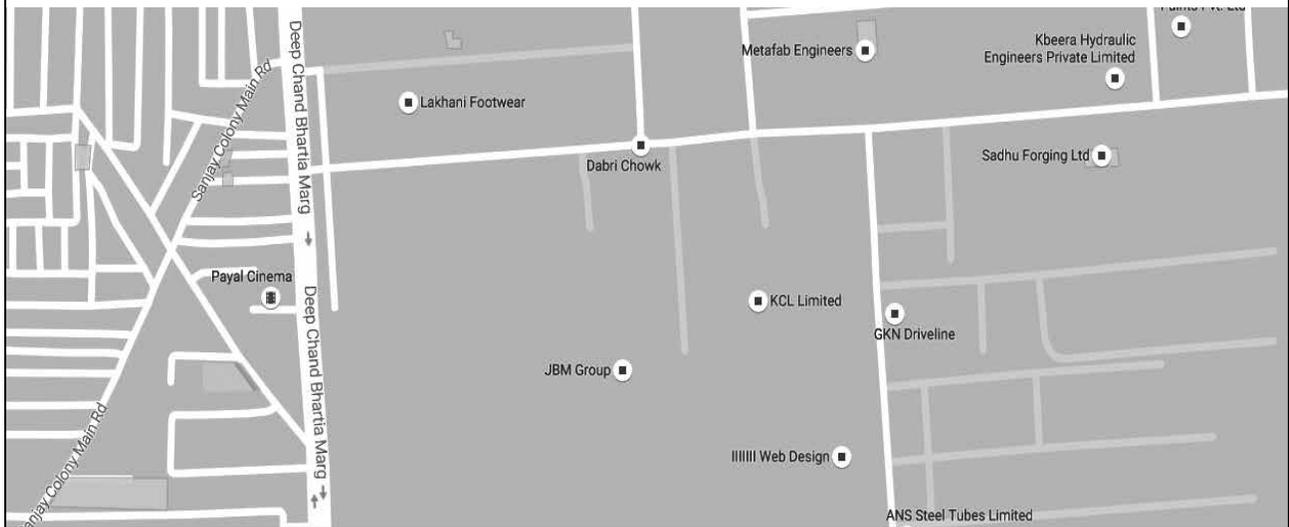


**GKN Driveline (India) Limited**

**35<sup>th</sup>  
Annual Report  
2019-20**

## ROUTE MAP FOR VENUE OF ANNUAL GENERAL MEETING





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#### Board of Directors

|                                  |  |
|----------------------------------|--|
| Mr. Anthony Bell                 | Additional Director & Chairman (with effect from June 23, 2020)  |
| Mr. Sanjay Katyal                | Managing Director  |
| Mr. Madan Singh Sisodia          | Executive Director   |
| Mr. Rajeev Dogra                 | Executive Director (with effect from May 15, 2019)               |
| Mr. Jonathon Colin Fyfe Crawford | Non Executive Director   |
| Mr. Matthew Richard Nozemack     | Non Executive Director   |
| Ms. Monica Widhani               | Additional Independent Director (with effect from April 1, 2020) |
| Mr. Subramaniam Ramaswamy        | Additional Independent Director (with effect from April 1, 2020) |
| Mr. Adam Touhig                  | Director & Chairman (upto May 25, 2020)                          |
| Ms. Gopika Pant                  | Independent Director (upto January 19, 2020)                     |
| Mr. K.N.Subramaniam              | Independent Director (Upto January 19, 2020)                     |

#### Audit & Risk Management Committee

|                           |   |
|---------------------------|---|
| Ms. Monica Widhani        | Chairman (with effect from April 1, 2020) |
| Mr. Subramaniam Ramaswamy | Member (with effect from April 1, 2020)   |
| Mr. Madan Singh Sisodia   | Member                                    |
| Mr. K.N.Subramaniam       | Chairman (upto January 19, 2020)          |
| Ms. Gopika Pant           | Member (upto January 19, 2020)            |

#### Nomination & Remuneration Committee

|                           |   |
|---------------------------|---|
| Mr. Subramaniam Ramaswamy | Chairman (with effect from April 1, 2020) |
| Ms. Monica Widhani        | Member (with effect from April 1, 2020)   |
| Mr. Anthony Bell          | Member (with effect from June 23, 2020)   |
| Mr. Rajeev Dogra          | Member                                    |
| Mr. K.N.Subramaniam       | Chairman (upto January 19, 2020)          |
| Ms. Gopika Pant           | Member (upto January 19, 2020)            |
| Mr. Adam Touhig           | Member (upto May 25, 2020)                |

#### Stakeholders Relationship Committee

|                         |   |
|-------------------------|---|
| Mr. Anthony Bell        | Chairman (with effect from June 23, 2020) |
| Mr. Sanjay Katyal       | Member                                    |
| Mr. Madan Singh Sisodia | Member                                    |
| Ms. Richa Porwal        | Member                                    |
| Mr. Adam Touhig         | Chairman (upto May 25, 2020)              |

#### Corporate Social Responsibility Committee

|                           |   |
|---------------------------|---|
| Mr. Sanjay Katyal         | Chairman                                |
| Mr. Rajeev Dogra          | Member                                  |
| Ms. Monica Widhani        | Member (with effect from April 1, 2020) |
| Mr. Subramaniam Ramaswamy | Member (with effect from April 1, 2020) |
| Mr. K N Subramaniam       | Member (upto January 19, 2020)          |
| Ms. Gopika Pant           | Member (upto January 19, 2020)          |

#### Chief Financial Officer

|                 |                               |
|-----------------|-------------------------------|
| Mr. Tushar Jain | with effect from May 15, 2019 |
|-----------------|-------------------------------|

#### Company Secretary

|                  |  |
|------------------|--|
| Ms. Richa Porwal |  |
|------------------|--|

#### Technical Collaborators

|   |  |
|---|--|
| GKN Driveline International GmbH, Germany |  |
|---|--|

#### Registered Office & Faridabad Works

|                                      |  |
|--------------------------------------|--|
| 270, Sector 24                       |  |
| Faridabad 121 005 (Haryana)          |  |
| Tel: +91 (129) 4091100, 6621300      |  |
| Fax: +91 (129) 6621349               |  |
| Group Website: www.gknautomotive.com |  |

#### Oragadam Works

|                                       |  |
|---------------------------------------|--|
| Plot NO. B-13, SIPCOT Industrial Park |  |
| Sriperumbadur, Kancheepuram 602105    |  |
| Tamil Nadu                            |  |
| Tel: +91 (44) 67128380                |  |
| Fax:+91 (44) 67128300                 |  |

#### Pune Works

|                                 |  |
|---------------------------------|--|
| Plot No. 4, Village Lonikand,   |  |
| Taluka - Haveli, Pune - 412 216 |  |
| Tel: +91 (20) 67090900          |  |

#### Share Transfer Agent

|   |  |
|---|--|
| MCS Share Transfer Agent Ltd.           |  |
| F-65, 1st Floor, Okhla Industrial Area, |  |
| Phase I, New Delhi 110 020              |  |
| Tel: +91 (11) 41406149/ 41406151 / 52   |  |
| Fax: +91 (11) 41709881                  |  |

#### Auditors

|   |
|---|
| Deloitte Haskins & Sells LLP, Chartered Accountants Gurgaon |
|---|

#### Bankers

|  |
|--|
| HDFC Bank Ltd.                                     |
| The Hongkong and Shanghai Banking Corporation Ltd. |
| Citibank N.A.                                      |
| State Bank of India                                |
| Indian Bank  |

#### Dharuhera Works

|                             |
|-----------------------------|
| 34 & 35, Industrial Area    |
| Dharuhera 122 106 (Haryana) |
| Tel.: +91 (1274) 277800     |

#### Kadi Works

|                                      |
|--------------------------------------|
| Plot No. B7, Mascot Industrial Park, |
| Jadavpura Cross Road, Kadi,          |
| Vithalapur Highway, Kadi             |
| Mehsana 382715 (Gujarat)             |
| Tel: +91 (2764) 243500               |



**GKN Driveline (India) Limited**

CIN: U74999HR1985PLC034079

Regd. Office: Plot No. 270, Sector 24,

Faridabad 121005 (Haryana), India

Tel : +91 (129) 4091100, 6621300

Fax: +91 (129) 6621349

Email: [gdi.stakeholder@gknautomotive.com](mailto:gdi.stakeholder@gknautomotive.com)

Group website: [www.gknautomotive.com](http://www.gknautomotive.com)

**NOTICE OF 35<sup>th</sup> ANNUAL GENERAL MEETING**

**Notice is hereby given that the 35<sup>th</sup> Annual General Meeting of members of GKN Driveline (India) Limited (CIN U74999HR1985PLC034079) ("the Company") is scheduled to be held on **Tuesday, September 29, 2020 at 11:00 am at its Registered Office, Plot No. 270, Sector 24, Faridabad 121 005 (Haryana), India** to transact the following business(es):**

**ORDINARY BUSINESS:**

1. To consider and adopt the Audited Financial Statements for the financial year ended on 31<sup>st</sup> March, 2020 including audited Balance Sheet as at March 31, 2020, Statement of Profit & Loss Account (including other comprehensive income), Cash Flow Statement and Statement of changes in Equity for the period ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To re-appoint a director in place of Mr. Matthew Nozemack (DIN-08351828) who retires by rotation and is eligible for re-appointment.
3. To confirm dividend of INR 146 per share (Interim dividend of INR 62 per share) as final dividend for FY 2019-2020.

**SPECIAL BUSINESS**

**4. Appointment of Mr. Subramaniam Ramaswamy as Independent Director:**

**To consider and if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION**

**"RESOLVED THAT** Mr. Subramaniam Ramaswamy (DIN-01952258) who was appointed as Additional Independent Director of the Company with effect from 1<sup>st</sup> April 2020 in the Board meeting held on 9<sup>th</sup> April 2020 for a term of 2 years in terms of provision of Section 161 of the Companies Act, 2013, 149, 152 and Companies (Appointment and Qualification of Directors) Rules 2014 read with schedule IV of the Act and who holds office till conclusion of this Annual General Meeting be and is hereby appointed as Independent Director of the Company."

**5. Appointment of Ms. Monica Widhani as Independent Director:**

**To consider and if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION**

**"RESOLVED THAT** Ms. Monica Widhani (DIN-07674403) who was appointed as Additional Independent Director of the Company with effect from 1<sup>st</sup> April 2020 in the Board meeting held on 9<sup>th</sup> April 2020 for a term of 2 years in terms of provision of Section 161 of the Companies Act, 2013, 149, 152 and Companies (Appointment and Qualification of Directors) Rules 2014 read with schedule IV of the Act and who holds office till conclusion of this Annual General Meeting be and is hereby appointed as Independent Director of the Company."

**6. Appointment of Mr. Anthony Bell as Non Executive Director:**

**To consider and if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION**

**"RESOLVED THAT** Mr. Anthony Bell (DIN-08754802) who was appointed as Additional Non-Executive Director of the Company and Chairman of the Board with effect from 23<sup>rd</sup> June 2020 in the Board meeting held on 23<sup>rd</sup> June 2020 in terms of provision of Section 161, 152 and Companies (Appointment and Qualification of Directors) Rules 2014 of the Companies Act, 2013 & Article 114 of Articles of Association of the Company, liable to retire by rotation and who holds office till conclusion of this Annual General Meeting be and is hereby appointed as Non executive Director of the Company."



**7. Alteration in Articles of Association of the Company:**

**To consider and if thought fit, to pass with or without modification(s), the following resolution(s) in terms of Section 14 of the companies Act, 2013 read with Companies (Incorporation) Rules, 2014, the following Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Section 14 of the companies Act, 2013 read with Companies (Incorporation) Rules, 2014 and other applicable provisions of the Companies Act, 2013 (including any statutory modifications or re-enactment(s) thereof for the time being in force), modified set of Articles of Association as tabled before the meeting be and is hereby read and adopted.

**RESOLVED FURTHER THAT** the modified article no. 136(a) shall read as below:

Notice of Directors' Meeting.

136 (a) Written notice of every meeting of the Board shall be sent to every Director at least seven days in advance thereof“

**“RESOLVED FURTHER THAT** Ms. Richa Porwal, Company Secretary of the company be and is hereby authorized to make necessary filings with the statutory authorities, including but not limiting to the Registrar of Companies and to take necessary action in this regard.”

**For and on the behalf of the Board of Directors of  
GKN Driveline (India) Limited**

**Sd/-  
Richa Porwal  
Company Secretary  
FCS- 8318**

**Date : August 27, 2020  
Place: Faridabad**

**Regd. Off:-**  
270, Sector 24,  
Faridabad 121 005 (Haryana), India  
Tel: +91 (129) 4091100, 6621300  
Fax: +91 (129) 6621349  
CIN: U74999HR1985PLC034079  
E-mail: [gdi.stakeholder@gknautomotive.com](mailto:gdi.stakeholder@gknautomotive.com)

**NOTES:**

- 1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person (such person need not be a member) as his proxy to attend instead of himself at the meeting. However, the proxy shall not have the right to speak at meeting and shall not be entitled to vote except on a poll.**
2. The instrument of proxy, in order to be effective, should be deposited at the registered office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting. A proxy form is annexed to this report.
3. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours (between 10:00 A.M. and 5:30 P.M.) of the Company, provided that not less than three days of notice in writing is given to the Company.
4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
5. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights.  
Provided that a member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
6. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the Meeting.



7. Members/ proxies should bring filled Attendance Slip enclosed herewith to attend the meeting.
8. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be made available for inspection by members of the Company.
9. The Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be made available for inspection by the members of the Company.
10. Members are advised, in their own interest, to convey to the Company at the earliest opportunity, any change in their postal addresses. They are also advised to typewrite their names and if they write in hand they must write their names and addresses in capital letters.
11. An explanatory statement pursuant to Section 102 of the Companies Act, 2013, relating to Special Business to be transacted at the Meeting is annexed hereto and forms part of this notice.
12. All the documents referred to in the Notice are open for inspection at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on all days except Sunday and Holidays until the date of the Annual General Meeting or any adjournment(s) thereof.
13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to M/s. MCS Share Transfer Agent Limited (Registrar & Transfer Agent), F-65, Okhla Industrial Area, Phase I, New Delhi – 110020 or to the Company.
14. Ministry of Corporate Affairs has taken Green Initiative and allowed the Companies to send Notice of Annual General Meeting, Balance Sheet and Auditors Report etc. to members of the Company as required under Section 101 and Section 136 of the Companies Act, 2013 though electronic mode. **Members are requested to send their email addresses to the Company at its registered office or to the Registrar & Transfer Agent.** Members who have not registered their e-mail address with the Company are requested to register the same by submitting the letter to M/s. MCS Share Transfer Agent Limited, F-65, Okhla Industrial Area, Phase I, New Delhi – 110020.
15. In accordance with the provisions of Section 72 of the Companies Act, 2013, members are entitled to make nominations in respect of the Equity Shares held by them, in physical form. Members desirous of making nominations may procure the prescribed form from the Registrar & Share Transfer Agent M/s. MCS Share Transfer Agent Limited and have it duly filled and sent back to them.
16. Electronic copy of the Annual Report is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report is being sent in the permitted mode.
17. Electronic copy of the Notice of the 35<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 35<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
18. **Voting through electronic means**
  - I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 35<sup>th</sup> Annual General Meeting by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the Annual General Meeting (“remote e-voting”) will be provided by National Securities Depository Limited (NSDL).
  - II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
  - III. The members who have cast their vote by remote e-voting prior to the Annual General Meeting may also attend the Annual General Meeting but shall not be entitled to cast their vote again.



- IV. The remote e-voting period commences on 26<sup>th</sup> September 2020 (9:00 am) and ends on 28<sup>th</sup> September 2020 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 22<sup>nd</sup> September 2020, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

- V. The process and manner for remote e-voting are as under:

**The procedure to login to e-Voting website consists of two steps as detailed hereunder:**

**Step 1 : Log-in to NSDL e-Voting system**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsd.com/>.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsd.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details will be as per details given below :
  - a) **For Members who hold shares in demat account with NSDL:** 8 Character DP ID followed by 8 Digit Client ID (For example if your DP ID is IN300\*\*\* and Client ID is 12\*\*\*\*\* then your user ID is IN300\*\*\*12\*\*\*\*\*).
  - b) **For Members who hold shares in demat account with CDSL:** 16 Digit Beneficiary ID (For example if your Beneficiary ID is 12\*\*\*\*\* then your user ID is 12\*\*\*\*\*).
  - c) **For Members holding shares in Physical Form:** EVEN Number followed by Folio Number registered with the company (For example if folio number is 001\*\*\* and EVEN is 101456 then user ID is 101456001\*\*\*).
5. Your password details are given below:
  - a. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
  - b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need enter the 'initial password' and the system will force you to change your password.
  - c. How to retrieve your 'initial password'?
    - i. If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
    - ii. If your email ID is not registered, your 'initial password' is communicated to you on your postal address.
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
  - a. Click on "**Forgot User Details/Password?**"(If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com).
  - b. "**Physical User Reset Password?**" (If you are holding shares in physical mode) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com).
  - c. If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
  - d. Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.



7. After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.
8. Now, you will have to click on “Login” button.
9. After you click on the “Login” button, Home page of e-Voting will open.

**Step 2 : Cast your vote electronically on NSDL e-Voting system.**

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.
3. Select “EVEN” of the Company.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.
6. Upon confirmation, the message “Vote cast successfully” will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders:**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail ([cs.ranjeet@gmail.com](mailto:cs.ranjeet@gmail.com) and [rpa@rpalegal.com](mailto:rpa@rpalegal.com)) to with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
  2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “[Forgot User Details/Password?](#)” or “[Physical User Reset Password?](#)” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
  - VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/ PIN for casting your vote.
  - VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
  - IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 22<sup>nd</sup> September 2020.
  - X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 22<sup>nd</sup> September 2020 may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Issuer/RTA.  
  
However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details/Password” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.
  - XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the Annual General Meeting.
  - XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.



- XIII. Mr. Ranjeet Pandey, Proprietor, Ranjeet Pandey & Associates, Practicing Company Secretaries, (Membership No. FCS- 5922) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the Annual General Meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of “remote e-voting” or “Ballot Paper” or “Poling Paper” for all those members who are present at the Annual General Meeting but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the Annual General Meeting, a consolidated scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVI. The Results declared along with the report of the Scrutinizer shall be placed on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

#### Notes pertaining to payment of dividend

- The record date for determining the entitlement of the shareholders to the final dividend for financial year 2019-20 is 18<sup>th</sup> September 2020.
- The dividend on Equity Shares, if declared at the AGM, will be credited on or before 28<sup>th</sup> October 2020 to the bank account of the shareholders whose bank mandate are updated in the records of the Depository Participants/Company as on the record date. For shareholders whose bank mandates are not updated with the Depository Participants / Company as on the record date, demand drafts or warrants or cheques shall be sent by speed post
- Shareholders who have not so far encashed their dividend paid by the Company upto and during the financial year ended March 31, 2020, may immediately approach the Company / RTA for claiming dividend amount.
- Pursuant to Finance Act, 2020, dividend income will be taxable in the hands of Shareholders w.e.f. April 01, 2020 and the Company is required to deduct tax at source at the prescribed rates from dividend to be paid to shareholders. For the prescribed rates under various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the RTA (in case of shares held in physical mode) and depositories (in case of shares held in demat mode). A resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.
- Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits.
- Above documents can be provided by sending an email to [admin@mcsregistrars.com](mailto:admin@mcsregistrars.com)

#### EXPLANATORY STATEMENT

The following Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 as amended to date sets out all material facts relating to the business mentioned at item nos. 2, 4, 5, 6 and 7 in the accompanying Notice.

#### Item No. 2

##### Profile of Mr. Matthew Nozemack:

Mr. Matthew Nozemack graduated from Boston College with a Bachelor of Science in accounting in 1995. Subsequently, He earned a Juris Doctor degree from Washington & Lee University School of Law and a Masters of Business Administration degree from Emory University. Mr. Matthew has been qualified to practice law in Georgia, USA since 1999. He joined Melrose in 2010 as General Counsel – North America and remains in this position and as part of his role, he is appointed as a director to a number of Melrose group companies.

None of the directors, Key Managerial Personnel or their relatives except Mr. Matthew Nozemack is concerned or interested in this resolution.

The Board recommends the resolutions set out in Item No. 2 for the approval of members.



## Special Business

### Item No. 4

#### **Appointment of Mr. Subramaniam Ramaswamy as Independent Director:**

The Board of Directors appointed Mr. Subramaniam Ramaswamy as Additional Independent Director of the Company with effect from 1<sup>st</sup> April 2020. Under Section 161 of the Companies Act, 2013, as amended to date, Mr. Subramaniam Ramaswamy will cease to hold office at this Annual General Meeting and is eligible for appointment.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr Subramaniam Ramaswamy will for the office of a Director of the Company.

Mr. Subramaniam Ramaswamy is a result oriented Consultant, legal professional and business enabler with over 33 years of professional experience in Board & Senior Management, Business Strategy & Advisory, legal, Intellectual Property, Corporate Governance, Compliance, Internal Audit and Secretarial domain. He is a member of the Institute of Company Secretaries of India and a law graduate. He has many accolades to his credit including several international achievements. He is a popular face at many seminars and debate forums. He also has a vast experience in the automotive industry. Currently he is running his own business consultancy and advisory firm called Medha advisors. He is also registered with IICA ID databank and is exempt from the test required.

None of the directors, Key Managerial Personnel or their relatives except Mr. Subramaniam Ramaswamy is concerned or interested in this resolution.

The Board recommends the resolutions set out in Item No. 4 for the approval of members.

### Item No. 5

#### **Appointment of Ms. Monica Widhani as Independent Director:**

The Board of Directors appointed Ms. Monica Widhani as Additional Independent Director of the Company with effect 1<sup>st</sup> April 2020. Under Section 161 of the Companies Act, 2013, as amended to date, Ms. Monica Widhani will cease to hold office at this Annual General Meeting and is eligible for appointment.

The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Ms. Monica Widhani for the office of a Director of the Company.

Ms Monica Widhani is a member of the Institute of Chartered Accountants of India and has thirty five years of business operations experience. She has adorned several leadership roles in different functions of Bharat Petroleum Corporation Limited. Held 6 Board positions as BPCL Representative Director on its Aviation Joint Ventures for two years. Led the Regulatory Affairs of BPCL as ED (Co-ordination) and championed many issues with several Ministries for three years. Held leadership positions in Aviation, Retail Marketing, and Retail Strategy. Conceptualised and implemented strategic initiatives in Northern Region. Pioneered key channel strategies including network planning, segmentation of channels etc. Being a Chartered Accountant started the career in Northern Region Finance and spent 9 years in Finance.

None of the directors, Key Managerial Personnel or their relatives except Ms. Monica Widhani is concerned or interested in this resolution.

The Board recommends the resolutions set out in Item No. 5 for the approval of members.

### Item No. 6

#### **Appointment of Mr. Anthony Bell as Non Executive Director:**

The Board of Directors appointed Mr. Anthony Bell as Additional Non executive Director of the Company with effect 23<sup>rd</sup> June 2020. Under Section 161 of the Companies Act, 2013, as amended to date, Mr. Anthony Bell will cease to hold office at this Annual General Meeting and is eligible for appointment.

Mr. Anthony Bell, born on Aug 3, 1970, holds a B-Eng Hons in Engineering Design & Alternative Technology from Warwick University, United Kingdom. Anthony joined GKN Automotive 24 years ago and held various global Engineering & Commercial roles based across the world. His most recent position was Engineering Director for the European customer group, before appointed as VP Operations Asia Pacific – Driveline in May 2020.

None of the directors, Key Managerial Personnel or their relatives except Mr. Anthony Bell is concerned or interested in this resolution.

The Board recommends the resolutions set out in Item No. 6 for the approval of members.

**Item No. 7****Alteration in Articles of Association of the Company:**

The Board of Directors in their meeting held on 27h August 2020 proposed to modify the existing Articles of Association of the Company. The said modification in Article no. 136(a) would facilitate providing updated information to the Board, by reducing the requirement of sending Notice and Agenda for the Board meeting to the Board members, from current 15 days to 07 days.

Further, in terms of Section 14 of the Companies act 2013, the Company would require approval of the members of the Company by way of special resolution to give effect the said modification in Articles of Association or new set of Articles of Association.

The Board of Directors has kept the draft copy of copy of modified Articles of Association, the members may verify if required and also the new set of Articles to be amended will be placed before the General meeting.

The Board of Directors recommends the approval of special resolution.

