WHERE EAGLES DARE

Divgi TorqTransfer Systems

Divgi TorqTransfer Systems Limited
Annual Report 2021-22

Corporate overview

Statutory section

Financial section

CAUTIONARY STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be 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.

Eagles and Divgi-TTS.

Vision

An eagle can spot another eagle soaring from 50 miles away.

Divgi-TTS has developed the capability to spot and address global opportunities – technology providers and customers - even while being located in India.

Fearless

An eagle preys on larger animals.

Divgi-TTS is taking on competition – especially global - larger than itself.

Tenacious

An eagle flies into a storm to soar.

Divgi-TTS is India's truly indigenous technology led transmission system provider built over six decades.

High flyers

An eagle can fly to a level (10,000 feet) where one will not find another bird.

Divgi-TTS is engaged at the sophisticated end of a complex product, establishing leadership within a niche of a niche.

Corporate snapshot

Divgi TorqTransfer Systems Limited.

Playing a critical role in the maturing and success of India's automobile sector.

Empowering automobile brands with the design, technology, customisation and manufacture of advanced automotive drivetrain systems and solutions.

Emerging as a case study on account of its success in a specialised space, with a growing presence in developed markets.

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.

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.

Background

The Divgi Group was established by Mr. Ramrao Divgi and Mr. Bhaskar Divgi in the early 1960s. In September 1995, DivgiWarner was created as a joint venture between Divgi Metalwares and BorgWarner. In 2016, Divgi Metalwares acquired the joint venture (changing the name of the company to Divgi-TTS). In the last few years, the company developed transfer cases, manual transmission, electric transmission as well as dual clutch transmission systems.

Products

The key products manufactured by Divgi-TTS include automotive drivetrain systems and allied components for applications in passenger cars, utility vehicles, commercial vehicles, agricultural and farm sector vehicles. Divgi-TTS enjoys a diversified product portfolio: 4WD transfer cases, torque couplers, automatic locking hubs, synchronizer systems, electric vehicle transmissions, manual and automatic transmissions and components for 4WD systems and transmissions.

Technology

Divgi-TTS's technology pedigree was enriched by its two-decade engagement with global joint venture partner BorgWarner. The Company retained the design, development and manufacture of BorgWarner's 4WD/AWD product portfolio under a technology license from BorgWarner. Through a proprietary initiative, the Company has widened its product portfolio to include:

- Transmission for electric vehicles (EV)
- Dual clutch automatic transmission technology in collaboration with Hofer Powertrain from Stuttgart, Germany
- Manual transmission and synchronizers for 5 and 6 speed applications globally.

Customers

Divgi-TTS enjoys a diversified customer base that includes leading Indian and global OEM manufacturers.

Locations

The Company's headquarters are located in Pune (India) with two manufacturing units in Pune (Maharashtra) and one in Sirsi (Karnataka). The Company's Shirwal plant in Pune is under construction.

Footprint

Over the years, Digvi TTS has widened its global footprint. Even as domestic business contributed 41.12% to revenues on an average in the last three years, the company delivered nearly a quarter of its revenues from global sales in a challenging and technology-intensive space.

Employees

The workforce at Divgi-TTS comprises experienced and qualified professionals out of which 10.96% of total on-roll manpower were drawn from the R&D function. Average employee age was 40 as on 31 March 2022.

Partnerships

Divgi-TTS partnered with some of India's premiere engineering colleges like IIT Bombay, College of Engineering Pune (COEP) and Birla Institute of Technology (BITS) as knowledge allies. This enriched the company's knowledge pool through the recruitment of qualified engineers (M. Tech and post-graduate degree holders) and other specialized agencies in Stuttgart and Aachen specializing in the Dual Clutch Transmission Technology.

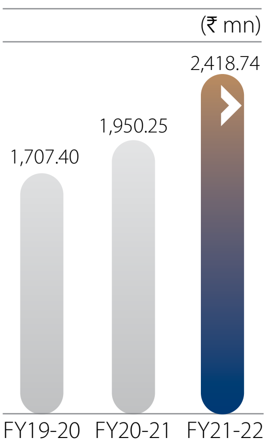
Certifications

Divgi-TTS was accredited with Environment Management System ISO 14001:2015, Occupational Health & Safety System ISO 45001:2018 and Quality Management System IATF 16949:2016 certifications, validating its environment-centricity, quality management systems as well as employee, health and safety practices.

Awards and recognition

Calendar year	Accreditations
2008	Innovation award for ECU development by Borg Warner
2008	The Borg Warner Chairman's Operational Excellence Awards by Borg Warner production system
2015	Best Eco Kaizen Award by Toyota Kirloskar Motor
2017	1st runner up at the National HR Competition Circle organized by Confederation of Indian Industry
2017	Zero Defect Supplies Award by Toyota Kirloskar Autoparts
2018	Toyota Quality Award by Toyota Kirloskar Autoparts
2018	1st prize at the National HR Competition Circle by Confederation of Indian Industry
2019	Toyota's Quality Circle Competition Award by Toyota Kirloskar Supplier's Association
2019	1st prize at the National HR Competition Circle organized by Confederation of Indian Industry
2020	Zero Defect Supplies Award by Toyota Kirloskar Autoparts
2020	Toyota Delivery Award by Toyota Kirloskar Autoparts
2020	Toyota Quality Award by Toyota Kirloskar Autoparts
2021	Special Appreciation Award by Mahindra Rise for transfer case for Thar
2021	Outstanding development for Gears and Synchronizers certificate by Force Motors
2021	Zero Defect Supplies Award by Toyota Kirloskar Autoparts
2021	Supplier of the Year Award by Toyota Kirloskar Autoparts

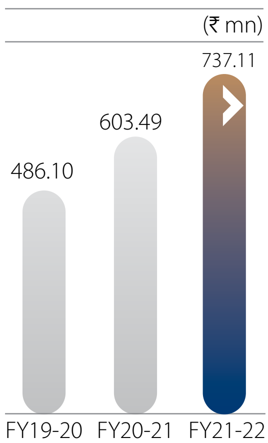
How we have performed in the last few years



Revenues

Performance, FY2021-22

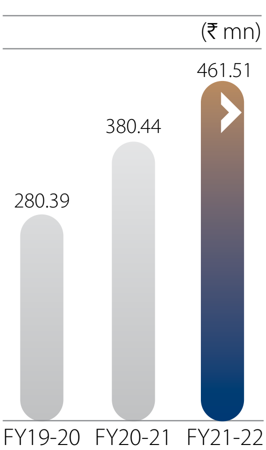
Aggregate sales increased 24.02% to ₹468.49 mn in FY2021-22, majorly due to an increase in revenue from 4WD products.



EBITDA

Performance, FY2021-22

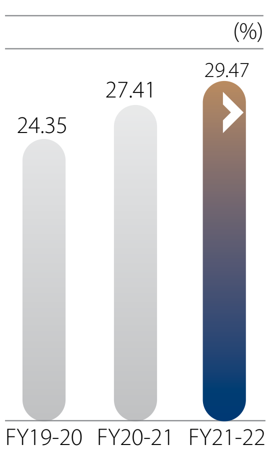
The Company's EBITDA increased 22.14% on account of an increase in volumes, value-engineering and remunerative sales



Net profit

Performance, FY2021-22

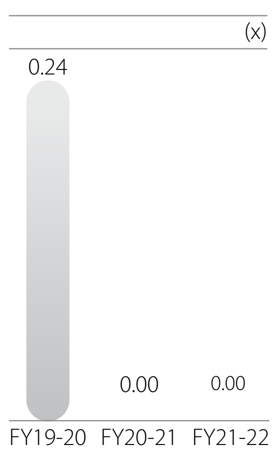
The Company's PAT increased 21.31% on account of higher sales, superior fixed cost amortisation and value-addition.



Adjusted ROCE

Performance, FY2021-22

The adjusted ROCE of the Company increased 54 bps to 29.47% due to higher capacity utilisation, superior economies of scale and a better coverage of fixed costs.



Debt-equity ratio

Performance, FY2021-22

The company remained at zero debt (for long-term and short-term debt) for yet another year, growing its business completely through net worth.

The global footprint of Divgi-TTS

Revenues by geography

51.79
% of revenues from within India,FY 2020-21

48.21
% of revenues from outside India,FY 2020-21

74.68
% of revenues from within India, FY 2021-22

25.32
% of revenues from outside India, FY 2021-22

Divgi-TTS' sales footprint

US
Mexico
UK
Germany
Sweden
Thailand
India
South Korea
China

Our marquee customers

BorgWarner

Borg Warner is an American automotive supplier. The Company is among the 25 largest automotive suppliers in the world. As of June, 2022, the company maintained production facilities and technical systems across 93 sites in 22 countries. Over the years, several automotive companies have become a part of BorgWarner, enhancing it's pedigree in the automotive world.

Mahindra & Mahindra

The Company is an Indian multinational automotive manufacturing corporation headquartered in Mumbai. The Company was established in 1945 and was a part of the prestigious Mahindra Group. The Company is among the largest vehicle manufacturers by production in India. It was ranked 17th on a list of top companies in India by Fortune India 500 in 2018.

MG Motors

MG Motor UK Limited (MG Motor) is a British automotive company owned by SAIC Motor UK, which, in turn, is owned by the Shanghai-based Chinese state-owned company, SAIC Motor, headquartered in London, United Kingdom. MG Motor designs, develops and markets cars sold under the MG marque, while vehicle manufacturing takes place at its plants in China, Thailand, and India. The design of the cars was originally engineered by MG Motors in Longbridge, Birmingham, United Kingdom.

TATA Motors

Tata Motors, India's largest automobile company, is a part of the USD 100 bn Tata Group founded by Jamsetji Tata in 1868. Tata Motors is a leading global automobile manufacturer with a portfolio that covers a range of cars, sports vehicles, buses, trucks and defence vehicles. Its marquee customers can be found on and off-road in over 175 countries.

Toyota Kirloskar

Toyota Kirloskar is an Indian joint venture between Toyota Motor Corporation and the Kirloskar Group for the manufacture of Toyota cars in India. The company's headquarters are located in Bidadi (Karnataka). The Company manufactures transmissions and cars that are marketed worldwide.

Force Motors

Force Motors Ltd, is an Indian multinational automotive manufacturing company, based in Pune, India and the flagship company of the Dr. Abhay Firodia Group. Force offers appropriate solutions for both goods and passenger transport. The Company continues in the founder's vision of providing efficient, utilitarian vehicles that empowers the individual entrepreneur to meet his and the country's ever changing needs.

Our customers and the value we have provided to them

Divgi-TTS' 4X4 transfer case and Mahindra Thar

- Vehicle-defining solution
- Common thread across models
- Offers petrol / diesel engine variants
- Offers manual / automatic transmission variants

Divgi-TTS and Electric Vehicle Transmission

- High efficiency helical geartrain for extended electric driving range
- Wide range of gear reduction ratios for optimum vehicle acceleration and top speed
- Production ready electronic park-pawl actuation for electric park-by-wire.

Divgi-TTS and Indian Army

- 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

- High standard of driving exhilaration
- Facilitates acceleration, shift smoothness and durability
- Provides attractive fuel-efficiency
- Addressed Indian price point expectations

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

- Enhanced driving experience (improved traction control)
- Superior vehicle handling and safety in low friction conditions
- Proven efficacy on slippery roads (sand, rain, mud or ice)
- Latest XUV7OO model with proprietary software
- Similar to Audi's Quattro technology ('Vorsprung durch technik' positioning)

Divgi-TTS and Synchronizers

- Multi-cone connected systems for high torque and lower shift tenure
- Superior shift quality and refinement
- Composite friction materials with improved characteristics.
- Constant friction levels over the asset life

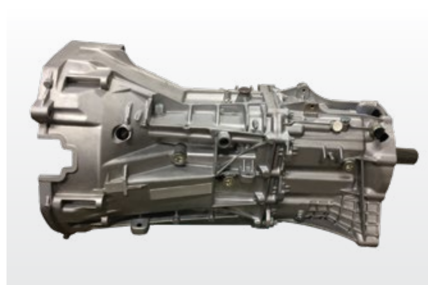
Divgi-TTS and manual transmission

- Light aluminium housing architecture
- State-of-the-art steel-based carbon lined synchronizers
- High precision hard finished helical gears for better NVH performance
- 4-wheel drive application compatibility

The products portfolio of Divgi-TTS

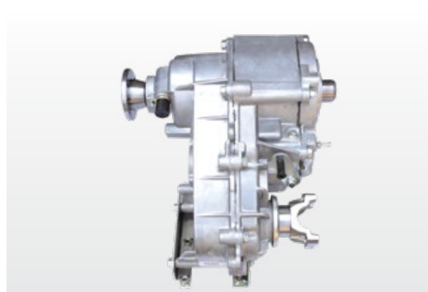
A complement of some of the most cutting-edge products that we have developed in the last few years

Five-speed manual transmission system



Six-speed manual transmission system

Dual clutch transmission system



Mechanical shift transfer case

Electric shift-on-the-fly transfer case

Torque-on-demand transfer case

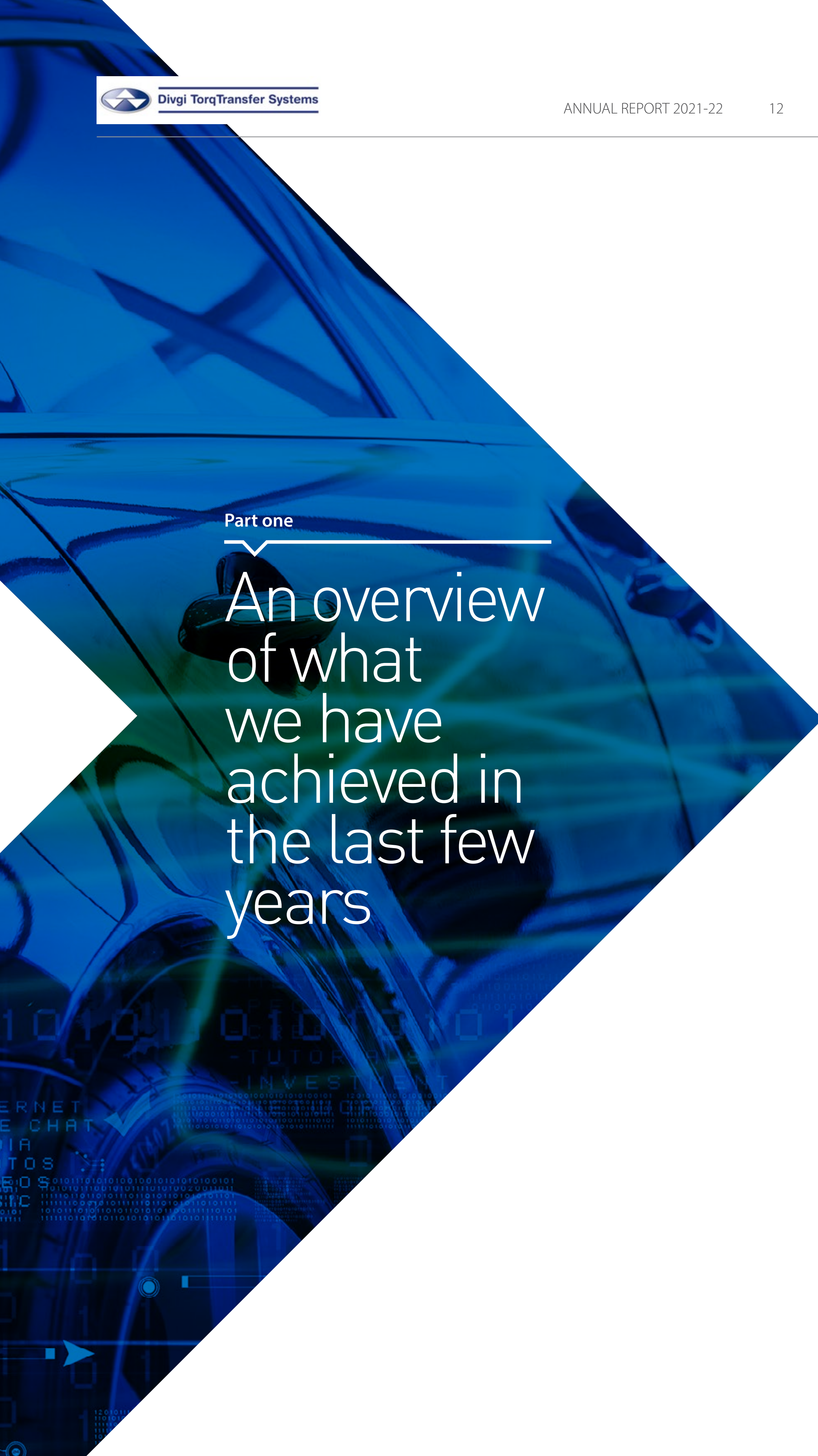
NexTrac interactive torque coupler

Double-offset transfer case

Synchronizers

Electric vehicle transmission system

Auto locking hub



Part one

An overview of what we have achieved in the last few years

Divgi-TTS is carving out global respect in its niche

The company is accelerating technology-led innovation, addressing customer needs

The company is engaged in broadbasing its customer and geographic concentration

7 messages of this annual report

The company is strengthening its product and applications superiority

The company is built around a culture of financial discipline

The company has deepened a culture of manufacturing excellence

The company enjoys a stable access of cutting-edge global technologies

More of the…different

One part of the Indian automotive sector addresses the need to produce more, service growing demand, promote products and get them to consumers at the lowest cost.

There is another pocket of the Indian automotive sector.

This part of the sector is not content with doing more of the same.

It is obsessed with doing the different.

Overview

If this annual report were to focus exclusively on what Divgi-TTS achieved during the last financial year, it would fail.

This annual report represents a celebration of the power, potential and prospects of India's automotive sector.

This comprises distinctive companies like Divgi-TTS.

Divgi-TTS. outlier.

Exporting advanced automotive 4WD systems and solutions to developed markets

Delivering a holistic solution (design, technology, manufacturing and supply chain)

Delivering attractive free cash flows at relatively low production volumes

Blended complex transmission system knowledge with insourced components

Delivering a world-class solution at one of the lowest global costs

Creating a watershed in India's automotive transmission segment

Eagles

These companies benchmark with the world's best.

They invest in disruptive practices.

They produce at costs lower than the global average.

They attempt to deliver the best price-value proposition in the world.

They are eagles; they dare.

Companies like Divgi-TTS.

Dare.

They enter spaces where most global experts believe that Indians will fail

They invest with a multi-decade perspective when most are whispering 'Impossible!'

They dream of creating the next big global wave out of India.

They collect dreamers, mavericks, lateral thinkers and visionaries around them.

They dare to dream not on the basis of what is, but what can be.

Divgi-TTS. Eagle.

We went independent of our global technology partner in 2016

We invested in research considerably higher than peer companies

We extended from standalone components to complete solutions

We moved from a narrow field to diverse products and applications

We emerged from a domestic company to a global brand

We ventured from replication to innovation

We graduated from 'Make as per the given design' to 'Can you design and conceive new product?'

Divgi-TTS. Flying higher

We design and deliver world-class products and solutions

We do so at one of the lowest global costs (development and manufacture)

We respond with among the shortest product development tenures in the world

We have invested and grown with no debt on our books

We are among the smallest in a specialized technology niche

We are beginning to be respected for two magic words – 'frugal engineering'

Divgi-TTS. This is why the world is turning to us

Because we provide solutions in the area of manual transmissions

Because we have emerged as India's largest 4WD / AWD systems supplier to OEMs

Because we have been pioneering indigenous automatic transmissions

Because we are India's largest indigenous electric vehicle transmission manufacturer

Analysis

The global automotive sector is evolving

The conventional internal combustion engine is yielding to the electric and autonomous

Autonomous commercial vehicles that could run from one city to another

Flying vehicles could transform transportation and the way we live.

Drivers can engage with online automobile platforms and access real-time car data

Artificial Intelligence and Machine Learning could automate vehicle functions, provide engine status, monitor temperature and enhance alerts

Superior automotive transmissions could enhance fuel efficiency, make gear shifts smoother, enhance drivability and control.

The coming together of electric vehicles, quantum computing and robotics could moderate the cost of mobility

This is how Divgi-TTS adapted

The Company invested in research, staying ahead of the technology curve

The Company graduated from components to comprehensive transmission solutions

The Company moved from a limited product portfolio to address transmission system requirements of any vehicle kind

The Company graduated from one-off sales to multi-year product development agreements with OEMs

The Company (four product-driven verticals) evolved beyond replication to innovation

The Company pioneered the indigenization of the concept and delivery of world-class automatic transmission systems in India

The Company established a responsiveness in shrinking application engineering to a prototype in less than 14 weeks

The Company engaged in the export of 4WD transfer cases and FWD-based AWD systems.

The Company engaged in the manufacture of electric vehicles to address transformations in the automotive sector

This is what Divgi-TTS has become

The Company emerged among the world's most exciting automotive transmission players

The Company specialised in complex product development in under-crowded spaces

The Company is present in the mid-to-high sophistication space

The Company is a standalone innovation-driven personality

The Company accelerated the absorption of cutting-edge global technologies

The Company is largely free from technology-dependence on any one company

The Company graduated to the development of futuristic electric vehicle transmission systems

This is how Divgi-TTS is transforming an entire sector

The Company is inspiring companies to outsource a transmission system, especially automatic transmission, than focussing on direct manufacture.

The Company is leading India into tomorrow through the design, development, fabrication and mass production of automatic transmission systems

The Company is manufacturing growing volumes around one of the most compelling price-value propositions in the world

The Company is empowering Indian vehicle manufacturers to enhance the indigenized proportion of their vehicles

The Company is providing OEMs with the prospect of a long-term automatic transmission partner

Divgi-TTS: Empowers clients to excel

25,000

Number of Mahindra XUV700 bookings in first hour of the first day

9,000

Number of Mahindra Thar bookings in India in just four days

100,000

Mahindra Scorpio N SUVs booked in under 30 minutes

The performance of our prominent customer in the last few years

The success of Mahindra Thar and Mahindra Scorpio N represent more than just launch successes of one of India's prominent automobile brands.

They represent the coming of age of India's automotive sector.

Where Indian automotive companies are offering internationally benchmarked vehicles at prices considerably lower than the international average.

Their success is likely to do more than just generate higher revenues and profits for the company launching them.

They are likely to catalyze the growth of the space, graduate it towards value-added models, broad base the eco-system, enhance demand for superior resources, deepen research, enhance exports and create the foundation of the next round of growth of India's automobile sector.

