	32,57,957	30,52,236	68,15,351

17 Long term provision

(Rs.)

Particulars	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Gratuity (Refer note 33)	98,79,749	70,40,832	36,71,484
Compensated Absences	3,86,04,628	3,73,69,861	2,33,81,588
Total	4,84,84,377	4,44,10,693	2,70,53,072

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

18 Deferred Tax Assets/ Deferred Tax (Liabilities) (Net)

(Rs.)

Particulars	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Deferred Tax Asset on account of:			
Provision for doubtful debts, inventory,advances	98,95,654	89,06,670	77,82,222
Employee Benefit	1,56,29,255	1,42,92,587	1,19,29,435
Other Timing difference	11,49,296	13,18,907	10,07,921
	2,66,74,205	**2,45,18,164**	**2,07,19,578**
Deferred Tax Liability on account of:			
Property, plant and equipment and Intangible assets	3,37,38,757	3,02,40,594	3,09,37,820
IND AS 109 transition impact	-	-	1,03,91,284
Ind AS Adjustments	**3,37,38,757**	**3,02,40,594**	**4,13,29,104**
Net deferred tax assets / (liabilities)	**(70,64,552)**	**(57,22,430)**	**(2,06,09,526)**

19 Current Borrowings

(Rs.)

Particulars	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Secured loans from banks, repayable on demand	-	1,80,871	7,41,879
Total	**-**	**1,80,871**	**7,41,879**

20 Trade payables

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
(a) Total outstanding dues of micro, small and medium enterprises	68,52,027	41,13,041	35,93,988
(b) Total outstanding dues of creditors other than micro, small and medium enterprises			
(i) Related parties (note:34)	95,51,240	87,01,420	92,38,729
(ii) Others	37,59,08,075	21,71,35,904	19,21,46,232
Total	**39,23,11,342**	**22,99,50,365**	**20,49,78,949**

(a) DUES TO MICRO AND SMALL ENTERPRISES (Refer note 36)

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

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Amount outstanding as at 31st March on account of:			
Principal amount	57,84,585	30,99,115	26,64,496
Interest due thereon	53,516	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	1,02,62,198	1,26,71,110	84,35,346
Interest due on principal amounts paid beyond the due date during the year	51,206	52,053	8,703
Interest accrued but not paid	10,67,442	10,13,926	9,29,492

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

21 Other current financial liabilities

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Current Maturities of long term debt (Refer Note. 41)			
6.5% Cumulative redeemable preference shares (Refer note15(b))	-	50,00,00,000	50,00,00,000
Term loan from bank	12,09,274	15,96,763	10,64,557
Salaries and benefits payable	10,22,19,345	7,33,22,737	6,63,00,661
Capital creditors	1,89,65,702	1,31,36,334	5,66,24,830
Unpaid Dividend Account	16,46,823	8,38,647	-
Current maturities of lease obligation	54,09,210	44,02,441	44,02,441
Other	45,00,000	45,00,000	40,26,333
Total	13,39,50,354	59,77,96,922	63,24,18,822

22 Other Current liabilities

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Advances from Customers	8,00,000	52,06,750	66,99,145
Other Statutory Liabilities	29,23,254	27,37,295	1,67,84,846
Total	37,23,254	79,44,045	2,34,83,991

23 Short term provision

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Gratuity (Refer Note 33)	55,69,008	58,09,806	59,38,333
Compensated Absences (Refer Note 33)	39,45,608	15,08,057	36,99,958
Super Annuation	84,56,977	55,74,540	33,50,009
Provision for Statutory Liabilities (Note b)	17,00,000	17,00,000	17,00,000
Warranties (Note a)	28,66,135	17,35,092	17,61,268
Provision for derivative losses	-	18,04,903	-
Total	2,25,37,728	1,81,32,398	1,64,49,568

Movement in warranty provisions

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Balance at the beginning as on 1 April	17,35,092	17,61,268	22,44,652
Additional provision recognised	12,14,364	9,65,223	11,80,843
Unused amounts reversed	-	-	-
Paid/Utilised during the year	(83,321)	(9,91,399)	(16,64,227)
Closing balance at the year end March 31	28,66,135	17,35,092	17,61,268

(a.) 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.

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

23 Short term provision (contd.)

(b.) 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.