None of the Directors and the Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution of item no. 7

**For and on the behalf of the Board of Directors of  
GKN Driveline (India) Limited**

**Sd/-  
Richa Porwal  
Company Secretary  
FCS- 8318**

**Date : August 27, 2020**

**Place: Faridabad**

**Regd. Off:-**

270, Sector 24,

Faridabad 121 005 (Haryana), India

Tel: +91 (129) 4091100, 6621300

Fax: +91 (129) 6621349

CIN: U74999HR1985PLC034079

E-mail: [gdi.stakeholder@gknautomotive.com](mailto:gdi.stakeholder@gknautomotive.com)

**Details of Directors Appointed**

|   |   |   |                                       |
|---|---|---|---------------------------------------|
| Name                                      | Mr. Subramaniam Ramaswamy   | Ms. Monica Widhani  | Mr. Anthony Bell                      |
| Designation                               | Independent Director  | Independent Director  | Non executive director and Chairman   |
| Age                                       | 58 years  | 61 years  | 50 years                              |
| Qualification                             | Company Secretary , LLB   | Chartered Accountant  | Bachelor of Engineering - Honours     |
| Experience                                | 33 years  | 35 years  | 24 years                              |
| Date of Appointment                       | 1st April 2020  | 1st April 2020  | 23rd June 2020                        |
| Term of appointment                       | 2 years   | 2 years   | NA                                    |
| Terms of appointment                      | As per appointment letter   | As per appointment letter   | NA                                    |
| Remuneration                              | Yearly remuneration shall be maximum of INR 1 Mn, payable in the form of sitting fee @ INR 75k per meeting, Board or its Committees | Yearly remuneration shall be maximum of INR 1 Mn, payable in the form of sitting fee @ INR 75k per meeting, Board or its Committees | Payment Not Applicable                |
| Shareholding in the Company               | None  | None  | None                                  |
| Relationship with other directors/KMP     | Unrelated   | Unrelated   | Unrelated                             |
| No. of meetings attended during 2019-2020 | Not Applicable  | Not Applicable  | Not Applicable                        |
| No. of meetings attended during 2020-2021 | 7/7   | 7/7   | 2/2                                   |
| Other directorships                       | As per form MBP 1 submitted   | As per form MBP 1 submitted   | As per form MBP 1 submitted           |
| Membership of Board Committees            | Audit and Risk Management Committee   | Audit and Risk Management Committee   | Stakeholders Relationship Committee   |
|   | Nomination and Remuneration Committee   | Nomination and Remuneration Committee   | Nomination and Remuneration Committee |
|   | Corporate Social Responsibility Committee   | Corporate Social Responsibility Committee   | -                                     |



**STATEMENT OF PARTICULARS  
(PURSUANT TO SCHEDULE V OF THE COMPANIES ACT, 2013)**

**I. GENERAL INFORMATION**

| Sl. No | Particulars / Subject  | Information  |
|--------|--|--|
| 1.     | Nature of industry   | Manufacturing Automotive Products  |
| 2.     | Date or expected date of commencement of commercial production   | The Company was incorporated as Private Limited on July 25, 1985. Company's name changed more than once and latest change was from GKN Driveshafts (India) Limited to GKN Driveline (India) Limited on July 3, 2003.   |
| 3.     | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. | Not Applicable   |
| 4.     | Financial performance based on given Indicators  | In the Financial year ended March 31, 2020, the Company made net turnover of INR 9415 Mn and profit before tax of INR 835 Mn. Whereas in the financial year ended March 31, 2019, the Company had registered net turnover of INR 10,776 Mn and profit before tax of INR 504 Mn.  |
| 5.     | Export performance and net foreign exchange collections  | During the Financial year ended March 31, 2020, the Company posted foreign currency inflows of INR 729 Mn in comparison to foreign currency inflows of INR 220 Mn in the financial year ended March 31, 2019.  |
| 6.     | Foreign Investments or collaborators, if any.  | During the period, the Company did not make any foreign investments or executed any foreign collaboration. The Company is having technical collaboration with GKN Driveline International GmbH, Germany since 2003 and under the collaboration agreement the Company draws various state of the art technologies from GKN. |

**II. INFORMATION ABOUT THE APPOINTEE**

| Sl. No | Particulars / Subject  | Information  |
|--------|--|--|
| 1.     | Reason of loss or inadequate profits.                                  | The company has earned a profit before tax of INR 835 Mn and profit after tax of INR 632 Mn. The profit before interest, tax and depreciation (EBITDA) is INR 1382 Mn (14.68%) as compared to INR 1142 Mn ( 10.60 %) in previous year mainly due to reduction in Employee benefit expenses by INR 127 Mn, reduction in Business auxiliary service charges by INR 171 Mn and reduction in slow moving inventory by INR 22 Mn, when compared with previous year. Net profit is better due to significant one-off provisions created during the previous year for contingencies and tax matters, INR 184 Mn which is not in current year and reduction in finance cost by INR 135 Mn. |
| 2.     | Steps taken or proposed to be taken for improvement.                   | The company is planning on cost rationalization through headcount optimization, fixed cost rationalization, re-negotiation with suppliers, reduction/deferment of capex, implementation of solar power projects, product localization by expanding manufacturing facility at its Pune and Kadi plant. . Your company is also expected to win some new businesses from existing and potential customers.  |
| 3.     | Expected increase in the productivity and profits in measurable terms. | The Company believes that the aforesaid measures would help maintain the revenue and profit margin of the Company although the next Financial Year would be very challenging in view of COVID 19 pandemic, lockdown and its consequences.  |



## DIRECTORS REPORT

To the Members of  
GKN Driveline (India) Limited  
Plot No. 270, Sector 24,  
Faridabad-121005, Haryana

Your Directors have pleasure in presenting their 35<sup>th</sup> Board Report on the audited Accounts of the Company for the financial year ended March 31, 2020

### **FINANCE**

The summarized financial figures are given below:

(Rs.in Mn)

|   | <b>Apr 1, 2019<br/>to<br/>Mar 31, 2020</b> | <b>Apr 1, 2018<br/>to<br/>Mar 31, 2019</b> |
|---|--|--|
| Revenue from Operations                                       | 9,415.13                                   | 10,775.84                                  |
| Other Income  | 103.38                                     | 150.45                                     |
| Profit /(loss) before Tax, Interest and Depreciation (EBITDA) | 1,381.84                                   | 1,141.80                                   |
| Profit /(loss) before Tax and Depreciation (EBTDA)            | 1,283.10                                   | 908.02                                     |
| Profit /(loss) before Tax (PBT)                               | 835.19                                     | 504.52                                     |
| Tax   | 202.69                                     | 367.91                                     |
| Net Profit / (Loss)   | 632.50                                     | 136.61                                     |
| Other Comprehensive Income                                    | (17.19)                                    | 6.97                                       |
| Total Comprehensive Income/(loss) for the year                | 615.31                                     | 143.58                                     |

### **Financial performance**

The Company's top-line showed a degrowth of 12.63 % when current year is compared with previous year mainly due to lower market demand and discontinuation of supplies for Hyundai QXi model on account of pricing dispute. However, the export sale has increased by 172.15 %. The profit before interest, tax and depreciation (EBITDA) is INR 1381.84 Mn (14.68%) as compared to INR 1141.80 Mn (10.60 %) in previous year. EBITDA is better than previous year due to reduction in Employee benefit expenses by INR 127 Mn, reduction in Business auxiliary service charges by INR 171 Mn and reduction in slow moving inventory by INR 22 Mn, when compared with previous year. Net profit is better due to significant one-off provisions created during the previous year for contingencies and tax matters, INR 184 Mn which is not in current year and reduction in finance cost by INR 135 Mn.

Your Directors are satisfied that the accounts represent correct performance of the company and give a true and fair view of the state of affairs of the company as at March 31, 2020 and of the profit of the company for that year.

### **STATE OF THE COMPANY'S AFFAIRS AND OPERATIONS**

Focus in 2019-20 continued to be on maintenance of harmonious industrial relations and retaining business and its growth by production excellence.

Dharuhera plant received Quality circle award from CII (32nd Quality Circle competition). It also received Silver award from Honda Cars India Limited for Quality, Cost and Delivery. Industrial relations have been cordial during the year with LTA settlement successfully executed for both North plants with the Union.

At Faridabad, new initiatives were taken to improve the safety culture in the plant, like Forklift area physical barricading provided to isolate pedestrian movement, life line installation on roof top and on DG's chimneys completed. Faridabad Plant Won The Kaizen Competition organized by CII. It also won Won CII Award in Best Innovative Practices (EHS) Category and CII Special Jury Award in Low cost automation Category.

RFID installation on FLT in Chennai plant. The plant won CII SR – EHS Excellence Awards 2019 in Auto & Automotive sector with Highest 5 \* Rating. ORA team Won "Gold Awards – 2 Nos" and "Silver Award – 1 No" in Quality circle competition conducted by QCFI. It also implemented Artificial Intelligence technology for human identification in forging press operations & ensured safe work place & presented in GKN Forging Council. The plant also achieved Ford-Q1 GOLD status.



GKN Pune Maintenance team won first prize in HSE category at BAVA (Bajaj Auto Vendor's Association) Kaizen competition. Solid Waste Management project was presented by the team for first quarter of 2020. The plant also won Platinum award in Quality Olympics 2019 for zero customer concerns. Bajaj Awarded GKN Pune plant with "GOLD" consistent Award. Further, Volkswagen awarded A rating in VDA audit. General Motors awarded Pune plant with GM Supplier quality excellence award for 2019.

Kadi plant operations kick started from 12th April 2019. It won Platinum award in Quality Olympics 2019 for zero customer concerns. The plant also received Provisional Eligibility Certificate from Industrial Incentive Dept- Govt. of Gujarat.

COVID-19 has impacted all stakeholders in the value chain who will experience both short and medium term impact.

The Operations & the Financial Results of the Company during the Quarter/Year ended 31st March 2020 were marginally impacted due to sudden shutdown of the company's plants under the lockdown announced by the State/Central Government after the outbreak of COVID-19 Pandemic in March 2020. The Company has since resumed its operations at various plants in a phased manner since May, 2020 conforming to the guidelines of the Government. All necessary precautions relating to hygiene, sanitization, social distancing, care and protection and payment to the employees would continue to be followed

#### AMOUNT PROPOSED TO BE CARRIED TO RESERVES

No amount was transferred to reserves during the year.

#### DIVIDEND

The Board of Directors of the Company at its meeting held on 27th August 2019, declared an interim dividend of INR 62 per equity share (620%) of face value of INR 10 each for the year 2019-20. The same was credited/dispensed to the shareholders on 12th September 2019.

The Board of Directors of the Company at its meeting held on 27th August 2020, further declared a final dividend of INR 84 per equity share (840%) of face value of INR 10 each for the year 2019-20, subject to approval of shareholders at the ensuing Annual General Meeting.

The Board of Directors of the Company has proposed INR 146 (including INR 62 per share interim dividend) as final dividend for the year ended 31 March 2020.

#### INDEPENDENT AUDITORS AND AUDITORS' REPORT

M/s. Deloitte Haskins & Sells LLP, Gurugram were re-appointed as Statutory Auditors of the Company at the last Annual General Meeting. The Report given by the Auditors (DHS) on the financial statements of the Company is part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

#### FOREIGN EXCHANGE EARNING AND OUTGO

##### Capital and other commitments:

(Rs in Mn)

| Particulars   | As at 31.03.2020 | As at 31.03.2019 |
|---|------------------|------------------|
| <b>Capital commitments</b>  |                  |                  |
| (a) Estimated value of contracts in capital account remaining to be executed. | 74.73            | 172.49           |

#### FOREIGN CURRENCY OUTFLOW IN 2019-20

| Foreign Currency | FC Value (In Mn) | INR (Mn) |
|------------------|------------------|----------|
| USD              | 10.11            | 718.98   |
| EUR              | 7.82             | 655.93   |
| JPY              | 86.46            | 57.59    |
| GBP              | 0.82             | 77.93    |

#### FOREIGN CURRENCY INFLOW IN 2019-20

| Foreign Currency | Amount (In Mn) | INR (Mn) |
|------------------|----------------|----------|
| USD              | 6.76           | 480.60   |
| GBP              | 2.7            | 248.75   |



## CHANGE IN NATURE OF BUSINESS

There was no change in the nature of business during the year.

## CONSERVATION OF ENERGY

### Steps taken and impact on conservation of energy:

During the year 2019-20, Company initiated various steps for conserving electricity.

#### FAR

- *Replaced street lights CFL , T5 conventional lights with LED lighting. Now entire plant is only on LED lighting ,*
- *Installation of Inverter type 5 Star rating energy efficient air conditioners.*
- *Solar power plant of 200KWp generated 0.221 Mn KWH power in 2019 .*
- *Compressed air leakages controlled in the plant and saved 0.15 KWH in 2019*
- *Auto timer system installed in all air conditioners / lights etc.*
- *Investment – INR 3.0 Mn*

#### PUN

- *Conversion of existing air cooled oil chiller to water cooled on cage cell and saved 0.075 Mn Kwh power.*
- *Optimized air pressure setting of all air compressors and saved 0.23 Mn Kwh power.*
- *Auto timer system installed in all air conditioners / lights etc. and saved 4.2k Kwh power.*
- *Optimized office Air Conditioner temperature setting and saved 4.6k Kwh power*
- *implemented rain water harvesting project and save about 0.12 Mn KL of water.*
- *Investment – INR 0.19 Mn*

#### ORA

- *Interfacing conveyer with Komatsu press to detect and stop on every change over reduced 0.04 units of power*
- *All CVJ – Machining line cell lights and fans circuits integrated together and control through weekly flex timer, So that the loss of energy on lunch and tea time reduced by 7200 units of power.*
- *Office area optimization done through relocating staffs seating arrangement effectively through which PF- and CVJ first floor air conditions not used – saved 24k units of power.*
- *PF- Shot blasting machine addressed as energy loss – FMEA model machine – Through this process, hydraulic pump logics were changed through which reduced power consumption by 14.4k units of power.*
- *Investment – INR 0.10 Mn*

#### DHA

- *Installation of Inverter type 3 Star rating energy efficient air conditioner in offices.*
- *UV Fluorescent lights 400watts are replaced by UV Led lights 24 watts in Crack Check machines*
- *Energy consumption reduced by Installing Variable Frequency Drive in Washing m/c, Rolling m/c & Tempering m/c in Shaft cells.*
- *Energy saving through single switch and prevent idle running of conveyors and machines as per requirement*
- *Air leakage arresting on the machines from Pu pipes, Pneumatic actuators & valves by providing the shutoff valve in the main air line.*
- *LED VU light in place of Fluorescent Light on crack check 05 m/c's and reduced the energy consumption from 400 W to 24 W.*
- *Investment – INR 1.00 Mn*



## TECHNOLOGY ABSORPTION

The Company maintains interaction with GKN Group internationally. The benefits derived by the Company through technology absorption and Research & Development are detailed in **Annexure A** with this Report. Company continuously imports technology from GKN Group under the Technical Collaboration Agreement and the same is fully absorbed. Company is receiving support and guidance from GKN Group to drive functional excellence in marketing, human resource, application engineering, supply management and information technology, among others, which helps Company to remain competitive and further step-up its overall business performance. GKN is committed to ensuring that the support in terms of new products, innovations, technologies and services is commensurate with the needs of the Company and enables it to continue as market leader.

## AUTOMOTIVE INDUSTRY AND OUTLOOK:

### Auto Industry India:

As per data released by SIAM the industry produced a total 26,362,282 vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers and Quadricycles in April-March 2020 as against 30,914,874 in April-March 2019, registering a de-growth of 14.73 percent over the same period last year. The production and sales data are as below:

|                    | Production (Apr-Mar) |           |        | Domestic Sales (Apr-Mar) |           |        | Exports (Apr-Mar) |         |        |
|--------------------|----------------------|-----------|--------|--------------------------|-----------|--------|-------------------|---------|--------|
|                    | 2018-19              | 2019-20   | Growth | 2018-19                  | 2019-20   | Growth | 2018-19           | 2019-20 | Growth |
| Passenger Cars     | 2,711,060            | 2,175,075 | -19.8% | 2,218,489                | 1,695,441 | -23.6% | 513,900           | 490,747 | -4.5%  |
| Utility Vehicles   | 1,099,748            | 1,124,871 | 2.3%   | 941,474                  | 946,006   | 0.5%   | 158,251           | 183,667 | 16.1%  |
| Vans               | 217,531              | 133,798   | -38.5% | 217,426                  | 132,124   | -39.2% | 4,029             | 2,892   | -28.2% |
| Passenger Vehicles | 4,028,339            | 3,433,744 | -14.8% | 3,377,389                | 2,773,571 | -17.9% | 676,180           | 677,306 | 0.2%   |

The current scenario of automotive market is as below:

|                    | January to March : 2019 vs 2020 |         |        |                |         |        |         |         |        |
|--------------------|---------------------------------|---------|--------|----------------|---------|--------|---------|---------|--------|
|                    | Production                      |         |        | Domestic Sales |         |        | Exports |         |        |
|                    | 2019                            | 2020    | Growth | 2019           | 2020    | Growth | 2019    | 2020    | Growth |
| Passenger Cars     | 669,321                         | 527,775 | -21.1% | 528,710        | 404,203 | -23.5% | 126,546 | 86,196  | -31.9% |
| Utility Vehicles   | 303,633                         | 281,955 | -7.1%  | 259,238        | 219,849 | -15.2% | 38,118  | 50,158  | 31.6%  |
| Vans               | 61,718                          | 34,568  | -44.0% | 56,267         | 31,088  | -44.7% | 1,219   | 571     | -53.2% |
| Passenger Vehicles | 1,034,672                       | 844,298 | -18.4% | 844,215        | 655,140 | -22.4% | 165,883 | 136,925 | -17.5% |

Indian automotive industry started with low pace in 2020 further impacting the industry due to lockdown applied from March 2020.

The passenger vehicles segment witnessed a degrowth of 78.40 % in domestic sales at 153,734 units in April-June 2020 as compared to 712,684 units sold in the same period last year.

## HUMAN RESOURCES

Human Resource Management has remained focused on the following:

1. **Employees – Development-Employee Empowerment- Employee Engagement**
2. **Climate Building**
3. **Employee productivity and cost**
4. **Talent management, diversity and inclusion**
5. **Employee engagement and happiness**
6. **Strength based organisation, & Sound Employee Relation**

**1) Employees – Development-Employee Empowerment- Employee Engagement**

- GKN believes in the culture of Participative Management, which cover all employees of GKN. The Company has opted for 'Open Door Policy' in the organization. Each of the employees are allowed to approach any level of the Management for his/her individual or group issues / grievances. In addition, to facilitate the interaction between Employees and Management, many forums of interactions are organized on regular basis wherein employees can share their views and put forward their issues before Management. All employees are involved in decision-making process through various Committees / forums and Cross Functional Teams.
- In other words, the Company has set up adequate forums for Redressal of grievances of Associates. All associates are allowed to take part and attend these forums & seek Redressal of their grievances, if any. Some of these formal forums are as follows:
  1. Cafeteria Committee Meeting
  2. Safety Committee Meeting
  3. Grievance Handling Procedure
  4. HR Help Desk ( Under Development)
  5. Anti-Harassment Policy

**2) Climate Building****1. Employee Motivation**

- a) Sports & Recreational Activities.
- b) Event Management
- c) Skill Enhancement / Self Development Training Programs

**2. Talent Management**

- a) Development Centers
- b) Individual Development Programs (IDPs)

**3. Reward & Recognition**

- a) Best Employee of the Month
- b) Best Employee of the Year
- c) Suggestion Scheme
- d) Appreciation/Kaizen Award
- e) On-the-Spot Award
- f) Long Service Award

**4. Business Excellence**

- a) 5 "S"
- b) Kaizen
- c) Quality Circle
- d) IMS (ISO 9001, ISO 14001, OHSAS 18001) Certification
- e) TQM
- f) TPM
- g) Suggestion Scheme
- h) On-the-job Training Programs

**POSH**

- Making a clear distinction between accepted and unaccepted social interactions,
- Deploying an effective sexual harassment complaint resolution mechanism and
- Providing a framework for educational initiatives to increase the awareness levels on recognizing and dealing with incidents of sexual harassment in the workplace.

**3) Employee productivity and cost**

- The Human Resources Management (HRM) function has driven changes in striking a balance between business needs and individual aspirations. HRM focus is on improving the way of life, work culture, employee engagement, productivity, effectiveness and efficiency.

**4) Talent management, diversity and inclusion**

- Training, development and the recruitment of the next generation of employees is an ongoing focus; Company's comprehensive in-house training calendar of Management Development Programs covers a blend of functional and soft skills development of employees. To continuously develop human resource at all levels, the Company focused on:
  - a) Core Foundation knowledge
  - b) Functional Development
  - c) Business Development
  - d) Leadership Development
- These initiatives are part of succession planning and professional development. Measures for training and development that focused on ethics and compliance, safety of the employees and environmental awareness received the top priority of the management.

**5) Employee engagement and happiness**

- We continue to invest in and measure our employee engagement, and to further improve connect with employees with Outside Agency Gallup Survey "Engage Me". Through Internal PCI (Performance Climate Index Survey) Company's endeavour is to improve on its strengths and address the right concerns of employees for improvement in organizational culture and work life of employees through partnering with them. The organization structure, work and people allocation are being periodically re-calibrated to cater to current and future business requirements, and to further improve efficiency and focus on key business areas requiring specialized expertise for execution. The focus is to have right structure to support the business with adequate responsibility and accountability for performance deliveries. Towards this end, talent rationalization is a continuous exercise through which Company drives for optimum employee engagement and productivity.

**6) Strength based organisation, & Sound Employee Relation**

- The human resource (HR) strategy is focused on creating a performance-driven environment in the Company, where innovation is encouraged, performance is recognised, and employees are motivated to realise their potential. The Company believes in a strong performance driven culture and the Performance Management System (PMS) ensures that the Company derive the best from its talent. With an aim to align individual competencies with available organizational opportunities, the Company continues to provide career planning support for employee development and organizational growth. Regarding industrial relations, the Company continues to manage the process by aligning workforce with business.

After nation wide lockdown was announced in March 2020, the employees were advised to work from home. Priority was given to employee protection and safety. For this the company drew its Restart manual. In office and plant premise the company followed most conservative disease control protocols and defined travel guidelines & quarantine requirements and plan for flexible work plans and home office.



## Particulars of Employees

Details of employee remuneration, pursuant to Section 197 of the Companies Act, 2013 and Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, and any amendments thereof, are attached with the Report in **Annexure B**.

Disclosures with respect to the remuneration of Directors and Key Managerial Personnel as required under Section 197 of Companies Act, 2013 and Rule 5 (1) Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been appended in MGT 9 attached with this Report.

## CORPORATE SOCIAL RESPONSIBILITY

Section 135 of the Companies Act 2013 and Rules made there under on Corporate Social Responsibility is applicable to the Company for the financial year 2019-2020. The company has earned profit that exceeds the threshold limit. In alignment with its CSR strategy, the Company has been continuing to contribute for betterment of the society and the community in which it operates, to help promote their sustained growth. The Company spends time, effort and money on different CSR projects with Non-Government Organizations for Education of the Children of Brick Kilns workers (Pranab Kanya Sangh, Faridabad), supporting under privileged children through sponsorship of education and health, free technical and vocational skills for women, Rehabilitation of Multiple Disabled Children (Association for the welfare of the Handicapped for Multiple Disabled Children, Faridabad), Sewing and Beautician Centre for Women (Uday Society for Development, Faridabad) and Sewing and Beautician Centre for Women (Company operated, Dharuhera).

In addition to above, during the year, the company undertook several other CSR projects viz. painting and renovation of school buildings, construction of cooking room, playground area at a slum school near Oragadam plant, construction of washroom and urinals for male and female in slum schools at Dharuhera, construction and development of drainage system and road at Pune, construction of classrooms and school building renovation at Dharuhera and Faridabad, Support of solar power units installation at boys and girls government school Faridabad and supply of medical beds at government hospital Pune to support COVID 19 treatment. Total amount spent on CSR activities during the FY 2019-20 was INR 21.20 Mn.

The contents of the CSR policy are attached as **Annexure C**.

## LOANS, GUARANTEES OR INVESTMENTS

During the period, the Company has not paid/given any loan, guarantee or investments to any corporate as defined in Section 186 of the Companies Act, 2013.

## SECRETARIAL STANDARDS

The Directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meetings of Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement under Section 134 (3) and (5) the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- a. in the preparation of the annual accounts for the period ended on March 31, 2020, 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 March 31, 2020 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; and
- e. the directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively



## **HEALTH, SAFETY AND ENVIRONMENT**

The company is committed for continual improvement in Health & Safety performance with goal of zero preventable accidents. During April 2019 – March 2020, we achieved zero loss time accident.

## **LEGAL AND GOVERNANCE**

GKN has a strong legacy of practicing fair, transparent and ethical governance par excellence. Besides complying with the statutorily prescribed legal and Governance practices, the Company has voluntarily adopted and evolved various practices governance conforming to highest ethical and responsible standards of business, globally benchmarked. GKN views legal compliance and Governance more as a way of life than a mere legal obligation. It forms part of business strategy which includes, inter-alia, creating an organization intended to maximise wealth of shareholders, establish productive and lasting relationship with all stakeholders with emphasis laid on fulfilling the responsibility towards entire community and society. 'Good Governance' is not an end, it is just a beginning towards growth of company for a long term prosperity.

The Company has established systems, procedures and policies to ensure that its Board of Directors is well informed and well equipped to discharge its overall responsibilities and provide the management with the strategic direction catering to exigency of long term shareholders value. It's initiatives towards adhering to highest standards of governance include self governance, professionalization of the Board, fair and transparent processes and reporting systems and going beyond the mandated Corporate Governance requirements as per the Companies Act 2013 and any amendment thereof.

### **Corporate Governance**

Corporate Governance is modus operandi of governing a corporate entity which includes a set of systems, procedures and practices which ensure that the Company is managed in the best interest of all corporate stakeholders i.e. shareholders, employees, suppliers, customers and society in general. Fundamentals of

Corporate Governance includes transparency, accountability and independence. For accomplishment of the objectives of ensuring fair Corporate Governance the Government of India has put in place a framework based on the stipulations contained under the Companies Act, SEBI Regulations, Accounting Standards, Secretarial

Standards, etc. Corporate Governance has become a buzzword in the corporate world. Globalization, widespread of shareholders, changing ownership structure, greater expectations, etc. have made a good Corporate Governance sin-quo-nun of modern management. Your Company strictly and strongly adheres to these requirements and norms.