Divgi-TTS has supplied the 4WD transfer case for the successful Mahindra Thar, Mahindra Scorpio, Mahindra Scorpio N and NexTrac coupler for XUV7OO

Chairman's message

Divgi-TTS is not merely engaged in feeding the markets of today; it is seeding the markets of tomorrow.

Overview

I am proud to present this overview.

The word 'proud' has been deliberately and consciously used.

I am proud to be the Chairman of a company that confronted technology challenges, dared to dream above its station, rewrote global sectorial rules and enhanced national pride.

I have no hesitation in stating that Divgi-TTS is not just a success story; it is a case study.

Divgi-TTS is not just a story about which only the company needs to be proud; it is a successful endeavour that should inspire every Indian.

Appreciation

When Divgi-TTS disengaged from BorgWarner, its long-time technology partner, a number of industry observers said that this was the kiss of death for the small Indian company.

The company had no chance of survival, they said, because it had no technology pipeline, no cash on the books, no standalone identity, no strong customer reference and no presence in the remunerative end of the business (transmission systems).

By all prospects, the company would have bled for a number of years while having invested in growth; there would have been a premium in cash mobilization and there was a possibility that the largest global companies would have dropped prices to keep Divgi-TTS out of business.

In the space of just six years, Divgi-TTS achieved what a number of experts would have considered impossible. The company graduated from back-end vendorship in an emerging economy to a front-end partner at the cusp of a high seat at the strategic table with some of the largest OEMs in developed nations. The company possesses cash on its books, has no debt, enjoys an export footprint, works with marquee Indian automobile brands, generates a growing proportion of revenues from the most complex automatic transmission systems – and all of this has been built around one of the lowest manufacturing costs of complex transmission systems anywhere in the world.

Respect

As the Chairman of such a company, I am proud; as an Indian, I am more proud that Divgi-TTS has done what few global companies would have had the courage to attempt.

In the space of just six years, Divgi-TTS is no longer a manufacturer seeking an appointment to get past the door of an automobile customer; it has evolved into a consultant called in when a vehicle is on the drawing board; it is a specialist engaged in suggesting how best a transmission system can be customized around the customer's audience, terrain, cost proposition and competition. In just six years, Divgi-TTS has graduated from 'We will do what you want' to a point where it is suggesting 'We will design and manufacture a transmission system that will take your business ahead.'

The result is that Divgi-TTS is more than a specialized fabricator; the company is a systems design specialist.

Divgi-TTS is not a template transmission product provider; it is a curator of global designs, technologies, components and capabilities.

Divgi-TTS is not just a small cog in a large wheel; it is an Indian company sitting at a prominent vantage point with the competence of how it can produce the best at the lowest cost.

Divgi-TTS is not a 'technology-dependant replicator' any longer; it is an 'IP-driven solutions provider'.

Divgi-TTS is not an anonymous vendor competing around the lowest price proposition; it enjoys a seat at the strategic high table of select customers the world over.

Divgi-TTS is not merely engaged in feeding the markets of today; it is seeding the markets of tomorrow.

What can be

What excites me is not what is but what can be.

Divgi-TTS is emerging as a turn-to partner for complex transmission systems and solutions. This is proving transformative in India. The solutions delivered by Divgi-TTS empowered the landmark success of two models launched by a marquee automobile giant. It is not just that these models were virtually sold out in the first phase within an hour of launch; it is the complement of value-added features of indigenized products at one of the lowest vehicle costs anywhere in the world that tells me that something dramatic is happening here.

It is heralding the long-awaited arrival of the Indian automobile industry as a knowledge-driven partner on the global stage. This could be the start of a new area and I am proud that Divgi-TTS designed and manufactured the heart of these vehicles.

This transpired not because the eagle merely flew but because the eagle dared.

Praveen Kadle
Chairman

Why the transmission systems segment is at an inflection point

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

Capitalizing on the drivetrain niche

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 are declining for new patent technology research, some transmission players are shutting operations and market gaps are getting wider.

In this encouraging environment, Divgi-TTS established its capability in extending from application engineering to a prototype in less than 14 weeks, which has enhanced the company's respect worldwide in delivering 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 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 and synchronizer) . The result is that 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.

The EV opportunity

Electric vehicle OEMs in India will need multi-year patience to invest ahead of the curve

They would find it profitable to turn to a specialized player like Divgi-TTS for their transmission system requirements

The company is competently placed to develop fully electric drive solutions (inclusive of power and torque management software)

In doing so, Divgi is likely to play a responsible role in the electric vehicle market of India across the coming decade.

Growth drivers of the automotive transmission market

- Increased commercial vehicle production in North America
- Introduction of new technologies helping make transmission systems
- Increased demand for passenger vehicles production in Asia-Pacific
- Demand being driven by a wider acceptance of electric vehicles
- Increased traffic congestion, prompting a shift to automatic transmissions

Market segmentation

The automatic transmission segment is likely to generate more than USD 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 catalyzed 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 cost. The automotive transmission market size for electric and hybrid vehicles was over USD 4 bn in 2019 and is projected to grow 15% by 2026.

Types of transmission systems

- Manual transmission systems
- Automated manual transmission systems
- Auto transmission systems
- Stepped automatic transmission systems
- Intelligent manual transmission systems
- Dual clutch transmission systems (automatic)
- Continuous variable transmission systems (automatic)

Managing Director's business review of FY22

The big message is that our company delivered a record performance despite unprecedented challenges inFY 2021-22

Jitendra Divgi, Managing Director, explains the momentous development in India's automotive sector and how Divgi-TTS expects to ride this unprecedented development in FY 23

Q: Was the management pleased with the performance of the company during the year under review?

A: The company reported a stand-out year for the manner in which it performed and grew in the face of challenges. There were challenges related to demand aggregation from within the country and the global markets in the wake of the pandemic; a shortage of semiconductor chips affected the output of most automotive systems and component manufacturers in the world; a prohibitive increase in freight affected competitiveness; a decline in shipping containers interrupted delivery schedules; the automobile market went through a trough during the lockdown phase that affected the sales visibility of the eco-system.

And yet, the company reported the best year in its existence: the company had expected to report a 20% growth in revenues from

₹1950.25 milliion inFY 2020-21 to ₹2250 mn inFY 2021-22 but eventually finished with a 24.02% growth to ₹2418.74 mn This outperformance needs to be appraised across the national landscape: India's economy grew 8.7% during the last financial year and the Indian automobile sales grew 7%.

At Divgi-TTS, we do not just narrowly interpret the growth as a fortuitous coming together of customer model launches, strong domestic sales and better output; we interpret this performance as an inflection point in our existence – where all the investments we had made in the last few years in frugal (but effective) engineering came to a head during the last financial year. The performance validated what we always believed: that the way we were structured, even a moderate increase in our throughput would have a disproportionately favourable impact on our margins and profits.

Q: Would you want to take your readers through the performance?

A: The record performance of the company might indicate that the company encountered favourable market realities through the course of the year. The reverse was true: the company (and the sector in general) encountered sharp commodity inflation. Steel prices rose from trough to peak in the last financial year. The company would have reported an attractively higher EBITDA but for this cost increase. The fact that the company could almost match PAT growth (21.31%) and EBITDA growth (22.14%) with revenue growth (24.02%) indicates that we succeeded in countering challenging realities without impairing profitability or competitiveness.

Q: What is the big message that you wish to send out to shareholders?

A: The financial numbers are only indicative of something more fundamental transpiring within our company. The improved performance was on account of the successful launch of a series of special utility vehicles (SUV) by Mahindra, one of the most prominent Indian automobile companies. The company launched Thar in 2020, which proved to be a runaway success. The company followed this with the launch of Mahindra Scorpio N and re-launch of Mahindra Scorpio.; these vehicles have redefined the way new model launches will be appraised. Their successes have emerged as watersheds in the history of the automobile sector in India. A number of observers who interpret their success as an extension of an old story are likely to miss the big message: the Mahindra Scorpio N was booked out for its first 100,000 vehicles in the space of just half an hour, which is unprecedented in the history of the country for its booking speed and consumer acceptance.

Here too, there is a background that needs to be explained as readers might interpret their launch success for reasons of pent-up post-pandemic consumer interest. The watershed success was for a more enduring reason: the coming-of-age of the Indian automotive eco-system on the global stage and its capacity to produce a world-class product at sub-global prices. The size of the price-value proposition that these models have been able to provide is beyond the international template: they have carved out a new global price-value point of what is technologically and commercially possible. This is among the first signs of India's automotive sector sending out a serious global signal – for reasons of technology sophistication, ability to curate a world-class product independent of international collaborations and its potential to shift attention towards India as a serious global design and manufacturing location. The bottomline is that we are not merely replicating a global model and saying 'We are equal'; we have improved on the model and are saying 'We are better.'

Q: Where does Divgi-TTS come into this watershed moment?

A: Divgi-TTS played a critical role in the success of the models that were mentioned. The company provided the transfer case system for these vehicles – the heart of the vehicles, so to speak. The result is that if these models are being considered disruptive and drawing the attention of global industry observers, then some of that success can be attributed to our role.

Q: What were the core reasons behind the company's ground-shifting performance?

A: The company's success was not fleeting and nor was it the result of overnight genius. The success was derived from the convergence of some strategic priorities we had worked on for years.

One, we punched considerably above our weight when it came to technology development and access. After we disengaged from BorgWarner in 2016 and went technologically agnostic (openness to accessing technology from anywhere), we did two things: we built on what we had absorbed from our erstwhile engagement and we entered into selective collaborations with niche global specialists (as opposed to seeking all our technology answers from one global company). This made it possible for us to evolve from single-point technology access to technology curation. We developed an insight into the next technology frontier; we accessed the global market for niche companies that possessed the technologies we were looking for; we drew these technologies into our product and the result is that the value of the technology whole that we created became far larger than the sum of our technology parts. It is a credit to the competence of our curation that we created a modern automotive transmission system that evolved beyond the previous generation by several layers.

Two, the company invested in talent recruitment, training and retention. As a result, I can state that Divgi-TTS possesses arguably the most knowledgable team of professionals within India's drivetrain solutions sector. More than the competence, this team demonstrated the ability to counter various challenges encountered during the last financial year. The team did not just respond from an output perspective; it responded from the commercial perspective, from a frugal engineering perspective, from a suppy chain stability perspective and from a product customization perspective despite a disrupted logistics network, each contributing to our record performance in a challenging year.

Three, the company made selective investments in assets and infrastructure, strengthening its net block of a mere ₹15 cr in 2016 with the addition of ₹100 cr in the last three years. This enhanced our capacity to address growing demand on one hand and enhance product sophistication on the other.

Q: Where does the company go from here?

A: Let me start by answering this question from a tactical perspective.

At Divgi-TTS, we see the next couple of years being buoyant for our company as the success of the SUVs and other vehicles launched by our customers (Mahindra, TACO and Morris Garages) will be delivered from the initial round of bookings (in addition to additional bookings). Besides, we see the phenomenal success of these launches being extended to variants within India and abroad. The success of these models in addition to our ongoing business from BorgWarner provides us with a multi-year success story, a robust foundation to build the business. In addition to this, we see the emergence of the electric vehicle wave, which will require the customization of a new generation of transmission systems. The company received an order from the Taco Prestolite Electric Private Limited to supply electric vehicle transmissions for their EV product, meant for Tata Passenger Electric Mobility Limited, which could be the beginning of a new journey for our company.

Now come to the strategic aspect of the answer. The company is moving towards an impending IPO, which could enhance access to a larger net worth inflow and organizatonal visibility. This is expected to graduate the company to a stronger recruitment traction that leads it to higher engineering standards, the capacity to weather bigger business risks at the larger level, strengthen our agility and empower us to invest in business development infrastructure (product development software and testing equipment) benchmarked with the best standards in the world.

At Divgi-TTS, we believe that the momentum of our annual performance is leading us into the next orbit, where we emerge bigger, more profitable, with larger cash on our books and a larger revenue proportion from exports. The straregic direction will lead us beyond this inflection point to sustainable and profitable growth that enhances value for all those associated with our company.

The internationalization of Divgi-TTS

- Signed a deal with Toyota Tsusho to access the Japanese eco-system dispersed across the world
- Won business from MG Motors to supply a 2-speed Torque-on-Demand transfer case for its powerful vehicle Gloster
- Advantage of a concessional duty for exports to US from India; a wide opportunity
- Mr. Mark John has been appointed as the Vice President for International commercial operations in Cologne, Germany.
- Mr. Nam Jun Kim has been appointed as the President and Country head in Seoul, South Korea.

Servicing India with next-generation transmission systems

- The company won an order from TACO Prestolite Electric Private Limited to supply electric vehicle transmissions for their EV products

This transmission rotates at 14,000 rounds per minute which is much higher than IC Engine.

This transmission system represents a new high in the area of precision engineering and cleanliness for the company

The success of this vehicle could make Divgi-TTS India's largest transmission systems company for EVs

- The company developed a robust gear box to service this EV need

Operational review

What we achieved in FY 2021-22

Our principal achievements,FY 2021-22

- Executed W501 ramp up
- Procured key equipment (Makino make HMV, Profilator make scudding machine, Gantry automation for Toyota parts, In-house induction hardening of shaft and In-house bonding machines)
- Maintained inventories for upcoming projects
- Enhance skilled manpower availability
- Addressed the challenges of increased raw material cost and scarcity

Other achievements

- The company protected its strategic relationships with global suppliers and customers
- The company built on the rich experience of the global supply management and key account management team amidst diverse cultures

Our growing strengths

- Effective execution of new product development
- Achieved revenue target with minimal disruption – on-time deliveries were 98% and customer rejection parts per mn was 10.
- Successful demonstration of DTTS production system and QSB for daily work management, strengthening engagements across stakeholders

Our business-strengthening initiatives

- Sustenance of Quality System Basics and Covid System Basics
- Employee training programme through operator licensing
- Execution of a methodical strategy - soft machining at Sirsi, hard finishing operation at Shivare and product assembly at Bhosari
- Deployment of learnings on new product lines
- Opportunity for internal transfers / job rotations
- Sustained productivity (OEE), on-time delivery, quality performance and return on capital employed

Outcomes

- We became India's first company to design, develop and supply transfer case systems to a global auto OEM.
- We became India's first company to supply transfer cases to China and Thailand.
- We won the first contract in Asia for BorgWarner's active Torque management system (rear wheel drive and four wheel drive).
- Material planning helped control air freight costs
- Association with reputed bodies (CII and MCCIA), product development technology partners and engineering test validation centers (ARAI and VRDE) empowered the launch of the right product

Optimism

- Cross-functional team collaboration
- Compliance with Divgi-TTS production system.
- Employee engagement and empowerment.
- Deeper investment in digitalization, technology enhancement and assembly line automation

Value-creation focus

- Consistent delivery and quality
- Creating new employment opportunities
- Improving gender diversification
- Strengthening our EV transmission platform
- Moderating our carbin footprint
- Enhancing workplace safety
- Standardized practices; complaince with Environment Health & Safety management system.

Part two

Making the world a better place

Divgi-TTS and ESG

Overview

There is a growing focus on environment-social-governance (ESG) the world over, enhancing corporate predictability for the benefit of all stakeholders.

Even though we are a relatively small company and only half a dozen years in our existence in an independent avtar, we have conducted ourselves with the calling of a responsible global citizen.

Our business has been woven around sustainability. There is a growing emphasis on aligning our 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

- Provided oil skimmer on HMC machine.
- Coolant changing frequency reduced which helped in increasing coolant life.
- Overall natural resource depletion reduced.
- Reuse of wooden pallet for transporting machine from Bhosari to Shivare plant.
- The management saved ten trees. Two trees were required for 100 square feet wooden pallet and ten trees were to be used for a 460 square feet wooden pallet.

Social

- Donated ₹ 11.76 lakh to "Pragatee Foundation". The donation helped to fulfil the sports expenses of children.
- Sponsorship of ₹100,000 was provided to MCCIA. This enabled free participation for MSMEs in the event "MCCIA Sustainability Dialogue 2022".
- Road safety awareness given at Diploma polytechnic college, Siddapur to aware college students about road safety
- Donated ₹2,00,000 to support Vedanta Cultural towards education and research of India's spiritual heritage.

Governance

- All plants are certified for IATF 16949:2016, ISO 14001:2015 and ISO 45001:2018. All the three plants are addressing environment and safety requirements.

Our governance platform

Focus: We are in business to address humankind's needs for mobility through the development of transmission systems (manual and automatic), generating superior power from a given energy unit

Long-term: We have invested for the long-term with a corresponding priority for investments in culture, assets, technologies, knowledge, infrastructure, products and relationships.

Mindset: We have invested in an international mindset, processes and practices, benchmarking our standards with the best of our sector

Research-driven: We are driven by research into processes that make it possible to produce faster, better and cheaper, a disruptive approach in a conventional space

Board of Directors: Our strategic direction is navigated by our Board of Directors, comprising professionals, industrialists and thinkers of standing.

Positioning: We have positioned ourselves as a single-stop solutions provider with a specialisation in complete transmission systems, enhancing our scope, value-addition, customer engagement and profitability.

Systems: We have invested in systems, processes, practices and digitalisation to enhance visibility, predictability and scalability.

Controlled: We invested net worth to capitalize on market realities; we invest accruals into business growth; we remain a zero-debt company.

Complex: We work on the cutting-edge, graduating from simple products to complex solutions.

Environment focus: We design and fabricate products that enhance engine output (moderating fuel consumption). We optimize the use of resources in direct fabrication, moderating our carbon footprint.

Directors' profile

Praveen Kadle,
Chairman and Independent Director

Praveen Purushottam Kadle is an Independent Director on our Board. He has received a bachelors' degree in Commerce, Accounting and Auditing from the University of Bombay and has qualified as a Chartered Accountant in 1982, has qualified from the Institute of Cost and Works Accountants of India in 1983 and as a Company Secretary in 1983. He is the Chairman of Prachetas Capital Private Limited. He was associated with Tata Information Systems (an IBM and Tata Company) as Vice President (Finance) and Secretary in 1992 and as Vice President (Finance) at Tata Engineering and Locomotive Company Limited in 1996. He was associated with Tata Capital Limited as the managing director in 2008 and as an advisor to Tata Sons Limited in 2018. He has received a number of awards in recognition of his outstanding contribution to Tata Motors Limited, which are: CNBC-TV18, the best performing CFO in the Auto & Auto Ancillaries sector in 2006; the 'CFO of the Year' by IMA in 2004 and has been inducted as Founding Member to the CFO Hall of Fame in India.

Jitendra Divgi,
Managing Director

Jitendra Bhaskar Divgi is the Managing Director on our Board. He has received a Bachelors' degree in Mechanical Engineer (Honours) from Birla Institute of Technology & Science, Pilani in 1985 and has received a Master of Science Degree in Manufacturing from the University of Massachusetts, USA in the year 1986. Before joining Divgi Metalwares in 1994, he worked at Digital Equipment Corporation, Massachusetts. He served on the Board of Directors of BorgWarner, China in 2000, and was associated with BorgWarner till 2005.

Hirendra Divgi,
Executive Director

Hirendra Bhaskar Divgi is a Executive Director on our Board. He has a Bachelor's degree in Mechanical Engineering from the University of Bangalore. He joined the Company in 1988 and has served in various capacities such as the new Product Development Manager and has also worked in the role of Controller-Operations at the Company. He has over 30 years of experience working at the Company.

Pradip Dubhashi, Independent Director

Pradip Vasant Dubashi is the Independent Director on our Board. He is an Electrical Engineer from the College of Engineering, Pune and also holds a post-graduate diploma in business management from Xavier Labour Relations Institute (Jamshedpur). He was previously associated with the State Industrial and Development Corporation of Maharashtra Limited as a senior development officer. He has been a Strategy Consultant from the early 90's. He helps technology companies raise venture capital and companies in growth mode private equity. He has been associated in the Mahindra Group as their Corporate Planning Manager and has served as an Independent Director on the board of Mandhana Retail Ventures Limited

Pundalik Dinkar Kudva, Independent Director

Pundalik Dinkar Kudva is an Independent Director on our Board. He has a Hons. Graduate in Commerce, University of Bombay. He is a Chartered Accountant by profession and has been in practice for 37 years. He is a Partner in P.D. Kudva & Co., specializing in advisory services, direct tax litigation, and legal representation. He is a Treasurer of Zonal Transplant Co-ordination Centre Pune, which co-ordinates deceased donor organ transplant in Pune and other cities of Maharashtra.

Geeta Tolia, Independent Director

Geeta Prafullachandra Tolia is an Independent Director on our Board. She graduated with a Bachelor of Commerce degree from Gujarat University in 1988 and was admitted as an associate in the Institute of Chartered Accountants of India in 1989. She completed her masters' in science in leadership and strategy from London Business School in 2013 and worked as the Chief Financial Officer of Sepam Qatar W.L.L. and Sepam Middle East WLL. She is also the co-founder of Gravitech Business Solutions Private Limited.

Ajay Limaye,
Nominee Director

Ajay Bhaskar Limaye is the Nominee Director on our Board, appointed by Oman India Joint Investment Fund II. He is a CFA Charter holder with prior qualification as a Production Engineer from Amravati University. He was previously associated with CEAT Limited as a senior executive (systems); Gujarat Venture Finance Limited as a deputy manager (projects); SICOM Capital Management Limited as an assistant vice president; Tata Capital as principal – investments (special situations investments); KSK Energy Company Private Limited as a principal; and OIJIF as a director-investments.

Bharat Divgi,
Non Executive Director

Bharat Bhalchandra Divgi is a Director on our Board. He is Hons. Graduate in Commerce from Indian Institute of Management & Commerce, Hyderabad. He served in various capacities at the Company since 1981 including the position of Deputy Manager, Finance in 1985. He has over 20 years of experience with our Company.