24 Current Tax Liabilities (Net)

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
Provision for Current Taxation	5,29,34,102	3,22,26,844	3,58,64,594
Total	**5,29,34,102**	**3,22,26,844**	**3,58,64,594**

25 Revenue from operations

(Rs.)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from sale of products	1,79,44,41,390	1,52,33,33,712
Revenue from services	-	16,42,340
Revenue from sale of tools	2,05,55,856	2,21,85,692
	1,81,49,97,246	**1,54,71,61,744**
Other Operating Revenue		
Sale of Scrap	1,39,68,312	85,83,730
Export incentives	3,67,80,137	3,49,09,357
Total	**1,86,57,45,695**	**1,59,06,54,831**

26 Other Income

(Rs.)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Interest Income	7,97,96,206	9,18,92,146
Rental Income	24,05,088	24,05,088
Vendor liabilities no longer required written back	16,63,106	-
Gain on foreign exchange fluctuation (net)	-	2,18,16,165
Profit on sale of fixed assets (net)	2,59,797	-
Miscellaneous Income	3,74,367	6,29,968
Total	**8,44,98,564**	**11,67,43,367**

27 Cost of raw material and components consumed

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Raw Materials and Components Consumed		
Inventories at the beginning of the year	9,58,11,405	6,41,38,896
Add: Purchases	72,89,99,864	59,21,61,600
	82,48,11,269	65,63,00,496
Inventories at the end of the year	(13,57,68,132)	(9,58,11,405)
Total	**68,90,43,137**	**56,04,89,091**

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

28 Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Opening Stock		
Work-in-Progress	8,80,01,992	11,07,74,377
Finished Goods	2,38,77,577	2,26,92,297
Closing Stock		
Work-in-Progress	9,75,70,521	8,80,01,992
Finished Goods	3,37,41,428	2,38,77,577
Total	**(1,94,32,380)**	**2,15,87,105**

29 Employee Benefits Expense

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Salaries, Wages and Bonus	19,48,47,275	17,45,16,065
Contribution to Provident and Other Funds	1,51,78,480	1,46,47,623
Staff Welfare Expenses	77,01,436	73,30,492
Total	**21,77,27,191**	**19,64,94,180**

30 Finance Costs

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Interest on Term Loan	3,21,229	8,16,182
Interest on Preference Shares (Refer Note 44B)	-	4,12,84,404
Interest Others.	15,19,303	24,92,994
Total	**18,40,532**	**4,45,93,580**

31 Depreciation and amortization expense

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Depreciation of property, plant and equipment (note 4 (a))	6,97,15,198	5,86,14,050
Depreciation of right-of-use assets (note 4 (b))	44,35,441	37,82,723
Amortization of intangible assets (note 4 (c))	19,29,239	15,00,325
Total	**7,60,79,878**	**6,38,97,098**

32 (A) Other Expenses

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Consumption of Stores and Spare Parts	6,70,12,741	6,67,31,895
Contract Labour Charges	7,79,86,210	7,33,48,585
Machining and development charges	8,72,06,052	10,98,30,156
Development Expenditure written off	4,28,64,224	-
Power and Fuel	2,63,55,450	2,81,89,511
Rent [Refer Note 36]	22,41,867	31,71,116

32 (A) Other Expenses (contd.)

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Repairs and Maintenance		
Buildings	19,28,425	9,45,591
Plant and Machinery	1,88,78,034	1,80,47,300
Others	56,65,789	57,87,743
Insurance	36,73,702	24,09,731
Rates and Taxes	14,74,181	63,53,162
Legal and Professional Charges	3,38,14,339	2,96,29,818
Auditors' Remuneration [Refer Note 32(a)]	11,50,000	11,50,000
Corporate Social Responsibility	88,33,534	83,03,000
Travelling and Conveyance	68,86,270	2,04,79,396
Printing and Stationery	20,01,271	28,98,017
Royalty	3,06,81,166	1,48,04,104
Warranty	12,14,364	9,65,223
Housekeeping Expenses	22,51,279	22,78,167
Freight and Forwarding	1,18,69,254	1,06,21,330
Testing & Inspection Charges	61,05,523	63,52,377
Provision for Doubtful Debts/Advances	-	28,12,177
Warehouse Expenses	57,16,443	78,51,717
Security Charges	46,43,576	45,89,582
Bank charges	16,45,855	17,66,152
Engineering and project services	21,33,675	15,01,066
Loss on foreign exchange fluctuation (net)	22,29,616	-
Provision for mark to market losses on derivatives	-	18,04,903
Communication Expenses	20,76,696	31,05,610
Exhibition & Conference Charges	2,42,608	55,87,658
Miscellaneous Expenses	6,35,056	14,08,875
Total	**45,94,17,200**	**44,27,23,962**

(a) Payment to auditors

(Rs.)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
As auditor		
As auditors	10,00,000	10,00,000
As tax auditor	1,50,000	1,50,000
Total	**11,50,000**	**11,50,000**

(b) Corporate Social Responsibility (CSR)

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Gross amount required to be spent by the Company during the year	91,44,188	84,57,268
Total	**91,44,188**	**84,57,268**

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

32 (A) Other Expenses (contd.)