We at GKN, confirm to highest standards of Corporate Governance through regular Board and committee reviews, business reviews, submission of various certifications to the GKN group by the top management. Internal audit conducted through out the year with quarterly scope covering every function.

### **Vigil Mechanism/Whistle Blow System**

To support Company's employee Disclosure Procedure Policy, the Company operates Group-wide international whistleblowing hotline. Run by an external and independent third party, the hotline facilitates arrangement whereby employees can make confidential disclosures about suspected impropriety and wrongdoing. Further, in terms of section 143 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014,

as amended, notifications / circulars issued by the Ministry of Corporate Affairs from time to time, no fraud has been reported by the Auditors of the Company where they have reason to believe that an offence involving fraud is being or has been committed against the Company by officers or employees of the Company.

### **Secretarial Audit**

In terms of provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration) Rules, 2014, the Secretarial Audit was carried out by M/s Ranjeet Pandey & Associates, Company Secretaries, and Secretarial Auditor of the Company for the financial year 2019-20. There was no qualification, reservation or adverse remarks given by Secretarial Auditors of the Company. The report on Secretarial Audit is appended as an **Annexure D** to this Report.



## POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION

### **Managerial remuneration for FY 2019-20:**

During the Financial Year 2019-20, the Managerial remuneration was paid to Mr. Sanjay Katyal, Managing Director, Mr. Madan Singh Sisodia, Executive Director, Mr. Rajeev Dogra, Executive Director and Mr. Vinod Kumar Singh, Executive Director.

The remuneration paid details are as follows;

| S No. | Name and designation of Managerial person   | Amount paid during the FY 2019-20 (INR) |
|-------|---|---|
| 1     | Mr. Sanjay Katyal, Managing Director        | 6,773,191                               |
| 2     | Mr. Madan Singh Sisodia, Executive Director | 7,760,517                               |
| 3     | Mr. Rajeev Dogra, Executive Director        | 5,977,402                               |
| 4     | Mr. Vinod Kumar Singh, Executive Director   | 1,821,316                               |

Your company has a policy in place governing the appointment and remuneration to Directors, KMPs and SMPs. The contents of the policy are attached as **Annexure E** to this report.

### **Board of Directors & Key Management Personnel**

#### *(a) Policy of appointment & remuneration:*

The Directors of the Company are appointed by Members at the General Meetings. All Directors, except the Managing Director & Independent Directors are liable to retire by rotation at the Annual General Meeting and, if eligible, they can offer themselves for re-election. The Managing Director of the Company is appointed for a term not exceeding five years as per the Companies Act 2013. The Executive Directors on the Board serve in accordance with the terms of their contract of service with the Company.

#### *(b) Board Structure and changes in composition:*

During the period, Company's Board and its Committees were restructured. The Company's Board comprises of Mr. Adam Touhig – Chairman up to 25th May 2020, Mr. Anthony Bell – Additional non executive director and Chairman wef 23rd June 2020, Mr. Sanjay Katyal- Managing Director w.e.f. 1st February 2019, Mr. Madan Singh Sisodia - Director, Mr. Jonathon Colin Fyfe Crawford and Mr. Matthew Richard Nozemack as Non executive Director wef 27th February 2019, Mr. Rajeev Dogra as Executive Director wef 15th May 2019 and Mr. Krishnamurthy Naga Subramaniam and Ms. Gopika Pant as Independent Directors upto 19th January 2020, as on March 31, 2020. Mr. Vinod Kumar Singh and Mr. Wilson Ng resigned w.e.f 23rd April 2019 and 19th July 2019 respectively. Mr. Subramaniam Ramaswamy and Ms. Monica Widhani were appointed as Independent Directors wef 1st April 2020.

Mr. Anthony Bell, born on Aug 3, 1970, holds a B-Eng Hons in Engineering Design & Alternative Technology from Warwick University, United Kingdom. Anthony joined GKN Automotive 24 years ago, and held various global Engineering & Commercial roles based across the world. His most recent position was Engineering Director for the European customer group, before appointed as VP Operations Asia Pacific – Driveline in May 2020.

Mr. Subramaniam Ramaswamy is a result oriented Consultant, legal professional and business enabler with over 33 years of professional experience in Board & Senior Management, Business Strategy & Advisory, legal, Intellectual Property, Corporate Governance, Compliance, Internal Audit and Secretarial domain. He is a member of the Institute of Company Secretaries of India and a law graduate. He has many accolades to his credit including several international achievements. He is a popular face at many seminars and debate forums. He also has a vast experience in the automotive industry. Currently he is running his own business consultancy and advisory firm called Medha advisors.

Ms Monica Widhani is a member of the Institute of Chartered Accountants of India and has thirty five years of business operations experience. She has adorned several leadership roles in different functions of Bharat Petroleum Corporation Limited. She held 6 Board positions as BPCL Representative Director on its Aviation Joint Ventures for two years. Led the Regulatory Affairs of BPCL as ED (Co-ordination) and championed many issues with several Ministries for three years. She held leadership positions in Aviation, Retail Marketing, and Retail Strategy. She conceptualised and implemented strategic initiatives in Northern Region. Pioneered key channel strategies including network planning, segmentation of channels etc. Being a Chartered Accountant she started the career in Northern Region Finance and spent 9 years in Finance.

The Board believes that with their experience and expertise, the new appointed Independent directors will benefit the board and the company in times to come.



(c) *Board Meetings:*

The Board meets at regular intervals to discuss and decide on Company policy and strategy apart from other Board business. The Board Meetings are pre-scheduled and a tentative annual calendar of the Board Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which is noted and confirmed in the subsequent Board meeting. The Directors also attend the board meetings through Video conferencing with recording facility, in case they are unable to attend the meeting physically, of which a proper record is maintained. During the period under review, six board meetings were held on 15th May 2019, 27th August 2019, 30th October 2019, 23rd December 2019, 24th December 2019 and 19th March 2020. The maximum interval between any two meetings did not exceed 120 days. The number of meetings attended by each director is attached to this report as **Annexure F**.

(d) *Key Managerial Personnel:*

Mr. Sanjay Katyal- Managing Director (wef 1st Feb 2019) , Mr. Madan Singh Sisodia – Executive director and Chief Financial Officer (Chief Financial Officer upto 14th May 2019) Mr. Tushar Jain - Chief Financial Officer (wef 15th May 2019), Mr. Rajeev Dogra, Executive Director (wef 15th May 2019) and Ms. Richa Porwal- Company Secretary are the designated Key Managerial Personnel of the Company

**Audit and Risk Management Committee**

Audit & Risk Management Committee of the Board comprises of Mr. Wilson Ng (Chairman upto 19th July 2019), Mr. Madan Singh Sisodia (wef 26th August 2019) Mr. Krishnamurthy Naga Subramaniam (Member) and Ms. Gopika Pant (Member) upto 19th January 2020. Committee Meetings are pre-scheduled and a tentative annual calendar of the Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. The committee members also attend the meetings through Video conferencing with recording facility, in case they are unable to attend the meeting physically, of which a proper record is maintained. During the period, the Committee met five times i.e. on 15th May 2019, 27th August 2019, 30th October 2019, 23rd December 2019 and 24th December 2019. The number of meetings attended by each director is attached to this report as **Annexure F**.

**Nomination & Remuneration Committee**

The Board has re-constituted Nomination & Remuneration Committee. The Committee comprises of Mr. KN Subramaniam (Chairperson) upto 19th January 2020, Mr. Adam Touhig upto 25th May 2020, Ms. Gopika Pant upto 19th January 2020, Mr. Vinod Kumar Singh (upto 23rd April 2019) and Mr. Rajeev Dogra w.e.f. 15th May 2019 as Members. Committee Meetings are pre-scheduled and a tentative annual calendar of the Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. The committee members also attend the meetings through Video conferencing with recording facility, in case they are unable to attend the meeting physically, of which a proper record is maintained. The Committee met four times on on 15th May 2019, 27th August 2019, 30th October 2019 and 24th December 2019. The number of meetings attended by each director is attached to this report as **Annexure F**.

**Stakeholders' Relationship Committee**

The Stakeholders' Relationship Committee is comprised of Mr. Wilson Ng, as the Chairman (upto 19th July 2019) Mr. Adam Touhig (wef 26th August 2019), Mr. Madan Singh Sisodia – Member and Ms. Richa Porwal- Company Secretary, Mr. Sanjay Katyal, member wef 1st Feb 2019. The committee members also attend the meetings through Video conferencing with recording facility, in case they are unable to attend the meeting physically, of which a proper record is maintained. During the period, the Committee met five times on 15th May 2019, 27th August 2019, 30th October 2019, 24th December 2019 and 20th February 2020 to redress/address shareholders' grievances and requests. The number of meetings attended by each director is attached to this report as **Annexure F**.

**Corporate Social Responsibility Committee**

The company framed a comprehensive CSR policy and constituted a CSR committee for the implementation of policy. The CSR policy is formulated as per Section 135 of the Companies Act 2013. A three-tier governance structure is responsible for implementing CSR activities for the company. These include the CSR Committee of the Board, Central CSR Team, and Operational CSR Teams located at respective plant sites. CSR Committee consists of four directors of which at least



two are independent directors. The CSR Committee of the Board consists of its chairman, Mr. Sanjay Katyal, Managing Director (wef 1st February 2019) Mr. Vinod Singh (upto 23rd April 2019)– Director, Mr. Rajeev Dogra wef 15th May 2019, Mr. K N Subramaniam – Independent Director upto 19th January 2020 and Ms. Gopika Pant – Independent Director upto 19th January 2020. Company Secretary of the Company will be responsible for activation, coordination between CSR Committee, Board, Sub – Committee and Plant Committees.

To ensure effective implementation of the CSR programmes undertaken at each Plant, a monitoring mechanism has been put in place. The CSR plan for Financial Year 2020-2021 was finalized and the projected amount of spent is INR 22. 00Mn approx. The contents of the policy are attached as **Annexure C**.

During the year, the Committee met on 15th May 2019 and 30th October 2019. The number of meetings attended by each director is attached to this report as **Annexure F**.

#### **Independent Director's meeting**

Independent Directors of the Company met separately in 2019-2020 without the presence of Non-Independent Directors and members of management. In accordance with the Companies Act 2013 requirements, following matters were, inter alia, reviewed and discussed in the meeting:

- Performance of Non-Independent Directors and the Board of Directors as a whole.
- Performance of the Chairman of the Company taking into consideration the views of executive and Non-Executive Directors.
- Assessment of the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

#### **RELATED PARTY TRANSACTIONS (SECTION 188)**

In line with the requirements of the Companies Act, 2013 the Company has adopted a consistency on Related Party Transactions. It is ensured that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

The Board and Audit & Risk Management Committee specifically deals with the review and approval of Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. The company takes omnibus approval of estimated Related party transactions in the beginning of the Financial year. All actual Related Party Transactions are placed before the Audit Committee for review and approval. Approval is obtained for Related Party Transactions in each of the board meeting for transactions which are of repetitive nature and / or entered in the Ordinary Course of Business and are at Arm's Length. At the time of transfer pricing audit, all the Related Party Transactions are subjected to independent review by a reputed accounting firm to establish compliance with the requirements of Related Party Transactions.

All Related Party Transactions entered during the period were in Ordinary Course of the Business and on Arm's Length basis. No Material Related Party Transactions, i.e. transactions exceeding ten percent of the annual turnover as per the last audited financial statements, were entered during the financial year by the Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3) (h) of the Companies Act, 2013 in Form AOC 2 is not applicable.

#### **RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL FINANCIAL CONTROLS**

The Board gives significant attention to, and accepts its responsibility for, the company's risk management internal control and internal financial controls. The Board has systems in place which optimizes the Company's ability to manage risk in an effective and appropriate manner.

The Audit and Risk Management Committee is responsible for reviewing the ongoing control processes and reporting to the Board on the operation of the systems of internal control, internal financial controls and risk management. The Board uses feedback from Audit & Risk Management Committee to form its own view on the effectiveness of the systems.

#### **Risk Management**

Company's enterprise risk management facilitates a common, company-wide method to the assessment of risks and the way in which these are monitored, managed and controlled. Risk profiling is undertaken at plant, function/business stream.



A web based software tool is used which provides a consistent set of risk definitions and a common approach to probability and impact. A broad range of risks is considered, including those relating to strategy, operational performance, financial, product engineering and technology, business reputation, human resources, health and safety, and the environment. Consolidated 'risk maps' are reviewed by company management, the Audit & Risk Management Committee and the Board.

### **Internal Audit**

Internal audit is part of the Company's Internal Control on Financial Reporting Programme (ICOFR). The Company has appointed M/s S.P.Nagrath & Associates LLP, Chartered Accountants, who conducts internal audit of the company and its four plants on quarterly basis, the auditors submits plant wise and areas wise report every quarter. Internal audit reports of the Plants are presented to the Executive Team of the Company during Plant Review Meetings. Action plan is drawn on each observation and same are closed in timely manner. Internal audit areas include capital expenditure, statutory compliances, procurement & logistics, quality, inventory management, customer collection, dispatches, loans & advances, legatrix audit, intercompany transactions and employee cost etc. Internal Audit recommendations are analyzed and if found appropriate, are implemented.

### **Internal Financial Controls**

The Company has adopted adequate policies and procedures for robust internal controls to ensure orderly conduct of business, adherences to such policies and procedures, safeguarding of assets, true and fair conduct of business, prevention and detection of fraud & errors, accuracy and completeness of accounting records and timely preparation of reliable information. Components of internal controls include management commitment to integrity and ethics, independence between Board & management, establishment of appropriate authorities & responsibilities, commitment to attract and retain competent individuals.

In pursuit to follow strict controls over financial reporting and pursuant to Section 143(3) (i) of Companies Act, 2013, the Company has conducted Internal Financial Control Audit.

IFC management testing and independent testing by Internal auditors of SOPs was conducted to ensure adherence to the standard processes and controls. The independent testing of the processes is ongoing activity. During IFC management testing, internal controls have been found operating satisfactorily.

### **Compliance, Governance & Risk Framework**

CGRF is another initiative of the Company on ICOFR. The Company has constituted a compliance, governance and risk framework at Plant and at Central level. The framework is bestowed with the responsibility to review compliances, governance and risk on periodic basis, draw road map to resolve the issues and implement the decisions taken for effective internal controls on compliances, governance and management of the Risks.

### **Standard Processes**

The standard processes for all functions i.e. finance, human resource, purchasing, application engineering, supply chain, manufacturing engineering, sales & marketing, quality, production and operations developed and implemented during the period in all the plants of the Company. Effective adherence to processes is good sign of good internal control system in the Company.

### **Reporting & Integrity Process**

Your Company observes strong controls and robust reporting processes to ensure that true and fair view of company's affairs are reported. Reporting and integrity processes of the Company are audited on quarterly and yearly basis.

### **Cost Audit**

Cost audit is not applicable to the Company for the FY 2019-2020

### **EXTRACT OF ANNUAL RETURN**

The extract of annual return in Form MGT 9 as required under Section 92(3) and Rule 12 of the Companies (Management and Administration) Rules, 2014 is appended as an **Annexure G** to this Report.



## **MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY OCCURRING BETWEEN DATE OF FINANCIAL STATEMENTS AND THE BOARD'S REPORT**

There were no material changes affecting financial position of the company

### **COVID 19 IMPACT**

COVID-19 has impacted the normal business operations of the Company by way of interruption in production, supply chain disruption, unavailability of personnel, closure/lock down of production facilities etc. during the lock-down period.

The Operations & the Financial Results of the Company during the Quarter/Year ended 31st March 2020 were marginally impacted due to sudden shutdown of the company's plants under the lockdown announced by the State/Central Government after the outbreak of COVID-19 Pandemic in March 2020. The said closure(s) have adversely affected the operations of the Company. However, this does not affect the going concern status of the Company.

The Company has made detailed assessment of its liquidity position for the next year and the recoverability and carrying value of its assets comprising property, plant and equipment, intangible assets, right of use assets, investments, inventory and trade receivables. Based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The situation is changing rapidly giving rise to inherent uncertainty around the extent and timing of the potential future impact of the COVID-19 which may be different from that estimated as at the date of approval of these IND AS financial results.

The Company will continue to closely monitor any material changes arising of future economic conditions and impact on its business.

### **MANNER IN WHICH FORMAL ANNUAL EVALUATION OF THE PERFORMANCE OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS HAS BEEN CARRIES OUT {SEC. 134(3) (P) READ WITH RULE 8(4)}**

The provisions of Section 134(3) (q) of the Companies Act, 2013 read with Rule 8(4) of the Companies (Accounts) Rules 2014 is not applicable over the Company.

### **SIGNIFICANT AND MATERIAL ORDERS**

During the period, no order had been passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

### **DETAILS RELATING TO DEPOSIT**

Your Company has not accepted any deposits from public and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

### **DECLARATION GIVEN BY INDEPENDENT DIRECTOR**

All the Independent Directors have given their declarations under section 149 (6) and section 149 (7) of the Companies Act, 2013 and the Rules made thereunder. In the opinion of the Board, the Independent Directors fulfill the conditions relating to their status as an Independent Director as specified in section 149 of the Companies Act, 2013 read with rules made thereunder.

### **SHARE CAPITAL (INCLUDING RULE 12(9) OF THE COMPANIES (SHARE CAPITAL & DEBENTURES) RULES, 2014)**

There was no change in share capital of the company during the year.

| <b>Reconciliation of number of shares</b>              |                             |                    |                             |                    |
|--|-----------------------------|--------------------|-----------------------------|--------------------|
| <b>Equity Shares:</b>                                  |                             |                    |                             |                    |
| <b>Particulars</b>                                     | <b>As at March 31, 2020</b> |                    | <b>As at March 31, 2019</b> |                    |
|  | <b>Number of shares</b>     | <b>Amount</b>      | <b>Number of shares</b>     | <b>Amount</b>      |
| <b>Balance as at the beginning of the year /period</b> | <b>12,773,061</b>           | <b>127,730,610</b> | <b>12,773,061</b>           | <b>127,730,610</b> |
| <b>Add: Shares issued during the year/period</b>       | -                           | -                  | -                           | -                  |
| <b>Less: Share bought back</b>                         | -                           | -                  | -                           | -                  |
| <b>Balance as at the end of the year/period</b>        | <b>12,773,061</b>           | <b>127,730,610</b> | <b>12,773,061</b>           | <b>127,730,610</b> |



## PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('Act') and Rules made thereunder, the Company has constituted Internal Complaints Committees (ICC). The Company has designated the external independent individuals as members of the Committees as per the requirements of law. During the period, no complaints with allegations of sexual harassment were received with the Company.

## CAUTIONARY STATEMENT

This report has been prepared as per the provision of Companies Act, 2013.

## APPRECIATIONS AND ACKNOWLEDGEMENT

Your directors take this opportunity to thank the GKN group, customers, vendors, dealers, investors, business associates, bankers and all other stakeholders for their continued support during the year. We place on record our appreciation of the contribution made by all the employees of the company at all levels. Our resilience to meet challenges was made possible by their hard work, solidarity, co-operation and support.

Your directors also thank the Government of India, the State Governments where we have operations and other government agencies for their support and look forward to their continued support in the future.

For and on behalf of the Board of Directors  
GKN Driveline (India) Limited

|  |  |   |   |
|--|--|---|---|
|  | Sd/-<br>Madan Singh Sisodia<br>Executive Director<br>DIN- 08111748<br>House No. 364, Sector<br>46, Faridabad 121010,<br>Haryana, India | Sd/-<br>Rajeev Dogra<br>Executive Director<br>DIN – 05270378<br>Flat No. 501, Tower C12,<br>The Pranayam, Sector 82-85,<br>Faridabad 121004, Haryana, India | Sd/-<br>Sanjay Katyal<br>Managing Director<br>DIN- 08354025<br>House No. 839, Sector-16,<br>Faridabad, 121002<br>Haryana, India |
|--|--|---|---|

Date: August 27, 2020  
Place: Faridabad

**THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988  
AND COMPANIES (ACCOUNTS) RULES, 2014.**

**FORM B (See Rule 2) Form for disclosure of particulars with respect to technology absorption.**

**RESEARCH AND DEVELOPMENT (R&D)**

**1. Specific areas in which R&D carried out by the Company.**

**Product Development**

- Third generation plunging and fixed joints developed for local and global OEMs.
- Second generation plunging boots developed for local and global OEMs.
- Development of new models of Long Stem Tulips and Precision Forgings.
- Development of New Driveshaft for Global & Indian OEMs (Original Equipment Manufacturer) for Petrol & Diesel vehicles.
- System & Infrastructure: Expanded Application Engineering scope to support for global customers. 2 No's of Endurance capacity added in Oragadam test centre.
- VAVE, Localization effort: Implementation of New VAVE (Value Analysis / Value Engineering) ideas in Product design, Forging, Steel, Grease Projects.
- Enhanced Application Engineering capabilities by overseas training in GKN line companies.
- UTM with Graphical & reduced least count installed @ FAR site.
- Self calibration of test rigs & virtual access to Global rig centre for remote maintenance.
- NVH equipment for vehicle level analysis procurement.

**2. Benefits derived as a result of the above R&D activities.**

- Won new business from local and global OEMs.
- Response time to customer improved by developing local design capability.
- Reduction in cost of product.
- Increase in export business of precision forging parts.
- Customer Engineering relationship enhanced.

**3. Future plan of action**

- Development of new generation, Light weight Joints which help to reduce CO2 emissions.
- Expand NVH (Noise, Vibration & Harshness) analysis capabilities.
- Combining 2 test sites to “ONE” for enhancing all test facilities at GDI.
- Enhance capability of design engineering team to service Asia Pacific customers in Japan / Korea. Hired 3 engineers, 2 more in-progress.
- GI4 & SX6 promotion.
- Develop low cost rear joint.



## TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

### 1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

- Creation of driveshaft and component level drawings for 3rd generation joints in India
- Design team capability increased.
- Testing and validation capability increased.
- Maintaining Data quality reports to align with global way of working.
- Educated local OEMs on use of hollow shaft technology in place of solid barshaft design. It helped Indian OEMs to design vehicles to improve NVH characteristics.
- Local engineering capability enhanced in handling AWD and Electric vehicle applications.
- Training of engineers outside India to enhance NVH measurement capability and CATIA software to service global OEMs creating drawings and maintaining libraries.
- Test engineer trained in Sweden for NVH analysis on vehicle to support Warranty & Chronic NVH concerns from OEM's.
- Forging optimization, boot design change and joint performance bench marking done under VAVE activities.
- WTS (Welded tubular shaft) and MTS (Mono-block Tubular Shaft) Technology introduced for some of new customer programs.
- Engineer trained in Japan and Korea for better understanding of customer way of working.

### 2. Benefits derived as a result of the above efforts, e.g., Product Development, Import Substitution, etc.

- Quick and accurate response to customers and GKN global teams.
- Support Light weight product development
- Online Creation and modification of Drawings and 3D models.
- Online design data control (Drawings release system)
- Development of new Business for upcoming Hybrid and Electric Car applications.
- GDI test site release test reports at an avg. lead time of < 3 days - best among all other sites & Right First Time > 98.5 %, ranking 2nd in all test sites in GKN.