Sanjay Divgi,
Non Executive Director

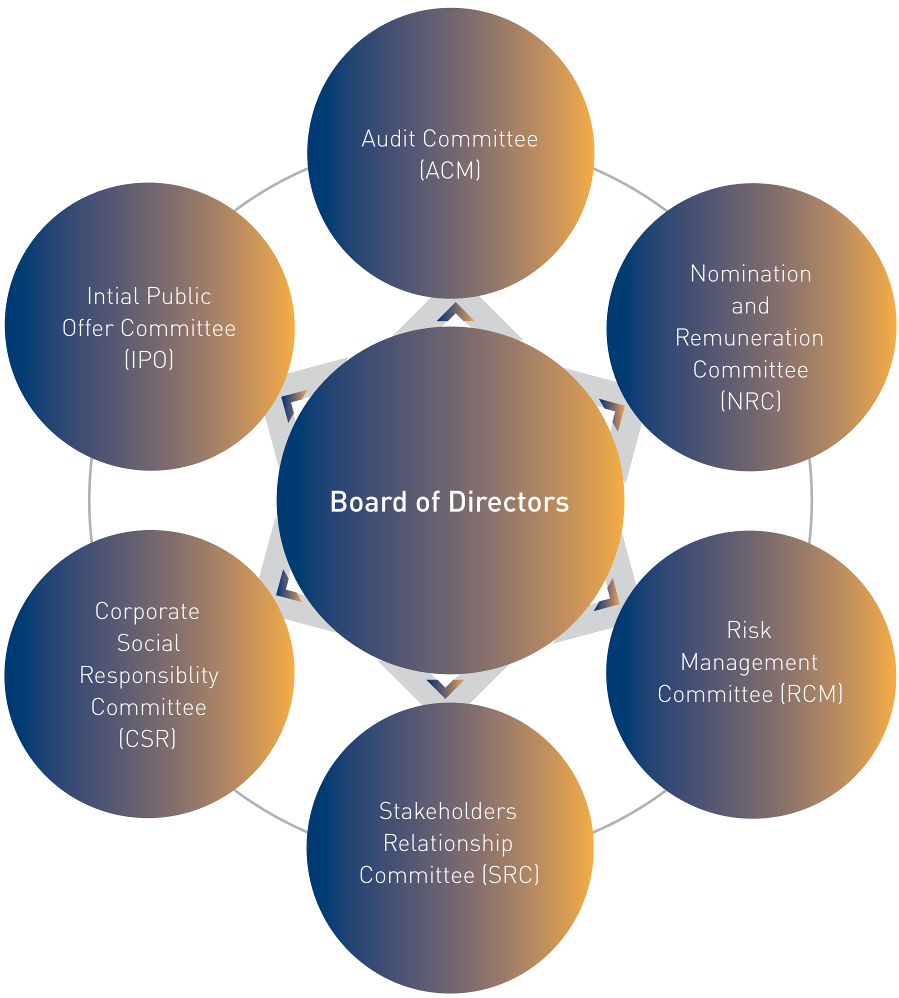
Sanjay Bhalchandra Divgi is a Non-Executive Director on our Board. He served in various capacities at the Company since 1986, which included new product development and managing manufacturing operations.

Board of Directors

Composition of the Board

9	2	7	4	1	2
Total	Executive Directors	Non-Executive Directors	Independent Directors	Nominee Directors	Non-Independent Directors

Board committees



Composition of the Committees

Director	ACM	NRC	RCM	SRC	CSR	IPO
Praveen Kadle	•	•		• (C)		• (C)
Jitendra Divgi					•	•
Hirendra Divgi			•	•	•	•
Pradip Dubhashi	• (C)	• (C)	• (C)	•		•
Geeta Tolia	•	•	•	•	•	
Pundalik Kudva	•		•		• (C)	
Ajay Limaye						•
Bharat Divgi						
Sanjay Divgi						

• Member (C) Chairman

At Divgi-TTS, EHS resides at the core of our operations

Overview

At Divgi-TTS, environment, health and safety (EHS) represents the foundation of our company.

We have built a credible EHS management system to protect the environment, health and safety of our employees and communities in which we operate

We established consistent risk thresholds with operational flexibility to manage risks effectively

The EHS management system enhanced employee confidence, teamwork, best practices, environment protection, waste management and operations control

These have helped strengthen governance, business continuity and sustainability.

Focus

Divgi-TTS' focus lies in consuming less and manufacturing more, the basis of business sustainability. The most successful, profitable and sustainable companies are the 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 comprised 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 installed 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 tCO2 of product (105 tCO2 of product in the previous year) and Scope II emissions stood moderated at tCO2 (1,603 tCO2 in 2019-20).

Replacement: The Company is committed to replace finite or hazardous resources with alternative materials, moderating its carbon footprint.

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

Restoration: The Company 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 suppliers from handling different commodities (castings, forgings, machined parts, sheet metal parts, electrical/ electronic parts and powder metal parts).

Our EHS policy

The Divgi-TTS EHS policy establishes a commitment to protect the environment, health and safety of the employees.

The EHS policy was established to deepen governance, ISO compliance, statutory and regulatory requirements.

The policy focusses on energy saving, resource optimization, waste reduction and safe work practices.

The policy promotes a safe working environment through standardized practices, minimising injury risks, ill health and hazards.

The policy emphasises training through operator licensing program, periodic compliance and a layered process audit.

Our EHS credentials

- Divgi-TTS is certified for the Environment Management System ISO14001:2015 & Occupational Health & Safety System and ISO 45001:2018 from DQS India
- The Company completed the EHS certification of its Shivare plant in 2022.
- The Company received the 'Best Supplier' award from Toyota Kirloskar Auto Parts Private Limited for achieving zero PPM and delivery targets in FY 2021-22
- The Company celebrated Safety Week in March 2022 (theme was 'Nurture young minds, develop a safety culture.')

Providing a healthy and safe work environment

- Safety is a leadership prerequisite; the safety team comprises a financial risk manager who ensures safety performance and incidence, communication on corrective actions and horizontal deployment.
- Safety and ergonomics were considered before designing a workstation during the advance product quality planning programme (Phase III).
- The Company's standardised workstations are equipped with detailed operational guidelines (standard operating sheet and job entry system).
- The Safety team's process audit identifies process deficiencies and implements corrective action for effective implementation.
- Employees are encouraged to provide suggestions on safety practices that can be incorporated; kaizens/job descriptive index are recorded; the Company provides resources for implementing kaizens.
- The Company invested in machine/ equipment safety through a total productive maintenance approach; it invested in predictive tests like vibration and thermography for electrical fire hazards.
- Safety and fire mock drills were executed as per the EPRP procedure; the Company approved the fire protection system upgradation.

Proactive EHS investments

- The Company strengthened its EHS commitment through creditable certifications (ISO 14001 and IS0 45001); the certifications were audited by DQS Gmbh (certification body).
- Divgi-TTS increased its EHS spending by 25% to ₹1.2 cr (₹90 lakh in FY 2020-21) in the area of systems compliance and monitoring (audits, certification, hazardous waste disposal, ETP maintenance, servicing, annual health check, first-aid medicines, testing and validation of fire systems, predictive maintenance of equipment and power supply, hazardous waste disposal, applicable legal compliances and annual returns).
- The Company celebrated World Safety and Environment week as a part of employee engagement initiatives to develop a safety culture.
- The Company invested in equipment modernization and refurbishment.

Achievements, FY 2021-22

- The Company benchmarked safety practices with Toyota across all three facilities
- The Company widened the coverage of safety habits across all levels (including contract labour, drivers, housekeeping and canteen staff).
- The Company reported two minor safety incidents (three in FY 2020-21)
- No major safety incidents were recorded; the company maintained its record of zero fatality

Initiatives, FY 2021-22

- The Company implemented projects related to lower oil consumption, energy saving, plastic waste reduction and water conservation.
- The Company engaged in tree plantation at Shivare and Sirsi units; 46 trees were planted across a plantation area of 215 square meters.
- The Company planned to introduce palletized returnable package for better volume utilization and securing transit damage
- The Company provided a Conflict of Minerals declaration to the customer for mapping material and weight contribution to the vehicle bill of material.

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.

WATER MANAGEMENT

Water conservation initiatives, FY 2021-22

The Company engaged in rainwater harvesting and flow aerator installation for water taps

The Company installed water-saving aerators in Bhosari along with foot-pedals; likely to reduce 30% water use.

Annual water consumption (KL)

Water consumption (KL)	Bhosari	Sirsi	Shivare	Enterprise-wide total water consumption
FY 2021-2022	3535	1777	848	6160
FY 2020-2021	2801	1551	712	5064
FY 2019-2020	3044	1835	780	4879

The consumption increase was on account of enhanced production

Water consumption intensity

	FY19-20	FY20-21	FY21-22
Enterprise-wide water consumption (KL)	5591	5064	6160
Production volume (KL)	3472380	4352473	4325293
Enterprise-wide water intensity per unit (KL)	0.00161013	0.00116348	0.00142418
Enterprise-wide water intensity per 1000 unit (KL)	1.610134835	1.16347649	1.424180975

The consumption per unit declined due to various initiatives

WASTE MANAGEMENT

The company engaged in responsible hazardous waste disposal through an authorized waste service provider

Hazardous waste (Kg)	Bhosari	Sirsi	Shivare	Enterprise-wide hazardous waste
FY 2021-2022	10085	53971	2327	66383
FY 2020-2021	7574	46290	NA	53864
FY 2019-2020	8900	21937	NA	30837

Annual power consumption (Kwh)

Power consumption (Kwh)	Bhosari	Sirsi	Shivare	Enterprise-wide power consumption
FY 2021-2022	967973	968960	927117	2864050
FY 2020-2021	638502	795494	422937	1856933
FY 2019-2020	569994	771051	498400	1839445

CO2 emission in tonnes

Co2 emission in tonnes	Enterprise-wide Co2 emission in tonnes
FY 2021-2022	3419
FY 2020-2021	1933
FY 2019-2020	1819

Health and safety initiatives, FY 2021-22

The Company adopted a Covid System Basics (CSB) to protect the health and safety of employees during the pandemic. The CSB helped the organization respond without disturbing business activities. The company followed all regulatory guidelines and mandatory requirements published by the Ministry of Health & Family Welfare and State regulation. The Company covered 100% employees with vaccination, sanitization, insurance, visitor declaration and PPE use.

Key CSB elements

- Control of symptomatic and positive cases
- Operating (standardized) practices
- Reaction plan-risk reduction
- Stakeholder management
- Regular team meeting
- Effectiveness measurement
- Periodical web application resources (WAR) audits
- Spread control

Outlook

- The Company intends to accelerate digital transformation, strengthening safety incidence reporting, suggestions, legal compliance notifications and audit management, among others.
- The Company is expected to complete re-certification of the Bhosari and Sirsi facilities for ISO: 45001: 2018 from DQS by October 2022.
- The Company implemented Toyota safety practices. Some of the best practices to be implemented include angen, mannequin/display statue, mirrors, safety arch (anzen gate), KYM and KYM board.
- The Company plans to build the upcoming Shirval factory around the 'green' concept by 2024.
- Divgi-TTS aims to achieve 'green' building and zero waste-to-landfill certifications.
- The Company plans to hire electrical maintenance personnel possessing the qualification of an energy auditor.

Our certifications and accolades

ISO 14001:2015 environment management system

ISO 45001 occupational health and safety system

Maintenance EFMEA theme and activity (awarded by CII)

Corporate social responsibility is integral to our sustainability

Overview

At Divgi-TTS, we are committed to responsible citizenship, extending to 'Responsibility to our Communities'. This comprises social and community development under the initiative of corporate social responsibility with planned and systematic actions through projects. Divgi-TTS employees visited sites for a macro and micro perspective of CSR project logistics and performance.

Our key focus areas

Our CSR policy includes the following activities listed under Schedule VII of the Companies Act, 2013:

- Promoting education, including special education and employment enhancing vocational skills
- Rural development projects
- Promoting health care including preventive health care
- Protection of national heritage, art and culture
- Ensuring environmental sustainability, ecological balance, conservation of natural resources

Our projects

Shri Vidyadaayini, promoting education: At Divgi-TTS, we strengthen education, knowledge and leadership qualities of underprivileged children through innovative and creative programs by developing soft skills through music, games and sports.

Shri Kalyanam, promoting rural development: At Divgi-TTS, we develop rural infrastructure to ease household stress and help build a better community, empowering the youth.

Shri Aarogyam, promoting health care: At Divgi-TTS, we focus on the well-being of the marginalized (rural and urban). Our health and wellness programmes range from supporting institutions with diagnostic and monitoring equipment to other projects.

Shri Sanskriti, protecting national heritage, art and culture: At Divgi-TTS, we contribute to the protection of our national heritage, art and culture through the promotion and development of traditional music, dance and handicraft.

Shri Vasundhara, environment protection: At Divgi-TTS, we promote environment sustainability, ecological balance, protection of flora and fauna, animal welfare and agro-forestry.

Our CSR initiatives, FY2021-22

Health care: The Company donated three ventilators to Sassoon Hospital, Pune, during the second COVID wave. The Company provided surgical support to underprivileged children affected by facial and skull deformities at Inga Health Foundation, Bengaluru.

Art and culture: The Company contributed to Vedanta Cultural Foundation, Lonavala, to preserve, disseminate and rejuvenate ancient cultural, intellectual and spiritual heritage.

Education: The Company donated to Pragatee Foundation to enable leadership programme in Kumta, Karnataka. The programme leveraged the power of football to hone life skills in children from weaker economic backgrounds. This programme comprised sessions culminating in a full-fledged league. The Company contributed towards 'The Society for Door Step School', Pune, to facilitate the school admission of the children of brick kiln workers and construction site workers in Chakan. The Company donated a telescope to Shri Venkatrao Nilekani College Abhivradhi Samiti, Sirsi, to promote scientific research in the celestial field and conduct star gazing camps

Rural development: The Company donated a school bus to Ajit Manochetana Trust, Sirsi, to transport intellectually challenged children to the rural school. The Company donated to Mahaganapati Shikshan Samithi, Kibbali, Sirsi, solar-powered batteries and panels to enable students to work smoothly in computer and science laboratories

Part three

Drivers of our excellence

Financial discipline

How Divgi-TTS strengthened its financial foundation in FY 2021-22

Overview

Our overarching message is that Divgi-TTS continued to secure its financial foundation during the year under review even as it was faced with unprecedented challenges. This financial foundation comprised virtually no debt, enduring brand, long standing stakeholder relationships, rising customer wallet share, accruals-driven capital expenditure and strong working capital management.

Clarity

The management possesses a strategic financial clarity that is expected to translate into sustainable value-accretive growth. This clarity comprises the following features: sustained technology-driven revenue growth, protected or improved credit rating, attractively under-borrowed Balance Sheet, accruals-funded capital expenditure, effective cost management and a high proportion of revenues from new products.

Record revenues

During FY 2021-22, the company's revenues touched ₹2,418.74 mn, the highest since inception. Revenues jumped by around 24.02% over FY 2020-21 compared to a growth of 14.22% in the previous year over 2019-20. The Company surpassed the revenue target of ₹2250 mn that had been set for FY 2021-22.

The Company reported near-profitable growth during the year under review. Revenues grew 24.02%, EBITDA grew 22.14% and profit after tax strengthened 21.31%. The revenues reported by the company during the year under review were the highest in its existence. The growth in revenues helped amortize fixed costs effectively, strengthening profitability.

Export business

Earlier, 48.21% of revenues would be derived from exports. During the last financial year, exports accounted for 25.31% of revenues. The Company's export revenues reduced from ₹899.43 mn in FY 2020-21 to ₹591.94 mn in FY 2021-22 for the following reasons: the company's BorgWarner business programme ended (new projects expected to begin from 2022-23). The company generated exports from USA, Mexico, South Korea and China

Domestic revenues

Domestic revenues as a proportion of the company's overall revenues increased from 74.68% in FY 2020-21 to 51.79% in FY 2021-22. The Company's domestic revenues grew from ₹966.32 mn in FY 2020-21 to ₹1745.83 mn in FY 2021-22 following the success of the Mahindra Thar vehicle. The sale of value-added transmission products increased due to higher offtake of transfer case.

Capital efficiency

The company enjoys a track record of maximizing capital efficiency by generating economies of scale, graduating towards premiumization, increasing revenues per rupee of capital spending, re-investing accruals and building a competitive advantage.

The RoCE generated by the business was 54 bps higher than in the previous year on account of higher revenues generated per rupee of employed capital and the ability to pass on resource cost increases. The company strengthened operational EBITDA margin 25 bps during the year under review to 28.06 per cent.

Credit rating

At Divgi-TTS, we demonstrated our commitment to enhance margins, enhance net worth and moderate debt during the last few years. The objective of the Company is to report a creditable performance during the current year and seek an improved rating. A strong credit rating makes it possible for us to enhance our respect and overall competitiveness; our objective will be to keep enhancing our credit rating towards the highest level.

Liquidity

At Divgi-TTS, financial liquidity enhances our capacity to invest in capital expenditure largely through our earnings, negotiate better with vendors in exchange for immediate payment and showcase our liquidity to attract credible stakeholders. Given a choice between maximizing revenues with stretched liquidity or moderate-to-high revenues with enhanced liquidity, the company will select the latter.

The company measures liquidity by net cash on the books (cash less debt), interest cover (EBITDA divided by interest outflow) and the gearing ratio. Net worth was ₹3400.15 mn and total debt ₹01.20 mn as on 31 March 2022 as against ₹2958.76 mn and ₹2.55 mn respectively as on 31 March 2021. This visible reliance on net worth represented a buffer in a volatile market environment.

Debt-equity ratio remained attractive at 0 and the company increased net worth by ₹441.39 mn during the year.

Working capital hygiene

The Company addressed the need to manage working capital hygiene by controlling its receivables cycle within tolerance limits through stable terms of trade with customers, marketing product variants enjoying strong offtake, marketing value-added products and recovering sales proceeds with speed.

Particulars	FY 2021-2022	FY 2020-2021
Net Working Capital Turnover ratio	5.52	5.96
Inventory Turnover ratio	8.23	7.86
Trade Receivable Turnover Ratio	4.35	4.77
Trade Payable turnover ratio	5.88	5.92

Resources

The Company strengthened cash reserves from ₹1589.01 mn as on 31 March 2021 to ₹1732.25 mn as on 31st March 2022, which is expected to be deployed in business growth. The Company's networth increased from ₹2958.76 mn in FY 2020-21 to ₹3400.15 mn in FY 2021-22.

The Company did not have material debt on its books (negligible vehicle loan showed as debt). The Company finished the year under review with a debt-equity ratio of 0.00, indicating the quantum of debt that could be mobilised (if required). The Company enjoyed relationships with bankers and private equity firms for additional resource mobilisation.

Capital allocation

At Divgi-TTS, we were engaged in capital investment for the manufacture of transfer cases and components thereof as on 31 March 2022. The Company invested ₹177.55 mn (9.27% of its gross block as on 31 March 2022) and by the virtue of the capital expenditure being allocated strategically the company expects to grow profitably. The capital allocation will address value-addition and enhanced scale at a capital cost per unit lower than the prevailing greenfield project average.

Forex balance

The Company expended ₹422.46 mn for imports in foreign currency and generated ₹591.94 mn in foreign exchange earnings. The company remained net foreign exchange-positive during the year under review, putting it in a position to benefit from the weakening of the Indian currency. 100% of the company foreign exchange earnings were generated in the US dollar. The company reported a gain of ₹12.64 mn through currency movements during the last financial year.


Strategic focus
Specialization
Value-addition
Premiumization
Indigenization
Austerity
Solutionization
Cutting-edge
Investments
Accruals-driven
Shorter receivables cycle
Logistical advantage


Strategic outcomes
Leadership position
Globally competitive
Superior liquidity
Attractive margins
Attractively low gearing

Business excellence

How Divgi has deepened its manufacturing competence

Overview

Divgi-TTS is engaged in soft machining at Sirsi plant, hard finishing operation at Shivare plant and product assembly at Bhosari

The Company optimized its manufacturing operations by aligning them with the schedules of its prominent OEM customers.

Manufacturing achievements

The Company is the sole Indian transfer case manufacturer

It has won contracts from OEMs who would earlier import them

It was the first Indian company to develop dual clutch transmission for automatic transmission vehicles

Competitive strengths

- The Company achieved customer expectations of quality, cost, delivery, product development and declining customer complaints / warranty claims.
- The Company deepened a culture of value engineering, strengthening its first-time right commitment (products and processes)
- Over the past decade, the company transitioned from a largely single customer player with a high revenue concentration from drive train systems and 4 wheel drive transfer case
- The Company drew on Toyota principles; a single system was implemented across all three manufacturing locations to improve process efficiency and consistency

Technological improvements

Scudding: A continual gear generating process, helping produce external and internal gears. The high number of low depth cuts not only leads to short cycle time but creates quality gears with a good surface finish. The Company achieved the highest production of ring gears (above 50,000 units/month) through this technology

HMX honing machine: Capable of doing combination honing (two sections of gears honed in the same set up). Its introduction enhanced gear productivity and quality

Initiatives, FY 2021-22

- The Company introduced two tandem shaping machines from Emag Su (Italy) and Liebherr Machine Tools (India), which can process cluster gears (two adjacent gears in the same set up).
- The Company introduced laser welding machine, shot peening machine and durability test stand
- The Company implemented edge preparation of all scudding tools to increase tool life and reduce ring gear cost
- The Company got domestic tool manufacturers adept at producing cutters with good productivity and quality.
- The Company introduced multistart high material grade hob for a sprocket drive, driven along with rigid fixture design on CLC with a 200 multirun hobbing machine, which improved productivity and reduced tooling cost
- The Company leveraged a cost-effective process for new and existing products with targeted 1.5% cost reduction on revenues.

Business excellence

How we strengthened our sales function

Overview

The company is a global automotive transmission company of Indian location and origin. The company generated 25.32% of its revenues from the global markets inFY 2021-22; it broad-based sales across a larger spread of institutional customers to moderate an excessive dependence on five customers.

The year 2021-22 was affected by the extended threat of the pandemic, which resulted in restricted customer visits and limited face-to-face interactions. The global semi conductor shortage, volatile commodity prices and high freight affected automobile manufacturers. Demand from China and Korea remained volatile.

There was a significant change in consumer buying behaviour following the pandemic. The Company faced challenges in responding to pent up purchase following market recovery. The Company was required to address an early deadline to supply automotive parts for the manufacture of Toyota Tundra in Mexico. The Company's sales were affected by new product development and launch delay by various clients.

Responding to challenges

Strong client communication: The Company engaged deeper with customers through phone and virtual meetings, which helped assess supply disruption and production plan changes.

Appointing engineers: The Company appointed a Quality Resident Engineer (QRE) in the Mahindra plant (Nashik) to monitor stocks and address customer concerns. Proper feedback was provided to Digi-TTS' plant to manufacture in line with customer specifications.

Regulatory: The Company monitored commodity and currency movements in real-time

Account managers: The Company assigned key account managers for customers region wise, deepening sales penetration in prospective markets.

Functional: The Company's sales persons developed ways to win contracts without face-to-face customer engagements. Contact-less and virtual meetings became relevant to engage with customers.