Amount spent during the year

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
During the year ended March 31, 2021		
a. Included in other expenses (includes provision of unspent amount Rs.1,92,020/-)	88,33,534	83,03,000
b. Administrative expenses included in Employee benefit expenses	4,64,922	-
	92,98,456	**83,03,000**

32 (B) Income taxes

The major components of income tax expense for the year ended March 31, 2021 and March 31, 2020 are:

Statement of profit and loss

(Rs.)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current tax	14,38,55,400	11,13,89,442
Deferred tax	12,68,885	(1,41,58,284)
Income tax expense reported in the Statement of profit and loss	**14,51,24,285**	**9,72,31,158**

Other comprehensive income

(Rs.)

Particulars	March 31, 2021	March 31, 2020
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain or loss on remeasurements of defined benefit plans	73,237	(7,28,813)
Deferred tax credited in other comprehensive income		

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for March 31, 2021 and March 31, 2020

(Rs.)

Particulars	March 31, 2021	March 31, 2020
Accounting profit before tax	52,55,68,701	37,76,13,183
At India's statutory income tax rate (as per Income Tax Act, 1961) of 25.17%	13,22,85,642	9,50,45,238
- Development expenses written off	1,07,88,925	-
- Others (includes Donations & Other permanent differences)	20,49,718	21,85,920
Effective tax	14,51,24,285	9,72,31,158
Income tax expense reported in the Statement of profit and loss	**14,51,24,285**	**9,72,31,158**

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

33 Gratuity

A. Defined contribution plans

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

(Rs.)

	March 31, 2021	March 31, 2020
Contribution to Employees Provident Fund	73,14,929	77,41,417
Contribution to Superannuation Fund	26,75,768	24,31,200
	99,90,697	**1,01,72,617**

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.)

		March 31, 2021	March 31, 2020
(a)	Opening defined benefit obligation	3,68,20,620	3,03,87,506
(b)	Interest Cost	25,08,214	23,53,319
(c)	Current Service Cost	29,84,575	25,81,885
(d)	Past Service Cost	-	-
(e)	Settlement Cost / (Credit)	-	-
(d)	Liability transferred In/ Acquisitions	-	-
(e)	Benefit Paid	(16,55,422)	(12,83,933)
(f)	Actuarial (Gain)/Loss	(18,26,024)	27,81,843
	Closing defined benefit obligation	**3,88,31,963**	**3,68,20,620**

ii. Changes in the Fair value of Plan Assets

(Rs.)

		March 31, 2021	March 31, 2020
(a)	Opening fair value of plan assets	2,39,69,982	2,07,77,689
(b)	Expected Return on Plan Assets	16,37,150	16,12,349
(c)	Actuarial Gain/ (Loss)	(15,35,053)	(1,13,718)
(d)	Employers Contribution	49,703	18,47,863
(e)	Employees contribution	-	-
(e)	Benefit Paid	(7,38,576)	(1,54,201)
	Closing fair value of plan assets *	**2,33,83,206**	**2,39,69,982**

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

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.)

		March 31, 2021	March 31, 2020
(a)	Present Value of Benefit Obligation as at March 31	3,88,31,963	3,68,20,620
(b)	Fair Value of Plan Assets as at March 31	(2,33,83,206)	(2,39,69,982)
(c)	Net (Asset)/Liability recognised in the Balance Sheet	**1,54,48,757**	**1,28,50,638**

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

33 Gratuity (contd.)

iv. Expenses recognised in the Statement of Profit and Loss

(Rs.)

		March 31, 2021	March 31, 2020
(a)	Current Service Cost	29,84,575	25,81,885
(b)	Interest Cost	25,08,214	23,53,319
(c)	Expected Return on Plan Assets	(16,37,150)	(16,12,349)
(d)	Net actuarial (Gain)/Loss	(2,90,971)	28,95,561
	Total Expenses recognised in the Statement of Profit and Loss	**35,64,668**	**62,18,416**

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.)