### 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial Year), following information may be furnished:

- |  |   |
|--|---|
| a) <b>Technology imported</b>  | Technology to manufacture Precision forgings & Long Stem Tulip. |
| b) <b>Year of Import</b>   | • 2013 Long Stem Tulip  |
| c) <b>Has technology been fully absorbed?</b>  | Yes   |
| d) <b>If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action.</b> | N.A.  |

For and on behalf of the Board of Directors  
GKN Driveline (India) Limited

|                       |                       |                                  |                           |
|-----------------------|-----------------------|----------------------------------|---------------------------|
|                       | Sd/-                  | Sd/-                             | Sd/-                      |
|                       | Madan Singh Sisodia   | Rajeev Dogra                     | Sanjay Katyal             |
|                       | Executive Director    | Executive Director               | Managing Director         |
|                       | DIN- 08111748         | DIN – 05270378                   | DIN- 08354025             |
|                       | House No. 364, Sector | Flat No. 501, Tower C12,         | House No. 839, Sector-16, |
|                       | 46, Faridabad 121010, | The Pranayam, Sector 82-85,      | Faridabad, 121002         |
|                       | Haryana, India        | Faridabad 121004, Haryana, India | Haryana, India            |
| Date: August 27, 2020 |                       |                                  |                           |
| Place: Faridabad      |                       |                                  |                           |



**Annexure B**  
**Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with the Companies (Particulars of Employees) Rules 1975 and Section 197 of the Companies Act 2013**

| (1)<br>Name of the Employee | (2)<br>Designation                            | (3)<br>Remuneration received; | (4)<br>Nature of employment, (contractual)/ otherwise; | (5)<br>Qualifications and experience  | (6)<br>Date of commencement of employment; | (7)<br>Age | (8)<br>Last employment held by such employee before joining the company;             | (9)<br>Percentage of equity shares held in the company | (10)<br>Relationship with any director or manager of the company and if so, name of such director or manager |
|-----------------------------|---|-------------------------------|--|---|--|------------|--|--|--|
| Manish Gupta                | Director Sales & Marketing                    | 9,753,502                     | Employment   | Bachelor's Degree- Mech. Engg. & PG Diploma - International Trade & Management & Master in Business Administration - 20 Years | 07 February 2014                           | 50         | Vice President - Corporate Planning, Business Development & Strategy - Krishna Group | Nil  | N.A.   |
| Vikash Kumar Gupta          | Plant Director - Pune Plant                   | 8,891,448                     | Employment   | B.E. (Mech) & M.Tech - 20 Years   | 25 February 2016                           | 44         | Director - Operations Ringplus Aqua Ltd.   | Nil  | N.A.   |
| Sanjeev Mehrotra            | Plant Director- Oragadam Plant                | 8,270,252                     | Employment   | Bachelor's Degree- Mech. Engg. & Master in Business Administration - 33 years   | 02 September 2013                          | 57         | Chief Operating Officer, Magneti Marelli Talbros Chassis Systems Pvt. Ltd.           | Nil  | N.A.   |
| Madan Singh Sisodia         | Executive Director                            | 7,760,517                     | Employment   | Chartered Accountant & Cost and Management Accountant - 22 years  | 12 April 2007                              | 48         | Dy. General Manager, General Motors India Pvt. Ltd.                                  | Nil  | N.A.   |
| Sanjay Katyal*              | Managing Director                             | 6,773,191                     | Employment   | Bachelor's Degree- Mech. Engg. & Post Diploma in Production Engg. - 31 years  | 12 August 1992                             | 53         | Quality Engineer - Eicher Tractors Ltd.  | 0.00019  | N.A.   |
| Rajeev Dogra                | Executive Director                            | 6,589,999                     | Employment   | Bachelor's Degree- Mech. Engg. - 30 years   | 24 August 1990                             | 53         | GET- The Printer House, Ballabhgarh  | 0.00001  | N.A.   |
| Manish Gupta                | Deputy General Manager - Programme Management | 6,553,061                     | Employment   | B.Tech - 23 Years   | 19 January 2015                            | 45         | General Manager - R&D - Magneti Marelli India Ltd.                                   | Nil  | N.A.   |
| Sanjeev Kumar Goyal         | Plant Director - Faridabad & Dhanuhera Plant  | 5,848,780                     | Employment   | Bachelor's Degree- Mech. Engg. & MBA Operations Management - 25 years   | 09 March 2016                              | 48         | Senior Manager Production - SMC Corporation  | Nil  | N.A.   |
| K.P. Madhusudhan            | Deputy General Manager - Sales                | 5,429,114                     | Employment   | Bachelor's Degree- Mech. Engg. & PG Diploma in Financial Management - 24 years  | 20 September 2013                          | 45         | *DGM - Marketing - Rane NSK Steering Ltd.  | Nil  | N.A.   |
| Nitin Gupta                 | Deputy General Manager - IS/IT                | 5,065,728                     | Employment   | Bachelor's Degree- Mech. Engg. & MBA Information Technology - 24 years  | 19 May 2014                                | 50         | Associate Director - Infrastructure Management Services, iGATE Global Solutions Ltd. | Nil  | N.A.   |

\*Date of appointment as Managing Director is 1st February 2019. The original date of employment is August 12, 1992.

Notes:

1. Remuneration shown above includes salary, allowances, ex-gratia, expenditure incurred by the Company on residential accommodation, leave travel assistance and other facilities.
2. None of the employee is relative of any Director of the Company.
3. The Company did not have an employee either in the whole or part of the year under review who held by himself or alongwith his spouse and dependent children, two percent or more Equity Shares of the Company.

For and on behalf of the Board of Directors  
GKN Driveline (India) Limited

|   |  |
|---|--|
| <p style="text-align: center;">Sd/-<br/>Madan Singh Sisodia<br/>Executive Director<br/>DIN- 08111748<br/>House No. 364, Sector 46, Faridabad 121010, Haryana, India</p> | <p style="text-align: center;">Sd/-<br/>Rajeev Dogra<br/>Executive Director<br/>DIN - 05270378<br/>Flat No. 501, Tower C12, The Pranayam, Sector 82-85, Faridabad 121004, Haryana, India</p> |
|---|--|

|  |
|--|
| <p style="text-align: center;">Sd/-<br/>Sanjay Katyal<br/>Managing Director<br/>DIN- 06354025<br/>House No. 839, Sector-16, Faridabad, 121002 Haryana, India</p> |
|--|



“Annexure C to the Board Report ”

**1. Contents of the Corporate Social Responsibility Policy**

GKN Driveline (India) Ltd has Five plants. Two plants are in Haryana, one in Maharashtra one in Tamilnadu and one in Gujarat.

Plants are located where basic civic infrastructure is inadequate and socio-economic profile is on weaker side. GDI's mission is to contribute towards improving the quality of life of the communities living in these areas. The Company believes that its success in executing and operating plants is critically dependent on following a participatory development-oriented approach that strengthens our bond with the local population.

**Guiding Principles:** GKN Driveline (India) Ltd. in its continuous efforts to positively impact the society, especially the areas around its sites and offices, has formulated policies for social development that are based on the following guiding principles:

- Honor the spirit of law and be a responsible corporate citizen.
- Pursue growths through harmony with the community via innovative management techniques.
- Adopt an approach that aims at achieving a greater balance between social development and economic development.
- Respect culture and customs of every project / plant location.
- Work towards elimination of all barriers for the social inclusion of disadvantaged groups - such as the poor, socially backward, differently abled and others.
- Develop practices aimed at inclusive growth.
- Thrust on Environment Protection.

**Focus Areas:** GDI CSR areas targets inclusive growth of all stakeholders under nine categories, mentioned under Sch. VII of The Companies Act, 2013.

These primarily fall under drinking water, sanitation, education, healthcare, social development, livelihood opportunities and environment protection. These are:

- Rural Development Projects
- Healthcare including sanitation and drinking water
- Education & Vocational Skills (incl. Educational Infrastructure)
- Gender Equality & Women Empowerment (Incl. Old age homes)
- Environmental Sustainability
- Heritage Protection (Incl. Art and Culture)
- Training for Promotion of Sports Talent
- Clean Ganga & Swachh Bharat Abhiyan
- Other items as may be prescribed from time to time under Sch. VII of The Companies Act, 2013.

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

The CSR Committee of the Board consists of its chairman, Mr. Sanjay Katyal - Managing Director, Mr. Vinod Kumar Singh – Executive Director upto 23rd April 2019, Mr. Rajeev Dogra, Executive Director, wef 15th May 2019, Mr. K N Subramaniam – Independent Director, upto 19th January 2020 and Ms. Gopika Pant – Independent Director upto 19th January 2020.

3. Average net profit of the Company for the last three financial years is INR 1024 Mn.
4. Prescribed CSR Expenditure (Two percent of the average net profit) - The total spent required on CSR activities was INR 20.48 Mn.



## 5. Detail of CSR spent during the financial year:

- (a) Total amount to be spent for the financial year: The total spend required on CSR activities was INR 20.48 Mn as against actual spent of INR 21.20 Mn.
- (b) Amount unspent, if any: NIL
- (c) Manner in which the amount spent during the financial year is detailed below:

| Sector                       | Project  | CSR   |                     | Budget                   |          |                           | Actual                |          |
|------------------------------|--|---|---------------------|--------------------------|----------|---------------------------|-----------------------|----------|
|                              |  | Details   | No of Beneficiaries | Approved Budget (INR MN) | Location | Sponsor                   | Actual Spent (INR MN) | Location |
| Civil Society and Governance | Navallur Panchayat Union Primary School  | Noon meal cooking items, whitw washing and repair of classrooms, infrastructure upgradation, chairs, fan, development of play area with swings  | 100                 | 0.38                     | ORA      |                           | 0.22                  | ORA      |
|                              | Kanchivakam Panchayat Union Primary School                                       | Noon meal cooking room repair, white washing, and cooking utensils  | 100                 | 0.21                     | ORA      |                           | 0.06                  | ORA      |
|                              |  | School Building renovation, painting with script writing, fan, furniture and almira   |                     | 0.38                     | ORA      |                           | 0.30                  | ORA      |
|                              |  | Development of play area  |                     | 0.14                     | ORA      |                           | 0.07                  | ORA      |
|                              |  | Construction of toilets and urinals and septic tank   |                     | 1.00                     | ORA      |                           | 1.09                  | ORA      |
|                              | Navallur Panchayat Union Primary School - housing Board                          | Construction of noon meal cooking room and store room   | 100                 | 1.09                     | ORA      |                           | 1.09                  | ORA      |
|                              | Paddapai Panchayat Union Primary School  | Construction of new classroom   | 60                  | 1.80                     | ORA      |                           | 2.23                  | ORA      |
|                              | Infrastructure work at Govt. Primary school Rathiwas & Dungarwas                 | "> Building renovation>assembly area>desks and benches> Solar Panels > Construction of toilet for girls and boys > interlocking pavement"   | 550                 | 2.18                     | DHA      |                           | 2.18                  | DHA      |
|                              | Infrastructure development at Old age home, NAIRH, Dabua Colony and slum schools | Improve schools, old age home, near by village projects through renovation, painting and creating facilities, renovation of rooms. Construction of toilets, kitchen   | 500                 | 2.5                      | FARC     |                           | 2.58                  | FARC     |
|                              | Infrastructure development at Boys Hostel NIT                                    | To construct Pathway, Paver Block Tiling work, Painting of boundary wall after repairing it (Plaster / Tip), Change room & Washroom repairing/painting for unprivileged students at Students Hostel at NIT where orphans / single parent's kids resides | 200                 | 0.77                     | FAR      |                           | 0.77                  | FAR      |
| Gram Panchayat Lonikand      | Construction of road and drainage system   | Local Community   | 2.04                | PUN                      |          | 2.04                      | PUN                   |          |
| Education and Health         | ZP School & Aanganwadi, Power House, Lonikand                                    | "Civil Work - Stage, Class Room, Play Area, . Elearning Equipments and Desktop. Distribution of Shoes"  | 120                 | 1.00                     | PUN      |                           | 0.67                  | PUN      |
|                              | Support underprivileged children   | •Continue funding current projects of sponsoring education, nutrition, teachers salary and helping rehabilitation of differently abled children   | 220                 | 0.69                     | FAR      | Pranab Kanya Sangh, NAIRH | 0.68                  | FAR      |
|                              | Support Slum area kids   | Help and support the kids of Slum Area for education  | 1000                | 0.30                     | FARC     |                           | 0.30                  | FARC     |
|                              | Swachta Abhiyaan   | Construction of toilets and urinals   | 1 Village           | 0.30                     | PUN      |                           | 0.65                  | PUN      |



|                                     |  |  |               |             |     |                    |              |     |
|-------------------------------------|--|--|---------------|-------------|-----|--------------------|--------------|-----|
|                                     | Jhirkhel Wasti and Magar Wasti   | RO Plant and drinking water facility   | 1 Village     | 1.16        | PUN |                    | 1.16         | PUN |
|                                     | Medical machine support at govt/charitable hospital                                    | Autorefractometer with Keratometry M/c   | Poor patients | 0.40        | FAR |                    | 0.40         | FAR |
|                                     |  | Ophthalmic Operation Table   | Poor patients | 0.05        | FAR |                    | 0.05         | FAR |
|                                     | Sasoon govt Hospital   | Medical beds for quarantine and treatment of COVID2019 patients  | Poor patients | 0.50        | PUN |                    | 0.50         | PUN |
| Gender Equality & Women Empowerment | Sewing Centre  | Support to sewing centre females   | 110           | 0.34        | FAR | NGO - Udai Society | 0.29         | FAR |
|                                     | Skill Development Center   | Adoption of 10 Skill Development Center & Support to old age home  | 100           | 0.68        | DHA |                    | 0.68         | DHA |
|                                     | Technical/Vocational skill training for Women/ differently abled people at Rasgon, Dha | Training the Girls / Women on sewing, Beautician and other employment oriented courses.                          | 50 women      | 0.1         | DHA |                    | 0.1          | DHA |
| Environment                         | Installation of Solar Panel  | To install Solar panel at the nearby NGO institution to promote renewable energy and for environment protection. | 150           | 1.41        | FAR |                    | 1.42         | FAR |
|                                     | Green belt development   | HSIIDC green belt development around the plant location  | Public        | 0.74        | DHA |                    | 0.74         | DHA |
| Education and Health                | Infrastruture development  | Infrastruture development at a slum school nearby  | 120           | 0.84        | FAR |                    | 0.93         | FAR |
| <b>Total Budget for 2019-2020</b>   |  |  |               | <b>21.0</b> |     |                    | <b>21.20</b> |     |

The CSR committee hereby confirms that implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

For and on behalf of the Board of Directors  
GKN Driveline (India) Limited

Sd/-  
Madan Singh Sisodia  
Executive Director  
DIN- 08111748  
House No. 364, Sector  
46, Faridabad 121010,  
Haryana, India

Sd/-  
Rajeev Dogra  
Executive Director  
DIN – 05270378  
Flat No. 501, Tower C12,  
The Pranayam, Sector 82-85,  
Faridabad 121004, Haryana, India

Sd/-  
Sanjay Katyal  
Managing Director  
DIN- 08354025  
House No. 839, Sector-16,  
Faridabad, 121002  
Haryana, India

Date: August 27, 2020  
Place: Faridabad

**SECRETARIAL AUDIT REPORT**

For the financial year ended on 31st March 2020

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

To  
The Members  
GKN Driveline (India) Limited  
Plot No. 270, Sector- 24,  
Faridabad- 121005, Haryana

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by “**GKN Driveline (India) Limited**” (Corporate Identity Number U74999HR1985PLC034079) (hereinafter called the “**Company**”). Secretarial Audit was conducted in a manner that provided us a reasonable basis forevaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of **GKN Driveline (India) Limited’s** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives, during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020, according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made there under;
- ii) The Depositories Act, 1996 and the Regulations and Bye-Laws framed there under;
- iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment;
- iv) As explained by the Company, there is no other law, related to the industry in which the Company is operating, is applicable specifically to the Company.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations and Guidelines stated above subject to the following observation:-

1. *The Annual General Meeting of the company was held on 28th January, 2020 which is not within prescribed time period as per Section 96 of the Companies Act, 2013.*

With respect to Fiscal laws such as Income Tax, Goods and service Tax based on the information and explanation provided to us by the management and officers of the Company and also on verification of reports of professionals including reports of Internal Audit, we report that adequate systems are in place to monitor and ensure compliance of fiscal laws.

**We further report that: -**

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

Adequate notice has been given to all directors to schedule the Board Meetings during the financial year under review, agenda and detailed notes on agenda were sent within timeline and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Based on the verification of the records and minutes, we report that all the decisions are carried unanimously. The members of the Board have not expressed dissenting views on any of the agenda items during the financial year under review.



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

We further report that, during the audit period, there were no major bearing on the Company's affairs in pursuance of the above referred laws, rules regulations, guidelines.

**FOR RANJEET PANDEY & ASSOCIATES  
COMPANY SECRETARIES**

**PLACE: NEW DELHI  
DATE: 19/08/2020**

**CS RANJEET PANDEY  
FCS- 5922, CP No.- 6087  
UDIN: F005922B000593564**

This report is to be read with our letter of even date which is annexed as **Annexure-I** and forms an integral part of this report

**Annexure -I**

To  
The Members  
GKN Driveline (India) Limited  
Plot No. 270, Sector- 24,  
Faridabad- 121005, Haryana

Our report of even date is to be read along with this letter:

1. Management of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance on happening of the events for which documents are not required to be maintained statutorily by the Company.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. We have tried to verify the physical records maintained by the Company to the extent possible in order to verify the compliances, however, reliance was also placed on electronic records for verification due to lockdown announced by Government of India on account of COVID-19 pandemic.

**OR RANJEET PANDEY & ASSOCIATES  
COMPANY SECRETARIES**

**PLACE: NEW DELHI  
DATE: 19/08/2020**

**CS RANJEET PANDEY  
FCS- 5922, CP No.- 6087  
UDIN: F005922B000593564**



**“Annexure E to the Board Report ”**

**Contents of the remuneration Policy and other Best practices**

The policy concerns the remuneration and other terms of employment for GKN Driveline (India) Employees, including the directors, the Managing Director and other Senior Management Personnel. The policy is approved by the Nomination and Remuneration Committee and the Board of Directors.

**Objectives:**

The policy aims to:

- Attract and retain the best qualified people available to achieve the organization’s objectives.
- Provide equitable and consistent remuneration to employees.
- Pay for performance: Differentiate performers from non-performers.
- Enable an appropriate compensation structure.
- Communicate the staff the basic parameters of Salary Structure.
- Build external competitiveness and internal performance related equivalences.

**Guiding principles for remuneration and other terms of employment**

- The remuneration and the other terms of employment for the Employees shall be competitive in order to ensure that GKN Driveline (India) Limited can attract and retain competent Executives.
- The Employee’s fixed salary shall be competitive and based on the individual Employee’s responsibilities and performance.
- Competitiveness of the salary will be decided as per Market Survey.
- Taxing implications are of paramount importance. There will be no rule bending/compromises.

**Criteria for appointment**

The appointment shall be based on the following criteria:

- Qualification, experience and expertise of the person for appointment.
- Specialization, special achievements which contributed to growth in the business/functional area.
- Active participation in the affairs of the company.
- Diversity of the Board.
- Demonstrable leadership qualities and interpersonal communication skills.
- Transparent, unbiased and impartial execution.
- Appointment of Directors and KMPs is in compliance with the procedure laid down under the provisions of the Companies Act 1013, and rules made thereunder.

**Criteria for remuneration**

The remuneration to Directors, Key Managerial Personnel and Senior Management Personnel involves a balance between fixed and variable pay reflecting short term and long term performance objectives.

The Managing Director’s remuneration is a combination of fixed and variable pay. The Non-Executive Directors are not paid any remuneration by the Company as directors. Independent Directors are paid sitting fee for attending each meeting(s) of the Board and Committees thereof.

The remuneration is within the statutory limits and approved by the Shareholders of the Company.

For and on behalf of the Board of Directors  
GKN Driveline (India) Limited

|                       |                       |                                  |                           |
|-----------------------|-----------------------|----------------------------------|---------------------------|
|                       | Sd/-                  | Sd/-                             | Sd/-                      |
|                       | Madan Singh Sisodia   | Rajeev Dogra                     | Sanjay Katyal             |
|                       | Executive Director    | Executive Director               | Managing Director         |
|                       | DIN- 08111748         | DIN – 05270378                   | DIN- 08354025             |
|                       | House No. 364, Sector | Flat No. 501, Tower C12,         | House No. 839, Sector-16, |
| Date: August 27, 2020 | 46, Faridabad 121010, | The Pranayam, Sector 82-85,      | Faridabad, 121002         |
| Place: Faridabad      | Haryana, India        | Faridabad 121004, Haryana, India | Haryana, India            |



## “Annexure F”

**Statement of Board and committee meetings attended by the directors and KMP during the year**

| No. of meetings held during the year             |            |                         | 6     | 4    | 5   | 5    | 2   |
|--|------------|-------------------------|-------|------|-----|------|-----|
| Name of Director/KMP                             | DIN/PAN    | Category                | Board | NRC  | SRC | ARMC | CSR |
| Adam Touhig                                      | 06761622   | Chairman                | 1     | 0    | 0   | NA   | NA  |
| Sanjay Katyal                                    | 08354025   | Managing Director       | 5     | NA   | 5   | NA   | 2   |
| Madan Singh Sisodia                              | 08111748   | Executive Director      | 5     | NA   | 5   | 4    | NA  |
| Rajeev Dogra<br>(with effect from 15th May 2019) | 05270378   | Executive Director      | 4     | 3    | NA  | NA   | 1   |
| Matthew Richard Nozemack                         | 08351828   | Non Executive Director  | 1     | NA   | NA  | NA   | NA  |
| Jonathan Colin Fyfe Crawford                     | 08370872   | Non Executive Director  | 1     | NA   | NA  | NA   | NA  |
| Gopika Pant (upto 19th January 2020)             | 00388675   | Independent Director    | 3     | 3    | NA  | 3    | 1   |
| K.N.Subramaniam<br>(upto 19th January 2019)      | 00041843   | Independent Director    | 5     | 4    | NA  | 5    | 2   |
| Wilson NG Chin Heng (upto 19th July 2020)        | 08123727   | Non Executive Director  | 0     | NA   | 0   | 0    | NA  |
| Vinod Kumar Singh (upto 23rd April 2019)         | 08111688   | Executive Director      | 0     | 0    | NA  | NA   | 0   |
| Tushar Jain (with effect from May 15, 2019)      | ADJPJ4792J | Chief Financial Officer | 6     | N.A. | NA  | NA   | NA  |
| Richa Porwal                                     | ASAPP5814F | Company Secretary       | 6     | NA   | 5   | NA   | NA  |

\*NA stands for Not Applicable as the concerned person is not a member of the relevant Committee

For and on behalf of the Board of Directors  
GKN Driveline (India) Limited

|   |  |   |   |
|---|--|---|---|
|   | Sd/-<br>Madan Singh Sisodia<br>Executive Director<br>DIN- 08111748<br>House No. 364, Sector<br>46, Faridabad 121010,<br>Haryana, India | Sd/-<br>Rajeev Dogra<br>Executive Director<br>DIN – 05270378<br>Flat No. 501, Tower C12,<br>The Pranayam, Sector 82-85,<br>Faridabad 121004, Haryana, India | Sd/-<br>Sanjay Katyal<br>Managing Director<br>DIN- 08354025<br>House No. 839, Sector-16,<br>Faridabad, 121002<br>Haryana, India |
| Date: August 27, 2020<br>Place: Faridabad |  |   |   |



"ANNEXURE G"

**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**  
**As on financial year ended on 31.03.2020**

**Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company**  
**(Management & Administration) Rules, 2014**

**I. REGISTRATION & OTHER DETAILS:**

|   |  |  |
|---|--|--|
| 1 | CIN  | U74999HR1985PLC034079  |
| 2 | Registration Date  | 25th July 1985   |
| 3 | Name of the Company  | GKN DRIVELINE (INDIA) LIMITED  |
| 4 | Category/Sub-category of the Company                                       | 29301  |
| 5 | Address of the Registered office & contact details                         | Plot No. 270, Sector 24, Faridabad 121 005 Haryana, India<br>Tel : +91 129 4091100 / 6621300, Fax : +91 129 6621349  |
| 6 | Whether listed company   | No   |
| 7 | Name, Address & contact details of the Registrar & Transfer Agent, if any. | MCS Share Transfer Agent Limited<br>F-65, 1st Floor, Okhla Industrial Area,<br>Phase I, New Delhi 110 020<br>Tel No.: +91 11 4140619 / 41406151 / 52,<br>Fax : +91 11 41709881 |

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:**

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

| S.No. | Name and Description of main products / services         | NIC Code of the Product/ service | % to total turnover of the company |
|-------|--|----------------------------------|------------------------------------|
| 1     | Drive Axle Assemblies including Constant Velocity Joints | 29301                            | 100                                |

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:**

| S.No. | Name and address of the Company  | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|-------|----------------------------------|---------|--------------------------------|------------------|--------------------|
| 1     | GKN Driveline International GmbH | -       | Holding                        | 97.031           | 2(46)              |



#### IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

##### (i) Category-wise Share Holding

| Category of Shareholders   | No. of Shares held at the beginning of the year<br>[As on 1-April-2019] |                  |                   |                   | No. of Shares held at the end of the year<br>[As on 31-March-2020] |                  |                   |                   | % Change during the year |
|--|---|------------------|-------------------|-------------------|--|------------------|-------------------|-------------------|--------------------------|
|  | Demat   | Physical         | Total             | % of Total Shares | Demat  | Physical         | Total             | % of Total Shares |                          |
| <b>A. PROMOTERS</b>  |   |                  |                   |                   |  |                  |                   |                   |                          |
| <b>1. Indian</b>   |   |                  |                   |                   |  |                  |                   |                   |                          |
| a) Individual/ HUF   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| b) Central Govt  | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| c) State Govt(s)   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| d) Bodies Corp.  | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| e) Banks / FI  | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| f) Any other   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| <b>SUB TOTAL:(A) (1)</b>   | -   | -                | -                 | <b>0.00%</b>      | -  | -                | -                 | <b>0.00%</b>      | <b>0.00%</b>             |
| <b>2. Foreign</b>  |   |                  |                   |                   |  |                  |                   |                   |                          |
| a) NRI Individuals   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| b) Other Individuals   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| c) Bodies Corp.  | 5,144,036   | 7,249,772        | 12,393,808        | 97.03%            | 5,144,036  | 7,249,772        | 12,393,808        | 97.03%            | 0.00%                    |
| d) Any other   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| <b>SUB TOTAL (A) (2)</b>   | <b>5,144,036</b>  | <b>7,249,772</b> | <b>12,393,808</b> | <b>97.03%</b>     | <b>5,144,036</b>   | <b>7,249,772</b> | <b>12,393,808</b> | <b>97.03%</b>     | <b>0.00%</b>             |
| <b>Total (A)</b>   | <b>5,144,036</b>  | <b>7,249,772</b> | <b>12,393,808</b> | <b>97.03%</b>     | <b>5,144,036</b>   | <b>7,249,772</b> | <b>12,393,808</b> | <b>97.03%</b>     | <b>0.00%</b>             |
| <b>B. PUBLIC SHAREHOLDING</b>  |   |                  |                   |                   |  |                  |                   |                   |                          |
| <b>1. Institutions</b>   |   |                  |                   |                   |  |                  |                   |                   |                          |
| a) Mutual Funds  | -   | 1,320            | 1,320             | 0.01%             | -  | 1,320            | 1,320             | 0.01%             | 0.00%                    |
| b) Banks / FI  | 400   | 640              | 1,040             | 0.01%             | 400  | 640              | 1,040             | 0.01%             | 0.00%                    |
| c) Central Govt  | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| d) State Govt(s)   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| e) Venture Capital Fund  | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| f) Insurance Companies   | -   | 300              | 300               | 0.00%             | -  | 300              | 300               | 0.00%             | 0.00%                    |
| g) FIs   | -   | 5,200            | 5,200             | 0.04%             | -  | 5,200            | 5,200             | 0.04%             | 0.00%                    |
| h) Foreign Venture Capital Funds   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| i) Others (specify)  | 201   | -                | 201               | 0.00%             | 201  | -                | 201               | 0.00%             | 0.00%                    |
| <b>SUB TOTAL (B)(1):</b>   | <b>601</b>  | <b>7,460</b>     | <b>8,061</b>      | <b>0.06%</b>      | <b>601</b>   | <b>7,460</b>     | <b>8,061</b>      | <b>0.06%</b>      | <b>0.00%</b>             |
| <b>2. Non Institutions</b>   |   |                  |                   |                   |  |                  |                   |                   |                          |
| a) Bodies corporates   |   |                  |                   |                   |  |                  |                   |                   |                          |
| i. Indian  | 5,117   | 1,810            | 6,927             | 0.05%             | 5051   | 1110             | 6,161             | 0.05%             | -11.06%                  |
| ii. Overseas   | -   | -                | -                 | 0.00%             | 0  | 0                | -                 | 0.00%             | 0.00%                    |
| b) Individuals   |   |                  |                   |                   |  |                  |                   |                   |                          |
| i. Individual shareholders holding nominal share capital upto Rs. 1 lakh         | 117,166   | 240,315          | 357,481           | 2.80%             | 123,021  | 235,226          | 358,247           | 2.80%             | 0.21%                    |
| ii. Individual shareholders holding nominal share capital in excess of Rs 1 lakh | -   | -                | -                 | 0.00%             | 0  | 0                | -                 | 0.00%             | 0.00%                    |
| c) Others (specify)  | -   | -                | -                 | -                 | 0  | 0                | -                 | -                 | -                        |
| Non Resident Indians   | 6,384   | 400              | 6,784             | 0.05%             | 6384   | 400              | 6,784             | 0.05%             | 0.00%                    |
| Overseas Corporate Bodies  | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| Foreign Nationals  | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| Clearing Members   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| Trusts   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| Foreign Bodies - D R   | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| <b>SUB TOTAL (B)(2):</b>   | <b>128,667</b>  | <b>242,525</b>   | <b>371,192</b>    | <b>2.91%</b>      | <b>134,456</b>   | <b>236,736</b>   | <b>371,192</b>    | <b>2.91%</b>      | <b>0.00%</b>             |
| <b>Total Public (B)</b>  | <b>129,268</b>  | <b>249,985</b>   | <b>379,253</b>    | <b>2.97%</b>      | <b>135,057</b>   | <b>244,196</b>   | <b>379,253</b>    | <b>2.97%</b>      | <b>0.00%</b>             |
| <b>C. SHARES HELD BY CUSTODIAN FOR GDRS &amp; ADRS</b>                           | -   | -                | -                 | 0.00%             | -  | -                | -                 | 0.00%             | 0.00%                    |
| <b>Grand Total (A+B+C)</b>   | <b>5,273,304</b>  | <b>7,499,757</b> | <b>12,773,061</b> | <b>100.00%</b>    | <b>5,279,093</b>   | <b>7,493,968</b> | <b>12,773,061</b> | <b>100.00%</b>    | <b>0.00%</b>             |

**(ii) Shareholding of Promoters**

| S. No. | Shareholders Name                | Shareholding at the beginning of the year |                                  |   | Shareholding at the end of the year |                                  |  | % change in shareholding during the year |
|--------|----------------------------------|---|----------------------------------|---|-------------------------------------|----------------------------------|--|--|
|        |                                  | No. of Shares                             | % of total Shares of the company | % of Shares Pledged/ encumbered to total shares | No. of Shares                       | % of total Shares of the company | % of Shares Pledged / encumbered to total shares |  |
| 1      | GKN Driveline International GmbH | 12,393,808                                | 97.03%                           | 0   | 12,393,808                          | 97.03%                           | 0  | 0.00%                                    |

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

| S. No. | Particulars                  | Date     | Reason | Shareholding at the beginning of the year |                   | Cumulative Shareholding during the year |                   |
|--------|------------------------------|----------|--------|---|-------------------|---|-------------------|
|        |                              |          |        | No. of Shares                             | % of total shares | No of shares                            | % of total shares |
|        | At the beginning of the year | 01-04-19 |        | 12,393,808                                | 97.03%            | 12,393,808                              | 97.03%            |
|        | Changes during the year      |          |        | -   | 0.00%             | -                                       | 0.00%             |
|        | At the end of the year       | 31-03-20 |        | 12,393,808                                | 97.03%            | 12,393,808                              | 97.03%            |

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

| SN       | For each of the Top 10 shareholders | Date     | Reason   | Shareholding at the beginning of the year |                   | Cumulative Shareholding during the year |                   |
|----------|-------------------------------------|----------|----------|---|-------------------|---|-------------------|
|          |                                     |          |          | No. of shares                             | % of total shares | No. of shares                           | % of total shares |
| <b>1</b> | <b>Shreevallabh Damani</b>          |          |          |   |                   |   |                   |
|          | At the beginning of the year        | 01-04-19 |          | 8,000                                     | 0.06%             | 8,000                                   | 0.06%             |
|          | Changes during the year             |          |          | -   | 0.00%             |   | 0.00%             |
|          | At the end of the year              | 31-03-20 |          | 8,000                                     | 0.06%             | 8,000                                   | 0.06%             |
| <b>2</b> | <b>Roshani Neetish Doshi</b>        |          |          |   |                   |   |                   |
|          | At the beginning of the year        | 01-04-19 |          | 5,300                                     | 0.04%             | 5,300                                   | 0.04%             |
|          | Changes during the year             |          |          | -   | 0.00%             |   | 0.00%             |
|          | At the end of the year              | 31-03-20 |          | 5,300                                     | 0.04%             | 5,300                                   | 0.04%             |
| <b>3</b> | <b>Ajay Kumar</b>                   |          |          |   |                   |   |                   |
|          | At the beginning of the year        | 01-04-19 |          | 3,733                                     | 0.03%             | 3,733                                   | 0.03%             |
|          | Changes during the year             | 11-11-19 | Transfer |   | 0.00%             | 465                                     | 0.00%             |
|          | Changes during the year             | 31-03-20 |          | 3,733                                     | 0.03%             | 4,198                                   | 0.03%             |
| <b>4</b> | <b>Ghanshyam Sharma</b>             |          |          |   |                   |   |                   |
|          | At the beginning of the year        | 01-04-19 |          | 4,000                                     | 0.03%             | 4,000                                   | 0.03%             |
|          | Changes during the year             |          |          | -   | 0.00%             |   | 0.00%             |
|          | At the end of the year              | 31-03-20 |          | 4,000                                     | 0.03%             | 4,000                                   | 0.03%             |
| <b>5</b> | <b>Sithu Gupta</b>                  |          |          |   |                   |   |                   |
|          | At the beginning of the year        | 01-04-19 |          | -   | 0.00%             | -                                       | 0.00%             |
|          | Changes during the year             | 10-01-20 | Transfer |   | 0.00%             | 3,572                                   | 0.03%             |
|          | At the end of the year              | 31-03-20 |          | 3,572                                     | 0.03%             | 3,572                                   | 0.03%             |



|           |  |          |  |       |       |       |       |
|-----------|--|----------|--|-------|-------|-------|-------|
| <b>6</b>  | <b>Dilip Kumar Surana</b>                    |          |  |       |       |       |       |
|           | At the beginning of the year                 | 01-04-19 |  | 2,486 | 0.02% | 2,486 | 0.02% |
|           | Changes during the year                      | 23-08-19 |  |       | 0.00% | 300   | 0.00% |
|           | At the end of the year                       | 31-03-20 |  | 2,786 | 0.02% | 2,786 | 0.02% |
| <b>7</b>  | <b>Rajesh Gautamlal Shah</b>                 |          |  |       |       |       |       |
|           | At the beginning of the year                 | 01-04-19 |  | 2,300 | 0.02% | 2,300 | 0.02% |
|           | Changes during the year                      |          |  | -     | 0.00% | -     | 0.00% |
|           | At the end of the year                       | 31-03-20 |  | 2,300 | 0.02% | 2,300 | 0.02% |
| <b>8</b>  | <b>Morgan Stanley Dean Witter Investment</b> |          |  |       |       |       |       |
|           | At the beginning of the year                 | 01-04-19 |  | 2,100 | 0.02% | 2,100 | 0.02% |
|           | Changes during the year                      |          |  |       | 0.00% | -     | 0.00% |
|           | At the end of the year                       | 31-03-20 |  | 2,100 | 0.02% | 2,100 | 0.02% |
| <b>9</b>  | <b>Mohansinh Ramsinh Parmar</b>              |          |  |       |       |       |       |
|           | At the beginning of the year                 | 01-04-19 |  | 2,009 | 0.02% | 2,009 | 0.02% |
|           | Changes during the year                      |          |  |       | 0.00% | -     | 0.00% |
|           | At the end of the year                       | 31-03-20 |  | 2,009 | 0.02% | 2,009 | 0.02% |
| <b>10</b> | <b>Nirmal Bang</b>                           |          |  |       |       |       |       |
|           | At the beginning of the year                 | 01-04-19 |  | 1,900 | 0.01% | 1,900 | 0.01% |
|           | Changes during the year                      |          |  |       | 0.00% | -     | 0.00% |
|           | At the end of the year                       | 31-03-20 |  | 1,900 | 0.01% | 1,900 | 0.01% |

## (v) Shareholding of Directors and Key Managerial Personnel:

| SN       | Shareholding of each Directors and each Key Managerial Personnel | Date     | Reason | Shareholding at the beginning of the year |                   | Cumulative Shareholding during the year |                   |
|----------|--|----------|--------|---|-------------------|---|-------------------|
|          |  |          |        | No. of shares                             | % of total shares | No. of shares                           | % of total shares |
| <b>1</b> | <b>Sanjay Katyal</b>   |          |        |   |                   |   |                   |
|          | At the beginning of the year                                     | 01-04-19 |        | 24  | 0.00%             | 24                                      | 0.00%             |
|          | Changes during the year  |          |        | 0   | 0.00%             | -                                       | 0.00%             |
|          | At the end of the year   | 31-03-20 |        | 24  | 0.00%             | 24                                      | 0.00%             |
| <b>2</b> | <b>Rajeev Dogra</b>  |          |        |   |                   |   |                   |
|          | At the beginning of the year                                     | 01-04-19 |        | 1   | 0.00%             | 1                                       | 0.00%             |
|          | Changes during the year  |          |        |   | 0.00%             | -                                       | 0.00%             |
|          | At the end of the year   | 31-03-20 |        | 1   | 0.00%             | 1                                       | 0.00%             |
| <b>3</b> | <b>Tushar Jain</b>   |          |        |   |                   |   |                   |
|          | At the beginning of the year                                     | 01-04-19 |        | 1   | 0.00%             | 1                                       | 0.00%             |
|          | Changes during the year  |          |        | -   | 0.00%             | -                                       | 0.00%             |
|          | At the end of the year   | 31-03-20 |        | 1   | 0.00%             | 1                                       | 0.00%             |

**(v) INDEBTEDNESS**

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

(Amt in ₹)

| Particulars  | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|----------|--------------------|
| <b>Indebtedness at the beginning of the financial year</b> |                                  |                 |          |                    |
| i) Principal Amount  | -                                | -               | -        | -                  |
| ii) Interest due but not paid                              | -                                | -               | -        | -                  |
| iii) Interest accrued but not due                          | -                                | -               | -        | -                  |
| <b>Total (i+ii+iii)</b>                                    | -                                | -               | -        | -                  |
| <b>Change in Indebtedness during the financial year</b>    |                                  |                 |          |                    |
| * Addition   | -                                | -               | -        | -                  |
| * Reduction  | -                                | -               | -        | -                  |
| Net Change   | -                                | -               | -        | -                  |
| <b>Indebtedness at the end of the financial year</b>       |                                  |                 |          |                    |
| i) Principal Amount  | -                                | -               | -        | -                  |
| ii) Interest due but not paid                              | -                                | -               | -        | -                  |
| iii) Interest accrued but not due                          | -                                | -               | -        | -                  |
| Total (i+ii+iii)   | -                                | -               | -        | -                  |

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

| S.NO. | Particulars of Remuneration   | Name of MD/WTD/ Manager | Total Amount |
|-------|---|-------------------------|--------------|
|       | Name  | Sanjay Katyal           |              |
|       | Designation   | Managing Director       |              |
| 1     | Gross salary  |                         |              |
|       | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 6,416,509               | 6,416,509    |
|       | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 356,682                 | 356,682      |
|       | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961             | -                       | -            |
| 2     | Stock Option  | -                       | -            |
| 3     | Sweat Equity  | -                       | -            |
| 4     | Commission  |                         |              |
|       | - as % of profit  | -                       | -            |
|       | - others, specify   | -                       | -            |
| 5     | Others, please specify  | -                       | -            |
|       | Total (A)   | 6,773,191               | 6,773,191    |
|       | Ceiling as per the Act  |                         | -            |

**B. Remuneration to other Directors**

| S.No. | Particulars of Remuneration                | Name of Directors   |                 |     | Total Amount<br>(Rs/Lac) |
|-------|--|---------------------|-----------------|-----|--------------------------|
|       |  | Mr. K.N.Subramaniam | Ms. Gopika Pant |     |                          |
| 1     | Independent Directors                      |                     |                 |     |                          |
|       | Fee for attending board committee meetings | 1,000,000.00        | 820,000.00      | -   | 1,820,000.00             |
|       | Commission                                 | -                   | -               | -   | -                        |
|       | Others, please specify                     | -                   | -               | -   | -                        |
|       | Total (1)                                  | 1,000,000.00        | 820,000.00      | -   | 1,820,000.00             |
| 2     | Other Non-Executive Directors              |                     |                 |     | -                        |
|       | Fee for attending board committee meetings | -                   | -               | -   | -                        |
|       | Commission                                 | -                   | -               | -   | -                        |
|       | Others, please specify                     | -                   | -               | -   | -                        |
|       | Total (2)                                  | -                   | -               | -   | -                        |
|       | Total (B)=(1+2)                            | 1,000,000.00        | 820,000.00      | -   | 1,820,000.00             |
|       | Total Managerial Remuneration              |                     |                 |     | 8,593,191.00             |
|       | Overall Ceiling as per the Act             | N/A                 | N/A             | N/A | N/A                      |

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

| S.No. | Particulars of Remuneration   | Name of Key Managerial Personnel |                  |                   |                  |                  | Total Amount<br>(Rs/Lac) |
|-------|---|----------------------------------|------------------|-------------------|------------------|------------------|--------------------------|
|       |   | Madan Singh Sisodia              | Rajeev Dogra*    | Vinod Kumar Singh | Tushar Jain*     | Richa Porwal     |                          |
|       | Name  | Madan Singh Sisodia              | Rajeev Dogra*    | Vinod Kumar Singh | Tushar Jain*     | Richa Porwal     | (Rs/Lac)                 |
|       | Designation   | Director                         | Director         | Director          | CFO              | CS               |                          |
| 1     | Gross salary  |                                  |                  |                   |                  |                  |                          |
|       | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 7,308,618                        | 5,704,007        | 948,076           | 3,544,867        | 2,187,834        | 19,693,402               |
|       | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961                             | 451,899                          | 273,395          | 873,240           | 169,321          | 990              | 1,768,845                |
|       | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961             | -                                | -                | -                 | -                | -                | -                        |
| 2     | Stock Option  | -                                | -                | -                 | -                | -                | -                        |
| 3     | Sweat Equity  | -                                | -                | -                 | -                | -                | -                        |
| 4     | Commission  |                                  |                  |                   |                  |                  |                          |
|       | - as % of profit  | -                                | -                | -                 | -                | -                | -                        |
|       | - others, specify   | -                                | -                | -                 | -                | -                | -                        |
| 5     | Others, please specify  | -                                | -                | -                 | -                | -                | -                        |
|       | <b>Total</b>  | <b>7,760,517</b>                 | <b>5,977,402</b> | <b>1,821,316</b>  | <b>3,714,188</b> | <b>2,188,824</b> | <b>21,462,247</b>        |

\*Remuneration calculated from the date of appointment as Director / CFO i.e May 15, 2019

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

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

For and on behalf of the Board of Directors  
GKN Driveline (India) Limited

Date: August 27, 2020  
Place: Faridabad

Sd/-  
Madan Singh Sisodia  
Executive Director  
DIN- 08111748  
House No. 364, Sector  
46, Faridabad 121010,  
Haryana, India

Sd/-  
Rajeev Dogra  
Executive Director  
DIN – 05270378  
Flat No. 501, Tower C12,  
The Pranayam, Sector 82-85,  
Faridabad 121004, Haryana, India

Sd/-  
Sanjay Katyal  
Managing Director  
DIN- 08354025  
House No. 839, Sector-16,  
Faridabad, 121002  
Haryana, India

**INDEPENDENT AUDITORS' REPORT****To The Members of GKN Driveline (India) Limited****Report on the Audit of the Ind AS Financial Statements****Opinion**

We have audited the accompanying Ind AS financial statements of GKN Driveline (India) Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the 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.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("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 31 March 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Act and the Rules made 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 Ind AS financial statements.

**Information Other than the Financial Statements and Auditor's Report Thereon**

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the director's report, but does not include the Ind AS financial statements and our auditor's report thereon.
- Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained during the course of our 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.

**Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other 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 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 Ind AS financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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



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

#### **Auditor's Responsibility for the Audit of the Ind AS Financial Statements**

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

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

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

Materiality is the magnitude of misstatements in the Ind AS financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Ind AS 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 Ind AS 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.

#### **Other Matter**

On account of COVID-19 related lockdown restrictions, management was able to perform year end physical verification of inventories, subsequent to the year end. We were not able to physically observe the stock verification, carried out by the management. Consequently, we have performed alternate procedures to audit the existence of inventory as per the



guidance provided in SA501 "Audit Evidence – Specific Considerations for Selected Items" and have obtained sufficient appropriate audit evidence to issue our opinion on these Ind AS Financial statements.

Our opinion on the Ind AS financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, 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 Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
  - d) In our opinion, the aforesaid Ind AS financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31 March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
  - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements (Refer Note 33 of the accompanying Ind AS financial statements);
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses (Refer Note 35 of the accompanying Ind AS financial statements);
    - iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company (Refer Note 43 of the accompanying Ind AS financial statements)
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
Firm's Registration No. 117366W/W-100018

Sd/-  
**Manjula Banerji**  
Partner

Place: New Delhi  
Date: 27 August, 2020

Membership No. 086423  
UDIN: 20086423AAAAAN2760

**ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

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

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of GKN Driveline (India) Limited (“the Company”) as of 31 March, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting 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 Companies Act, 2013, 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

**Meaning of Internal Financial Controls Over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**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 over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2020, based on the criteria for internal financial control over financial reporting 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 **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
Firm's Registration No. 117366W/W-100018

Sd/-  
**Manjula Banerji**  
Partner

Place: New Delhi  
Date: 27 August, 2020

Membership No. 086423  
UDIN: 20086423AAAAAN2760

**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT**

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed /conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed assets in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) On account of COVID-19 related lockdown restrictions, physical verification of inventories (excluding goods in transit) was performed by the management at certain plants subsequent to the year end. We were not able to physically observe the stock verification carried out by the management. Consequently, we have performed alternate procedures to audit the existence of inventory as per the guidance provided in SA501 "Audit Evidence – Specific Considerations for Selected Items" and have obtained sufficient appropriate audit evidence. As explained to us, no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year.
- (vi) The maintenance of cost records has not been specified by the Central Government under Section 148(1) of the Companies Act, 2013.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Customs Duty, Goods and Services tax, cess and other material statutory dues applicable to it with the appropriate authorities though there has been slight delay in few cases of Employees Provident Fund.



- (b) There were no undisputed amounts payable other than mentioned in the below table in respect of Provident Fund, Employees' State Insurance, Income-tax, Customs Duty, Goods and Services Tax, cess and other material statutory dues in arrears as at 31 March, 2020 for a period of more than six months from the date they became payable.

| Name of Statute                    | Nature of dues | Amount   | Period to which the amount relates | Due Date   | Date of Payment |
|------------------------------------|----------------|----------|------------------------------------|------------|-----------------|
| Employees Provident Fund Act, 1952 | Provident Fund | 1,52,737 | April-19                           | 15/05/2019 | 12/08/2020      |
|                                    |                | 25,060   | May-19                             | 15/06/2019 | 12/08/2020      |
|                                    |                | 74,415   | June-19                            | 15/07/2019 | 12/08/2020      |
|                                    |                | 70,555   | July-19                            | 15/08/2019 | 12/08/2020      |
|                                    |                | 66,642   | August-19                          | 15/09/2019 | 12/08/2020      |

- (c) Details of dues of Income Tax, Excise Duty, Service Tax and Central Sales Tax which have not been deposited as on 31 March, 2020 on account of disputes are given below:

| Name of the Statute         | Nature of Dues | Amount (Rs.)# | Amount paid under protest (Rs.) | Period to which the Amount Relates   | Forum where the dispute is pending           |
|-----------------------------|----------------|---------------|---------------------------------|--|--|
| Income Tax Act, 1961        | Income Tax     | 20,16,19,324  | 99,70,190                       | AY 2010-11, AY 2011-12, AY 2013-14, AY 2014-15, AY 2016-17                                   | Income Tax Appellate Tribunal                |
|                             |                | 12,58,27,104  | 1,39,62,875                     | AY 2012-13   | High Court/CIT (Appeals)                     |
| Central Excise Act, 1944    | Excise Duty    | 1,73,40,000   | -                               | Jan-2006 to Dec- 2009  | CESTAT                                       |
| The Finance Act, 1994       | Service Tax    | 35,28,000     | 58,049                          | October -11 to July-11 and FY 2014-15 to 2016-17   | CESTAT                                       |
|                             |                | 2,34,26,606   | 8,19,375                        | FY 2010-11 to Nov- 2015  | CESTAT/Assistant Commissioner (ST)           |
|                             |                | 22,96,400     | 10,195                          | Feb-11, Apr-11 to Oct-11, Nov-14 to June -17   | Assistant Commissioner (ST)                  |
|                             |                | 1,23,48,000   | -                               | FY 2011-12 and 2015-16   | Commissioner (ST)                            |
|                             |                | 2,61,73,300   | -                               | FY 2003-04 to FY 2009-10 and Jan-10 to Nov-10  | Commissioner of Central Excise               |
|                             |                | 2,09,98,195   | 3,62,786                        | Dec-2008 to Dec-2009, Feb- 2010 to Nov- 2010, Dec- 2010 to Mar-2011, Apr- 2011 to Jul- 2012. | Assistant Commissioner (ST)                  |
|                             |                | 22,05,000     | -                               | Jan-2005 to Mar-2008   | Joint Commissioner of GST & Central Excise   |
| Central Sales Tax Act, 1956 | CST            | 9,36,000      | -                               | FY 2015-16   | Deputy Excise and Taxation Commissioner (ST) |

#amount as per demand orders including interest and penalty wherever indicated in the demand.

We have been further informed that there are no dues in respect of Customs Duty, Value Added Tax and Goods and Services Tax which have not been deposited on account of any dispute.



- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. The Company has not issued any debentures or has not taken any loan or borrowings from any financial institution and government.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, wherever applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
Firm's Registration No. 117366W/W-100018

Sd/-  
**Manjula Banerji**  
Partner

Membership No. 086423  
UDIN: 20086423AAAAAN2760

Place: New Delhi  
Date: 27 August, 2020



## Balance Sheet as at 31 March, 2020

(Rs. in million)

| Particulars                                 | Note No. | As at 31.03.2020 | As at 31.03.2019 |
|---|----------|------------------|------------------|
| <b>A. ASSETS</b>                            |          |                  |                  |
| <b>1. Non-current assets</b>                |          |                  |                  |
| (a) Property, plant and equipment           | 3        | 3,453.56         | 3,566.32         |
| (b) Capital work-in-progress                | 3        | 25.68            | 193.81           |
| (c) Intangible assets                       | 3        | 3.07             | 4.89             |
| (d) Right-of-use assets                     | 3        | 113.85           | -                |
| (e) Financial assets                        |          |                  |                  |
| (i) Investments                             |          |                  |                  |
| (a) Others                                  | 4        | 0.13             | 0.13             |
| (ii) Other financial assets                 | 6        | 52.58            | 51.11            |
| (iii) Loans                                 | 7        | 1.74             | 3.43             |
| (f) Other non-current assets                | 8        | 83.22            | 187.04           |
| <b>Total non-current assets (A)</b>         |          | <b>3,733.83</b>  | <b>4,006.73</b>  |
| <b>2. Current assets</b>                    |          |                  |                  |
| (a) Inventories                             | 5        | 905.30           | 1,173.44         |
| (b) Financial assets                        |          |                  |                  |
| (i) Trade receivables                       | 9        | 664.27           | 1,163.29         |
| (ii) Cash and cash equivalents              | 10       | 1,611.36         | 1,209.81         |
| (iii) Loans                                 | 7        | 3.30             | 4.97             |
| (iv) Other financial assets                 | 6        | 16.18            | 273.33           |
| (c) Other current assets                    | 8        | 42.50            | 88.73            |
| <b>Total current assets (B)</b>             |          | <b>3,242.91</b>  | <b>3,913.57</b>  |
| <b>Total assets (A+B)</b>                   |          | <b>6,976.74</b>  | <b>7,920.30</b>  |
| <b>B. EQUITY AND LIABILITIES</b>            |          |                  |                  |
| <b>Equity</b>                               |          |                  |                  |
| (a) Equity share capital                    | 11       | 127.73           | 127.73           |
| (b) Other equity                            | 12       | 4,360.98         | 4,700.38         |
| <b>Total equity (C)</b>                     |          | <b>4,488.71</b>  | <b>4,828.11</b>  |
| <b>Liabilities</b>                          |          |                  |                  |
| <b>1. Non-current liabilities</b>           |          |                  |                  |
| (a) Financial liabilities                   |          |                  |                  |
| (i) Lease liabilities                       | 14       | 89.04            | -                |
| (ii) Other financial liabilities            | 16       | 8.88             | 8.84             |
| (b) Provisions                              | 13       | 121.70           | 117.55           |
| (c) Deferred tax liabilities (net)          | 27       | 33.35            | 147.27           |
| (d) Other non-current liabilities           | 18       | 4.77             | 7.26             |
| <b>Total non-current liabilities (D)</b>    |          | <b>257.74</b>    | <b>280.92</b>    |
| <b>2. Current liabilities</b>               |          |                  |                  |
| (a) Financial liabilities                   |          |                  |                  |
| (i) Lease liability                         | 14       | 6.42             | -                |
| (i) Trade payables                          | 15       | 1,412.86         | 1,919.76         |
| (ii) Other financial liabilities            | 16       | 88.91            | 121.66           |
| (b) Provisions                              | 13       | 408.97           | 301.67           |
| (c) Current tax liabilities (net)           | 17       | 260.01           | 382.52           |
| (d) Other current liabilities               | 18       | 53.12            | 85.66            |
| <b>Total current liabilities (E)</b>        |          | <b>2,230.29</b>  | <b>2,811.27</b>  |
| <b>Total liabilities (D+E)</b>              |          | <b>2,488.03</b>  | <b>3,092.19</b>  |
| <b>Total equity and liabilities (C+D+E)</b> |          | <b>6,976.74</b>  | <b>7,920.30</b>  |

See accompanying notes to the financial statements

1 to 44

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

Manjula Banerji  
Partner

For and on behalf of the Board of Directors of  
**GKN Driveline (India) Limited**

|                     |                   |                         |
|---------------------|-------------------|-------------------------|
| Sanjay Katyal       | (DIN 08354025)    | Managing Director       |
| Monica Widhani      | (DIN 07674403)    | Independent Director    |
|                     |                   | Chairman - ARMC         |
| S. Ramaswamy        | (DIN 01952258)    | Independent Director    |
| Madan Singh Sisodia | (DIN 08111748)    | Executive Director      |
| Rajeev Dogra        | (DIN 05270378)    | Executive Director      |
| Tushar Jain         | (Mem. No. 500602) | Chief Financial Officer |
| Richa Porwal        | (Mem. No. F8318)  | Company Secretary       |

Place: New Delhi  
Date: August 27, 2020

Place: Faridabad  
Date: August 27, 2020

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

(Rs. in million)

| Particulars  | Note No. | Year ended 31.03.2020 | Year ended 31.03.2019 |
|--|----------|-----------------------|-----------------------|
| <b>1. Income</b>   |          |                       |                       |
| (a) Revenue from operations  | 19       | <b>9,415.13</b>       | 10,775.84             |
| (b) Other income   | 20       | <b>103.38</b>         | 150.45                |
| <b>2. Total income</b>   |          | <b>9,518.51</b>       | 10,926.29             |
| <b>3. Expenses</b>   |          |                       |                       |
| (a) Cost of materials consumed   | 21       | <b>4,922.80</b>       | 5,876.51              |
| (b) Changes in inventories of finished goods and work-in-progress and stock-in-trade | 22       | <b>119.31</b>         | 41.62                 |
| (c) Employee benefits expense  | 23       | <b>1,184.14</b>       | 1,310.81              |
| (d) Finance costs  | 24       | <b>98.74</b>          | 233.78                |
| (e) Depreciation and amortisation expense  | 3        | <b>447.91</b>         | 403.50                |
| (f) Other expenses   | 25       | <b>1,910.42</b>       | 2,555.55              |
| <b>4. Total expenses</b>   |          | <b>8,683.32</b>       | 10,421.77             |
| <b>5. Profit before tax (2-4)</b>  |          | <b>835.19</b>         | 504.52                |
| <b>6. Tax expense</b>  |          |                       |                       |
| (a) Current tax  | 26(a)    | <b>310.83</b>         | 328.37                |
| (b) Current tax - related to prior years   | 26(a)    | -                     | 91.50                 |
| (c) Deferred tax   | 26(b)    | <b>(108.14)</b>       | (51.96)               |
| <b>7. Total tax expense</b>  |          | <b>202.69</b>         | 367.91                |
| <b>8. Profit after tax (5-7)</b>   |          | <b>632.50</b>         | 136.61                |
| <b>9. Other comprehensive (loss)/income</b>  |          |                       |                       |
| (i) Items that will not be reclassified to profit or loss:                           |          |                       |                       |
| (a) Remeasurement of defined benefit obligations                                     |          | <b>(22.97)</b>        | 10.72                 |
| (ii) Income tax relating to items that will not be reclassified to profit or loss    |          | <b>5.78</b>           | (3.75)                |
| <b>10. Total other comprehensive (loss)/income</b>                                   |          | <b>(17.19)</b>        | 6.97                  |
| <b>11. Total comprehensive income for the year (8+10)</b>                            |          | <b>615.31</b>         | 143.58                |
| <b>12. Earnings per equity share (EPS)</b><br>(Face value of Rs. 10 per share)       |          |                       |                       |
| Basic (in Rs.)   | 30       | <b>48.17</b>          | 11.24                 |
| Diluted (in Rs.)   | 30       | <b>48.17</b>          | 11.24                 |

See accompanying notes to the financial statements

1 to 44

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

Manjula Banerji  
Partner

For and on behalf of the Board of Directors of  
**GKN Driveline (India) Limited**

Sanjay Katyal  
Monica Widhani

(DIN 08354025)  
(DIN 07674403)

Managing Director  
Independent Director  
Chairman - ARMC  
Independent Director  
Executive Director  
Executive Director  
Chief Financial Officer  
Company Secretary

S. Ramaswamy  
Madan Singh Sisodia  
Rajeev Dogra  
Tushar Jain  
Richa Porwal

(DIN 01952258)  
(DIN 08111748)  
(DIN 05270378)  
(Mem. No. 500602)  
(Mem. No. F8318)

Place: New Delhi  
Date: August 27, 2020

Place: Faridabad  
Date: August 27, 2020

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH, 2020**

(Rs. in million)

| Particulars   | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>A. Cash flow from operating activities</b>                           |                          |                          |
| Profit before tax   | 835.19                   | 504.52                   |
| Adjustments for :   |                          | -                        |
| Depreciation and amortisation expense                                   | 447.91                   | 403.50                   |
| Impairment loss on Property, plant and equipment                        | 94.14                    | 54.23                    |
| Finance costs   | 98.74                    | 233.78                   |
| Unrealised loss/(gain) on foreign currency transactions and translation | 12.01                    | (10.59)                  |
| Interest income earned on financial assets                              | (78.07)                  | (54.85)                  |
| Net (Gain)/Loss on sale/disposal of property, plant and equipment       | (1.33)                   | 2.84                     |
| Provision for slow moving inventory                                     | 57.23                    | 79.27                    |
| Provision for mark to market losses on forward contracts (net)          | 8.01                     | 29.97                    |
| Share based payments  | -                        | 9.79                     |
| Provision for contingencies   | 19.46                    | 81.42                    |
| Provision for penalty on Income Tax matters                             | -                        | 103.00                   |
| Provision for doubtful and other receivables                            | 79.51                    | 21.54                    |
| Insurance claim received  | (3.14)                   | (42.37)                  |
| Provisions/Liabilities no longer required written back                  | 0.59                     | (1.51)                   |
| <b>Operating profit before working capital changes</b>                  | <b>1,570.25</b>          | 1,414.54                 |
| Changes in working capital:   |                          |                          |
| <u>Adjustments for (increase)/ decrease in operating assets:</u>        |                          |                          |
| Trade receivables   | 420.52                   | 178.16                   |
| Other current/non current assets  | 96.98                    | (70.99)                  |
| Other financial assets  | 255.40                   | (264.76)                 |
| Loans   | 3.36                     | 3.07                     |
| Inventories   | 210.91                   | 112.09                   |
| <u>Adjustments for increase / (decrease) in operating liabilities:</u>  |                          |                          |
| Trade payables  | (543.48)                 | (113.24)                 |
| Other financial liabilities   | (29.86)                  | (2.77)                   |
| Other current/non-current liabilities                                   | (35.03)                  | (67.23)                  |
| Provisions  | 27.62                    | (21.83)                  |
| Cash generated from/ (used in) operations                               | <b>1,976.67</b>          | 1,167.04                 |
| Income tax paid(net of refunds during the year)                         | (447.59)                 | (184.78)                 |
| <b>Net cash flow from operating activities</b>                          | <b>(A) 1,529.08</b>      | 982.26                   |



(Rs. in million)

| Particulars   | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>B. Cash flow from investing activities</b>                                   |                          |                          |
| Capital expenditure on Property, plant and equipment including capital advances | (218.34)                 | (578.69)                 |
| Proceeds from sale of Property, plant and equipment                             | 2.54                     | 4.65                     |
| Investment in Equity Instruments  | -                        | (0.06)                   |
| Insurance claim received towards Property, plant and equipment                  | 3.14                     | 42.37                    |
| Interest received   | 78.35                    | 54.80                    |
| <b>Net cash used in investing activities</b>                                    | <b>(B)</b> (134.31)      | (476.93)                 |
| <b>C. Cash flow from financing activities</b>                                   |                          |                          |
| Finance costs paid  | (20.12)                  | (1.95)                   |
| Interim Dividend on equity shares and tax thereon                               | (954.71)                 | -                        |
| Repayment of lease liabilities  | (18.39)                  | -                        |
| <b>Net cash used in financing activities</b>                                    | <b>(C)</b> (993.22)      | (1.95)                   |
| <b>Net increase in cash and cash equivalents</b>                                | <b>(A+B+C)</b> 401.55    | 503.38                   |
| Cash and cash equivalents as at the beginning of the year                       | 1,209.81                 | 706.43                   |
| <b>Cash and cash equivalents as at the end of the year *</b>                    | <b>1,611.36</b>          | 1,209.81                 |
| * Components of cash and cash equivalents:                                      |                          |                          |
| a. Cash on hand   | 0.28                     | 0.45                     |
| b. Balance with scheduled banks   |                          |                          |
| i. in current accounts  | 1,132.71                 | 281.81                   |
| ii. in deposit accounts   | 477.79                   | 927.55                   |
| c. Balance with unclaimed dividend account                                      | 0.58                     | -                        |
|   | <b>1,611.36</b>          | 1,209.81                 |

The above cash flow statement has been prepared under the "Indirect method" as set out in Ind AS 7 "Statement of cash flows".

See accompanying notes to the financial statements 1 to 44

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

Manjula Banerji  
Partner

For and on behalf of the Board of Directors of  
**GKN Driveline (India) Limited**

Sanjay Katyal (DIN 08354025)  
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Managing Director  
Independent Director  
Chairman - ARMC  
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Executive Director  
Executive Director  
Chief Financial Officer  
Company Secretary

Place: New Delhi  
Date: August 27, 2020

Place: Faridabad  
Date: August 27, 2020



## Statement of Changes in Equity for the year ended 31 March, 2020

### a. Equity share capital

(Rs. in million)

| Particulars                              | Amount        |
|--|---------------|
| Balance at 1 April, 2018                 | 127.73        |
| Changes in equity shares during the year | -             |
| Balance at 31 March, 2019                | 127.73        |
| Changes in equity shares during the year | -             |
| <b>Balance at 31 March, 2020</b>         | <b>127.73</b> |

### b. Other equity

(Rs. in million)

| Particulars   | Reserves and Surplus |                 |                   |                                 | Total           |
|---|----------------------|-----------------|-------------------|---------------------------------|-----------------|
|   | Securities premium   | General reserve | Retained earnings | Share based application reserve |                 |
| Balance as at 01 April, 2018  | 214.16               | 150.17          | 4,182.68          | -                               | 4,547.01        |
| Profit for the year   | -                    | -               | 136.61            | -                               | 136.61          |
| Other Comprehensive income for the year                               | -                    | -               | 6.97              | -                               | 6.97            |
| Share Based Payments  | -                    | -               | -                 | 9.79                            | 9.79            |
| Balance at 31 March, 2019   | 214.16               | 150.17          | 4,326.26          | 9.79                            | 4,700.38        |
| <b>Profit for the year</b>  | -                    | -               | <b>632.50</b>     | -                               | <b>632.50</b>   |
| <b>Other Comprehensive (loss) for the year</b>                        | -                    | -               | <b>(17.19)</b>    | -                               | <b>(17.19)</b>  |
| <b>Interim Dividend payment on equity shares (Refer Note 11 (iv))</b> |                      |                 | <b>(791.93)</b>   |                                 | <b>(791.93)</b> |
| <b>Tax on Interim dividend</b>  |                      |                 | <b>(162.78)</b>   |                                 | <b>(162.78)</b> |
| <b>Balance at 31 March, 2020</b>                                      | <b>214.16</b>        | <b>150.17</b>   | <b>3,986.86</b>   | <b>9.79</b>                     | <b>4,360.98</b> |

See accompanying notes to the financial statements

1 to 44

In terms of our report attached  
For **Deloitte Haskins & Sells LLP**  
Chartered Accountants

Manjula Banerji  
Partner

For and on behalf of the Board of Directors of  
**GKN Driveline (India) Limited**

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Managing Director  
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Chairman - ARMC  
Independent Director  
Executive Director  
Executive Director  
Chief Financial Officer  
Company Secretary

Place: New Delhi  
Date: August 27, 2020

Place: Faridabad  
Date: August 27, 2020

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020****1. Corporate information**

GKN Driveline (India) Limited was incorporated on July 25, 1985 and is engaged in the manufacture and sale of driveshafts to original equipment manufacturers in the automobile industry. The company has five manufacturing locations in India at Faridabad, Dharuhera, Oragadam, Pune and Kadi. The address of its registered office is Plot No 270, Sector 24 Faridabad, Haryana.

The financial statements for the year ended March 31, 2020 were approved by the Board of Directors and authorised for issue on August 27, 2020.

**2. Significant accounting policies****2.01 Basis of preparation****(i) Statement of Compliance**

The financial statements have been prepared on going concern basis in accordance with Indian Accounting Standards (Ind AS) notified under the Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

**(ii) Basis of preparation and presentation**

The financial statements have been prepared on the historical cost convention on accrual basis except for certain financial instruments which are measured at fair value at the end of each reporting period, as explained in the accounting policies mentioned below. Historical cost is generally based on the fair value of the consideration given in exchange of goods or services.

All assets and liabilities have been classified as current or non-current according to the Company's operating cycle and other criteria set out in the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

**(iii) Use of estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements and the amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined

**2.02 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition) and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank/book overdrafts as they are considered an integral part of Company's cash management.

**2.03 Cash flow statement**

Cash flows are reported using indirect method, whereby Profit before tax reported under Statement of Profit and loss is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on available information.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**2.04 Property, plant and equipment**

All the items of property, plant and equipment are stated at historical cost net of GST credit less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful life is taken based on the technical evaluation done by the management which are higher or lower than those specified by Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

| <b>Property, Plant and Equipment</b>  | <b>Life of assets (in Years)</b> |
|---|----------------------------------|
| Computer & software   | 3                                |
| Electric installation   | 15                               |
| Furniture & fixtures  | 8                                |
| Office equipment  | 8                                |
| Mobile phones   | 3                                |
| Plant & machinery imported  |                                  |
| - Short life  | 6                                |
| - Medium Life   | 10                               |
| - Long Life   | 15                               |
| Plant & machinery local   |                                  |
| - Short life  | 6                                |
| - Medium Life   | 10                               |
| - Long Life   | 15                               |
| Material handling equipment   | 8                                |
| Mechanical testing  | 3                                |
| Trolleys  | 3                                |
| Vehicles  | 4                                |
| Building including Roads  | 30                               |
| Employees white goods<br>(Furniture & fixtures, Office equipment & computers) | 4                                |

Assets costing less than or equal to Rs. 5,000 are fully depreciated within a year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Capital work-in-progress comprises the cost of property, plant and equipment that are not yet ready for their intended use on the reporting date and materials at site.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020****2.05 Intangible assets**Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the period of three years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Company amortizes computer software over the period of 3 years. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

**2.06 Impairment of tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**2.07 Inventories**

Inventories are valued at cost or net realizable value whichever is lower with due allowance being made for obsolete and slow moving items. Cost is determined on First in First out (FIFO) basis. The cost of raw materials and stores and spares comprises all cost of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct cost, related production overheads. Net realizable 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.

**2.08 Revenue recognition**

The Company derives revenues primarily from sale of manufactured goods.

Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognized. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognized at the date of initial application

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

(i.e. April 1, 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the consolidated statement of profit and loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. The impact of adoption of the standard on the financial statements of the Company is insignificant.

Revenue from the sale of driveshaft is recognized at the point in time when control is transferred to the customer. Dependent upon contractual terms this may be at the point of despatch or acceptance by the customer. The revenue recognised is the transaction price as it is the observable selling price per product.

Contracts are reviewed to identify each performance obligation relating to a distinct good or service and the associated consideration. A performance obligation is identified if the customer can benefit from the good or service on its own or together with other readily available resources, and it can be separately identified within the contract. This review is performed by reference to the specific contract terms.

Customer Incentives, Discounts and Rebates are based on volume and certain percentages agreed with the customers, which are typically earned by the customer over an annual period. These are allocated to performance obligations and are recorded as a reduction in revenue at the point of sale based on the estimated future outcome. Due to the nature of these arrangements an estimate is made based on historical results to date, estimated future results across the contract period and the contractual provisions of the customer agreement. Revenue excludes taxes collected from customer.

Company procured / manufactured tooling which is explicitly funded by the customer, whether up-front or over time, and is included within part of a broader production contract.

Company has the practice of recovering the market movement of steel and exchange rate from its customers. The revenue for these recoveries are booked only after settlement of prices with customers.

**2.09 Other income**Dividend income and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial assets 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. Export Incentives under various schemes are accounted in the year of export.

**2.10 Foreign Currencies**

The functional currency for the Company is determined as the currency of the primary economic environment in which it operates. For the Company, the functional currency is the local currency of the country in which it operates, which is INR.

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Treatment of exchange differences

The exchange differences on monetary items are recognised in Profit or Loss in the period in which they arise.

**Amendments to Ind AS 21 - The Effects of changes in foreign exchange rates**

Appendix B to In AS 21, Foreign Currency Transactions and Advance Consideration: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to In AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020****2.11 Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification of financial assets**

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised in profit or loss for FVTOCI debt instruments. For the purposes of recognizing foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortized cost. Thus, the exchange differences on the amortized cost are recognized in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income and accumulated under the heading of 'Reserve for debt instruments through other comprehensive income'. When the investment is disposed of, the cumulative gain or loss previously accumulated in this reserve is reclassified to profit or loss.

All other financial assets are subsequently measured at fair value.

**Effective interest method**

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

**Investments in equity instruments at FVTOCI**

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

accumulated in the 'Reserve for equity instruments through other comprehensive income'. The cumulative gain or loss is not reclassified to profit or loss on disposal of the investments.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

**Financial assets at fair value through profit or loss (FVTPL)**

Investments in equity instruments are classified as at FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortized cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortized cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of the cost of the investment and the amount of dividend can be measured reliably.

**Impairment of financial assets**

The Company applies the expected credit loss model for recognizing impairment loss on financial assets measured at amortized cost, lease receivables, trade receivables and other contractual rights to receive cash or other financial assets and financial guarantees not designated as at FVTPL.

For trade receivables or any contractual right to receive cash or another financial assets that result from transactions that are within the scope of Ind AS 11 and Ind AS 18, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience.

**Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For foreign currency denominated financial assets measured at amortized cost and FVTPL, the exchange differences are recognised in profit or loss except for those which are designated as hedging instruments in a hedging relationship.

## 2.12 Financial liabilities and equity instruments

### Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

#### a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies or is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in profit or loss. The remaining amount of change in the fair value of liability is always recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified to profit or loss.

b) Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

c) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments and are recognised in 'Other income'.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

d) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 2.13 Employee benefit costs

#### Retirement benefits costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- a) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- b) net interest expense or income; and

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**c) **remeasurement**

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

**Short-term and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

**Contributions from employees or third parties to defined benefit plans**

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Company reduces service cost by attributing the contributions to periods of service using the attribution method required by Ind AS 19.70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Company reduces service cost in the period in which the related service is rendered / reduces service cost by attributing contributions to the employees' periods of service in accordance with Ind AS 19.70.

**Defined contribution plans**

Contribution towards provident fund, superannuation fund, employee's pension scheme and employee state insurance for certain employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

**Defined benefit plans**

Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/gains are recognised in the Statement of Profit and Loss in the year in which they arise.

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering all employees in accordance with the Payment of Gratuity Act, 1972 without any limits on the amount. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company funds the benefits through annual contributions to Life Insurance Corporation of India (LIC) under its Group's Gratuity Scheme. 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 under Other comprehensive income in the year in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

Amendment to Ind AS 19 - Plan Amendment, Curtailment or Settlement The Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements requiring an entity to determine the current service costs and the net interest for the period after the re measurement using the assumptions used for the re measurement; and determine the net interest for the remaining period based on the remeasured net defined benefit liability or asset. The adoption of amendment to Ind AS 19 did not have any material impact on the standalone financial statements of the Company.

**Long-term employee benefits**

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year 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.

**2.14 Ind AS 116 Leases Treatments:**

Effective from 1st April 2019, the Company adopted Ind AS 116 – Lease and applied the standard to all lease contracts existing as on 1st April,2019 using the modified retrospective method on the date of initial application i.e., 1st April,2019. Refer Note 36 for details on transition to Ind AS 116 Leases.

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

The Company recognises a right-of use assets and a lease liability at the lease commencement date except for lease with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease term is a non-cancellable period together with period covered by an option to extend the lease if the Company is reasonably certain to exercise that option: and period covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying assets to the Company by the end of the lease term or code of the right-of-use assets reflects that the Company will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying assets.

The lease liability is initially measured at the present value of the lease payments to be paid over the lease term at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently, the lease liability is measured at amortised cost using the effective interest method.

**2.15 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.16 Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of exceptional items, if any) by the weighted average number of equity shares outstanding during the year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of exceptional items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for employee share options and bonus shares, if any, as appropriate.

**2.17 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

Appendix C to Ind AS 12 - Uncertainty over income tax treatments Appendix C to Ind AS 12 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. The adoption of Appendix C to Ind AS 12 did not have any material impact on the standalone financial statements of the Company.

Amendment to Ind AS 12 – Income Taxes – The Ministry of Corporate Affairs issued amendments to Ind AS 12 – Income Taxes. The amendments clarify that an entity shall recognize the income tax consequences of dividends on financial instruments classified as equity according to where the entity originally recognized those past transactions or events that generated distributable profits were recognized. The adoption of amendment to Ind AS 12 did not have any material impact on the standalone financial statements of the Company.

**2.18 Provisions, Contingent assets and Contingent liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Contingent liabilities are disclosed only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent assets where it is probable that future economic benefits will flow to the Group are not recognised but disclosed in the financial statements. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognised as an asset.

**2.19 Insurance claims**

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

**2.20 Critical accounting judgements and key estimates****Critical accounting judgements**

The following are the critical judgements, apart from those involving estimations that the management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Contingent liabilities**

Assessment of whether outflow embodying economic benefits is probable, possible or remote. (See note 33)

**Key estimates**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**Useful lives of property, plant and equipment (see note 2.04)

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. There is no such change in the useful life of the assets.

Fair value measurements and valuation processes (see note 2.11)

In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Defined benefit obligations

Key assumptions related to life expectancies, salary increases and withdrawal rates (see note 28).

Provision for warranty

The estimated liability for product warranties is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims for previous two years and management estimates regarding possible future incidence based on corrective actions on product failures. The timing of outflows will vary as and when warranty claim will arise in two years. (See note 13).

**2.21 Operating Cycle**

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**2.22 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM") of the respective entities.

**2.23 Business Combinations**

Business combinations involving entities under common control are accounted for using the pooling of interest method.

The net assets of the transferor entity or business are accounted at their carrying amounts on the date of the acquisition subject to necessary adjustments required to harmonize accounting policies. Any excess or shortfall of the consideration paid over the share capital of transferor entity or business is recognised as capital reserve under equity.