Value delivered

The Company provides the full range of drive train system solutions (mechanical and electric shift, all wheel drive, planetary differentiation of 60:40, single offset and double offset with center axle differential within transfer case, NexTrac® couper for fourwheel drive or all-wheel drive)

The Company possesses various transmission systems (manual, electric vehicle and dual clutch automatic)

The Company markets the full range of synchronizers.

The Company is the only non-OEM to manufacture the 4WD transfer case in India.

Highlights, 2021-22

- The Company's revenues grew 24.02% to ₹2418.74 mn following the W501 Thar ramp-up.
- The Company won electric vehicle transmission contract from one of the leading electric car manufacturer in India.
- The Company completed the launch of W601 Nex Trac, MG TOD and Z101.

Outlook, 2022-23

- Three electric vehicle transmission products under development are expected to be launched in 2023.
- The Company intends to lead the 4WD segment through upgraded technology and innovative product lines.
- The Company aims to penetrate diversified product lines (all wheel drive systems, manual transmission automatics and dual clutch transmission).
- The Company aims to develop transmission systems for battery electric and hybrid vehicles.

Business excellence

How we protected our supply chain function

Overview

The words 'supply chain' became increasingly critical during the year under review on account of the pandemic in some countries, freight cum commodity inflation and decline in the availability of shipping containers. The Company faced congestion in ports due to labor shortages.

Achievements

Engagement: The Company coordinated inward global supplies to ensure comfortable raw material inventory. The Company forecasted semiconductor chip demand for six months and procured adequate material from electric control unit suppliers.

Freight management: The Company paid spot prices for shipments and engaged with multiple freight forwarders to moderate impact.

Global outreach: The Company sourced parts and products from 12 countries; it leveraged its sourcing offices in Germany and South Korea.

Proximate: The Company's supply chain function was centred in and around Pune, reducing transport time and value-stream mapping time.

Localized manufacture: Most raw material were manufactured locally (90 % of all raw material needs by value), a major advantage.

Highlights, FY 2021-22

- The Company launched the NexTrac interactive torque coupler
- The Company developed electric shift on fly transfer case supply chain for the Z101 programme.
- The Company developed the dual offset transfer case supply chain and successfully addressed Thar transfer case ramp-up
- The Company received Toyota's Best Supplier Award for quality, delivery, alignment and commitment

Outlook, 2022-23

The Company's supply chain possesses rich geographic diversity. The collective experience of sourcing transfer case parts is expected to help in the sourcing of upcoming products (e-gear drive). Major commodities like forging, castings, sheet metal, powder metallurgy and heat treatment are sourced for transfer case manufacture. Their complementary experience will help develop electric vehicle components and systems.

Business excellence

Our research and development competence

Overview

The Company operates in a technology-intensive space that warrants ongoing research into trends and emerging needs. Over the the years, the Company invested in proprietary research (following its disengagement from the joint venture with BorgWarner) coupled with access to niche technologies from companies the world over.

During the year under review, the Company faced challenges in technology assimilation from technical partners, talent retention, meeting the development timeline with available resources and countering restrictions in machine installation, commissioning and troubleshooting following the pandemic outbreak.

Achievements

Divgi introduced continuous training, strengthening the technology orientation of its people.

The Company tied up with prominent technological partners to enhance competence.

The Company used online tools related pre dispatch checks, machine inspection and troubleshooting.

The Company invested in the latest design and development technologies.

The Company invested in an agile strategy of rapid prototyping during product development, shrinking time in design evaluation and functionality.

The Company invested in testing, validation and prompt programme management to enhance outcomes.

Our R&D competence

The Company is known for the unique manufacture of transfer cases across 25+ years.

The Company commenced the design and development of electric vehicle transmission systems.

The Company was the first Indian supplier engaged in the design and development of dual clutch transmission systems.

Products developed in FY2021-22

- Nextrac
- Heavy duty transfer case
- W501 transfer case
- Z101 transfer case
- Gear planetary Sun for hybrid transmission

Outlook, FY2022-23

The Company is shifting towards electric vehicle mobility as it seeks to diversify its base of customers and products through research-led product introduction.

Case study

How a horizontal machining center transformed operating efficiency

Earlier the machining of the case and cover of mechanical and electrical transfer case would be performed on the vertical machining center (VMC).

The machining time was high; as was the setup and loading time.

Following an increase in production volumes, new business opportunities and the emergence of new technologies, a horizontal machining centre was introduced.

The Company reported the following improvements:

- Mechanical transfer case and cover productivity improved 3.5 times
- Electrical transfer case and cover productivity improved three times
- Component loading and unloading time declined
- Capacity of four VMC machines was replaced by just one HMC machine
- Absence of set up change led to superior geometrical accuracy and quality
- Vision BTS system helped detect tool breakage and eliminate component rejection
- Component aesthetic quality improved
- Lower tools were now required

Management discussion and analysis

Global economic overview

The global economy grew an estimated 5.9% in 2021 compared to a de-growth of 3.3% in 2020. The global economy was affected by prohibitive shipping freight rates, a shortage of shipping containers and semiconductor chips in 2021, affecting global economic recovery. Inflation was at its highest since 2011, especially in the advanced economies, catalyzed by a run up in commodity prices. The global economy is projected to grow at a modest 2.6% in 2022.

Regional growth (%)	2021	2020
World output	5.9	(3.3)
Advanced economies	5.0	(4.9)
Emerging and developing economies	6.3	(2.4)

(Source: IMF, World Bank, UNCTAD)

Indian economic overview

The Indian economy reported an attractive recovery in FY 2021-22, its GDP rebounding from a de-growth of 7.3% in FY 2020-21 to a growth of 8.7% in FY 2021-22. By the close of 2021-22, India was among the six largest global economies, its economic growth rate was the fastest among major economies (save China), its market size at around 1.40 bn the second most populous in the world and its rural under-consumed population arguably the largest in the world.

Y-o-Y growth of the Indian economy

	FY19	FY20	FY21	FY22
Real GDP growth (%)	6.1	4.2	(7.3)	8.7

(Source: IMF, World Bank, UNCTAD)

India attracted the highest annual FDI inflow of USD 83.57 bn in FY 2021-22, a validation of global investing confidence in India's growth story. In 2021, India was the largest recipient of global remittances. India's foreign exchange reserves stood at an all-time high of USD 642.45 bn as on September 3, 2021, crossing USD 600 bn in foreign exchange reserves for the first time. The Indian government launched a four-year ₹6 lakh cr asset monetisation plan.

India's currency weakened 3.59% from ₹73.28 to ₹75.91 to a US dollar throughFY 2021-22. The consumer price index (CPI) of India stood at an estimated 5.3% in FY 2021-22. India reported improving Goods and Services Tax (GST) collections month-on-month in the second half of FY 2021-22 following the relaxation of the lockdown. India's per capita income was estimated to have increased 16.28% from ₹1.29 lakh in FY 2020-21 to ₹1.50 lakh in FY 2021-22 following a relaxation in lockdowns and increased vaccine rollout. *(Source: Economic Times, IMF, World Bank, EIU, Business Standard, McKinsey, SANDRP, Times of India, Livemint, InvestIndia.org, Indian Express, NDTV, Asian Development Bank)*

In the Budget 2022-23, the proposed capital expenditure target of the Indian government expanded by 35.4% from ₹5.54 lakh cr to ₹7.50 lakh crore. A boost was provided to India's electric vehicle policy 'Scheme for Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India'. An expansion of 25,000 km was initiated for 2022-23 for the national highways network.

The Indian economy is projected to grow by around 7% in FY23.

Global automotive industry

The global automotive manufacturing market size stood at USD 2.7 trillion in 2021 and is expected to reach USD 2.8 trillion by 2022. In 2021, 79.1 mn motor vehicles were produced around the world, an increase of 1.3% compared to 2020. Automotive technologies are expected to witness a considerable change as 26% of new car sales globally are expected to be electric vehicles in 2030. About 58 mn of new self-driving cars are expected to be added in the world's fleet in 2030. The outlook of the global automotive industry is positive on account of rapid innovations, new capacity investments particularly for electric vehicles (EVs) and growing customer demand.

Consumer powertrain preference for their next vehicle (2022)

Country	Gasoline/ Diesel Vehicle	Hybrid electric vehicle	Plug-in hybrid electric	Battery electric vehicle	Other vehicles
US	69%	17%	5%	5%	4%
Southeast Asia	66%	15%	11%	5%	3%
China	58%	17%	6%	17%	2%
India	58%	21%	10%	5%	6%
Germany	49%	18%	12%	15%	6%
Japan	39%	37%	11%	11%	2%
South Korea	37%	24%	11%	23%	5%

(Source: www2.delloite.com)

Indian automotive industry overview

The Indian automobile industry is the fourth largest manufacturer of cars and seventh largest manufacturer of passenger vehicles in the world, contributing 49% to the country's GDP and 7.1% to its overall GDP. Passenger vehicles production grew from 3.06 mn units in FY 2020-21 to 3.65 mn units in FY 2021-22. Commercial vehicles production stood at 8,05,527 units in FY 2021-22 compared to 6, 24,939 units in FY 2020-21. The automobile sector received cumulative equity FDI inflow of about USD 30.78 bn between April 2000 and September 2021. The Government of India expects the automobile sector to attract USD 8-10 bn in local and foreign investments by 2023. In FY 2021-22, India's passenger vehicle exports enhanced by 43%.

The Indian automotive industry is expected to reach USD 300 bn by 2026. India enjoys a strong position in the global heavy vehicles market as it is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy trucks manufacturer in the world.

The Indian government planned to spend USD 3.5 bn in incentives over five years until 2026 under a revamped scheme to encourage the production and export of clean technology vehicles.

In September 2021, the Indian government issued notification regarding a PLI scheme for automobile and auto components worth ₹25,938 cr (USD 3.49 bn). This scheme is expected to bring investments of over ₹42,500 (USD 5.74 bn) by 2026, and create 7.5 lakh jobs in India.

(Source: IBEF) (Source: ibef.org)

Global auto components industry

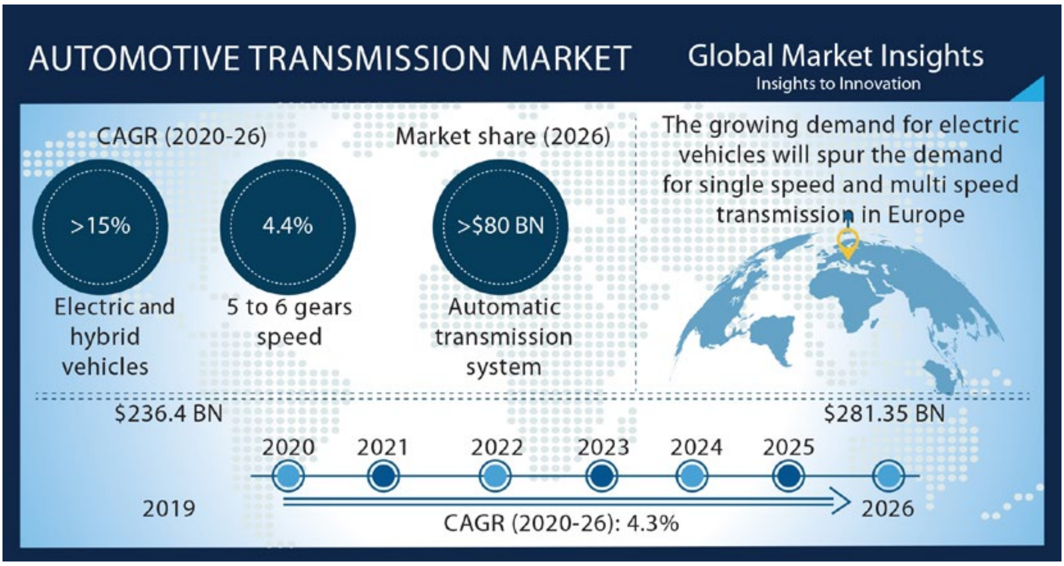
The global auto parts and accessories market is pegged at USD 40.82 bn in 2021 and expected to grow 5.2% CAGR till 2030. Automotive powertrain, one of the segments in the auto components market is expected to reach a market size of USD 1,125.66 bn by 2025 and expected to post a CAGR growth of 11.6% from 2021 to 2028.

Indian auto components sector

The auto-components industry expanded by a CAGR of 3.28% from FY16 to FY20 to reach USD 45.90 bn in FY21. The industry is expected to reach USD 200 bn by FY26. Due to high development prospects in all vehicle industry segments, the auto component sector is expected to rise by double digits in FY22.

The automobile component industry turnover stood at ₹1.96 lakh cr (USD 26.6 bn) between April–September 2021 and is expected to witness revenue growth of 15-17% during the fiscal year. As per the Automobile Component Manufacturers Association (ACMA) forecast, automobile component exports from India are expected to reach USD 80 bn by 2026. The Indian auto components industry is expected to reach USD 200 bn in revenue by 2026. Exports have remained a bright spot in the Indian auto component story, partly aided by the "China+1 strategy".

A five-year CAGR of 8-10% is expected for the industry. While operating margins are likely to be impacted in FY2022 because of cost pressures, FY2023 margins will benefit from improved operating leverage benefits and increasing premiumization of vehicles, apart from the normalisation of supply chain issues and commodity pressures, *(Source: ibef.org & businesstoday.in) (Source: ibef.org & economictimes.indiatimes.com)*



Financial analysis FY2021-22

Balance Sheet

- Borrowings for FY 2021-22 stood at ₹1.20 mn compared to ₹2.55 mn during FY2020-21.
- Total non-current assets for FY 2021-22 stood at ₹1418.25 mn compared to ₹1132.71 mn in FY2020-21.
- Net worth stood at ₹3400.15 mn as on 31 March 2022 compared to ₹2958.76 mn as on 31 March 2021, an increase of 14.92%.
- Total assets increased by 11.84% from ₹3628.82 mn as on 31 March 2021 to ₹4053.70 mn as on 31 March, 2022.
- Inventories increased by 12.61% from ₹267.08 mn as on 31 March 2021 to ₹300.75 mn as on 31 March, 2022.

Profit & loss statement

- Revenues increased 24.02% from ₹1,950.25 mn in FY2020-21 to ₹2418.74 mn in FY2021-22.
- EBITDA increased 21.15% from ₹603.49 mn in FY2020-21 to ₹737.11 mn in FY2021-22.
- Profit after tax increased 21.31% from ₹380.44 mn in FY2020-21to ₹461.51 mn in FY2021-22.
- Total expenses for FY2021-22 stood at ₹1797.21 mn compared to ₹1424.69 mn in FY2020-21.
- Depreciation and amortisation stood at ₹113.91 mn in FY2021-22 compared to ₹76.09 mn in FY2020-21.

Working capital management

- Current assets as on 31 March 2022 stood at ₹2635.45 mn compared to ₹2,496.11 mn as on 31 March 2021.
- Current ratio as on 31 March 2022 stood at 4.40 compared to 4.09 as on 31 March 2021.
- Inventories increased from ₹267.08 mn as on 31 March 2021 compared to ₹300.75 mn as on 31 March 2022.
- Current liabilities stood at ₹598.76 mn as on 31 March 2022 compared to ₹609.92 mn as on 31 March 2021.
- Cash and bank balances stood at ₹1732.25 mn as on 31 March 2022 compared to ₹1589.01 mn as on 31 March 2021.

Key ratios

Particulars	FY2021-22	FY2020-21
EBITDA/Turnover	30.47	30.94
EBITDA/Net interest	444.04	327.98
Debt-equity ratio	0.00	0.00
Return on equity (%)	14.52	15.05
Book value per share (₹)	123.50	107.47
Earnings per share (₹)	16.76	13.82

Risk management at Divgi

Risk management pertains across all functional, management levels, and project areas. A Risk management Committee comprising the Board members envisages risk management initiatives.

Key risks and their explanation	Mitigation measures
At the time of a shift in consumer demand, the Company's presence in the niche segment might be disadvantageous.	The Company is functioning at length to enrich its diversity in products and applications (passenger vehicles, commercial vehicles and tractors, construction equipment), consumer, and footprint in various geographies 80% of the revenue is contributed by the consumers attached with the company for ten years or more
An economic decline could adversely impact the Company's yield owing to a back-to-back drop in automobile demand	The Company has refined its presence across four countries to lower its risk of reliance on a single market. The Company broadened the application diversity of its products to settle the risks occurring from single or scanty applications

Key risks and their explanation	Mitigation measures
Strong competition in the global market based on cost and volume	Divgi enjoys distinctive brand leadership The Company applied the philosophy of lean manufacturing to strengthen cost management
There is a growing trend of global OEMs to immerse in a vendor's product carbon footprint and life cycle assessment studies, expanding their screening bar	The Company enlarged its knowledge partner base, consolidating environmental responsibility The Company was certified for ISO 14000 for several years. The Company began GRI reporting around the subject of sustainability. The Company is operating with the best brands in the world in the area of energy-efficient vehicles
Incompetence to allure and abide by human resources could hinder sustainability	The Company provides a quality work environment and opportunities for career growth, which helps attract and retain talent
Employment of child labour can be condemned and might clog goodwill	The Company has initiated policy action against the employment of child labour in its vigorous moral values and code of conduct
The gradual rigidity in the environmental statutes could influence the Company's growth	The Company's investments in the refined R&D projects to moderate the impact of its products on the environment; magnified Lean Manufacturing discipline reduced the use of raw material
Innovations might replace existing technologies	The Company invests in technology upgradations to stay relevant
The global OEMs have progressively focused on moving down their costs while enhancing quality	By introducing quality CMM for vendor development and a supplier quality improvement programme, the Company enhanced its quality benchmarks The Company invested in complementary capital equipment, subsiding costs

Human resource management

The Company has a favourable work environment that motivates performance and 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 to enhance operational efficiency, employees have been provided training and skill up-gradation. The Company is committed to nurturing, enhancing and retaining talent through superior learning and organisational development program. To enhance the engagement, retention and work-life balance of the employees, the Company has introduced progressive policies and programs like diverse reward and recognition programs 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

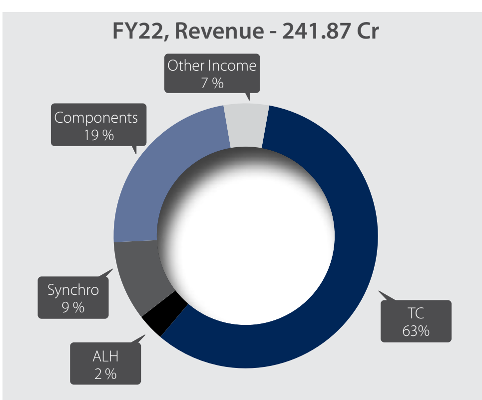
To,
The Members,
Divgi TorqTransfer Systems Limited
Plot no. 75, General Block MIDC,
Bhosari, Pune 411026

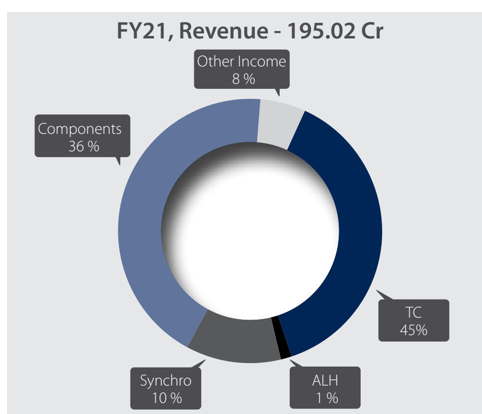
Your Directors have pleasure in presenting the 57th Annual Report on the business and operations of the Company together with the Audited Financial Statement for the financial year ended on 31st March 2022. Like the previous year, this year was also an eventful one because of the continuing COVID pandemic that burst upon the country in the second and third waves over several months. But it was also marked by the resilience of our operations in not only withstanding the effects of the pandemic, but also registering a growth of more than 20% compared to FY21. Our all-round success was possible by the dedicated efforts of all our team members and by their total commitment and overall agility in surmounting various challenges in operations and product development.

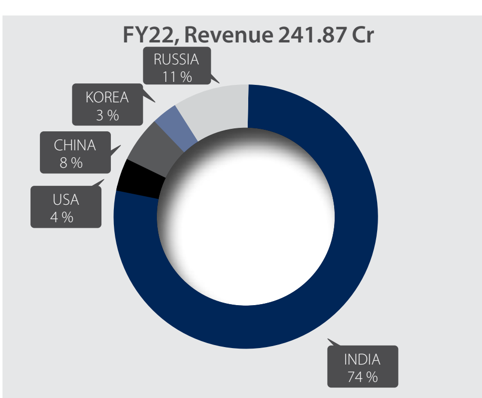
1. Financial results & summary

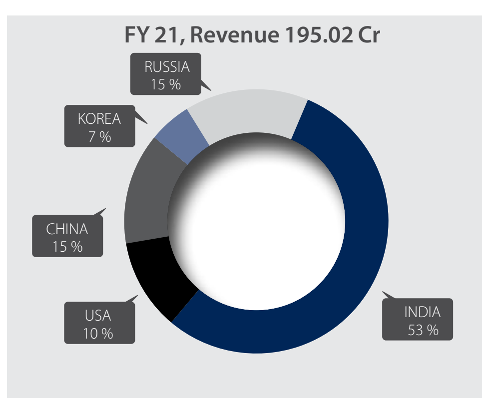
PARTICULARS	For the F.Y. ended on 31/03/2022 (Amount in ₹ Millions)	For the F.Y. ended on 31/03/2021 (Amount in ₹ Millions)
Total Revenue	2,418.74	1,950.25
Total Expenditure	1,797.21	1,424.69
Profit/(Loss) before Depreciation	735.44	601.65
Depreciation	113.91	76.09
Profit/(Loss) After Depreciation	621.53	525.56
Provision for Current Tax	162.30	143.85
Provision for Deferred Tax	(2.28)	1.27
Profit/(Loss) after Tax	461.51	380.44

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









ii. **The following table summarizes the Company's revenues across product lines:**

Particulars	2021-22 (Amount in ₹ Millions)	2020-21 (Amount in ₹ Millions)
Transfer Cases	1,531.80	873.64
Automatic Locking Hubs	50.90	23.36
Transmission components	668.10	897.44
Other Operating Revenue	54.70	50.75
Sales of tools	32.27	20.56
Other Income	80.97	84.50
Total Revenue	**2418.74**	**1,950.25**

*Other income= Interest income + Rental income + vendor liability no longer required written back + gain on foreign exchange fluctuation (net) + profit on sale of fixed assets (net) + miscellenaous income.