		March 31, 2021	March 31, 2020
(a)	Discount Rate	6.57%-6.85%	6.56%-6.83%
(b)	Expected Rate of Return on Plan Assets	0.00 % - 6.85%	0.00 % - 6.83%
(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. Amounts recognised in current year and previous years

(Rs.)

	As at March 31, 2021	As at March 31, 2020
Defined Benefit Obligation	3,88,31,963	3,68,20,620
Plan Asset	2,33,83,206	2,39,69,982
Surplus / Deficit	1,54,48,757	1,28,50,638
Experience adjustments in plan liabilities	(17,61,469)	32,123
Experience adjustments in plan assets	(15,35,053)	(1,13,718)

x. Current and Non-Current Liability

(Rs.)

	As at March 31, 2021	As at March 31, 2020
Current Liability	55,69,008	58,09,806
Non-Current Liability	98,79,749	70,40,832
	1,54,48,757	**1,28,50,638**

xi. Expected contribution to the gratuity fund in the next year

(Rs.)

	As at March 31, 2021	As at March 31, 2020
Gratuity	**49,39,748**	**49,27,848**

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

34. 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) Transactions during the year (excluding re-imbursement of expenses) :

(i) Machine and Development charges

(Rs.)

	31-Mar-21	31-Mar-20
Divgi Transmission Systems & Technologies Private Limited	2,54,43,382	2,86,81,243
	2,54,43,382	**2,86,81,243**

(ii) Rent expense*

(Rs.)

	31-Mar-21	31-Mar-20
Divgi Holding Private Limited	46,20,000	46,20,000
	46,20,000	**46,20,000**

*This has been reflected under finance cost and amortisation expenses as per the requirements of IND AS 116.

(iii) Remuneration

(Rs.)

	31-Mar-21	31-Mar-20
Mr. Hirendra Divgi	74,76,149	74,76,149
Mr. Jitendra B. Divgi	1,49,63,632	1,49,63,632
	2,24,39,781	**2,24,39,781**

(iv) Rent Income

(Rs.)

	31-Mar-21	31-Mar-20
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-21	31-Mar-20
Divgi Transmission Systems & Technologies Private Ltd	88,97,614	80,58,398
Divgi Holding Private Limited	6,53,626	6,43,022
	95,51,240	**87,01,420**

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

34. Related Party Disclosures (contd.)

(ii) Trade Receivables

(Rs.)

	31-Mar-21	31-Mar-20
Divgi Transmission Systems & Technologies Private Ltd	26,77,641	27,55,765
Divgi Holding Private Limited	2,56,583	1,584
	29,34,224	**27,57,349**

(v) Key Management Personnel (Payable)

(Rs.)

	31-Mar-21	31-Mar-20
Managerial Remuneration		
Mr. Hirendra Divgi	25,30,000	36,15,016
Mr. Jitendra B. Divgi	50,60,000	72,30,032
	75,90,000	**1,08,45,048**

35 Earnings per share

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Basic		
Profit after tax	38,04,44,416	28,03,82,024
Weighted average number of equity shares of Rs. 100 each outstanding during the year	6,88,302	6,02,264
Basic earnings per share	552.73	465.55
Nominal value per share	100	100
Diluted		
Adjusted net profit for the year	38,04,44,416	28,03,82,024
Weighted average number of equity shares of Rs. 100 each outstanding during the year (adjusted for effect of all dilutive potential equity shares)	6,88,302	6,88,302
Diluted earnings per share	552.73	407.35
Nominal value per share	100	100

36 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.

Carrying amounts of lease liabilities and the movements during the year.

(Rs.)

	As at 31st March, 2021	As at 31st March, 2020	As at 1st April, 2019
At the beginning of the year	74,54,677	1,12,17,792	1,12,17,792
Additions	58,71,338	-	-
Payments made	46,58,848	37,63,114	-
As at March 31, 2021	**86,67,167**	**74,54,678**	**1,12,17,792**
Current portion	54,09,210	44,02,441	44,02,441
Non-current portion	32,57,957	30,52,236	68,15,351
Total	**86,67,167**	**74,54,677**	**1,12,17,792**

36 Leases- (contd.)

Details of amounts recognised in statement of profit and loss

(Rs.)