**2.24 Dividends paid**

Dividend to shareholders is recognised as a liability and deducted from equity, in the year in which the dividends are approved by the shareholders. However, interim dividends declared by the Board of directors, which does not need shareholders' approval, are recognised as a liability and deducted from retained earnings, in the year in which the dividends are so declared.

**2.25 Applicability of New and Revised Ind AS**

New Accounting Standards not yet adopted by the Company Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**Note 3: Property, plant and equipment**

(Rs. in million)

|   | Tangible Assets |           |                     |           |                            |                        |          | Intangible Assets |          |       | Right of use Assets |        |  |
|---|-----------------|-----------|---------------------|-----------|----------------------------|------------------------|----------|-------------------|----------|-------|---------------------|--------|--|
|   | Freehold Land   | Buildings | Plant and Machinery | Computers | Office and other equipment | Furniture and fixtures | Vehicles | Total             | Software | Land  | Building            | Total  |  |
| <b>Cost</b>                                   |                 |           |                     |           |                            |                        |          |                   |          |       |                     |        |  |
| Balance at 1 April, 2018                      | 206.74          | 621.84    | 3,274.39            | 34.06     | 113.25                     | 14.46                  | 33.88    | 4,298.62          | 8.37     | -     | -                   | -      |  |
| Additions                                     | -               | 19.18     | 382.61              | 12.40     | 11.49                      | 5.36                   | 8.57     | 439.61            | 3.83     | -     | -                   | -      |  |
| Disposals                                     | -               | (1.05)    | (43.55)             | (2.00)    | (4.32)                     | (0.73)                 | (12.70)  | (64.35)           | (0.50)   | -     | -                   | -      |  |
| Balance at 31 March, 2019                     | 206.74          | 639.97    | 3,613.45            | 44.46     | 120.42                     | 19.09                  | 29.75    | 4,673.88          | 11.70    | -     | -                   | -      |  |
| <b>Accumulated depreciation/ Amortisation</b> |                 |           |                     |           |                            |                        |          |                   |          |       |                     |        |  |
| Balance at 1 April, 2018                      | -               | 54.90     | 597.71              | 17.42     | 19.98                      | 4.19                   | 13.27    | 707.47            | 4.03     | -     | -                   | -      |  |
| Depreciation expense                          | -               | 28.35     | 341.62              | 10.95     | 11.73                      | 2.65                   | 7.92     | 403.22            | 2.78     | -     | -                   | -      |  |
| Impairment expenses**                         | -               | -         | 54.23               | -         | -                          | -                      | -        | 54.23             | -        | -     | -                   | -      |  |
| Elimination on disposals of assets            | -               | (0.98)    | (40.33)             | (2.34)    | (4.00)                     | (0.50)                 | (9.21)   | (57.36)           | -        | -     | -                   | -      |  |
| Balance at 31 March, 2019                     | -               | 82.27     | 953.23              | 26.03     | 27.71                      | 6.34                   | 11.98    | 1,107.56          | 6.81     | -     | -                   | -      |  |
| Net book value at 31 March, 2019              | 206.74          | 557.70    | 2,660.22            | 18.43     | 92.71                      | 12.75                  | 17.77    | 3,566.32          | 4.89     | -     | -                   | -      |  |
| Capital work in progress                      | -               | 99.73     | 91.04               | 1.60      | -                          | 0.50                   | -        | 192.87            | 0.94     | -     | -                   | -      |  |
| <b>Cost</b>                                   |                 |           |                     |           |                            |                        |          |                   |          |       |                     |        |  |
| Balance at 1 April, 2019                      | 206.74          | 639.97    | 3,613.45            | 44.46     | 120.42                     | 19.09                  | 29.75    | 4,673.88          | 11.70    | -     | 100.01              | 100.01 |  |
| Additions                                     | -               | 97.06     | 275.05              | 18.18     | 16.29                      | 6.34                   | 4.87     | 417.79            | 1.12     | -     | -                   | -      |  |
| IND AS 116 transition                         | -               | -         | -                   | -         | -                          | -                      | -        | -                 | -        | 26.11 | -                   | 26.11  |  |
| Disposals                                     | -               | -         | (14.71)             | (4.40)    | (0.65)                     | (0.10)                 | (4.60)   | (24.46)           | -        | -     | -                   | -      |  |
| Balance at 31 March, 2020                     | 206.74          | 737.03    | 3,873.79            | 58.24     | 136.06                     | 25.33                  | 30.02    | 5,067.21          | 12.82    | 26.11 | 100.01              | 126.12 |  |
| <b>Accumulated depreciation/ Amortisation</b> |                 |           |                     |           |                            |                        |          |                   |          |       |                     |        |  |
| Balance at 1 April, 2019                      | -               | 82.27     | 953.23              | 26.03     | 27.71                      | 6.34                   | 11.98    | 1,107.56          | 6.81     | -     | -                   | -      |  |
| Depreciation expense*                         | -               | 27.64     | 371.91              | 12.34     | 13.16                      | 3.12                   | 7.03     | 435.20            | 2.94     | 0.28  | 11.99               | 12.27  |  |
| Impairment expenses**                         | -               | -         | 94.14               | -         | -                          | -                      | -        | 94.14             | -        | -     | -                   | -      |  |
| IND AS 116 transition                         | -               | -         | -                   | -         | -                          | -                      | -        | -                 | -        | -     | -                   | -      |  |
| Elimination on disposal of assets             | -               | -         | (14.37)             | (4.37)    | (0.55)                     | (0.10)                 | (3.86)   | (23.25)           | -        | -     | -                   | -      |  |
| Balance at 31 March, 2020                     | -               | 109.91    | 1,404.91            | 34.00     | 40.32                      | 9.36                   | 15.15    | 1,613.65          | 9.75     | 0.28  | 11.99               | 12.27  |  |
| Net book value at 31 March, 2020              | 206.74          | 627.12    | 2,468.88            | 24.24     | 95.74                      | 15.97                  | 14.87    | 3,453.56          | 3.07     | 25.83 | 88.02               | 113.85 |  |
| Capital Work in Progress                      | -               | 0.28      | 21.98               | 3.37      | 0.02                       | 0.03                   | -        | 25.68             | -        | -     | -                   | -      |  |

a) Disclosure of contractual commitments for acquisition of Property, Plant and equipment. (refer note 35)

\* b) Depreciation Expense include INR 2.5 mn (previous year INR 2.5 mn) amortisation for EPCG license received in July 2007 (refer note 18(a)(i))

\*\* c) Refer Note 42



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

| Particulars  | As at<br>31.03.2020 | As at<br>31.03.2019 |
|--|---------------------|---------------------|
| <b>4. Investments</b>  |                     |                     |
| <b><u>Unquoted investments (all fully paid)</u></b>  |                     |                     |
| Investments in equity instruments at cost  |                     |                     |
| -ARS Energy Private Limited  | 0.13                | 0.13                |
| (No. of shares in 2020 - 480, 2019- 480)   |                     |                     |
| <b>Total</b>   | <b>0.13</b>         | <b>0.13</b>         |
| <b>5. Inventories</b>  |                     |                     |
| Inventories (lower of cost and net realisable value)   |                     |                     |
| (i) Raw materials (Net of Provision Rs. 56.14 million,<br>Year 2019: Rs. 30.20 million)  | 393.66              | 520.34              |
| (ii) Work-in-progress (Net of Provision Rs. 53.78 million,<br>Year 2019: Rs. 35.71 million)  | 238.60              | 322.11              |
| (iii) Finished goods (Net of Provision Rs. 20.13 million,<br>Year 2019: Rs. 7.19 million)  | 122.21              | 158.01              |
| (iv) Stores and spares (Net of Provision Rs. 45.66 million,<br>Year 2019: Rs. 50.41 million)   | 43.61               | 48.99               |
| (v) Loose Tools (Net of Provision Rs. 82.24 million,<br>Year 2019: Rs. 77.21 million)  | 107.22              | 123.99              |
|  | <b>905.30</b>       | <b>1,173.44</b>     |
| <b>Inventory includes in transit Inventory of:</b>   |                     |                     |
| (i) Raw materials  | 119.13              | 48.01               |
| (ii) Finished goods  | 1.19                | 9.63                |
|  | <b>120.32</b>       | <b>57.64</b>        |
| The cost of Inventories recognised as an expense during the year was Rs. 5,042.11 million (PY Rs. 5,918.13 million)<br>- Refer note 21 and 22. |                     |                     |
| <b>6 Other financial assets</b>  |                     |                     |
| <b><u>Non-current</u></b>  |                     |                     |
| (i) Security deposits  | 52.58               | 51.11               |
| <b>Total</b>   | <b>52.58</b>        | <b>51.11</b>        |
| <b><u>Current</u></b>  |                     |                     |
| (i) Security deposits  | 0.78                | 1.90                |
| (ii) Interest accrued but not due on fixed deposits  | 1.60                | 0.84                |
| (iii) Interest accrued and due   |                     |                     |
| - from others  | -                   | 1.04                |
| (iv) Other advances  | 3.75                | 1.35                |
| (v) Other receivables (Net of provision of Rs. Nil (PY Rs. 21.54 million) (refer<br>note 39)   | 10.05               | 268.20              |
| <b>Total</b>   | <b>16.18</b>        | <b>273.33</b>       |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

| Particulars   | As at<br>31.03.2020 | As at<br>31.03.2019 |
|---|---------------------|---------------------|
| <b>7. Loans</b>   |                     |                     |
| <b><u>Non-Current</u></b>   |                     |                     |
| (i) Loans to employees - Unsecured, considered good                                 | 1.74                | 3.43                |
|   | 1.74                | 3.43                |
| <b><u>Current</u></b>   |                     |                     |
| (i) Loans to employees - Unsecured, considered good                                 | 3.30                | 3.73                |
| (ii) Loans to suppliers - Unsecured, considered good                                | -                   | 1.24                |
| <b>Total</b>  | <b>3.30</b>         | <b>4.97</b>         |
| <b>8. Other assets</b>  |                     |                     |
| <b><u>Non-current</u></b>   |                     |                     |
| (i) Prepaid expenses  | 3.73                | 29.78               |
| (ii) Deposits against cases with<br>- Excise, Service tax and Sales tax authorities | 1.25                | 1.84                |
| (iii) Gratuity Fund (Refer note 28)   | 60.84               | 84.95               |
| (iv) Capital advances   | 17.40               | 70.47               |
| <b>Total</b>  | <b>83.22</b>        | <b>187.04</b>       |
| <b><u>Current</u></b>   |                     |                     |
| (i) Prepaid expenses  | 13.77               | 16.12               |
| (ii) Balance with government authorities  | 26.79               | 69.76               |
| (iii) Others<br>- Supplier advances   | 1.94                | 2.85                |
| <b>Total</b>  | <b>42.50</b>        | <b>88.73</b>        |
| <b>9. Trade receivables</b>   |                     |                     |
| <b><u>Current</u></b>   |                     |                     |
| (i) Trade receivables [See notes below]   |                     |                     |
| - Secured, considered good  | 5.82                | 4.86                |
| - Unsecured, considered good  | 658.45              | 1,158.43            |
| - Unsecured, considered doubtful  | 79.51               | -                   |
|   | 743.78              | 1,163.29            |
| Less: Provision for doubtful debts  | (79.51)             | -                   |
| <b>Total</b>  | <b>664.27</b>       | <b>1,163.29</b>     |

**Notes:**

- a) The average credit period on sales of goods is 35-40 days. No interest is charged on any overdue trade receivables.
- b) The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix. There is no expected credit loss as per the matrix. (Refer note 31.2 (i))



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

| Particulars               | As at<br>31.03.2020 | As at<br>31.03.2019 |
|---------------------------|---------------------|---------------------|
| <b>Age of receivables</b> |                     |                     |
| 0 - 90 days               | 454.75              | 1,162.03            |
| 91 - 180 days             | 187.98              | 0.89                |
| 180 days and above        | 100.93              | 0.37                |
| More than 365 days        | 0.12                | 0.00*               |
|                           | <u>743.78</u>       | <u>1,163.29</u>     |

\* Rs. 2,857

- c) The concentration of credit risk is limited due to the fact that the Company is a market leader in supply of drivshafts and has many customers in India which are mainly OEM(Original Equipment Manufacturers).

(Rs. in million)

| Particulars                          | As at<br>31.03.2020 | As at<br>31.03.2019 |
|--------------------------------------|---------------------|---------------------|
| <b>10. Cash and cash equivalents</b> |                     |                     |
| (i) Cash in hand                     | 0.28                | 0.45                |
| (ii) Balance with scheduled banks    |                     |                     |
| - in current accounts                | 1,132.71            | 281.81              |
| - in deposit accounts                | 477.79              | 927.55              |
| <b>Other Bank Balance</b>            |                     |                     |
| Unpaid Dividend                      | 0.58                | -                   |
| <b>Total</b>                         | <u>1,611.36</u>     | <u>1,209.81</u>     |

**11. Equity share capital****Authorised share capital:**15,100,000 (31.03.2019- 15,100,000) equity shares of Rs.10/- each 151.00 151.00**Issued and subscribed capital comprises:**12,773,061 (31.03.2019- 12,773,061 ) equity shares of Rs.10/- each (fully paid up) 127.73 127.73127.73 127.73**Fully paid equity shares:**Number of  
shares

Balance as at 1 April, 2019 12,773,061

Add: Issue of shares -

**Balance as at 31 March, 2020** 12,773,061

| (i) Reconciliation of Equity share capital | No of shares      | Equity share capital<br>(In million) |
|--|-------------------|--------------------------------------|
| As at 01 April 2018                        | 12,773,061        | 127.73                               |
| Changes during the year                    | -                 | -                                    |
| As at 31 March 2019                        | 12,773,061        | 127.73                               |
| Changes during the year                    | -                 | -                                    |
| <b>As at 31 March 2020</b>                 | <b>12,773,061</b> | <b>127.73</b>                        |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

## (ii) Details of shares held by each shareholder holding more than 5% shares:

| Name of Shareholder                                   | As at 31.03.2020 |           | As at 31.03.2019 |           |
|---|------------------|-----------|------------------|-----------|
|   | No. of Shares    | % Holding | No. of Shares    | % Holding |
| <b>Fully paid equity shares with voting rights:</b>   |                  |           |                  |           |
| GKN Driveline International GmbH, the Holding Company | 12,393,808       | 97.03%    | 12,393,808       | 97.03%    |

- (iii) Equity Shares: The company has one class of equity shares having a par value of Rs.10 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.

| (iv) Dividend   | (Rs. in million) |                  |
|---|------------------|------------------|
|   | As at 31.03.2020 | As at 31.03.2019 |
| <b>A) Declared and paid during the year</b>   |                  |                  |
| Interim dividend for 2019-20 : Rs. 74.74/- Per share<br>(Including dividend distribution tax @ 20.55% of Rs. 162.78 million)  | 954.71           | -                |
| <b>B) Proposed dividend *</b>   |                  |                  |
| Final dividend for 2019-20 : Rs. 84/- Per share   | 1,072.94         | -                |
| * The proposed dividend being subject to approval at respective annual general meeting, accordingly no corresponding liability has been recognised in the respective financial year |                  |                  |

| Particulars   | (Rs. in million) |                  |
|---|------------------|------------------|
|   | As at 31.03.2020 | As at 31.03.2019 |
| <b>12. Other equity</b>   |                  |                  |
| Securities premium account  | 214.16           | 214.16           |
| General reserve   | 150.17           | 150.17           |
| Share based payment reserve   | 9.79             | 9.79             |
| Retained earnings   | 3,986.86         | 4,326.26         |
|   | <u>4,360.98</u>  | <u>4,700.38</u>  |
| <b>a. Securities premium</b>  | 214.16           | 214.16           |
| (A)   | <u>214.16</u>    | <u>214.16</u>    |
| <b>b. General reserve</b>   | 150.17           | 150.17           |
| (B)   | <u>150.17</u>    | <u>150.17</u>    |
| <b>c. Retained earnings</b>   |                  |                  |
| i. Opening balance  | 4,326.26         | 4,182.68         |
| ii. Add: Profit for the year  | 615.31           | 143.58           |
| iii. Less: Payment of Dividend  | (791.93)         | -                |
| iv. Less: Dividend tax  | (162.78)         | -                |
| v. Closing balance  | <u>3,986.86</u>  | <u>4,326.26</u>  |
| (C)   |                  |                  |
| This represents the retained earnings generated over the years of operation.  |                  |                  |
| <b>d. Share based payment reserve</b>   | 9.79             | 9.79             |
| (D)   | <u>9.79</u>      | <u>9.79</u>      |
| This reserve represents the allotment of shares of GKN Plc by the group parent company to employees of the company. |                  |                  |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

| Particulars   | As at<br>31.03.2020 | As at<br>31.03.2019 |
|---|---------------------|---------------------|
| <b>13. Provisions</b>   |                     |                     |
| <b><u>Non-current</u></b>   |                     |                     |
| a. Employee benefits  |                     |                     |
| - Compensated absences  | 117.23              | 113.56              |
| b. Other provisions   |                     |                     |
| - Provision for Warranty (Refer note (b))   | 4.47                | 3.99                |
|   | 121.70              | 117.55              |
| <b><u>Current</u></b>   |                     |                     |
| a. Employee benefits  |                     |                     |
| - Compensated absences  | 9.85                | 9.24                |
| - provident fund  | 14.26               | 0.40                |
| b. Other provisions   |                     |                     |
| - Entry Tax (Refer note (a))  | 129.53              | 119.20              |
| - Provision for Warranty (Refer note (b))   | 11.33               | 12.66               |
| - Provision for contingencies (Refer note (c))  | 244.00              | 160.17              |
|   | 408.97              | 301.67              |
| <b>(a) <u>Movements in provision of entry tax</u></b>   |                     |                     |
| Opening balance   | 119.20              | 57.31               |
| Addition during the year  | 10.33               | 61.89               |
| Closing balance   | 129.53              | 119.20              |
| Under the Haryana Local Area Development Tax Act, 2000 the Company was issued a notice to deposit entry tax on goods brought into the local area (jurisdiction of state of Haryana) for consumption and/or use therein. The matter is pending with Hon'ble Supreme Court of India, however the Company has made provision for the potential tax liability and interest thereon based on management's judgement. |                     |                     |
| <b>(b) <u>Movements in provision of warranty</u></b>  |                     |                     |
| Opening balance   | 16.65               | 28.94               |
| Addition during the year  | 8.15                | 10.28               |
| Utilised during the year  | (9.00)              | (22.57)             |
| Closing balance   | 15.80               | 16.65               |

**(c) Movement in Provision for Contingencies**

The Company has made a net provision amounting Rs. 83.83 million (31.03.2019 - Rs.160.17 million) for various contingencies resulting mainly from matters as below, which are under litigation/related disputes based on management judgement.

(Rs. in million)

| Particulars                            | Year ended 31 March 2020 |               |        | Year ended 31 March 2019 |               |        |
|--|--------------------------|---------------|--------|--------------------------|---------------|--------|
|  | Indirect Tax Matters     | Other Matters | Total  | Indirect Tax Matters     | Other Matters | Total  |
| Opening Balance                        | 88.09                    | 72.08         | 160.17 | -                        | -             | -      |
| Addition during the year*              | 5.77                     | 79.92         | 85.69  | 88.09                    | 72.08         | 160.17 |
| Utilisation/Settlement during the year | (1.86)                   | -             | (1.86) | -                        | -             | -      |
| <b>Closing Balance**</b>               | 92.00                    | 152.00        | 244.00 | 88.09                    | 72.08         | 160.17 |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

\* Breakup of Expense recognised in statement of Profit and loss is as follows:- (Rs. in million)

| Particulars    | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
|----------------|--------------------------|--------------------------|
| Finance costs  | 64.37                    | 78.75                    |
| Other Expenses | 19.46                    | 81.42                    |
|                | <b>83.83</b>             | 160.17                   |

\*\* Classified as (Rs. in million)

| Particulars    | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
|----------------|--------------------------|--------------------------|
| <b>Current</b> | <b>244.00</b>            | 160.17                   |
|                | <b>244.00</b>            | 160.17                   |

During the year, the Company has reassessed the expected outcome of pending indirect tax cases and other matters and based on management judgement made a provision of Rs. 83.83 million (previous year Rs. 160.17 million) along with interest thereon shown as finance costs and provision for contingencies respectively in these IndAS financial statements.

(Rs. in million)

| Particulars  | As at<br>31.03.2020 | As at<br>31.03.2019 |
|--|---------------------|---------------------|
| <b>14. Lease Liability</b>   |                     |                     |
| <b><u>Non-Current</u></b>  |                     |                     |
| a Finance Lease  | 89.04               | -                   |
|  | <u>89.04</u>        | -                   |
| <b><u>Current</u></b>  |                     |                     |
| a Finance Lease  | 6.42                | -                   |
|  | <u>6.42</u>         | -                   |
| <b>15. Trade payables</b>  |                     |                     |
| Trade payables - Other than acceptances  |                     |                     |
| - total outstanding dues of micro enterprises and small enterprises [See note 37]        | 8.67                | 14.89               |
| - total outstanding dues of creditors other than micro enterprises and small enterprises | 1,286.28            | 1,759.10            |
| - Payable for salaries and wages   | 117.91              | 145.77              |
|  | <u>1,412.86</u>     | <u>1,919.76</u>     |
| <b>16. Other financial liabilities</b>   |                     |                     |
| <b><u>Non-current</u></b>  |                     |                     |
| a. Security deposits received  | 8.88                | 8.84                |
|  | <u>8.88</u>         | <u>8.84</u>         |
| <b><u>Current</u></b>  |                     |                     |
| a. Payables on purchase of property, plant and equipment                                 | 78.01               | 88.87               |
| b. Security deposits received  | 2.31                | 2.82                |
| c. Payables on forward contracts   | 8.01                | 29.97               |
| d. Unpaid Dividend   | 0.58                | -                   |
|  | <u>88.91</u>        | <u>121.66</u>       |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

| Particulars   | (Rs. in million)    |                     |
|---|---------------------|---------------------|
|   | As at<br>31.03.2020 | As at<br>31.03.2019 |
| <b>17. Current tax liabilities (net)</b>  |                     |                     |
| a. Provision for tax (net of advance tax including TDS recoverable<br>Rs 2,131.88 million (previous year Rs. 1,696.94 million))   | 260.01              | 382.52              |
| <b>Total</b>  | <b>260.01</b>       | <b>382.52</b>       |
| <b>18. Other liabilities</b>  |                     |                     |
| <b><u>Non-current</u></b>   |                     |                     |
| a. Deferred income arising from government grant (Refer note (i) below)   | 4.77                | 7.26                |
|   | <b>4.77</b>         | <b>7.26</b>         |
| i. The deferred revenue arises as a result of the benefit received from an EPCG License received in July 2007 amounting to INR 89.59 million. The revenue was offset against depreciation costs incurred over the useful life of asset. |                     |                     |
| <b><u>Current</u></b>   |                     |                     |
| a. Revenue received in advance  |                     |                     |
| -Deferred income arising from government grant  | 2.50                | 2.50                |
| b. Statutory remittances  | 49.60               | 82.66               |
| c. Other payables   |                     |                     |
| i. Advances from customers  | 1.02                | 0.50                |
|   | <b>53.12</b>        | <b>85.66</b>        |

| Particulars   | (Rs. in million)         |                          |
|---|--------------------------|--------------------------|
|   | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
| <b>19. Revenue from operations</b>                                |                          |                          |
| a. Sale of goods  | 9,303.18                 | 10,613.96                |
| b. Other operating revenue  |                          |                          |
| i. Scrap sales  | 32.93                    | 47.13                    |
| ii. Other export incentives                                       | 14.87                    | 19.75                    |
| iii. Other ancillary revenue                                      | 64.15                    | 95.00                    |
|   | <b>9,415.13</b>          | <b>10,775.84</b>         |
| <b>Reconciliation of revenue recognised with contract price :</b> |                          |                          |
| Contract Price (Gross)  | 9,585.91                 | 10,940.04                |
| Adjustment as per Ind AS 115 for :                                |                          |                          |
| Customer Incentives, Discounts and Rebates                        | (170.78)                 | (164.20)                 |
| <b>Revenue from Operations</b>                                    | <b>9,415.13</b>          | <b>10,775.84</b>         |
| <b>Geographical segment disclosure:</b>                           |                          |                          |
| Domestic  | 8,927.07                 | 10,596.51                |
| Overseas  | 488.06                   | 179.33                   |
|   | <b>9,415.13</b>          | <b>10,775.84</b>         |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