The year ended at ₹2,418.74 Million revenue up from ₹1,950.25 Million last year. The increase in sales revenue was due to a considerable increase in our proprietary transfer case business with TATA, Mahindra and UAZ of Russia. Total transfer case production crossed the 50,000 mark per annum for the first time in our history. Russia remained a significant 11% of our revenue.

During the year, we opened commercial liaison offices in Germany and Korea, and signed an exclusive marketing and distribution agreement with Toyota Tsusho (a Toyota Group Co) for business outreach globally into the Japanese ecosystem. The Company is in the process of negotiating significant new business opportunities using these resources globally in Korea, China, Japan, Europe and the US. The Indian automotive marketplace is defined by European technology and the presence of dominant brands from Japan, Korea, India, and we think in time to come from China.

Two very significant new business acquisitions were the award of the TATA EV transmission business through TATA Auto Components Ltd and that of the advanced transfer case business from MG Motors India, a subsidiary of Shanghai Auto Industries Corp, SAIC. These wins demonstrate the continuing effectiveness of our class leading product technology competence. The company also completed the first design-intent transfer of dual clutch transmission technology from Germany during the year.

The significance of winning the TATA EV transmission business can be seen in that TATA is by far the dominant market leader in EV's in the country. Currently, Divgi TTS is the exclusive indigenous source for TATA EV transmissions and is likely to remain the market leader in the foreseeable future.

The award of the MG business is a historic milestone. For the first time in the almost 60-year history of the Company, we have won a high-technology drivetrain aggregate business with a new multinational OEM, Chinese in this case, on our own prowess. It is great testimony to the maturation of our systems level competence and a tribute to the people of Divgi TTS. It is without doubt the fulfilment in substantial measure of our vision to build a product leadership brand out of India.

The Company also won the business for and developed a component for Toyota's award-winning Dedicated Hybrid Transmission. This program was successfully completed right the first time and production ramp-up is underway at the time of this report going for publication. With this development, Divgi TTS now has applications in manual transmissions, a wide range of torque management devices, dual clutch automatic transmissions, and both battery and hybrid electric vehicle transmissions. In combination with our global presence this is the perfect recipe for resilience and sustainability.

The year was marked by the successful development of additional products for applications beyond the award-winning Mahindra Thar Sport Utility Vehicle, SUV. The company delivered electronically controlled 4WD programs for the Mahindra XUV700 and the new Scorpio-N SUV. The company continues to be TATA and 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 innovations too numerous to be enumerated here. Suffice it to say that the aggregation of these innovations has 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.

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.

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, and 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. The company completed the acquisition of 10 acres of land in Khandala Taluka, District Satara, near Pune. The company is developing the site to build a new greenfield plant to house its operations for DCT and EV that are expected to drive growth in this decade. Expansion is also underway in Sirsi to cater to the needs of a growing marketplace.

In conclusion, we wish to assure our 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 21-22:

Highlights F.Y. 2021-22-:

I. The year 2021-22 was marked by the continuing COVID pandemic that affected and constrained 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. 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. The company has revived its decades long association with the TATA Management Training Centre in Pune for the continuing development of its high potential employees to take positions of business leadership in the company thus realizing our succession planning strategy and plans.

2. Transfer to Reserves

The Company does not propose to transfer any amount to General Reserves for the year ended on 31/03/2022.

3. Dividend

The Board in its meeting held on 10th June, 2022 recommended a dividend of ₹3.34 per equity share.

4. 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 during the financial year 2021-22.

5. Fixed deposits

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

6. State of the Company's affairs

a. Conversion of private limited company into public limited company

Your company was converted from private limited company into public limited company with effect from 10th March 2022 and the Registrar of Companies, Pune, issued a new certificate of incorporation to that effect on 10th March 2022 having CIN: U32201MH1964PLC013085 and the name of the Company is accordingly changed from Divgi TorqTransfer Systems Private Limited to Divgi TorqTransfer Systems Limited.

b. Changes in Constitution of Board

Ms. Geeta Prafullachandra Tolia (DIN: 06931660) was appointed as an Additional Director to the Company's Board with effect from 14th October 2021.

Mr. Praveen Purushottam Kadle (DIN: 00016814), Non-Executive Director resigned from the Company's Board with effect from 28th January 2022.

Mr. Pradip Vasant Dubhashi (DIN: 01445030), Non-Executive Director resigned from the Company's Board with effect from 25th January 2022.

Mr. Pundalik Dinkar Kudva (DIN: 03385091), Non-Executive Director resigned from the Company's Board with effect from 31st January 2022.

Further, upon conversion of private company into public company, Mr. Praveen Purushottam Kadle (DIN: 00016814), Mr. Pradip Vasant Dubhashi (DIN: 01445030), and Mr. Pundalik Dinkar Kudva (DIN: 03385091) were appointed as Additional Directors (Independent Director) with effect from 14th March 2022.

Mr. Praveen Purushottam Kadle was also elected as Chairman of the Board on 14th March 2022.

Ms. Geeta Prafullachandra Tolia (DIN: 06931660), additional director, was re-designated as Independent Director at a meeting of Board of Directors held on 10th June 2022

All independent Directors were appointed by the Members at their Extra-ordinary General Meeting held on 10th June 2022 for a period of 5 years.

Mr. Jitendra Divgi (DIN 00471531) was re-appointed as Managing Director, liable to retire by rotation, for a period of five years with effect from 10th June 2022 and Mr. Hirendra Divgi (DIN 01634431) was re-appointed as Executive Director, liable to retire by rotation, for a period of five years with effect from 10th June 2022.

As per the provisions of the Companies Act, 2013, Mr. Sanjay Bhalchandra Divgi (DIN: 00471465), Non-Executive and Non-Independent Director, and Mr. Bharat Bhalchandra Divgi (DIN: 00471587)¸ Non-Executive and Non-Independent Director, whose office is liable to retire at the ensuing AGM, being eligible, seeks reappointment. The notice convening the 57th AGM sets out the details.

c. Board composition

The total Board consists of Nine (9) Directors.

Name of Director & DIN	Designation
Mr. Praveen Kadle (DIN: 00016814)	Chairman (Independent Director)
Mr. Jitendra Divgi (DIN 00471531)	Managing Director
Mr. Hirendra Divgi (DIN 01634431)	Executive Director
Mr. Pradip Dubhashi (DIN 01445030)	Independent Director
Mr. Pundalik Kudva (DIN 03385091)	Independent Director
Ms. Geeta Tolia (DIN: 06931660)	Independent Director

Name of Director & DIN	Designation
Mr. Ajay Limaye (DIN 02762738)	Nominee Director
Mr. Sanjay Divgi (DIN 00471465)	Non-Executive Director
Mr. Bharat Divgi (DIN 00471587)	Non-Executive Director

d. Appointments / Changes in other Key Managerial Personnel

Mrs. Meenal Abhishek Deshpande (M. No. A51559) was appointed as Company Secretary with effect from 10th April 2021 and she was also appointed as Compliance Officer with effect from 14th March 2022.

Mr. Sudhir Shridhar Mirjankar was appointed as Chief Financial Officer of the Company with effect from 10th June 2022.

e. A statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year

In the opinion of the Board, the independent directors appointed during the financial year 2021-22, possess the requisite expertise, integrity and experience (including proficiency) for appointment as an Independent Directors of the Company and the Board considers that, given their professional background and experience their association with the Company would be beneficial to the Company.

f. Change in the Share Capital of the Company –

The authorized share capital of the Company was increased from ₹10,40,00,000 (Rupees One Hundred and Four Million only) to ₹20,00,00,000 (Rupees Two Hundred Million only.)

The Company subdivided its shares of 6,88,302 fully paid-up equity shares of face value of ₹100 each in the share capital of the Company into 1,37,66,040 equity shares of face value of ₹5 each.

The Company capitalized a sum of ₹6,88,30,200 out of the free reserves, capital redemption reserve account and share premium account for issue and allotment of 1,37,66,040 equity shares of the Company of ₹5 /- each as bonus equity shares.

g. Capital Structure of the Company as on 31st March 2022

The authorized share capital of the Company is ₹20,00,00,000 (Rupees Twenty Million only.) consisting of 4,00,00,000 Equity shares of ₹5/- each. The subscribed and Paid-up Capital of the Company is ₹13,76,60,400 comprising of 2,75,32,080 Equity shares of ₹5/- each at the end of the financial year.

7. 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.

The term of office of M/s B K Khare & Co., Chartered Accountants, as Statutory Auditors of the Company will conclude from the close of the forthcoming AGM of the Company.

The Board of Directors of the Company, based on the recommendation of the audit committee, at its meeting held on 2nd June 2022, proposed the reappointment of M/s B K Khare & Co., Chartered Accountants, as the Statutory Auditor of the Company to hold office for a second term of five consecutive years from the conclusion of the 57th AGM till the conclusion of the 62nd AGM to be held in the year 2027 and will be placed for the approval of the shareholders at the ensuing AGM.

The statutory auditors have confirmed that they satisfy the independence criteria required under the Companies Act, 2013, and they have given their elegibility and consent to act as auditor, if they are appointed.

The Board recommends their reappointment to the shareholders. The notice convening the 57th AGM sets out the details.

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

During the year under review, the statutory auditor has not reported to the audit committee or the Board, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

9. 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 Crore p. a. as follows:

Sr. No.	Name of the employee	Designation	Remuneration received ₹ Amount in Million	Qualifications	Nature of employment (whether contractual or otherwise)	whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager:	Date of Commencement of employment	Age	% of equity shares held in the company
1	Mr. Jitendra B. Divgi	Managing Director	14.96	Mechanical Engineer. Master's degree in Manufacturing from the University of Massachusetts, USA	He is a permanent employee of the Company	Mr. Jitendra B. Divgi is a relative of Mr. Hirendra B. Divgi, Executive Director.	12 March 1997	59 Years	1.19%

10. 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.

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

No significant and material orders were passed by the regulators, or courts, or Tribunals during the period under review impacting the going concern status and company's operations in future.

12. Event based disclosure

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

B. Company has not issued/granted stock options sweat equity shares during the relevant financial year.

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

D. The Company has not issued any convertible instruments;

13. Material changes since the end of FY 2022 through the date of this report

There were no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year 2022 and the date of this report.

14. Number of Board meetings held –

Sr. No.	Date of Meeting	Total no. of Directors on date of Meeting	Number of Directors Attended
1.	28 June 2021	8	8
2.	27 August 2021	8	7
3.	14 October 2021	8	7
4.	07 December 2021	9	9
5.	02 February 2022	6	5
6.	14 March 2022	6	4

The maximum interval between any two meetings did not exceed 120 days, as prescribed by the Companies Act, 2013.

15. Particulars of loans and guarantees or investments made by the Company U/S 186

There are no loans & guarantees given by the company in the financial year 2021 – 2022. The details of the investments made by the Company under section 186 of the Companies Act, 2013, form part of the Notes to the financial statements provided in this Annual Report.

16. Disclosure of related party & transactions with them

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

17. 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 states that:-

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis;

(e) clause (e) of sub-section 5 of section 134 of the Companies Act, 2013 does not apply to the Company being unlisted;

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

18. Industrial relations -

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

19. 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).

20. Reporting on 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 which focuses on below principles:

श्री Vidyadaayini

Promoting Education: 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.

श्री Kalyanam

Rural development: To improve the living standards of rural people by development of infrastructure in rural areas. Initiatives that will ease the stress of rural households and help in building better and progressive communities, youth development and better family living.

श्री Aarogyam

Promoting Health Care: Health Initiative to focus on the overall well-being of the underprivileged both in the rural and the urban communities. The Health and Wellness Programmes range from supporting institutions with diagnostic and monitoring equipment to other healthcare projects.

श्री Sanskriti

National Heritage, Art and Culture: The initiative for the protection of our national heritage, art and culture. Programmes for the promotion and development of traditional music, dance and handicraft.

श्री Vasundhara

Environment Protection: Programmes designed for environmental sustainability, ecological balance, protection of flora and fauna, animal welfare and agroforestry.

CSR calculations: 2% of the average net profit (PBT) of the Company for the last three financial years. (F.Y. 2018-19, 2019-20 and 2020-21)

Particulars	Amount In Million
Average Net Profit of the company for last three financial years	499.764
Prescribed CSR expenditure	99.95 8
Total amount spent for the financial year 2021-22	99.97
Excess amount spent for the financial year 2021-22 liable for set-off	0.002635

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 Annual report.

21. Risk management policy

The Company has in place 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 Risk Management Committee / Board identifies and evaluates elements of risks from time to time which in its opinion may threaten the existence of the Company, in accordance with its policy.

22. 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 2021-22. Awareness sessions are being conducted in monthly employee meetings.

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

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

24. Compliance with applicable Secretarial Standards:

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

25. The web address, if any, where the annual return referred to in sub-section (3) of section 92 has been placed:

The annual return referred to in sub-section (3) of section 92 has been placed on the Company website www.divgi-tts.com.

26. a statement on declaration given by independent directors under sub-section (6) of section 149;

The Company has received the necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.

27. Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

The Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178 can be accessed at www.divgi-tts.com.

28. A statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

The Company is unlisted and the paid-up capital of the Company is less than 25 crores and therefore, this compliance is not applicable to the Company.

29. The change in the nature of business, if any;

There was no change in the nature of business of the Company during the financial year 2021-22.

30. Maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable to the business activities carried out by the Company.

31. The details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year alongwith their status as at the end of the financial year.

This clause in not applicable to the Company.

32. The details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.

This clause in not applicable to the Company.

33. Acceptance of loans from Directors:

The Company has not accepted any loans from Directors of the Company.

34. Transfer of unclaimed dividend to investor education and protection fund:

The Company was not required to transfer funds relating to the unclaimed dividend to investor education and protection fund.

35. 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 Limited

	sd/-	sd/-
Date: June 10, 2022	**Praveen P. Kadle**	**Jitendra B. Divgi**
Place: Pune	*Chairman*	*Managing Director*
	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, a company in which directors are interested 2. Divgi Holding Private Limited, holding company
(b)	Nature of contracts or arrangements or transactions	1. Machining and Development charges 2. Rent Income and Expenditure
(c)	Duration of contracts or arrangements or transactions	01st April 2021 To 31st March 2022.
(d)	Salient terms of the contracts or arrangements or transactions including the value if any	1. Machining and Development charges - ₹32.81 Million 2. Rent Income - ₹2.41 Million 3. Rent Expenses 4.62"
(e)	Date(s) of approval by the Board	NA
(f)	Amount paid as advance if any	NIL

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

Date: June 10, 2022
Place: Pune

sd/-
Praveen P. Kadle
Chairman
DIN 00016814

sd/-
Jitendra B. Divgi
Managing Director
DIN 00471531

ANNEXURE -II

ANNUAL REPORT ON CSR ACTIVITIES FOR FINANCIAL

YEAR AS ON 31ST MARCH 2022

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 consisted of three members, namely:

Sr. No.	Name of Director	Designation	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Praveen Kadle	Chairperson	3	2
2	Mr. Jitendra Divgi	Member	3	3
3	Mr. Hirendra Divgi	Member	3	3

The committee got reconstituted on 14th March 2022 by virtue of reconstitution of the Board pursuant to company conversion from private limited to public limited. However, no meetings were held from 14th March 2022 to 31st March 2022.

The committee composition post reconstitution is as below:

Sr. No.	Name of Director	Designation
1	Mr. Pundalik Kudva	Chairperson
2	Mr. Jitendra Divgi	Member
3	Mr. Hirendra Divgi	Member
4	Ms. Geeta Tolia	Member

Average net profit of the company for last three financial years as per section 135(5): ₹499,764,898/-

3. (a) Two percent of average net profit of the company as per section 135(5): ₹9,995,298/-.

   (b) Surplus arising out of the CSR projects or Programs 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): ₹9,995,298/-.

4. (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 underSchedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹9,995,298	NA	NA	NA	NA	NA

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

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
SL NO.	Name of the Project.	Item from the list of activiti es in Sched ule 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	Sassoo n Hospita l, Pune	Item no. (i)	Yes	Maharashtra	Pune	FY 2021-22	19,48,000	19,48,000	19,48,000	19,48,000	NA	NA
2	Vedanta Cultural Foundation	Item no. (v)	Yes	Maharashtra	Mumbai	FY 2021-22	2,00,000	2,00,000	2,00,000	2,00,000	Vedanta Cultural Foundation	CSR00004887
3	Pragate e Founda tion	Item no. (ii)	No	Karnata ka	Uttar Kannada	FY 2021-22	11,76,000	11,76,000	Nil	Indirect	Pragatee Foundati on	CSR00002852
4	Inga Health Founda tion	Item no. (i)	No	Karnata ka	Bengalur u	FY 2021-22	11,99,675	11,99,675	Nil	Indirect	Inga Health Foundati on	CSR00001727.
5	The Society for Door Step School	Item no. (ii)	Yes	Mahara shtra	Pune	FY 2021-22	19,60,900	19,60,900	Nil	Indirect	The Society for Door Step School	CSR00002974
6	Ajit Manoche tana Trust	Item no. (x)	No	Karnata ka	Sirsi	FY 2021-22	20,84,483	20,84,483	Nil	Indirect	Ajit Manoche tana Trust	CSR00025323
7	Shri Venkatra o Nilekani College Abhivradhi Samiti	Item no. (x)	No	Karnata ka	Sirsi	FY 2021-22	5,30,310	5,30,310	Nil	Direct	NA	NA
8	Mahagan apati Shikshan Samithi	Item no. (x)	No	Karnata ka	Sirsi	FY 2021-22	3,98,800	3,98,800	Nil	Direct	NA	NA
	TOTAL	-	-	-	-	-	**94,98,168**	**94,98,168**	**Nil**	-	-	-

(d) Amount spent in Administrative Overheads – ₹4,99,765

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

(f) Total amount spent for the Financial Year (5b+5c+5d+5e) - ₹99,97,933

(g) Excess amount for set off, if any- ₹2,635/-

SL NO.	Preceding Financial Year.	Amount transferred toUnspent CSRAccount 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 2020-21	Nil	₹9.29 Million	NA	Nil	NA	Nil
2.	FY 2019-20	Nil	₹8.30 Million	NA	Nil	NA	0.15 Million
3.	FY 2018-19	Nil	₹1.28 Million	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

6. 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).

7. 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 Limited

Date: June 10, 2022
Place: Pune

sd/-
Praveen P. Kadle
Chairman
DIN 00016814

sd/-
Jitendra B. Divgi
Managing Director
DIN 00471531

NOTICE OF 57TH ANNUAL GENERAL MEETING OF THE COMPANY

NOTICE is hereby given that the Fifty Seventh Annual General Meeting of the members of Divgi TorqTransfer Systems Limited will be held at shorter notice on Wednesday, July 20, 2022 at 10:00 AM, by Video Conferencing/Other Audio Visual Means to transact the following business:

1. ORDINARY BUSINESS

1.1 To approve the Financial Statements of the Company, Audit Report and Directors Report thereon

To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution:

Resolution No.1/AGM/2022-23

"RESOLVED THAT the financial statements of the Company for the year ended 31st March 2022 together with the Director's Report and Auditor's Report as circulated to all the members and tabled at the meeting along with its annexures, schedules etc., be and are hereby received and adopted.

RESOLVED FURTHER THAT Mr. Jitendra Bhaskar Divgi, Managing Director and Mr. Hirendra Bhaskar Divgi, Executive Director of the Company be and are hereby severally authorised to take all steps and digitally sign and file the e- forms with the Registrar of Companies/Ministry of Corporate Affairs and do all such acts, deeds, things and matters as may be necessary so as to give effect to the abovementioned Resolution.

RESOLVED FURTHER THAT any of the Directors and/or the Company Secretary of the Company be and is hereby authorised to certify the true copy of the aforesaid Resolutions and the same may be forwarded to any concerned authorities for necessary action."

1.2 To declare dividend for the FY 21-2022

The Board of Directors, in their meeting dated June 10, 2022 recommended declaration of Dividend of ₹3.34 per share for FY 21-2022 resulting in a dividend payout of about 20%, amounting to a total dividend of ₹9.23 crores.

The Members to consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution:

Resolution No.2/AGM/2022-23

"RESOLVED THAT the approval of the Members of the Company be and is hereby granted for payment of dividend at the rate of ₹3.34 per on 2,75,32,080 Equity shares of the Company of ₹5/- each, fully paid-up, for the financial year ended on 31 March, 2022, as recommended by the Board of Directors and the same be paid to all the Members whose names appear in the Register of Members on the date of members meeting held on 10th June 2022 considered as record date.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, Mr. Jitendra Bhaskar Divgi, Managing Director and the Company Secretary of the Company be and is hereby authorised, on behalf of the Company, to do all acts, deeds, matters and things as deem necessary, proper or desirable."

1.3 To approve the reappointment of Statutory Auditor, B K Khare and Co.

It is proposed to reappoint the Statutory Auditors of the Company M/s B K Khare & Co, having Membership No. 040852 and FRN 105102W, Chartered Accountants, Mumbai to hold the office from the conclusion of this ensuing fifty seventh Annual General Meeting until the conclusion of the sixty second Annual General Meeting of the Company.

The Chairman further informs that this reappointment has been recommended by the Audit Committee of the Company in their meeting held on June 02, 2022 and that the Company has received a letter from M/s B K Khare & Co, stating, that their appointment, if made, will be within the limits as mentioned Section 139(1) read with section 141 of the Companies Act, 2013.

The Members to consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution:

Resolution No.3/AGM/2022-23

"RESOLVED THAT pursuant to Sections 139, 141, 142 and all other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof) and pursuant to

the recommendations of the audit committee and the Board of Directors of the Company, M/s B K Khare & Co, Chartered Accountants, Mumbai, having Firm Registration Number 105102W be and are hereby reappointed as the Statutory Auditor of the Company from the conclusion of this fifty seventh Annual General Meeting till the conclusion of the sixty second Annual General Meeting of the Company at a remuneration mutually decided.

RESOLVED FURTHER THAT Mr. Jitendra Bhaskar Divgi, Managing Director and Mr. Hirendra Bhaskar Divgi, Executive Director of the Company be and are hereby severally authorised to sign, execute and do and perform all such acts, deeds and things to give effect to above resolution including filing of necessary forms with the Registrar of Companies and issuance of the certified true copy of this resolution as and when required."