	March 31, 2021	March 31, 2020
Depreciation expense of right-of-use assets	44,35,441	37,82,723
Interest expense on lease liabilities (included in finance cost- Interest others)	6,73,952	8,56,886
Expense relating to short-term leases (included in other expenses)	22,41,867	31,71,116
Lease payments recognised in the Statement of Profit and Loss during the year	73,51,260	78,10,725

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.

(Rs.)

	March 31, 2021	March 31, 2020
Lease income received for the year	24,05,088	24,05,088

37 Contingent liabilities

(Rs.)

	As at March 31, 2021	As at March 31, 2020	As at April 1, 2019
Bills discounted	3,37,54,714	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	2,35,815
Claims against the Company, not acknowledged as debts			
a) Employees dues - matters pending in court	1,84,000	1,84,000	1,84,000
b) Damages demanded by provident fund	5,00,000	5,00,000	5,00,000
Others:			
a) Employee Matters / Demands			
1. Sirsi Employees Transfer	1,75,00,000	1,75,00,000	1,75,00,000
(Special leave petition pending in Supreme Court against the order of the High Court regarding the transfer of 57 workers from Sirsi to Pune)			
2. Canteen Contractors Workers	35,00,000	35,00,000	35,00,000
(Matters pending in Industrial Court regarding employees of Canteen Contractor)			
	5,56,74,529	**2,28,36,995**	**5,41,68,134**

38

(Rs.)

	As at March 31, 2021	As at March 31, 2020	As at April 1, 2019
Estimated amount of contracts remaining to be executed and not provided for (net of advance payments)	14,16,86,533	30,38,61,106	11,58,65,436

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

39. Segment Reporting

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Revenue from operations		
Sale of products	1,79,44,41,390	1,52,33,33,712
Sale of tools	**2,05,55,856**	**2,21,85,692**
Income from services	-	16,42,340
Other operating revenue		
- Scrap sales	1,39,68,312	85,83,730
- Export benefits	3,67,80,137	3,49,09,357
	1,86,57,45,695	**1,59,06,54,831**

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

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Transfer cases	87,36,37,262	49,83,66,314
Transmission components	86,52,43,819	93,44,73,577
Auto locking hubs	2,33,55,275	3,05,70,867
Components with own material	3,22,05,034	5,99,22,954
	1,79,44,41,390	**1,52,33,33,712**

(b) Earnings in foreign exchange

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
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, 2021	Year ended March 31, 2020
Segment Revenue (net)		
Domestic	1,07,31,71,049	86,26,80,123
Export	79,25,74,646	72,79,74,708
	1,86,57,45,695	**1,59,06,54,831**

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Segment Assets		
Domestic	37,07,50,678	12,34,17,412
Export	17,26,49,293	11,06,46,246
	54,33,99,971	**23,40,63,658**

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

40 Fair value measurements

a) Category of financial instruments and valuation techniques

(i) Financial assets

Details of financial assets carried at amortised cost

(Rs.)

	As at March 31, 2021	As at March 31, 2020	As at April 1, 2019
Trade receivables	54,33,99,971	23,40,63,658	38,00,12,888
Other financial assets	4,00,42,131	6,15,39,274	2,12,69,940
Cash and cash equivalents	20,28,68,900	20,52,34,190	12,25,14,036
Bank balances other than cash and cash equivalents (includes fixed deposits with banks)	1,38,61,41,357	1,29,45,12,444	1,12,97,72,243
Total	**2,17,24,52,359**	**1,79,53,49,566**	**1,65,35,69,106**
Current assets	2,16,30,15,970	1,78,56,08,737	1,64,47,96,803
Non-current assets	94,36,389	97,40,829	87,72,303
Total	**2,17,24,52,359**	**1,79,53,49,566**	**1,65,35,69,106**

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

The fair values of the quoted shares are based on price quotations at the reporting date as at the reporting date.

(ii) Financial liabilities

Details of financial liabilities carried at amortised cost

(Rs.)

	As at March 31, 2021	As at March 31, 2020	As at April 1, 2019
Borrowings	13,39,090	24,50,340	46,35,74,927
Trade payable	39,23,11,342	22,99,50,365	20,49,78,949
Other liabilities	13,72,08,311	60,08,49,159	63,92,34,173
Total	**53,08,58,743**	**83,32,49,864**	**1,30,77,88,049**
Current liabilities	52,62,61,696	82,79,28,159	83,81,39,650
Non current liabilities	45,97,047	53,21,705	46,96,48,399
Total	**53,08,58,743**	**83,32,49,864**	**1,30,77,88,049**

The management has assessed that the carrying amounts of the above financial instruments approximate their fair values.

b) Fair value hierarchy

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

(Rs.)