1.4 To approve reappointment of directors liable to retire by rotation – Mr. Sanjay Bhalchandra Divgi and Mr. Bharat Bhalchandra Divgi

It is hereby informed to the Members that pursuant to Section 152 of the Company Act, 2013 and Rules thereunder, the non-executive, non-independent Directors, Mr. Sanjay Bhalchandra Divgi and Mr. Bharat Bhalchandra Divgi are liable to retire by rotation, based on the terms of their appointment and being eligible seek reappointment.

Therefore, members are requested to consider and if thought fit, pass the following resolution as an ordinary resolution:

Resolution No.4/AGM/2022-23

To appoint a director in place of Mr. Sanjay Bhalchandra Divgi (DIN: 00471465) as a director, liable to retire by rotation

"RESOLVED THAT, pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, the approval of members of the Company, be and is hereby accorded to reappoint Mr. Sanjay Bhalchandra Divgi (DIN: 00471465) as a non-executive, non-independent director, who is liable to retire by rotation."

Resolution No.5/AGM/2022-23

To appoint a director in place of Mr. Bharat Bhalchandra Divgi (DIN: 00471587) as a director, liable to retire by rotation

"RESOLVED THAT, pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, the approval of members of the Company, be and is hereby accorded to reappoint Bharat Bhalchandra Divgi (DIN: 00471587) as a non-executive, non-independent director, who is liable to retire by rotation."

By Order of the Board of Directors
For Divgi TorqTransfer Systems Limited

Sd/-
CS Meenal Deshpande
Company Secretary
ACS51559
Date: July 13, 2022
Place: Pune
Registered Office
175, General Block, MIDC, Bhosari, Pune-411026

NOTES:

1. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his / her behalf and the proxy need not be a member of the Company. Since the AGM is being held in accordance with the Circulars through VC, the facility for the appointment of proxies by the members will not be available.
2. The documents referred to in the Resolutions can be inspected at the Registered Office of the Company in Pune during 11 am to 5 pm on all working days of the Company.
3. Pursuant to Section 20(2) of the Companies Act, 2013 read with Rule 35 of the Companies (Incorporation) Rules, 2014, as amended, companies are permitted to send official documents to their shareholders electronically.
4. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs **("MCA")** has vide its General Circular No. 10/2021 dated June 23, 2021 read with Circular No 33/2020 dated September 28, 2020 read with Circular No 22/2020 dated June 15, 2020, Circular No 14/2020 dated April 8, 2020 and Circular No 17/2020 dated April 13, 2020 respectively (collectively referred to as **"MCA Circulars"**) permitted the holding of the AGM without the physical presence of the members at a common venue. In compliance with the provisions of the Companies Act, 2013 **("Companies Act")**, MCA Circulars, the AGM of the Company is being held through video conferencing **("VC")** facility. Hence, members must attend and participate in the ensuing AGM through VC.
5. This meeting is being called at a shorter notice than the statutory required minimum of 21 clear days. Pursuant to the provisions of Section 101 of the Companies Act, 2013, a general meeting other than AGM may be called after giving a shorter notice if consent is given in writing or by electronic mode by not less than ninety-five per cent of the members entitled to vote thereat. The members have accordingly given their consents to hold the meeting at a shorter notice.
6. The members can join the AGM through Video Conferencing **("VC")** mode 15 minutes before and after the scheduled time of the commencement of the meeting by following the procedure mentioned in the Notice.
7. The attendance of the members attending the AGM through VC will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
8. In compliance with the aforesaid MCA Circulars, Notice of the AGM as well as the weblink for joining the meeting is being sent only through electronic mode to those members whose email addresses are registered with the Company.
9. Those shareholders whose email IDs are not registered, are requested to register their email ID with the Company, by providing their Name, Address, email ID, PAN, DP ID/Client ID or Folio Number and Number of shares held by them by sending an email to companysecretary@divgi-tts.com.
10. The Notice is being sent to all the Members whose names appeared in the Register of Members as on the close of business hours on July 13, 2022.
11. All documents referred to in the Notice will be open for inspection through electronic mode during the AGM.
12. Since the AGM will be held through VC, proxy form and the Route Map is not annexed in this Notice. The registered office of the Company shall be deemed to be the place of the said meeting and all recordings of the proceedings at the meeting shall be deemed to be made at such place.
13. The Members will be allowed to pose questions during the course of the Meeting. The queries can also be given in advance at to companysecretary@divgi-tts.com.

    Instructions for Members for attending the AGM through VC are as under:

    a) An invitation to join the AGM will be sent to the members on their latest registered email IDs by the company secretary/any other authorised person of the company.

    b) Members may attend the AGM, by following the invitation link sent to their registered email ID. Members will be able to locate Meeting ID/ Password/ and Join Meeting tab. By clicking on Join Meeting they will be redirected to Meeting Room via browser or by running Temporary Application. To join the Meeting, follow the step and provide the required details (mentioned above – Meeting ID/Password/Email Address) and Join the Meeting. Members are encouraged to join the Meeting through laptops for better experience.

    c) In case of Android / iPhone connection, Participants will be required to download and install the appropriate application as given in the mail to them. Application may be downloaded from Google Play Store / App Store.

d) Further, members will be required to allow camera and use Internet audio settings as and when asked while setting up the meeting on mobile application.

e) Please note that participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio / Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

By Order of the Board of Directors
For Divgi TorqTransfer Systems Limited

Sd/-
CS MEENAL DESHPANDE
COMPANY SECRETARY
ACS51559
Date: July 13, 2022
Place: Pune
Registered Office
175, General Block, MIDC, Bhosari, Pune-411026

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To
the Members of
Divgi TorqTransfer Systems Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Financial Statements of **Divgi TorqTransfer Systems Limited** (Formally known as Divgi TorqTransfer Systems Private Limited) ("the Company"), which comprise the Balance Sheet as at March 31, 2022, and the Statement of Profit and Loss, (statement of changes in equity) and Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, 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, 2022, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Companies Act, 2013, 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 Standalone 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-Section (11) of Section 143 of the Act 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 Annexure A, a statement on the matters specified in 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 it 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 Statement of Cash Flow 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 the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to financial Statements.

(g) In our opinion, the managerial remuneration for the year ended March 31, 2022 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act which also requires the approval of shareholders in the ensuing general meeting.

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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;

iv. (a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall:

i. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Company or

ii. provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall:

(i) directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Party or

(ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement; and

(v) The dividend (declared/paid/declared and paid) during the year by the Company is in compliance with Section 123 of the Act.

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

Aniruddha Joshi
Partner
Membership No. 040852
UDIN: 22040852ALQXQV3954
Mumbai, June 10,2022

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

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

i) a) (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 and investment properties.

(B) According to the information and explanations given to us, the Company has maintained proper records showing full particulars of intangible assets.

b) The property, plant and equipment and investment properties are physically verified by the Company once in two years. The physical verification of property, plant and equipment and investment properties was conducted in the previous financial year and accordingly no physical verification is required to be carried out in the current year. 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 and investment properties.

c) According to the information and explanations given to us, the title deeds of immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) are held in the name of the Company.

d) According to the information and explanations given to us, the Company has not revalued any of its property, plant and equipment (including Right of use assets) or intangible assets or both during the year.

e) Based on the audit procedures performed by us and according to the information, explanations and representations given to us, no proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

ii) a) According to the information and explanations given to us, the inventory comprising of raw materials, work-in-progress, finished goods, traded goods, packing materials and stores and spare parts (retain only those as applicable) has been physically verified at reasonable intervals by the management during the year. In our opinion, the coverage and procedure of such verification by the management is appropriate and no discrepancies of 10% or more in the aggregate for each class of inventory were noticed on such verification between the physical inventory and the book records.

b) According to the information and explanations given to us, the Company has not been sanctioned working capital limits in excess of five crore rupees, in aggregate from banks or financial institutions on the basis of security of current assets at any point of time during the year. Accordingly, the reporting under Clause 3 (ii) (b) is not applicable to the Company.

iii) According to the information and explanations given to us, the Company has not made investments in or provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties during the year. Accordingly, the reporting under Clauses 3(iii)(a) to 3(iii)(f) 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 explanation given to us, the Company has not accepted deposits under the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Accordingly, the reporting under clause 3(v) of the order is not applicable to the Company.

vi) The Central Government has not specified 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, Provident Fund, Employees' State Insurance, Income-tax, Cess and other material statutory dues pertaining to Income-tax 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 Goods and Services tax, Provident Fund, Employees' State Insurance, 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 outstanding 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 financial 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, there are no statutory dues in respect of Goods and Services Tax, Employees' State Insurance, Service tax, Duty of Customs, Duty of Excise, Cess and any other material statutory dues as at March 31, 2022, which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us and records of the Company examined by us, the particulars of dues of Sales Tax and Provident Fund which have not been deposited as on March 31, 2022 on account of disputes are as under:

Name of Statute	Nature of Dues	Forum where dispute is pending	Period to which the amount relates	Amount Unpaid (₹ In Million)
Sales Tax	Tax, Interest, Penalty	Joint Commissioner of Sales Tax (Appeal)	F.Y.2010-11	0.23
Provide Fund	Tax, Interest	High Court	F.Y.2000-13	2.67

viii) According to the information and explanations given to us, there are no transactions not recorded in the books of account which have been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961. Accordingly, the reporting under Clause 3(viii) of the Order is not applicable to the Company.

ix) a. According to the information and explanations given to us and based on the audit procedures performed by us, the Company has not availed any loans or other borrowings during the year. Accordingly, the reporting under Clause 3(ix) (a) of the Order is not applicable to the Company.

b. According to the information and explanations given to us, the Company has not been declared a willful defaulter by any bank or financial institution or any other lender till the date of our audit report. Accordingly, the reporting under Clause 3(ix) (b) of the Order is not applicable to the Company.

c. According to the information and explanation given to us, Company has not obtained any term loan during the year. Hence reporting under clause (ix) (c) is not applicable.

d. In our opinion and according to information and explanations given to us and on overall examination of the Balance sheet of the Company, we report that company has not raised any short term or long-term loan during the year. Hence reporting under clause (ix) (d) is not applicable to company.

e. According to the information and explanations given to us and on an overall examination of the Financial Statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

f. According to the information and explanations given to us and based on the audit procedures performed by us, we report that the Company has not raised any loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Accordingly, the reporting under Clause 3(ix)(f) of the Order is not applicable to the Company.

x) a) According to the information and explanations given to us, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the reporting under Clause 3(x)(a) of the Order is not applicable to the Company.

b) According to the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Accordingly, the reporting under clause 3(x)(b) of the Order is not applicable to the Company.

xi) a) 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 material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.

b) There has been no report filed by us under sub-section (12) of Section 143 of the Act in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government. Accordingly, the reporting under Clause 3(xi)(b) of the Order is not applicable to the Company.

c) As represented to us by the management, no whistle blower complaints were received by the Company during the year.

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) a) In our opinion and according to the information and explanations given to us and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.

(b) We have considered the Internal Audit reports of the Company issued till date for the period under audit.

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) a) 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.

b) In our opinion and according to the information and explanations given to us, the Company has not conducted any Non-Banking Financial or Housing finance activities Accordingly, the reporting under Clause 3(xvi)(b) of the Order is not applicable to the Company.

c) In our opinion and according to the information and explanations given to us, the Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, the reporting under Clauses 3(xvi)(c) of the Order is not applicable to the Company.

xvii) In our opinion and according to the information and explanations given to us, the Company has not incurred cash losses in the current financial year as well as in the immediately preceding financial year. Accordingly, the reporting under Clause 3(xvii) of the Order is not applicable to the Company.

xviii) There has been no resignation of the statutory auditors during the year. Accordingly, the reporting under Clause 3(xviii) of the Order is not applicable to the Company.

xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of Balance Sheet as and when they fall due within a period of one year from the Balance Sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the Balance Sheet date, will get discharged by the Company as and when they fall due.

xx) a) According to the information and explanations given to us, in respect of other than ongoing projects, the Company has no unspent amount that needs to be transferred to a Fund specified in Schedule VII to the Act in compliance with second proviso to sub-section (5) of Section 135 of the Act.

b) According to the information and explanations given to us, in respect of ongoing projects, the Company has no unspent amount which needs to be transferred to a special account in compliance with sub-section (6) of Section 135 of the Act.

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

Aniruddha Joshi
Partner
Membership No. 040852
UDIN: 22040852ALQXQV3954
Mumbai, June 10,2022

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 statements of **Divgi TorqTransfer Systems Limited** ("the Company") as of March 31, 2022 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 statements

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 statements

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, 2022, 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's Registration No. 105102W

Aniruddha Joshi
Partner
Membership No. 040852
UDIN: 22040852ALQXQV3954
Mumbai, June 10,2022

Balance Sheet as at 31st March, 2022

(All amount in INR Millions unless otherwise stated)

Particulars	Note No.	As at 31st March, 2022	As at 31st March, 2021
Non-Current Assets			
Property, plant and equipment	4(a)	1,079.89	1,037.15
Capital work-in-progress	4(d)	168.01	27.69
Right-of-use assets	4(b)	7.78	12.59
Intangible assets	4(c)	30.07	4.35
Intangible assets under development	4(e)	116.95	34.17
Financial Assets			
Investments	5	0.46	0.46
Other financial assets	6	9.60	9.44
Other non-current assets	7	5.49	6.86
Total Non-Current Assets		**1,418.25**	**1,132.71**
Current Assets			
Inventories	8	300.75	267.08
Financial Assets			
i) Trade Receivables	9	526.25	547.87
ii) Cash And Cash Equivalents	10 (a)	173.53	202.87
iii) Bank Balances Other Than Cash And Cash Equivalents	10 (b)	1,558.72	1,386.14
iv) Other Financial Assets	11	33.99	30.61
Other Current Assets	12	42.21	61.54
Total Current Assets		**2,635.45**	**2,496.11**
		4,053.70	**3,628.82**
Equity			
Equity Share Capital	13	137.66	68.83
Other Equity	14	3,262.49	2,889.93
Total Equity		**3,400.15**	**2,958.76**
Liabilities			
Non-Current Liabilities			
Financial Liablities			
i) Borrowings	15	0.35	1.34
ii) Lease Liabilities	16	1.52	3.26
Provisions	17	47.76	48.48
Deferred Tax Liabilities (Net)	18	5.16	7.06
Total Non-Current Liabilities		**54.79**	**60.14**
Current Liabilities			
Financial Liabilities			
i) Borrowings	19	0.85	1.21
ii) Trade Payables			
total outstanding dues of micro enterprises and small enterprises	20	13.25	6.82
total outstanding dues of creditors other than micro enterprises and small enterprises	20	383.22	391.67
iii) Lease Liabilities	16	2.04	5.41
iv) Other Financial Liabilities	21	89.65	127.32
Other Current Liabilities	22	28.79	3.72
Provisions	23	21.22	20.84
Current Tax Liabilities (Net)	24	59.74	52.93
Total Current Liabilities		**598.76**	**609.92**
TOTAL		**4,053.70**	**3,628.82**
Summary of significant accounting policies	1-2		
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

Aniruddha Joshi
Partner
Membership Number: 040852
Date: June 10, 2022
Place: Mumbai

For and on behalf of the Board of Directors of Divgi TorqTransfer Systems Limited (Formerly known as Divgi TorqTransfer Systems Private Limited)

Praveen P Kadle
Chairman
DIN: 00016814
Date: June 10, 2022
Place: Pune

Jitendra B Divgi
Managing Director
DIN: 00471531
Date: June 10, 2022
Place: Pune

Sudhir Mirjankar
Chief Financial Officer

Date: June 10, 2022
Place: Pune

Meenal Deshpande
Company Secretary
(ACS - A51559)
Date: June 10, 2022
Place: Pune

Statement of Profit and Loss for the year ended 31st March, 2022

(All amount in INR Millions unless otherwise stated)

Particulars	Note No.	Year ended March 31, 2022	Year ended March 31, 2021
Income			
Revenue from Operations	25	2,337.77	1,865.75
Other Income	26	80.97	84.50
Total Income		**2,418.74**	**1,950.25**
Expenses			
Cost of raw material and components consumed	27	935.61	689.04
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in Progress	28	0.71	(19.43)
Employee Benefits Expense	29	225.42	217.73
Finance Costs	30	1.66	1.84
Depreciation and Amortization Expense	31	113.91	76.09
Other Expenses	32A	519.90	459.42
Total Expenses		**1,797.21**	**1,424.69**
Profit before Tax		**621.53**	**525.56**
Tax expense			
For the year			
Current tax	32B	162.30	143.85
Deferred tax charge/(credit)		(2.28)	1.27
		160.02	**145.12**
Profit for the year		**461.51**	**380.44**
Other Comprehensive Income			
(A) Items that will not be reclassified subsequently to profit and loss			
Remeasurements of the defined benefit plans		1.45	0.29
Income tax on above.		(0.36)	(0.07)
Total other comprehensive income		**1.09**	**0.22**
Total comprehensive income for the year		**462.60**	**380.66**
Earnings per share (in ₹)	35		
Basic earnings per share (in ₹)		16.76	13.82
Diluted earnings per share (in ₹)		16.76	13.82
Summary of significant accounting policies	1-2		
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

For and on behalf of the Board of Directors of Divgi TorqTransfer Systems Limited (Formerly known as Divgi TorqTransfer Systems Private Limited)

Aniruddha Joshi
Partner
Membership Number: 040852
Date: June 10, 2022
Place: Mumbai

Praveen P Kadle
Chairman
DIN: 00016814
Date: June 10, 2022
Place: Pune

Jitendra B Divgi
Managing Director
DIN: 00471531
Date: June 10, 2022
Place: Pune

Sudhir Mirjankar
Chief Financial Officer
Date: June 10, 2022
Place: Pune

Meenal Deshpande
Company Secretary
(ACS - A51559)
Date: June 10, 2022
Place: Pune

Cash flow statement for the year ended 31st March, 2022

(All amount in INR Millions unless otherwise stated)

	Particulars	Year ended March 31, 2022	Year ended March 31, 2021
A)	**Cash flows from operating activities**		
	Profit/(Loss) before tax	621.53	525.56
	Adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortization expenses	113.90	76.09
	Development Expenditure written off	-	42.86
	Interest Expenses	1.13	1.17
	Unwinding of discounting (lease obligations)	0.54	0.67
	Interest income	(64.43)	(79.80)
	Loss/(gain) on sale / discard of assets (net)	-	(0.26)
	Chnages in:		
	Trade and other receivables	40.80	(322.02)
	Inventories	(33.66)	(59.39)
	Trade and other payables and provisions	(13.49)	207.92
	Cash generated from operations	**666.32**	**392.80**
	Income taxes paid (net)	(155.55)	(123.15)
	Net cash inflow / (outflow) from operating activities	**510.77**	**269.65**
B)	**Cash flows from /(used in) investing activities**		
	Purchase of Fixed Assets	(399.26)	(255.68)
	Sale of Fixed Assets	-	0.53
	Interest received	61.05	100.99
	Term deposit with banks, matured / (placed) (net)	(172.57)	(91.62)
	Net cash flows (used in) investing activities	**(510.78)**	**(245.78)**
C)	**Cash flows from/ (used in) financing activities**		
	Proceeds from Other Equity(Preference Shares)	-	-
	Short Term Borrowings availed / (repaid) (net)	(0.36)	(0.57)
	Long Term Borrowings availed / (repaid) (net)	(0.99)	(0.93)
	Dividend paid	(21.21)	(17.22)
	Lease rentals paid	(5.64)	(6.34)
	Interest paid	(1.13)	(1.17)
	Net cash flows from financing activities	**(29.33)**	**(26.23)**
	Net increase / (decrease) in cash and cash equivalents	**(29.34)**	**(2.36)**
	Cash and cash equivalents at the beginning of the year	202.87	205.23
	Cash and cash equivalents at the end of the year	**173.53**	**202.87**

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

Particulars	March 31, 2022	March 31, 2021
Cash and cash equivalents (Note 10 (a))	173.53	202.87
Balances as per Cash flow statement	**173.53**	**202.87**

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

Aniruddha Joshi
Partner
Membership Number: 040852
Date: June 10, 2022
Place: Mumbai

For and on behalf of the Board of Directors of Divgi TorqTransfer Systems Limited (Formerly known as Divgi TorqTransfer Systems Private Limited)

Praveen P Kadle
Chairman
DIN: 00016814
Date: June 10, 2022
Place: Pune

Jitendra B Divgi
Managing Director
DIN: 00471531
Date: June 10, 2022
Place: Pune

Sudhir Mirjankar
Chief Financial Officer

Date: June 10, 2022
Place: Pune

Meenal Deshpande
Company Secretary
(ACS - A51559)
Date: June 10, 2022
Place: Pune

Statement of Changes in Equity for the year ended 31st March, 2022

A Equity Share Capital

(All amount in INR Millions unless otherwise stated)

Particulars	Note No.	As at 31st March, 2022	As at 31st March, 2021
Balance at the beginning of the year		68.83	60.23
Changes in equity shares capital during the year	13	68.83	8.60
Balance at the end of the year		137.66	68.83

B Other Equity

Particulars	Reserves and Surplus			Equity component of Compound Financial Instruments	Total Other Equity
	Capital reserve	Retained earnings	Securities premium		
Balance at 1 April 2020	**7.37**	**1,240.14**	**756.70**	**30.89**	**2,035.10**
Adjustment on account of conversion of preference shares in equity shares	-	-	491.39	-	491.39
Profit for the year	-	380.44	-	-	380.44
Other Comprehensive Income (net)	-	0.22	-	-	0.22
Total comprehensive income	**-**	**380.66**	**491.39**	**-**	**872.05**
Transfer from other equity to retained earnings*	-	30.89	-	(30.89)	-
Dividends paid	-	(17.22)	-	-	(17.22)
As at March 31, 2021	**7.37**	**1,634.47**	**1,248.09**	**-**	**2,889.93**
Profit for the year	-	461.51	-	-	461.51
Other Comprehensive Income (net)	-	1.09	-	-	1.09
Bonus shares issued			(68.83)		(68.83)
Total comprehensive income	**-**	**462.60**	**(68.83)**	**-**	**393.77**
Dividends paid		**(21.21)**			**(21.21)**
As at March 31, 2022	**7.37**	**2,075.86**	**1,179.26**	**-**	**3,262.49**

***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

Aniruddha Joshi
Partner
Membership Number: 040852
Date: June 10, 2022
Place: Mumbai

For and on behalf of the Board of Directors of Divgi TorqTransfer Systems Limited (Formerly known as Divgi TorqTransfer Systems Private Limited)

Praveen P Kadle
Chairman
DIN: 00016814
Date: June 10, 2022
Place: Pune

Jitendra B Divgi
Managing Director
DIN: 00471531
Date: June 10, 2022
Place: Pune

Sudhir Mirjankar
Chief Financial Officer
Date: June 10, 2022
Place: Pune

Meenal Deshpande
Company Secretary
(ACS - A51559)
Date: June 10, 2022
Place: Pune

Notes to the financial statements

1. Corporate information

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

2. Significant accounting policies

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

(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.

Notes to the financial statements

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 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.

Notes to the financial statements

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 2019 measured 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.

Notes to the financial statements

(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. 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 recognize for export incentives for export of goods only after establishment of reasonable assurance and conditions precedent to claim are fulfilled.

(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.

Notes to the financial statements

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 marketplace (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

c) 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

Notes to the financial statements

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.

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.

Notes to the financial statements

(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

Notes to the financial statements

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 principles of borrowing cost specified in Ind AS 16.

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 Land and Buildings. 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 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.

Notes to the financial statements

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

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 and volume discounts 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.

Notes to the financial statements

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's liability is actuarially determined (using the Projected Unit Credit method) 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 are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits.

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

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

(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. 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 Earnings Per Share is 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 Earnings Per Share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive Potential Equity Shares.

Notes to the financial statements

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 Note 2.1.j)

4. Recent Pronouncements

The Ministry of Corporate Affairs (MCA) on 5 April 2022, vide Notification dated 23 March 2022 has issued Companies (Indian Accounting Standard) Amendment Rules, 2022 in consultation with the National Financial Reporting Authority (NFRA).

The notification states that these rules shall be applicable from 1 April 2022 and would thus be applicable for the financial year ending 31 March 2023.

The amendments to Ind ASs are intended to keep the Ind ASs aligned with the amendments made in IFRS.

- **Ind AS 16, "Property, Plant and Equipment"**

  The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendment to have any significant impact in its financial statements.

- **Ind AS 37, "Provisions, Contingent Liabilities and Contingent Assets"**

  The amendments to Ind AS 37 issued by the Ministry of Corporate Affairs amends provisions regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The Company does not expect the amendment to have any significant impact in its financial statements.

- **Ind AS 101, "First-time Adoption of Indian Accounting Standards"**

  The amendments to Ind AS 101 issued by the Ministry of Corporate Affairs amends provisions to simplify the application of Ind AS 101 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

- **Ind AS 103, "Business Combination"**

  The amendments to Ind AS 103 issued by the Ministry of Corporate Affairs amends provisions to:

  - substitute the word 'Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework)' with the words 'Conceptual Framework of Financial Reporting in Ind AS'.

  - add to Ind AS 103 a requirement that, for transactions and other events within the scope of Ind AS 37, an acquirer applies Ind AS 37 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination;

Notes to the financial statements

- add to Ind AS 103 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

- **Ind AS 109, "Financial Instruments"**

  The amendments to Ind AS 109 issued by the Ministry of Corporate Affairs amends provisions to prescribe the treatment of fees involved during exchange between an existing borrower and lender of debt instruments with substantially different terms. The amendment clarifies that if an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. The Company does not expect the amendment to have any significant impact in its financial statements.

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

4(a)Property, plant and equipment

Particulars	Freehold Land	Factory Building	Plant & Machinery	Office Equipment	Furniture & Fixtures	Vehicles	Computers	Total
Gross carrying amount								
Balance as at 1st April, 2020	**330.70**	**70.66**	**1,019.47**	**5.95**	**10.22**	**35.21**	**29.05**	**1,501.26**
Additions	-	0.90	227.05	0.13	-	-	1.23	229.31
Disposals	-	-	1.32	-	-	5.14	-	6.46
Balance as at 31st March, 2021	**330.70**	**71.56**	**1,245.20**	**6.08**	**10.22**	**30.07**	**30.28**	**1,724.11**
Additions	-	21.82	116.72	0.75	-	2.44	4.36	146.09
Disposals	-	-	-	-	-	-	-	-
Balance as at 31st March, 2022	**330.70**	**93.38**	**1,361.92**	**6.83**	**10.22**	**32.51**	**34.64**	**1,870.20**
Accumulated Depreciation								
Balance as at 1st April, 2020	**-**	**40.63**	**527.35**	**4.99**	**8.14**	**18.07**	**24.24**	**623.42**
Charge during the year	-	2.93	59.51	0.82	0.55	3.13	2.78	69.72
Disposals/ transfers	-	-	1.25	-	-	4.93	-	6.18
Balance as at 31st March, 2021	**-**	**43.56**	**585.61**	**5.81**	**8.69**	**16.27**	**27.02**	**686.96**
Charge during the year	-	3.68	93.80	0.40	0.35	2.81	2.31	103.35
Disposals/ transfers	-	-	-	-	-	-	-	
Balance as at 31st March, 2022	**-**	**47.24**	**679.41**	**6.21**	**9.04**	**19.08**	**29.33**	**790.31**
Net carrying amount								
Balance as at March 31, 2022	**330.70**	**46.14**	**682.51**	**0.62**	**1.18**	**13.43**	**5.31**	**1,079.89**
Balance as at March 31, 2021	**330.70**	**28.00**	**659.59**	**0.27**	**1.53**	**13.80**	**3.26**	**1,037.15**

The title deeds of Immovable properties are in the name of the Company. Further the Company has not re-valued its assets for the period stated above

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

4(b) Right- of- use assets

Particulars	Leasehold Land	Building	Total
Gross carrying amount			
Balance as at 1st April, 2020	**6.33**	**13.91**	**20.24**
Additions	-	5.87	5.87
Disposals/ Transfers/ Adjustments	-	-	-
Balance as at 31st March, 2021	**6.33**	**19.78**	**26.11**
Additions	-	-	-
Disposals/ Transfers/ Adjustments	-	-	-
Balance as at 31st March, 2022	**6.33**	**19.78**	**26.11**
Accumulated Depreciation			
Balance as at 1st April, 2020	**1.67**	**7.42**	**9.09**
Charge during the year	0.07	4.36	4.43
Disposals/ Transfers/ Adjustments	-	-	-
Balance as at 31st March, 2021	**1.74**	**11.78**	**13.52**
Charge during the year	0.07	4.74	4.81
Disposals/ Transfers/ Adjustments	-	-	-
Balance as at 31st March, 2022	**1.81**	**16.52**	**18.33**
Net carrying amount			
Balance as at March 31, 2022	**4.52**	**3.26**	**7.78**
Balance as at March 31, 2021	**4.59**	**8.00**	**12.59**

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		
Balance as at 1st April, 2020	**13.12**	**13.12**
Additions	1.35	1.35
Disposals/ Transfers/ Adjustments	-	-
Balance as at 31st March, 2021	**14.47**	**14.47**
Additions	31.46	31.46
Disposals/ Transfers/ Adjustments	-	-
Balance as at 31st March, 2022	**45.93**	**45.93**
Accumulated depreciation		
Balance as at 1st April, 2020	**8.19**	**8.19**
Charge during the year	1.93	1.93
Disposals/ Transfers/ Adjustments	-	-
Balance as at 31st March, 2021	**10.12**	**10.12**
Charge for the year	5.74	5.74
Disposals/ Transfers/ Adjustments	**-**	**-**
Balance as at 31st March, 2022	**15.86**	**15.86**
Net carrying amount		
Balance as at March 31, 2022	**30.07**	**30.07**
Balance as at March 31, 2021	**4.35**	**4.35**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

4 (d) Capital work in progress (Ageing schedule)

Particulars	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
As at 31st March 2022					
Projects in progress	165.62	1.43	0.96	-	168.01
Projects temporarily suspended	-	-	-	-	-
Grand Total	**165.62**	**1.43**	**0.96**	**-**	**168.01**
As at 31st March 2021					
Projects in progress	23.71	3.98	-	-	27.69
Projects temporarily suspended	-	-	-	-	-
Grand Total	**23.71**	**3.98**	**-**	**-**	**27.69**

4 (e) Intangible assets under development (ageing schedule)

Particulars	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
As at 31st March 2022					
Projects in progress	110.48	-	6.47	-	116.95
Projects temporarily suspended	-	-	-	-	-
Grand Total	**110.48**	**-**	**6.47**	**-**	**116.95**
As at 31st March 2021					
Projects in progress	21.43	11.33	1.41	-	34.17
Projects temporarily suspended	-	-	-	-	-
Grand Total	**21.43**	**11.33**	**1.41**	**-**	**34.17**

5 Non current investments

Particulars	As at 31st March, 2022	As at 31st March, 2021
Unquoted		
Equity instruments at cost		
5,000 equity shares (March 31, 2021 - 5,000) of ₹10 each fully paid, held in Saraswat Co-operative Bank Limited	0.05	0.05
40,000 Equity Shares (March 31, 2021 - 40,000) of ₹10 each fully paid, held in Tejal Transmission Pvt. Ltd.	0.40	0.40
Aggregate amount of Unquoted Investments	**0.45**	**0.45**
Others	0.01	0.01
Total	**0.46**	**0.46**

6 Other non-current financial assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
Security Deposits	11.15	10.99
Less:Provision for doubtful deposits	(1.55)	(1.55)
Total	**9.60**	**9.44**

7 Other non-current assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
Capital Advances	5.49	6.86
Total	**5.49**	**6.86**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

8 Inventories

Particulars	As at 31st March, 2022	As at 31st March, 2021
Raw Materials	200.70	164.70
Work-in-Progress	95.59	97.57
Finished Goods	35.01	33.74
Less : Provision for non-moving inventory	(30.55)	(28.93)
Total	**300.75**	**267.08**
Goods in transit (included above)		
Raw Materials	29.64	19.04

9 Trade receivables

Particulars	As at 31st March, 2022	As at 31st March, 2021
Trade receivables	526.25	547.87
Total trade receivables	**526.25**	**547.87**
Current portion(net of provisions)	526.25	547.87
Non Current portion	-	-

Break-up for security details

Particulars	As at 31st March, 2022	As at 31st March, 2021
Unsecured, considered good	526.25	547.87
Trade Receivables - credit impaired	5.11	5.11
Total	**531.36**	**552.98**
Less:Allowance for doubtful debts	(5.11)	(5.11)
Total Trade Receivables	**526.25**	**547.87**

Trade receivables include receivables from related parties (Refer note 34).

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 except as reported in note 34-Related Party Disclosures.

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

Trade receivables Ageing Schedule:

Outstanding for following periods from due date of payment as at 31st March 2022

Particulars	< 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables – considered good	526.25	-	-	-	-	**526.25**
(ii) Undisputed Trade receivables – which have significant increase in credit risk	-	-	-	-	-	**-**
(iii) Undisputed Trade receivables – credit impaired	-	-	-	-	5.11	**5.11**
(iv) Disputed Trade receivables– considered good	-	-	-	-	-	**-**
(v) Disputed Trade receivables – which have significant increase in credit risk	-	-	-	-	-	**-**
(vi) Disputed Trade receivables – credit impaired	-	-	-	-	-	**-**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

9 Trade receivables (Contd.)

Outstanding for following periods from due date of payment as at 31st March 2021

Particulars	< 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables – considered good	542.02	5.85	-	-	-	**547.87**
(ii) Undisputed Trade receivables – which have significant increase in credit risk	-	-	-	-	-	**-**
(iii) Undisputed Trade receivables – credit impaired	-	-	-	-	5.11	**5.11**
(iv) Disputed Trade receivables– considered good	-	-	-	-	-	**-**
(v) Disputed Trade receivables – which have significant increase in credit risk	-	-	-	-	-	**-**
(vi) Disputed Trade receivables – credit impaired	-	-	-	-	-	**-**

10(a) Cash and cash equivalents

Particulars	As at 31st March, 2022	As at 31st March, 2021
Cash on hand	0.44	0.44
Balances with Banks -		
- In current accounts	173.09	202.43
Total	**173.53**	**202.87**

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

Particulars	As at 31st March, 2022	As at 31st March, 2021
Long-term Deposits (with maturity of more than 3 months but less than 12 months)	1,558.72	1,384.49
Unpaid dividend account	-	1.65
Total	**1,558.72**	**1,386.14**

11 Other current financial assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
At amortized cost		
Interest accrued but not due on Deposits with Banks	33.99	30.61
Total	**33.99**	**30.61**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

12 Other current assets

Particulars	As at 31st March, 2022	As at 31st March, 2021
Balance with government authorities		
Considered good	3.73	33.27
Considered doubtful	3.53	3.53
Less: Provision for doubtful balances	(3.53)	(3.53)
	3.73	**33.27**
Advances to Suppliers		
Considered good	5.00	4.36
Considered doubtful	0.19	0.19
Less: Provision for doubtful balances	(0.19)	(0.19)
	5.00	**4.36**
Export incentive receivable	16.72	21.55
Prepaid Expenses	4.26	2.36
Others	12.50	-
Total	**42.21**	**61.54**

13 Share capital

Particulars	As at 31st March, 2022	As at 31st March, 2021
Authorised		
4,00,00,000 (March 31, 2021- 886,038) equity shares of ₹5 each (March 31,2021 - 100 each)	200.00	88.60
Nil (March 31, 2021 - 153,962) Compulsorily Convertible Preference Shares (CCPS) of ₹100 each.	-	15.40
Issued, subscribed and fully paid up		
Equity share Capital		
27,532,080 (March 31, 2021- 6,88,302) equity shares of ₹5 each, (March 31, 2021 - 100 each) fully paid-up	137.66	68.83
Total	**137.66**	**68.83**

i) Split of equity shares -

According to a shareholders' resolution dated December 14, 2021, each equity share of the Company with a face value of ₹100 shall be divided into 20 equity shares with a face value of ₹5 each. As a result, a total of 6,88,302 equity shares of ₹100 each will be divided into 1,37,66,040 equity shares of ₹5 each."

ii) Bonus shares -

The Board of Directors and shareholders of the Company at their meeting held on December 14, 2021, have approved capitalization of the free reserves of the company for issuance of 1 bonus share for every one fully paid equity shares having face value of ₹5 per share."

Number of equity shares as of March 31, 2021	688,302
Add: Additional shares issued due to share split from paid-up capital of ₹100 per equity share to ₹5 per equity share	13,077,738
Add: Bonus issue of equity shares (1 equity share for every one share held)	13,766,040

Note - The impact of above mentioned have been considered retrospectively for the purpose of calculation of basic and diluted earnings per share for all periods presented (refer note 35)

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

13 Share capital (Contd.)

a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

Particulars	As at 31st March, 2022	As at 31st March, 2021
Equity shares outstanding at the beginning of the year		
Number of shares	688,302	602,264
Amount in ₹	68.83	60.23
Add:Conversion of preference shares to equity shares (refer note (c) below)		
Number of shares	-	86,038
Amount in ₹	-	8.60
Add: Additional shares issued due to share split from paid-up capital of ₹100 per equity share to ₹5 per equity share	13,077,738	
Add: Bonus issue of equity shares (1 equity share for every one share held)		
Number of shares	13,766,040	-
Amount in ₹	68.83	-
Equity shares outstanding at the end of the year		
Number of shares	27,532,080	688,302
Amount in ₹	137.66	68.83

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

The Company has one class of equity shares having a par value of ₹5 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

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

ii) As per shareholders arrangement, CCPS have been converted into equity shares in two equal tranches (in FY 2019-20 and FY 2020-21) of ₹500 million 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

Particulars	As at 31st March, 2022	As at 31st March, 2021
Divgi Holding Pvt. Ltd	15,782,680	394,567
Total	**15,782,680**	**394,567**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

13 Share capital (Contd.)

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

Equity shares

Particulars	As at 31st March, 2022	As at 31st March, 2021
i) Name of the shareholder		
Divgi Holding Pvt. Ltd		
No. of shares	15,782,680	394,567
%	57.32%	57.32%
ii) NRJN Family Trust		
No. of shares	2,394,720	59,868
%	8.70%	8.70%
iii) Oman India Joint Investment Fund II		
No. of shares	5,977,360	149,434
%	21.71%	21.71%

(f) Promoter Shareholding

Shareholding of promoters and promoters group as on 31 March 2022 (Face value of ₹5 each)

Promoter name	As at 31 March 2022		
	Number	% holding	% change during the period
Equity shares			
Mr. Jitendra Divgi	327,840	1.19%	No Change
Mr. Hirendra Divgi	329,720	1.20%	No Change
M/S Divgi Holdings Private Limited	15,782,680	57.32%	No Change
Mr. Jitendra Divgi J/W DHPL	402,840	1.46%	No Change
Mr. Hirendra Divgi J/W DHPL	402,760	1.46%	No Change
Total	**17,245,840**	**62.64%**	

Shareholding of promoters and promoters group as on 31 March 2021 (Face value of ₹100 each)

Promoter name	As at 31 March 2021		
	Number	% holding	% change during the period
Equity shares			
Mr. Jitendra Divgi	8,196	1.19%	-0.17%
Mr. Hirendra Divgi	8,243	1.20%	-0.17%
M/S Divgi Holdings Private Limited	394,567	57.32%	-8.07%
Mr. Jitendra Divgi J/W DHPL	10,071	1.46%	-0.21%
Mr. Hirendra Divgi J/W DHPL	10,069	1.46%	-0.21%
Total	**431,146**	**62.64%**	**-8.83%**

14 Other equity

Particulars		As at 31st March, 2022	As at 31st March, 2021
Reserves and surplus			
Capital reserve	(a)	**7.37**	**7.37**
Securities Premium			
Balance as at the beginning of the year		1,248.09	756.70

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

14 Other equity Contd.

Particulars		As at 31st March, 2022	As at 31st March, 2021
Premium on conversion of CCPS from financial liability into equity shares		-	491.39
Bonus shares issued		(68.83)	
Balance as at the end of the year	**(b)**	**1,179.26**	**1,248.09**
Retained earnings			
Balance as at the beginning of the year		1,634.47	1,240.14
Profit for the year		461.51	380.44
Transfer from other equity component of compound financial instrument to retained earnings		-	30.89
Dividend paid		(21.21)	(17.22)
Remeasurement of defined benefit obligations, net of tax		1.09	0.22
Balance as at the end of the year	**(c)**	**2,075.86**	**1,634.47**
Total Reserves and Surplus (a+b+c)		**3,262.49**	**2,889.93**

15 Borrowings

Particulars	As at 31st March, 2022	As at 31st March, 2021
Non- current		
(Secured)		
Term Loans (Refer note (a) below)		
From Banks	0.85	2.20
Less:Current Maturities	(0.85)	(1.21)
	-	**0.99**
(Unsecured)		
Loan from Divgi Holding	0.35	0.35
	0.35	**1.34**

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

Nature of security	Terms of Repayment
Vehicle loan of ₹0.85 Mn (March 31, 2021 ₹2.20 Mn) 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.

16 Lease liabilities

Particulars	As at 31st March, 2022	As at 31st March, 2021
Current	2.04	5.41
Non-current	1.52	3.26
Total	**3.56**	**8.67**

17 Long term provision

Particulars	As at 31st March, 2022	As at 31st March, 2021
Gratuity (Refer note 33)	9.53	9.88
Compensated Absences	38.23	38.60
Total	**47.76**	**48.48**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

18 Deferred Tax Assets/ Deferred Tax (Liabilities) (Net)

Particulars	As at 31st March, 2022	As at 31st March, 2021
Deferred Tax Asset on account of:		
Provision for doubtful debts, inventory,advances	10.30	9.90
Employee Benefit	16.62	15.63
Other Timing difference	1.49	1.15
	28.41	**26.68**
Deferred Tax Liability on account of:		
Property, plant and equipment and Intangible assets	33.57	33.74
	33.57	**33.74**
Net deferred tax assets/(Liabilities)	**(5.16)**	**(7.06)**

19 Borrowings

Particulars	As at 31st March, 2022	As at 31st March, 2021
Current		
Current Maturities of long term debt		
-Term loan from bank	0.85	1.21
Total short term borrowings	**0.85**	**1.21**

20 Trade payables

Particulars	As at 31st March, 2022	As at 31st March, 2021
Total outstanding dues of micro and small enterprises	13.25	6.82
Total outstanding dues of creditors other than micro and small enterprises*	383.22	391.67
Total	**396.47**	**398.49**

*refer note 34 for related party balances

Trade payables ageing

As at March 31, 2022	Outstanding for following periods from due date of payment				
Particulars	**Less than 1 year**	**1-2 Years**	**2-3 Years**	**More Than 3 Years**	**Total**
MSME	13.25	-	-	-	**13.25**
Others	375.87	7.35	-	-	**383.22**
Disputed dues - MSME	-	-	-	-	**-**
Disputed dues - Others	-	-	-	-	**-**

As at March 31, 2021	Outstanding for following periods from due date of payment				
Particulars	**Less than 1 year**	**1-2 Years**	**2-3 Years**	**More Than 3 Years**	**Total**
MSME	6.82	-	-	-	**6.82**
Others	387.52	4.15	-	-	**391.67**
Disputed dues - MSME	-	-	-	-	**-**
Disputed dues - Others	-	-	-	-	**-**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

20 Trade payables Contd.

(a) DUES TO MICRO AND SMALL ENTERPRISES

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.