Particulars	Fair Value Hierarchy (Level)	Fair Value		
		As at March 31, 2021	As at March 31, 2020	As at April 1, 2019
Financial assets				
Investments				
Equity instruments	3	4,50,000	4,50,000	4,50,000
Financial liabilities				
Derivative financial liabilities	2	-	18,04,903	-

There has been no transfer between Level 1 and Level 2 during the year and during the previous year.

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

41 (a) Financial risk management

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

"Risk is inherent in the Company's activities but it is managed through a process of on going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended March 31, 2021, March 31, 2020 and April 1,2019. The management of the Company reviews and agrees policies for managing each of these risks which are summarised below:

I Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

a Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed significantly to such risk.

b Foreign currency risk

Foreign exchange risk arises when future commercial transactions and relevant assets and liabilities are denominated in a currency that is not the Company's functional currency. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of current and expected exchange rate movements.

41 (b) Particulars of hedged and unhedged foreign currency exposures as at the reporting date:

Particulars	Currency	As at March 31, 2021		As at March 31, 2020		As at April 1, 2019	
		Foreign Currency	INR	Foreign Currency	INR	Foreign Currency	INR
Hedged foreign currency exposures	USD	-	-	6,00,000	4,38,64,000	-	-
Forward contracts							
Unhedged foreign currency exposures							
Trade Receivables	EUR	1,52,007	1,31,05,572	763	62,571	763	59,268

41 (contd.)

Particulars	Currency	As at March 31, 2021		As at March 31, 2020		As at April 1, 2019	
		Foreign Currency	INR	Foreign Currency	INR	Foreign Currency	INR
	USD	24,46,191	17,68,41,982	14,30,760	10,78,59,128	23,53,158	16,27,70,998
	CHF	19,223	14,97,664	-	-	-	-
	GBP	-	-	-	-	-	-
Bank Balance	USD	11,44,665	8,27,51,038	8,60,277	6,48,52,791	4,99,158	3,45,27,381
Trade Payables	EUR	1,39,789	1,20,52,174	29,493	24,19,320	6,66,066	5,17,54,927
	USD	4,38,205	3,16,79,066	1,57,099	1,18,43,040	1,14,664	79,31,458
	CHF	10,832	8,43,921	-	-	-	-
	GBP	72	7,201	20	1,862	-	-
Net Exposure	EUR	(12,218)	(10,53,398)	6,28,730	23,56,749	6,65,303	5,16,95,658
Net Exposure	USD	(31,52,651)	(22,79,13,953)	(15,33,939)	(11,70,04,878)	(27,37,652)	(18,93,66,921)
Net Exposure	CHF	(8,391)	(6,53,743)	-	-	-	-
Net Exposure	GBP	72.00	7,200.71	20.00	1,861.52	-	-

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD, CHF, GBP and EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives not designated as cash flow hedge and foreign currency derivatives with underlying foreign currency monetary assets/liabilities designated as cash flow hedge. The impact on the Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

Particulars	Impact on profit before tax		
	March 31, 2021	March 31, 2020	April 1, 2019
EURO Sensitivity			
INR/ EURO - Increase by 1%	10,534	(23,567)	(5,16,957)
INR/ EURO - Decrease by 1%	(10,534)	23,567	5,16,957
USD Sensitivity			
INR/ USD - Increase by 1%	22,79,140	11,70,049	18,93,669
INR/ USD - Decrease by 1%	(22,79,140)	(11,70,049)	(18,93,669)
CHF Sensitivity			
INR/ CHF - Increase by 1%	6,537	-	-
INR/ CHF - Decrease by 1%	(6,537)	-	-
GBP Sensitivity			
INR/ GBP - Increase by 1%	(72.01)	(18.62)	-
INR/ GBP - Decrease by 1%	72.01	18.62	-

Favourable impact shown as positive and adverse impact as negative.

The exposure to other foreign currencies is not significant to the Company's financial statements.

II Credit risk

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

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

41 (contd.)

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous group and assessed for impairment collectively. The calculation is based on losses as per historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 9 . The charge of impairment to Statement of profit and loss is disclosed in note 9 above.

Financial instruments and bank deposits

Credit risk from balances with banks, loans and other financial assets are managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties having a good market reputation and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for bank balances and deposits as at March 31, 2021, March 31, 2020 and April 1,2019 is the carrying amounts as disclosed in the financial statements.

III Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines. The management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at operating segments level in the Company in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting future cash flows and considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal requirements."

(i) Maturities of financial liabilities-

The tables below summarises the Company's financial liabilities into relevant maturity profile based on contractual undiscounted payments :

March 31, 2021	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	-	13,39,090	-
Trade Payables	39,23,11,342	-	-
Other financial liabilities			
Current maturities of long-tem borrowings	12,09,274	-	-
Unpaid dividend	16,46,823	-	-
Lease obligation	54,09,210	32,57,957	-
Other payables	12,56,85,047	-	-

March 31, 2020	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	1,80,871	22,69,469	-
Trade Payables	22,99,50,365	-	-
Other financial liabilities			
Current maturities of long-tem borrowings	50,15,96,763	-	-
Unpaid dividend	8,38,647	-	-
Lease obligation	44,02,441	30,52,236	-
Other payables	9,09,59,071	-	-

41 (contd.)

April 1, 2019	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	7,41,879	46,28,33,048	-
Trade Payables	20,49,78,949	-	-
Other financial liabilities			
Current maturities of long-tem borrowings	50,10,64,557	-	-
Unpaid dividend	-	-	-
Lease obligation	44,02,441	68,15,351	-
Other payables	12,69,51,824	-	-

42 Capital Management

The Company's objective for capital management is to maximise long term shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long- term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. No changes were made in the objectives, policies or processes during the years ended March 31, 2021, March 31, 2020 and April 1,2019 Capital represents equity attributable to equity holders of the Company.

(Rs.)

	March 31, 2021	March 31, 2020	April 1, 2019
Borrowings	13,39,090	24,50,340	46,35,74,927
Trade payables	39,23,11,342	22,99,50,365	20,49,78,949
Book overdraft	-	1,80,871	7,41,879
Less: Cash and cash equivalents(includes deposits with maturity of more than 3 months but less than 12 months)	(1,38,44,94,534)	(1,29,36,73,797)	(1,12,97,72,243)
Net (surplus) / debt	**(99,08,44,102)**	**(1,06,10,92,221)**	**(46,04,76,488)**
Equity	2,95,87,56,311	2,09,53,18,740	1,36,56,62,628
Capital and net debt	**1,96,79,12,209**	**1,03,42,26,520**	**90,51,86,140**
Gearing ratio	**1 : -1.99**	**1 : -0.97**	**1 : -1.97**

43 Proposed Dividend

The final dividend proposed for the year is as follows:

(Rs.)

	Year ended March 31, 2021	Year ended March 31, 2020
Proposed Dividend		
On Equity Shares of Rs. 100 each		
Amount of Dividend proposed	2,12,13,468	1,56,58,864
Dividend per Equity Share	Rs. 30.8200 per share	Rs. 26.0000 per share
On Preference Shares of Rs. 100 each		
Amount of Dividend proposed	-	15,65,715
Dividend per Preference Share	-	Rs. 20.3390 per share

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

44 First-time adoption

Transition to Ind AS

The Company's fi nancial statements for the year ended 31 March, 2021 are the fi rst annual fi nancial statements prepared by the Company in order to comply with Ind AS. The adoption of Ind AS was carried out in accordance with Ind AS 101, using 1 April, 2019 as the transition date. The transition was carried out from Previous GAAP (based on the AS framework) to Ind AS. The effect of adopting Ind AS has been summarized in the reconciliations provided below.

Ind AS 101 generally requires full retrospective application of the Standards in force at the first reporting date. However, Ind AS 101 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process.

The accounting policies as stated above in Note 2 above have been applied in preparing the financial statements for the year ended 31 March, 2021, the financial statements for the year ending 31 March, 2020 and the preparation of an opening Ind AS statement of fi nancial position as at 1 April, 2019. In preparing its opening Ind AS Balance Sheet and Statement of Profit and Loss for the year ended 31 March, 2020, the Company has adjusted amounts reported in financial statements prepared in accordance with Previous GAAP.

An explanation of how the transition from Previous GAAP to Ind AS has aff ected the Group's financial position, financial performance and cash fl ows is set out in the following tables.

Reconciliation of total equity as at March 31, 2020 and April 1, 2019

	Description	Notes to first time adoption	March 31, 2020	April 1, 2019
	Total Equity as per previous GAAP		2,59,60,26,057	2,33,55,30,715
	Ind-AS Adjustments [Increase in Equity/ (Decrease in Equity)]			
i.	Transition Impact of Lease as per IND AS 116 (net of tax)	A	(9,63,315)	(10,17,080)
ii	Impact on Deferred taxes of above adjustments		2,55,999	2,55,999
iii	Classification of CCPS into financial liability (as per the principles of Ind AS 32)	B	(45,87,15,597)	(95,87,15,721)
iv.	Finance cost related to CCPS	B	(4,12,84,404)	-
	Deferred Tax on above			(1,03,91,284)
iv.	Converstion of CCPS into Equity			
	Total Ind-AS adjustments		**(50,07,07,317)**	**(96,98,68,087)**
Total Equity as per Ind-AS			**2,09,53,18,740**	**1,36,56,62,628**

Reconciliation of total comprehensive income for the year ended March 31, 2020

	Description	Notes to first time adoption	Year ended March 31, 2020
	Net profit after tax under previous GAAP		**30,90,54,631**
	Ind AS adjustments [Increase in profits / (decrease in profits)]		
i.	Actuarial loss transferred to OCI		21,66,748
iii.	Finance cost related to CCPS considered as Financial Liability as per the principles of Ind AS 32	B	(4,12,84,404)
iv.	Impact on account of IND AS 116		53,765
v.	Tax impact of above adjustments		1,03,91,284
	Total of adjustments		**(2,86,72,606)**
	Net Profit after tax as per Ind-AS		**28,03,82,025**
	Other Comprehensive Income (net of taxes)		(21,66,748)
	Total Comprehensive Income as per Ind-AS		**27,82,15,276**

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

44 First-time adoption (contd.)

Notes to above re-conciliations

A The Company has taken land and office building and warehouse on lease tenure which is more than 3 years. Based on the principles of Ind AS 116, the 'Right to use of an Assets (RUA)' and Lease obligations (LO) are recorded on the date of transition/transaction (whichever is later) for log term leases. The difference between RUA and LO are considered as an adjustment to equity/profit and loss.

B The non-cumulative redeemable preference shares issued to Oman Oman India Investment Fund II for Rs. 100 crores are compound financial instruments. Accordingly, on initial recognition, the fair value of the instrument will be bifurcated into liability and equity component:

- The fair value of the liability component on initial recognition is determined as the present value of the eventual redemption amount discounted at the market rate of return (considered 9%) and resultant Rs. 95.87 crore are considred as Financial Liability as on 1 April 2019. During 2019-20, liability of Rs. 50 crore are converted into equity (as per shareholders agreement coversion of CCPS was made into Equity). Finance cost of Rs. 4.12 crore,unwinding of discounted liability,is recorded on the financial liability for the year ended 31 March 2020.
- The equity component (net of deferred tax) Rs.3.08 crores is the residual amount, i.e. the difference between the present value of the liability component and fair value of the instrument as a whole.

Ind AS 101 allows first-time adopters certain exemptions/ exceptions from the retrospective application of certain requirements under Ind AS as follows:

i) Deemed cost

Ind AS 101 permits a first time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition . This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and Capital work-in-progress and intangible assets under development. Accordingly, the Company has elected to measure all of its property, plant and equipment, intangible assets, capital work-in-progress and intangible assets under development at their Previous GAAP carrying value.

ii) Estimates

The estimates as at April 1, 2019 and March 31, 2020 are consistent with those made for the same dates in accordance with Indian GAAP.

iii) Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

45 Impact of COVID-19

The Company has considered the possible effects that may result from COVID-19 in the preparation of these financial statements including the recoverability of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of COVID-19, the Company has, at the date of approval of the financial results, used internal and external sources of information and expects that the carrying amount of the assets will be recovered. The impact of COVID-19 on the Company's financial results may differ from that estimated as at the date of approval of the same.

46 Social Security code

The Code on Social Security, 2020 ('Code') relating to employee benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India, however, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued by the Government of India. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

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

47 Event after reporting date

There are no significant events occurred after reporting date

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

Sd/-
Aniruddha Joshi
Partner
Membership Number: 040852

Place: Mumbai
Date: August 27, 2021

For and on behalf of the Board of Directors

Sd/-
Praveen P Kadle
Chairman
DIN: 00016814

Sd/-
Jitendra B Divgi
Managing Director
DIN: 00471531

Place: Pune
Date: August 27, 2021

Notes

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