Particulars	As at 31st March, 2022	As at 31st March, 2021
Amount outstanding as at on account of:		
Principal amount	12.11	5.78
Interest due thereon	0.02	0.05
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	32.28	10.26
Interest due on principal amounts paid beyond the due date during the year	0.15	0.05
Interest accrued but not paid	1.14	1.03

21 Other current financial liabilities

Particulars	As at 31st March, 2022	As at 31st March, 2021
Salaries and benefits payable	83.28	102.21
Capital creditors	0.97	18.96
Unpaid Dividend Account	-	1.65
Other	5.40	4.50
Total	**89.65**	**127.32**

22 Other Current liabilities

Particulars	As at 31st March, 2022	As at 31st March, 2021
Advances from Customers	10.06	0.80
Other Statutory Liabilities	18.73	2.92
Total	**28.79**	**3.72**

23 Short term provision

Particulars	As at 31st March, 2022	As at 31st March, 2021
Gratuity (Refer Note 33)	6.07	5.57
Compensated Absences (Refer Note 33)	7.67	3.95
Super Annuation	3.27	8.45
Warranties (Note a)	4.21	2.87
Provision for derivative losses	-	-
Total	**21.22**	**20.84**

Movement in warranty provisions

Particulars	As at 31st March, 2022	As at 31st March, 2021
Balance at the beginning as on 1 April	2.87	1.74
Additional provision recognised	1.50	1.21
Paid/Utilised during the year	(0.16)	(0.08)
Closing balance at the year end March 31	**4.21**	**2.87**

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

(All amount in INR Millions unless otherwise stated)

24 Current Tax Liabilities (Net)

Particulars	As at 31st March, 2022	As at 31st March, 2021
Provision for Current Taxation	59.74	52.93
Total	**59.74**	**52.93**

25 Revenue from operations

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Revenue from sale of products	2,250.80	1,794.44
Revenue from sale of tools	32.27	20.56
	2,283.07	**1,815.00**
Other Operating Revenue		
Sale of Scrap	19.30	13.97
Export incentives	35.40	36.78
Total	**2,337.77**	**1,865.75**

26 Other Income

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Interest Income	64.43	79.80
Rental Income	2.41	2.41
Vendor liabilities no longer required written back	0.32	1.66
Gain on foreign exchange fluctuation (net)	12.64	-
Profit on sale of fixed assets (net)	-	0.26
Miscellaneous Income	1.17	0.37
Total	**80.97**	**84.50**

27 Cost of raw material and components consumed

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Raw Materials and Components Consumed		
Inventories at the beginning of the year	135.77	95.81
Add: Purchases	969.98	729.00
	1,105.75	**824.81**
Inventories at the end of the year	170.14	135.77
Total	**935.61**	**689.04**

28 Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Opening Stock		
Work-in-Progress	97.57	88.00
Finished Goods	33.74	23.88
Closing Stock		
Work-in-Progress	95.59	97.57
Finished Goods	35.01	33.74
Total	**0.71**	**(19.43)**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

29 Employee Benefits Expense

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Salaries, Wages and Bonus	197.59	194.85
Contribution to Provident and Other Funds	15.73	15.18
Staff Welfare Expenses	12.10	7.70
Total	**225.42**	**217.73**

30 Finance Costs

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Interest on Loan	0.21	0.32
Interest Others	1.45	1.52
Total	**1.66**	**1.84**

31 Depreciation and amortization expense

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Depreciation of property, plant and equipment (note 4 (a))	103.36	69.72
Depreciation of right-of-use assets (note 4 (b))	4.81	4.44
Amortization of intangible assets (note 4 (c))	5.74	1.93
Total	**113.91**	**76.09**

32A Other Expenses

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Consumption of Stores and Spare Parts	82.45	67.01
Contract Labour Charges	91.72	77.99
Machining and development charges	96.75	87.21
Development Expenditure written off	-	42.86
Power and Fuel	37.68	26.36
Rent [Refer Note 36]	2.21	2.24
Repairs and Maintenance	-	-
Buildings	2.47	1.93
Plant and Machinery	23.57	18.88
Others	9.52	5.67
Insurance	4.42	3.67
Rates and Taxes	3.30	1.47
Legal and Professional Charges	41.87	33.96
Auditors' Remuneration [Refer Note 32(a)]	1.15	1.15
Corporate Social Responsibility	10.00	8.69
Travelling and Conveyance	9.32	6.89
Printing and Stationery	2.77	2.00
Royalty	52.59	30.68
Warranty	1.50	1.21
Housekeeping Expenses	2.46	2.25
Freight and Forwarding	19.91	11.87
Testing & Inspection Charges	5.23	6.11
Provision for Doubtful Debts/Advances	-	-
Warehouse Expenses	2.60	5.72
Security Charges	4.71	4.64

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

32A Other Expenses (Contd.)

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Bank charges	2.33	1.65
Engineering and project services	3.46	2.13
Loss on foreign exchange fluctuation (net)	-	2.23
Provision for mark to market losses on derivatives	-	-
Communication Expenses	2.91	2.08
Exhibition & Conference Charges	1.82	0.24
Miscellaneous Expenses	1.18	0.63
Total	**519.90**	**459.42**

(a) Payment to auditors

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
As auditor		
As auditors	1.00	1.00
As tax auditor	0.15	0.15
Total	**1.15**	**1.15**

(b) Corporate Social Responsibility (CSR)

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Gross amount required to be spent by the Group during the period/year as per Section 135 of the Act	10.00	9.14
Amount spent during the year on:		
(i) Construction/acquisition of an asset	-	-
(ii) On purposes other than (i) above (Education & Health)	10.00	9.15
a. included in other expenses(includes provision of unspent amount	10.00	8.69
b. administrative expenses included in employee benefit expenses	0.48	0.46
	10.48	**9.15**
Amount yet to be spent	**(0.48)**	**(0.01)**
Reason for Shortfall	**Not Applicable**	**Not Applicable**

32B Income tax expense

(a) Income tax expense

(i) Statement of Profit and Loss section	Year ended March 31, 2022	Year ended March 31, 2021
Current tax	162.30	143.85
Deferred tax	(2.28)	1.27
Total income tax expense recognised in the Statement of Profit and Loss	**160.02**	**145.12**

(ii) Other Comprehensive Income (OCI) section	Year ended March 31, 2022	Year ended March 31, 2021
Deferred tax related to items		
-Net gain or loss on remeasurements of defined benefit plans	0.36	0.07
Total income tax expense recognised in Other Comprehensive Income	**0.36**	**0.07**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

32B Income tax expense (Contd.)

b) Reconciliation of effective tax rate

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Accounting profit before tax	621.55	525.56
At India's statutory income tax rate (as per Income Tax Act, 1961) of 25.17%	156.44	132.28
- Development expenses written off	-	10.79
- Others (includes Donations & Other permanent differences)	3.58	2.05
Effective tax	160.02	145.12
Income tax expense reported in the Statement of profit and loss	**160.02**	**145.12**

33 Gratuity

A. Defined contribution plans

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

Particulars	March 31, 2022 ₹	March 31, 2021 ₹
Contribution to Employees Provident Fund	8.95	7.31
Contribution to Superannuation Fund	3.43	2.68
Total	**12.38**	**9.99**

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

Particulars	March 31, 2022 ₹	March 31, 2021 ₹
(a) Opening defined benefit obligation	38.83	36.82
(b) Interest Cost	2.66	2.51
(c) Current Service Cost	2.95	2.98
(e) Benefit Paid	(1.44)	(1.65)
(f) Actuarial (Gain)/Loss	(1.45)	(1.83)
Closing defined benefit obligation	**41.55**	**38.83**

ii. Changes in the Fair value of Plan Assets

Particulars	March 31, 2022 ₹	March 31, 2021 ₹
(a) Opening fair value of plan assets	23.38	23.97
(b) Expected Return on Plan Assets	3.22	1.64
(c) Actuarial Gain/ (Loss)	0.00	(1.54)
(d) Employers Contribution	0.13	0.05
(e) Benefit Paid	(0.78)	(0.74)
Closing fair value of plan assets *	**25.95**	**23.38**

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

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

33 Gratuity (Contd.)

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)

Particulars	March 31, 2022 ₹	March 31, 2021 ₹
(a) Present Value of Benefit Obligation	41.55	38.83
(b) Fair Value of Plan Assets	(25.95)	(23.38)
(c) Net (Asset)/Liability recognised in the Balance Sheet	**15.60**	**15.45**

iv. Expenses recognised in the Statement of Profit and Loss

Particulars	March 31, 2022 ₹	March 31, 2021 ₹
(a) Current Service Cost	2.95	2.98
(b) Interest Cost	2.66	2.51
(c) Expected Return on Plan Assets	(3.22)	(1.64)
(d) Net actuarial (Gain)/Loss	(1.45)	(0.29)
Total Expenses recognised in the Statement of Profit and Loss	**0.94**	**3.56**

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

Particulars	March 31, 2022 ₹	March 31, 2021 ₹
(a) Discount Rate	6.96%-7.23%	6.57%-6.85%
(b) Expected Rate of Return on Plan Assets	0.00 % - 7.23%	0.00 % - 6.85%
(c) Salary Escalation Rate	5% - 10%	5% - 10%
(d) Attrition rate	5.00%	5.00%

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

	As at 31st March, 2022 ₹	As at 31st March, 2021 ₹
Defined Benefit Obligation	41.55	38.83
Plan Asset	25.95	23.38
Surplus / Deficit	15.60	15.45
Experience adjustments in plan liabilities	(0.20)	(1.76)
Experience adjustments in plan assets	0.00	(1.54)
x. Current and Non-Current Liability		
Current Liability	6.07	5.57
Non-Current Liability	9.53	9.88
	15.60	**15.45**

xi. Expected contribution to the gratuity fund in the next year

Particulars	As at 31st March, 2022 ₹	As at 31st March, 2021 ₹
Gratuity	5.46	4.94

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

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 Mr. Sudhir Mirjankar, Chief Financial Officer Ms. Meenal Deshpande, Company Secretary
Relatives of Key Management Personnel	Mr. Arjun J. Divgi Ms. Jyothi Bharat Divgi
Parties where key management personnel have significant influence	Divgi Transmission Systems & Technologies Private Limited Divgi Holding Private Limited

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

Particulars	31-Mar-22	31-Mar-21
(i) Machine and Development charges		
Divgi Transmission Systems & Technologies Private Limited	32.81	25.44
	32.81	**25.44**
(ii) Rent expense*		
Divgi Holding Private Limited	4.62	4.62
	4.62	**4.62**

*This has been reflected under finance cost and amortisation expenses as per the requirements of IND AS 116.

Particulars	31-Mar-22	31-Mar-21
(iii) Remuneration		
Mr. Hirendra Divgi	7.48	7.48
Mr. Jitendra B. Divgi	14.96	14.96
Mr. Arjun J. Divgi	0.22	0.08
Ms. Jyothi Bharat Divgi	0.48	0.48
Mr. Sudhir Mirjankar	2.85	2.43
Ms. Meenal Barhate	1.18	-
	27.17	**25.43**

Particulars	31-Mar-22	31-Mar-21
(iv) Rent Income		
Divgi Holding Private Limited	0.01	0.01
Divgi Transmission Systems & Technologies Private Ltd	2.40	2.40
	2.41	**2.41**

c) Amounts outstanding

Particulars	31-Mar-22	31-Mar-21
(i) Trade Payable		
Divgi Transmission Systems & Technologies Private Ltd	7.72	8.90
Divgi Holding Private Limited	0.65	0.65
	8.37	**9.55**
(ii) Trade Receivables		
Divgi Transmission Systems & Technologies Private Ltd	2.63	2.68
Divgi Holding Private Limited	0.25	0.26
	2.88	**2.94**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

34. Related Party Disclosures (Contd.)

Particulars	31-Mar-22	31-Mar-21
(iii) Remuneration Payable		
Mr. Hirendra Divgi	5.66	2.53
Mr. Jitendra B. Divgi	11.29	5.06
Mr. Arjun J. Divgi	0.02	0.02
Ms. Jyothi Bharat Divgi	0.04	0.04
Mr. Sudhir Mirjankar	0.69	0.73
Ms. Meenal Barhate	0.17	-
	17.87	**8.38**

35 Earnings per share

Particulars	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Basic earnings per equity share of ₹5 Each		
Profits attributable to equity holders	461.51	380.44
Weighted average number of equity shares (Number in millions)	27.53	27.53
Basic earnings per share (in Rupees)	16.76	13.82
Diluted earnings per equity share of ₹5 Each (refer Note 47)		
Adjusted net profit for the year	461.51	380.44
Weighted average number of equity shares (Number in millions)	27.53	27.53
Diluted earnings per share (in Rupees)	16.76	13.82

Particulars (Nos.)	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Equity Shares	27,532,080	688,302
Add: Additional shares issued due to share split from paid-up capital of ₹100 per equity share to ₹5 per equity share (Pursuant to resolution passed by the shareholders on December 14, 2021 and by Board of Directors of the Company on December 10 , 2021 the Company has sub-divided the face value of its equity shares from ₹100 each to ₹5 each.)	-	13,077,738
Add: Bonus issue of equity shares (Pursuant to Board and Shareholders' resolutions dated December 14, 2021 respectively, Company has issued bonus shares to the existing shareholder of the Company in the ratio of 1:1.)	-	13,766,040
Weighted average number of equity shares	**27,532,080**	**27,532,080**

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

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.

Particulars	As at 31st March, 2022	As at 31st March, 2021
At the beginning of the year	8.67	7.45
Additions	-	5.87
Payments made	5.11	4.65
As at lease liabilities	**3.56**	**8.67**
Current portion	2.04	5.41
Non-current portion	1.52	3.26
Total	**3.56**	**8.67**

Details of amounts recognised in statement of profit and loss

Particulars	March 31, 2022	March 31, 2021
Depreciation expense of right-of-use assets	4.81	4.44
Interest expense on lease liabilities(included in finance cost-Interest others)	0.54	0.67
Expense relating to short-term leases (included in other expenses)	2.21	2.24
Lease payments recognised in the Statement of Profit and Loss during the year	7.56	7.35

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.

Particulars	March 31, 2022	March 31, 2021
Lease income received for the year	2.41	2.41

37 Contingent liabilities

Particulars	As at 31st March, 2022 ₹	As at 31st March, 2021 ₹
Bills discounted	23.65	33.75
Sales tax matter (Including interest & penalty)	0.24	0.24
Claims against the Company, not acknowledged as debts		
Dues related to employees	20.26	21.68
Others	5.20	5.20
Total	**49.35**	**60.87**

38

Particulars	As at 31st March, 2022 ₹	As at 31st March, 2021 ₹
Estimated amount of contracts remaining to be executed and not provided for (net of advance payments)	507.11	141.69

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

39. Segment Reporting

Particulars	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Revenue from operations		
Sale of products	2,250.80	1,794.44
Sale of tools	32.27	20.56
Other operating revenue		
- Scrap sales	19.30	13.97
- Export benefits	35.40	36.78
	2,337.77	**1,865.75**

(a) Details of sale of finished products

Particulars	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Transfer cases	1,531.80	873.64
Transmission components	668.10	897.44
Auto locking hubs	50.90	23.36
	2,250.80	**1,794.44**

(b) Earnings in foreign exchange

Particulars	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Export of goods calculated on FOB basis	591.94	899.43
Income from services	-	-
	591.94	**899.43**

(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:

Particulars	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Segment Revenue (net)		
Domestic	1,745.83	966.32
Export	591.94	899.43
	2,337.77	**1,865.75**

Particulars	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Segment Assets		
Domestic	462.10	375.22
Export	64.15	172.65
	526.25	**547.87**

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

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

40 Fair value measurements

a) Category of financial instruments and valuation techniques

(i) Financial assets

Details of financial assets carried at amortised cost

Particulars	As at 31st March, 2022	As at March 31, 2021
Trade receivables	526.25	547.87
Other financial assets	43.59	40.05
Cash and cash equivalents	173.53	202.87
Bank balances other than cash and cash equivalents (includes fixed deposits with banks)	1,558.72	1,386.14
Total	**2,302.09**	**2,176.93**
Current assets	2,292.49	2,167.49
Non-current assets	9.60	9.44
Total	**2,302.09**	**2,176.93**

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

Particulars	As at 31st March, 2022	As at March 31, 2021
Borrowings	1.20	2.55
Trade payable	396.47	398.49
Other liabilities	93.21	136.00
Total	**490.88**	**537.04**
Current assets	489.02	532.44
Non-current assets	1.86	4.60
Total	**490.88**	**537.04**

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.

Particulars	Fair Value Hierarchy (Level)	Fair Value	
		As at 31st March, 2022	As at March 31, 2021
Financial assets			
Investments			
Equity instruments	3	0.45	0.45

There has been no transfer between Level 1 and Level 2 during the year and during the previous year.

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

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, 2022 and March 31, 2021. 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.

(b)Particulars of hedged and unhedged foreign currency exposures as at the reporting date:

Particulars	Currency	As at 31st March, 2022		As at March 31, 2021	
		Foreign Currency	₹	Foreign Currency	₹
Hedged foreign currency exposures	USD	-	-	-	-
Forward contracts					
Unhedged foreign currency exposures					
Trade Receivables	EUR	0.05	4.19	0.15	13.11
	USD	0.95	72.18	2.45	176.84
	CHF	0.02	1.32	0.02	1.50
	GBP	0.00	0.03	-	-
Bank Balance	USD	0.25	19.25	1.14	82.75
	EUR	0.00	0.15		

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

41(a) Financial risk management (Contd.)

Particulars	Currency	As at 31st March, 2022		As at March 31, 2021	
		Foreign Currency	₹	Foreign Currency	₹
Trade Payables	EUR	0.05	4.15	0.14	12.05
	USD	0.53	40.69	0.44	31.68
	CHF	0.01	0.63	0.01	0.84
	GBP	-	-	0.00	0.01
Net Exposure	EUR	0.00	0.10	(0.01)	(1.05)
Net Exposure	USD	(0.67)	(50.74)	(3.15)	(227.91)
Net Exposure	CHF	(0.01)	(0.69)	(0.01)	(0.65)
Net Exposure	GBP	(0.00)	(0.03)	0.00	0.01

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.

Impact on profit before tax	Impact on profit before tax	
	March 31, 2022	March 31, 2021
EURO Sensitivity		
INR/ EURO - Increase by 1%	(0.00)	0.01
INR/ EURO - Decrease by 1%	0.00	(0.01)
USD Sensitivity		
INR/ USD - Increase by 1%	0.51	2.28
INR/ USD - Decrease by 1%	(0.51)	(2.28)
CHF Sensitivity		
INR/ CHF - Increase by 1%	0.01	0.01
INR/ CHF - Decrease by 1%	(0.01)	(0.01)
GBP Sensitivity		
INR/ GBP - Increase by 1%	0.00	(0.00)
INR/ GBP - Decrease by 1%	(0.00)	0.00

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.

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.

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

41(a) Financial risk management (Contd.)

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, 2022 and March 31, 2021 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, 2022	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	0.85	0.35	-
Trade Payables	396.47	-	-
Other financial liabilities			
Current maturities of long-tem borrowings	-	-	-
Unpaid dividend	-	-	-
Lease obligation	2.04	1.52	-
Other payables	89.65	-	-

March 31, 2021	< 1 year	1 to 3 years	> 3 years
Non- derivative			
Borrowings	1.21	1.34	-
Trade Payables	398.49	-	-
Other financial liabilities			
Current maturities of long-tem borrowings	-	-	-
Unpaid dividend	1.65	-	-
Lease obligation	5.41	3.26	-
Other payables	125.69	-	-

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

42 Financial Ratios

Sr. No	Particulars	As at March 31, 2022	As at March 31, 2021
1	Current Ratio	4.40	4.09
2	Debt-Equity Ratio*	0.00	0.00
3	Debt Service Coverage Ratio**	90.79	67.02
4	Return on Equity	14.6%	15.1%
5	Inventory turnover ratio	8.23	7.86
6	Trade Receivables turnover ratio	4.35	4.77
7	Trade Payables turnover ratio	5.88	5.92
8	Net capital turnover ratio	5.52	5.96
9	Net profit ratio	19.79%	20.40%
10	Return on Capital employed	18.30%	17.76%
11	Return on investment	4.38%	5.96%
12	Return on Invested Capital	33.41%	32.41%
13	Earnings per share (Basic and Diluted)		
	-Basic	16.76	13.82
	-Diluted	16.76	13.82
14	Return on net worth	14.55%	15.06%
15	Net Asset Value per share	123.50	107.47
16	EBITDA	737.11	603.49

*Conversion of debt to equity shares

**Reduction in finance cost FY20-21 and increase in profit

Explanations to items included in computing the above ratios:

1. Current Ratio: Current Asset over Current Liabilities
2. Debt-Equity Ratio: Debt (includes Borrowings and Current & Non-Current Lease Liabilities) over total share holders equity (including Reserves & Surplus) and excluding preference share capital
3. Debt Service Coverage Ratio: EBITDA over Prinicipal + Interest
4. Return on Equity Ratio: Profit After Tax over average Equity (including Reserves & Surplus)
5. Inventory turnover ratio: Revenue from operations over average Inventory
6. Trade Receivables turnover ratio: Revenue from operations over average Trade Receivable
7. Trade payables turnover ratio: Revenue from operations over average Trade Payable
8. Net capital turnover ratio: Revenue from operations over average working capital

   [average working capital = Inventory + Receivables - Payables]
9. Net profit ratio: Profit After Tax over Revenue from operations
10. Return on Capital employed: Profit Before Interest & Tax over Capital employed (Capital employed includes total share holders equity, borrowings, short term and long term lease liabilities)
11. Return on investment: Interest income on fixed deposit + Mutual fund investment gain over average investments (investments includes investments in mutual funds, margin money and other bank deposits)
12. Return on Invested Capital: Profit Before Interest, Tax and Interest Income over Capital employed (Capital employed includes total share holders equity, borrowings, short term and long term lease liabilities less cash & cash equivalents and bank balances).

Notes to the financial statements

(All amount in INR Millions unless otherwise stated)

42A 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, 2022 and March 31, 2021 Capital represents equity attributable to equity holders of the Company.

Particulars	March 31, 2022	March 31, 2021
Borrowings	0.35	1.34
Trade payables	396.47	398.49
Book overdraft	-	-
Less: Cash and cash equivalents(includes deposits with maturity of more than 3 months but less than 12 months)	(1,558.72)	(1,384.49)
Net (surplus) / debt (A)	**(1,161.90)**	**(984.66)**
Equity	3,400.15	2,958.76
Capital and net debt (B)	**2,238.25**	**1,974.10**
Gearing ratio (1:(B/A))	**1 : -1.93**	**1 : -2**

43 Proposed Dividend

The final dividend proposed for the year is as follows:

Particulars	Year ended March 31, 2022 ₹	Year ended March 31, 2021 ₹
Proposed Dividend		
On Equity Shares		
Amount of Dividend proposed	92.31	21.21
Dividend per Equity Share	₹3.34 per share	₹30.82 per share

44 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.

45 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.

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

Aniruddha Joshi
Partner
Membership Number: 040852
Date: June 10, 2022
Place: Mumbai

For and on behalf of the Board of Directors of Divgi TorqTransfer Systems Limited (Formerly known as Divgi TorqTransfer Systems Private Limited)

Praveen P Kadle
Chairman
DIN: 00016814
Place: Pune
Date: June 10, 2022

Jitendra B Divgi
Managing Director
DIN: 00471531
Place: Pune
Date: June 10, 2022

Sudhir Mirjankar
Chief Financial Officer

Date: June 10, 2022
Place: Pune

Meenal Deshpande
Company Secretary
(ACS - A51559)
Date: June 10, 2022
Place: Pune

Notes

Notes

A TRISYS product
info@trisyscom.com

Divgi TorqTransfer Systems

Registered Office
Plot No. 75, General Block, MIDC,
Bhosari, Pune 411026