| Particulars  | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
|--|--------------------------|--------------------------|
| <b>20 Other income</b>   |                          |                          |
| a. Interest income   |                          |                          |
| i. on bank deposits  | 59.28                    | 50.57                    |
| ii. from government authorities  | 18.31                    | 3.46                     |
| iii. from others   | 0.48                     | 0.82                     |
| b. Provisions/Liabilities no longer required written back                | 0.59                     | 1.51                     |
| c. Insurance claim received  | 3.14                     | 42.37                    |
| d. Other gains and losses  |                          |                          |
| i. Net gain on foreign currency transactions and translation             | 18.09                    | 31.65                    |
| ii. Profit on sale of property, plant and equipment                      | 1.33                     | -                        |
| e. Miscellaneous income  | 2.16                     | 20.07                    |
|  | <b>103.38</b>            | <b>150.45</b>            |
| <b>21. Cost of Materials Consumed</b>                                    |                          |                          |
| Raw materials at the beginning of the year                               | 520.34                   | 585.16                   |
| Add: Purchases during the year   | 4,796.12                 | 5,811.69                 |
| (Less): Raw materials at the end of the year                             | (393.66)                 | (520.34)                 |
| Cost of Materials Consumed   | <b>4,922.80</b>          | <b>5,876.51</b>          |
| <b>22. Changes in inventories of finished goods and work in progress</b> |                          |                          |
| Inventories at the end of the year:                                      |                          |                          |
| Finished goods   | 122.21                   | 158.01                   |
| Work-in-progress   | 238.60                   | 322.11                   |
|  | <b>360.81</b>            | <b>480.12</b>            |
| Less : Inventories at the beginning of the year :                        |                          |                          |
| Finished Goods   | 158.01                   | 127.83                   |
| Work in progress   | 322.11                   | 393.91                   |
|  | <b>480.12</b>            | <b>521.74</b>            |
| Net decrease   | <b>119.31</b>            | <b>41.62</b>             |
| <b>23. Employee benefits expense</b>                                     |                          |                          |
| a. Salaries and allowances   | 1,030.79                 | 1,114.95                 |
| b. Contribution to provident and other funds                             | 66.53                    | 84.03                    |
| c. Gratuity expense  | 18.47                    | 19.95                    |
| d. Staff welfare expenses  | 68.35                    | 82.09                    |
| e. Share based payment   | -                        | 9.79                     |
|  | <b>1,184.14</b>          | <b>1,310.81</b>          |
| <b>24. Finance costs</b>   |                          |                          |
| a. Interest costs  |                          |                          |
| i. Interest on Bank overdraft  | 0.13                     | 0.35                     |
| ii. Interest on dealer deposit   | 0.41                     | 0.19                     |
| iii. Interest - others   | 0.29                     | 1.41                     |
| b. Interest on leasehold land and building                               | 8.96                     | -                        |
| c. Provision for interest on contingencies                               | 64.37                    | 78.75                    |
| d. Provision for interest on entry tax                                   | 10.33                    | 61.89                    |
| e. Provision for interest on Income tax relating to current year         | 3.44                     | 23.01                    |
| f. Provision for interest on Income tax relating to prior years          | 10.81                    | 68.18                    |
|  | <b>98.74</b>             | <b>233.78</b>            |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

| Particulars   | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>25. Other Expenses</b>   |                          |                          |
| a. Consumption of stores  | 317.24                   | 450.65                   |
| b. Jobwork charges  | 267.01                   | 309.61                   |
| c. Rent and hire charges  | 5.66                     | 16.52                    |
| d. Repair and Maintenance   |                          |                          |
| i. Plant and equipment  | 188.60                   | 224.54                   |
| ii. Building  | 12.83                    | 26.53                    |
| iii. Others   | 2.33                     | 3.98                     |
| e. Power and fuel   | 291.53                   | 348.73                   |
| f. Legal and professional services*                               | 29.86                    | 37.96                    |
| g. Expenditure on corporate social responsibility( Refer note 38) | 21.20                    | 20.89                    |
| h. Management consultancy and business auxiliary services         | 9.00                     | 179.76                   |
| i. Strategic management charge                                    | 29.57                    | -                        |
| j. Royalty  | 40.39                    | 49.29                    |
| k. Travel and conveyance  | 61.73                    | 87.08                    |
| l. Selling and transportation expenses                            | 99.28                    | 112.95                   |
| m. Communication and information technology expenses              | 31.77                    | 27.87                    |
| n. Trademark fees   | 115.33                   | 132.31                   |
| o. Cash discount on sales   | 6.27                     | 9.15                     |
| p. Insurance  | 25.68                    | 28.78                    |
| q. Rates and taxes  | 12.25                    | 11.68                    |
| r. Provision for contingencies                                    | 19.46                    | 81.42                    |
| s. Warranty (Refer Note 13)                                       | 8.15                     | 10.28                    |
| t. Provision for slow moving inventory                            | 57.23                    | 79.27                    |
| u. Provision for mark to market losses on forward contracts (net) | 8.01                     | 29.97                    |
| v. Impairment loss on property, plant and equipment               | 94.14                    | 54.23                    |
| w. Loss on disposal of property, plant and equipment              | -                        | 2.84                     |
| x. Provision for doubtful and other receivables                   | 79.51                    | 21.54                    |
| y. Miscellaneous expenses   | 76.39                    | 94.72                    |
| z. Provision for Penalty on Income tax matters                    | -                        | 103.00                   |
|   | <b>1,910.42</b>          | <b>2,555.55</b>          |

\* Legal and professional charges (net of GST) includes payment to auditor's:

|                               |             |             |
|-------------------------------|-------------|-------------|
| To statutory auditors         |             |             |
| For audit                     | 5.93        | 7.07        |
| For Tax Audit                 | 1.99        | 1.99        |
| For reimbursement of expenses | 0.40        | 0.29        |
|                               | <b>8.32</b> | <b>9.35</b> |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

| Particulars   | Year ended<br>31.03.2020 | Year ended<br>31.03.2019 |
|---|--------------------------|--------------------------|
| <b>26. Income tax recognised in Statement of Profit and Loss</b>                                      |                          |                          |
| <b>(a) Current tax</b>  |                          |                          |
| In respect of current year  | 310.83                   | 328.37                   |
| In respect of prior years   |                          | 91.50                    |
|   | 310.83                   | 419.87                   |
| <b>(b) Deferred tax [See note 27]</b>   |                          |                          |
| Decrease/(increase) in deferred tax assets  | 26.74                    | (86.16)                  |
| (Decrease)/increase in deferred tax liabilities   | (134.88)                 | 34.20                    |
|   | (108.14)                 | (51.96)                  |
| Total tax expense recognised in Statement of Profit and Loss  | 202.69                   | 367.91                   |
| <b>(c) The income tax expense for the year can be reconciled to the accounting profit as follows:</b> |                          |                          |
| Profit before tax   | 835.19                   | 504.52                   |
| Income tax expense calculated at 25.168% (Previous year - 34.944%) (a)                                | 210.20                   | 176.30                   |
| <b>Tax effect of amounts which are not deductible in calculating taxable income:</b>                  |                          |                          |
| Provision for Interest and penalty on Income tax relating to prior years and legal matters            | 23.25                    | 93.04                    |
| Effect of change in tax rate (CY 25.168%, PY 34.944%)   | (41.20)                  | -                        |
| Others  | 10.44                    | 7.07                     |
|   | (b) (7.51)               | 100.11                   |
| Adjustments recognised in current year with respect to Income tax of prior years (c)                  | -                        | 91.50                    |
| Income tax expense recognised in statement of profit and loss account (a+b+c)                         | 202.69                   | 367.91                   |

The tax rates used above are the corporate tax rate payable by corporate entities in India on taxable profits under the Income tax Act, 1961.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

## 27 Current Tax and Deferred Tax

(I) For the year ended 31 March, 2020

(Rs. in million)

| Particulars   | Year ended 31.03.2020 |                               |                   |                 |
|---|-----------------------|-------------------------------|-------------------|-----------------|
|   | Opening Balance       | Recognised in profit and Loss | Recognised in OCI | Closing balance |
| <b><u>Tax effect of items constituting deferred tax liabilities</u></b> |                       |                               |                   |                 |
| Property, plant and equipment and other intangible assets               | (320.19)              | 122.88                        | -                 | (197.31)        |
| Gratuity fund asset   | (29.69)               | 12.00                         | 2.38              | (15.31)         |
|   | <b>(349.88)</b>       | <b>134.88</b>                 | <b>2.38</b>       | <b>(212.62)</b> |
| <b><u>Tax effect of items constituting deferred tax assets</u></b>      |                       |                               |                   |                 |
| Provision for bonus   | 4.23                  | (1.34)                        | -                 | 2.89            |
| Provision for entry tax   | 41.66                 | (9.06)                        | -                 | 32.60           |
| Provision for compensated absences                                      | 42.91                 | (10.93)                       | -                 | 31.98           |
| Provision for slow moving inventory                                     | 70.14                 | (5.22)                        | -                 | 64.92           |
| Provision for indirect tax  | 30.78                 | (7.63)                        | -                 | 23.15           |
| Provision for doubtful and other receivables                            | -                     | 20.00                         | -                 | 20.00           |
| Other temporary differences   | 12.89                 | (12.56)                       | 3.40              | 3.73            |
|   | <b>202.61</b>         | <b>(26.74)</b>                | <b>3.40</b>       | <b>179.27</b>   |
| <b>Deferred tax liabilities (net)</b>                                   | <b>(147.27)</b>       | <b>108.14</b>                 | <b>5.78</b>       | <b>(33.35)</b>  |

(II) For the year ended 31 March, 2019

(Rs. in million)

| Particulars   | Year ended 31.03.2019 |                               |                   |                 |
|---|-----------------------|-------------------------------|-------------------|-----------------|
|   | Opening Balance       | Recognised in profit and Loss | Recognised in OCI | Closing balance |
| <b><u>Tax effect of items constituting deferred tax liabilities</u></b> |                       |                               |                   |                 |
| Property, plant and equipment and other intangible assets               | (296.12)              | (24.07)                       | -                 | (320.19)        |
| Gratuity fund asset   | (15.81)               | (10.13)                       | (3.75)            | (29.69)         |
|   | <b>(311.93)</b>       | <b>(34.20)</b>                | <b>(3.75)</b>     | <b>(349.88)</b> |
| <b><u>Tax effect of items constituting deferred tax assets</u></b>      |                       |                               |                   |                 |
| Provision for bonus   | 6.81                  | (2.58)                        | -                 | 4.23            |
| Provision for entry tax   | 18.47                 | 23.19                         | -                 | 41.66           |
| Provision for compensated absences                                      | 45.80                 | (2.89)                        | -                 | 42.91           |
| Provision for slow moving inventory                                     | 35.70                 | 34.44                         | -                 | 70.14           |
| Provision for indirect tax  | -                     | 30.78                         | -                 | 30.78           |
| Other temporary differences   | 9.65                  | 3.24                          | -                 | 12.89           |
| MAT credit  | 0.02                  | (0.02)                        | -                 | -               |
|   | <b>116.45</b>         | <b>86.16</b>                  | <b>-</b>          | <b>202.61</b>   |
| <b>Deferred tax Liabilities (net)</b>                                   | <b>(195.48)</b>       | <b>51.96</b>                  | <b>(3.75)</b>     | <b>(147.27)</b> |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**28. Employee benefit plans**

**(i) Defined contribution plans**

The Company operates defined contribution retirement benefit plans for all its qualifying employees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

**During the year the Company has recognised the following amounts in the statement of profit and loss:**

|  | (Rs. in million)                 |                          |
|--|----------------------------------|--------------------------|
|  | <b>Year ended<br/>31.03.2020</b> | Year ended<br>31.03.2019 |
| Contribution to Regional Provident Fund Commissioner | <b>19.57</b>                     | 15.69                    |
| Contribution to Superannuation Fund                  | <b>13.74</b>                     | 17.72                    |
| Contribution to Employee State Insurance             | <b>1.79</b>                      | 2.64                     |
| Contribution to Employee's Pension Scheme 1995       | <b>14.96</b>                     | 14.64                    |

**(ii) Defined benefit plans and other long term benefits**

**A Gratuity plan**

The Company operates gratuity plan administered through Life Insurance Corporation of India (LIC) under its group gratuity scheme. Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service. The Company pays contribution to LIC to fund its plan.

**B Provident Fund**

Provident fund for certain eligible employees is managed by the Company through the Employees Provident Fund Trust in line with the Provident Fund and Miscellaneous Provision Act 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated hereon are payable to employees at the time of their separation from the company or retirement, whichever is earlier. The benefits vest immediately on rendering of the services by the employee. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate. The Company's obligation in this regard is actuarially determined and provided for if the circumstances indicate that the Trust may not be able to generate adequate returns to cover the interest rates notified by the Government.

**C Compensated absences:**

The employees are entitled for leaves for each year of service and part thereof and subject to the limits specified, the un-availed portion of such leaves can be accumulated / encashed or lapsed during/ at the end of the service period. The plan is not funded.

The present value of the defined benefit obligation and the related current service cost are measured using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date.

**These plans typically expose the Company to actuarial risks such as: interest rate risk, longevity risk, salary risk and Investment risk.**

|                        |  |
|------------------------|--|
| <b>Interest risk</b>   | The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.   |
| <b>Longevity risk</b>  | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability                     |
| <b>Salary risk</b>     | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.  |
| <b>Investment Risk</b> | This may arise from volatility in asset values due to market fluctuations and impairment of assets due to credit losses. LIC of India primarily invests in debt instruments such as Government securities and highly rated corporate bonds wherein the risk of downward fluctuation in value is minimal. |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

a) The Principal assumptions used for the purpose of the actuarial valuations were as follows:

| Particulars   | Gratuity Fund |             |
|---|---------------|-------------|
|   | 31.03.2020    | 31.03.2019  |
| Discount Rate(s)  | 6.92%         | 7.65%       |
| Expected return on Plan Assets                                | 6.96%         | 7.76%       |
| Salary Rise   | 8.00%         | 8.50%       |
| Attrition Rate  | 5.00%         | 5.00%       |
| Expected average remaining working lives of employees (years) | 20.83 years   | 23.10 years |

Components of expenses recognised in the statement of profit or loss in respect of: (Rs. in million)

| Particulars   | Gratuity Fund |            |
|---|---------------|------------|
|   | 31.03.2020    | 31.03.2019 |
| Past Service Cost                                     | -             | -          |
| Current Service Cost                                  | 24.97         | 23.51      |
| Actuarial loss/(gain)                                 | -             | -          |
| Net Interest Cost/(Income)                            | (6.50)        | (3.56)     |
| Expenses recognised in the statement of profit & loss | 18.47         | 19.95      |

Components of expenses recognised in the other comprehensive income in respect of: (Rs. in million)

| Particulars  | Gratuity Fund |            |
|--|---------------|------------|
|  | 31.03.2020    | 31.03.2019 |
| Actuarial (gain)/loss  |               |            |
| - Experiences Adjustment   | (0.21)        | (13.28)    |
| - Differences in present value of obligations                                      | 5.96          | 2.36       |
| - Demographic Assumption   | 0.19          | -          |
| Return on Plan Assets, excluding amounts included in Net Interest Expense          | 3.53          | 0.20       |
| Component of defined benefit costs recognised in other comprehensive loss/(Income) | 9.47          | (10.72)    |

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plan is as follows:

| Particulars                      | (Rs. in million) |        |
|----------------------------------|------------------|--------|
|                                  | Gratuity Fund    |        |
| As at 31.03.2020                 |                  |        |
| Present Value of obligation      |                  | 374.53 |
| Fair value of plan assets        |                  | 435.37 |
| Surplus/(deficit)                |                  | 60.84  |
| Effect of asset ceiling, if any* |                  | -      |
| Net asset/(liability)            |                  | 60.84  |
| As at 31.03.2019                 |                  |        |
| Present Value of obligation      |                  | 336.31 |
| Fair value of plan assets        |                  | 421.26 |
| Surplus/(deficit)                |                  | 84.95  |
| Effect of asset ceiling, if any* |                  | -      |
| Net asset/(liability)            |                  | 84.95  |

\*The company has an obligation to make good the shortfall, if any.

## Classification into long term and short term

| Particulars                  | (Rs. in million) |       |
|------------------------------|------------------|-------|
|                              | Gratuity Fund    |       |
| As at 31.03.2020             |                  |       |
| Long term asset/(liability)  |                  | 60.84 |
| Short term asset/(liability) |                  | -     |
| As at 31.03.2019             |                  |       |
| Long term asset/(liability)  |                  | 84.95 |
| Short term asset/(liability) |                  | -     |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**Movement in the present value of the defined benefit obligation are as follows**

| Particulars   | (Rs. in million) |
|---|------------------|
|   | Gratuity Fund    |
| <b>Year ended 31.03.2020</b>  |                  |
| Present value of the obligation as at the beginning i.e, 01.04.2019 | 336.31           |
| Current Service cost  | 24.97            |
| Interest expense or cost  | 25.73            |
| Employee's contribution   | -                |
| Remeasurement (or actuarial) (gain)/loss arising from:              |                  |
| - Experience Adjustment   | (0.21)           |
| - Others  | 6.15             |
| Settlements/Transfer In   | -                |
| Benefits paid   | (18.42)          |
| <b>Present value of the obligation as at the end</b>                | <b>374.53</b>    |
| <b>Year ended 31.03.2019</b>  |                  |
| Present value of the obligation as at the beginning i.e, 01.04.2018 | 319.97           |
| Current Service cost  | 23.51            |
| Interest expense or cost  | 24.80            |
| Employee's contribution   | -                |
| Remeasurement (or actuarial) (gain)/loss arising from:              |                  |
| - Experience Adjustment   | (13.28)          |
| - Others  | 2.36             |
| Settlements/Transfer In   | -                |
| Benefits paid   | (21.05)          |
| Present value of the obligation as at the end                       | 336.31           |

**Movement in the fair value of the plan asset are as follows**

| Particulars   | (Rs. in million) |
|---|------------------|
|   | Gratuity Fund    |
| <b>Year ended 31.03.2020</b>                              |                  |
| Fair Value of plan asset at the beginning i.e, 01.04.2019 | 421.26           |
| Interest Income   | 28.69            |
| Employer's contribution                                   | 3.84             |
| Employee's contribution                                   | -                |
| Actuarial gain/(loss)                                     | -                |
| Settlements/Transfer In                                   | -                |
| Benefits paid   | (18.42)          |
| <b>Fair Value of plan asset at the end</b>                | <b>435.37</b>    |
| <b>Year ended 31.03.2019</b>                              |                  |
| Fair Value of plan asset at the beginning i.e, 01.04.2018 | 365.90           |
| Interest Income   | 27.63            |
| Employer's contribution                                   | 48.25            |
| Employee's contribution                                   | -                |
| Actuarial gain/(loss)                                     | 0.53             |
| Settlements/Transfer In                                   | -                |
| Benefits paid   | (21.05)          |
| Fair Value of plan asset at the end                       | 421.26           |

The company expects to make a contribution of Rs. 23.31 million (as at 31.03.2019 Rs. 20.03 million) to the defined benefit plans during the next financial year.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**Sensitivity Analysis**

Significant actuarial assumptions for the determination of defined obligation are discount rate, expected salary growth rate, attrition rate and mortality rate. The sensitivity analysis below have been determined based on reasonably possible changes in respective assumption occurring at the end of reporting period, while holding all other assumptions constant.

If the discount rate increases(decreases) by 0.5%, the defined benefit obligation would decrease by Rs. 12.58 million(increase by Rs. 13.36 million)(as at March 31, 2019: decrease by Rs. 11.58 million (increase by Rs. 12.3 million)).

If the expected salary growth rate increases(decreases) by 0.5%, the defined benefit obligation would increased by Rs. 13.16 million (decrease by Rs. 12.52 million) (as at 31.03.2019: increase by Rs. 12.14 million (decrease by Rs. 11.55 million)).

**Maturity Profile of Defined Benefit Obligation**

(Rs. in million)

|    | <b>Year</b>    | <b>Gratuity</b> |
|----|----------------|-----------------|
| a) | 0 to 1 Year    | 24.80           |
| b) | 1 to 2 Year    | 26.02           |
| c) | 2 to 3 Year    | 28.97           |
| d) | 3 to 4 Year    | 32.33           |
| e) | 4 to 5 Year    | 48.27           |
| f) | 5 to 6 Year    | 33.66           |
| g) | 6 year onwards | 180.48          |
|    |                |                 |

**29. Share based payment**

During the previous year, GKN Group had issued shares of GKN Plc., UK to 2 senior employees of the Company under the GKN Sustainable Earning plan 2016 and GKN Deferred Bonus Plan 2017 as performance incentive. Board of Directors of the Company had recommended and approved the allotment and issue of these shares vide meeting dated May 8, 2018.

| <b>Employee</b>  | <b>Designation</b>       | <b>Number of Shares</b> | <b>Classification</b> | <b>Date of allotment</b> | <b>Value per share on 19.04.2018 (in Rs.)</b> | <b>Value as at 19.04.2018 (in Rs.)</b> |
|------------------|--------------------------|-------------------------|-----------------------|--------------------------|---|--|
| Bharat Dev Singh | Managing Director        | 11,783                  | Ordinary Shares       | 19 April 2018            | 443   | 5,220,343                              |
| S Mehrotra       | Plant Director-Faridabad | 3,612                   | Ordinary Shares       | 19 April 2018            | 443   | 1,600,261                              |

During the year, GKN Group has not issued shares to any employee of the Company.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

| Particulars                         | Year ended      | Year ended      |
|-------------------------------------|-----------------|-----------------|
|                                     | 31.03.2020      | 31.03.2019      |
|                                     | (Rs. Per share) | (Rs. Per share) |
| <b>30. Earnings per share (EPS)</b> |                 |                 |
| Basic earnings per share            | 48.17           | 11.24           |
| Diluted earnings per share *        | 48.17           | 11.24           |

**Basic earnings per share**

The earnings and weighted average number of equity shares used in the calculation of basic earnings per share are as follows:

|   |                | Year ended | Year ended |
|---|----------------|------------|------------|
|   |                | 31.03.2020 | 31.03.2019 |
| Profit for the year   | Rs. in Million | 615.31     | 143.58     |
| Weighted average number of equity shares for the purposes of basic earnings per share (Face Value of Rs. 10 each) | Numbers        | 12,773,061 | 12,773,061 |

**Diluted earnings per share**

The earnings and weighted average number of equity shares used in the calculation of diluted earnings per share are as follows:

|   |                | Year ended | Year ended |
|---|----------------|------------|------------|
|   |                | 31.03.2020 | 31.03.2019 |
| Profit for the year   | Rs. in Million | 615.31     | 143.58     |
| Weighted average number of equity shares for the purposes of basic earnings per share (Face Value of Rs. 10 each) | Numbers        | 12,773,061 | 12,773,061 |

\* There are no potential dilutive equity shares.

**31. Financial Instruments and Risk Management****31.1 Financial instruments by category**

(Rs. in million)

|                                  | As at 31.03.2020 |       |                 |                      | As at 31.03.2019 |       |                 |                      |
|----------------------------------|------------------|-------|-----------------|----------------------|------------------|-------|-----------------|----------------------|
|                                  | FVTPL            | FVOCI | Amortised cost  | Total Carrying Value | FVTPL            | FVOCI | Amortised cost  | Total Carrying Value |
| <b>Financial assets</b>          |                  |       |                 |                      |                  |       |                 |                      |
| Trade Receivable                 | -                | -     | 664.27          | 664.27               | -                | -     | 1,163.29        | 1,163.29             |
| Cash and bank balances           | -                | -     | 1,611.36        | 1,611.36             | -                | -     | 1,209.81        | 1,209.81             |
| Loans                            | -                | -     | 5.04            | 5.04                 | -                | -     | 8.40            | 8.40                 |
| Security deposits                | -                | -     | 53.36           | 53.36                | -                | -     | 53.01           | 53.01                |
| Interest accrued                 | -                | -     | 1.60            | 1.60                 | -                | -     | 1.88            | 1.88                 |
| Recoverable from related parties | -                | -     | 0.62            | 0.62                 | -                | -     | 248.75          | 248.75               |
| Others                           | -                | -     | 13.31           | 13.31                | -                | -     | 20.93           | 20.93                |
| <b>Total financial assets</b>    | -                | -     | <b>2,349.56</b> | <b>2,349.56</b>      | -                | -     | <b>2,706.07</b> | <b>2,706.07</b>      |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

(Rs. in million)

|  | As at 31.03.2020 |       |                |                      | As at 31.03.2019 |       |                |                      |
|--|------------------|-------|----------------|----------------------|------------------|-------|----------------|----------------------|
|  | FVTPL            | FVOCI | Amortised cost | Total Carrying Value | FVTPL            | FVOCI | Amortised cost | Total Carrying Value |
| <b>Financial liabilities</b>                   |                  |       |                |                      |                  |       |                |                      |
| Lease liability                                | -                | -     | 95.46          | 95.46                | -                | -     | -              | -                    |
| Trade payables                                 | -                | -     | 1,412.86       | 1,412.86             | -                | -     | 1,919.76       | 1,919.76             |
| Deposits from dealers, contractors and others  | -                | -     | 11.19          | 11.19                | -                | -     | 11.66          | 11.66                |
| Payable to capital creditors                   | -                | -     | 78.01          | 78.01                | -                | -     | 88.87          | 88.87                |
| Foreign currency / commodity forward contracts | -                | -     | 8.01           | 8.01                 | -                | -     | 29.97          | 29.97                |
| Others   | -                | -     | 0.58           | 0.58                 | -                | -     | -              | -                    |
| <b>Total financial liabilities</b>             | -                | -     | 1,606.11       | 1,606.11             | -                | -     | 2,050.26       | 2,050.26             |

**Fair value hierarchy**

The following table provides an analysis of financial instruments that are measured at fair value and have been grouped into Level 1, Level 2 and Level 3 below:

(Rs. in million)

|                                 | As at 31.03.2020 | Notes No | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------|------------------|----------|---------|---------|---------|-------|
| <b>Financial assets</b>         |                  |          |         |         |         |       |
| Financial instruments at FVTOCI |                  |          |         |         |         |       |
| Unquoted equity instruments     |                  | 4        | -       | -       | 0.13    | 0.13  |
| <b>Total financial assets</b>   |                  |          | -       | -       | 0.13    | 0.13  |

**Financial assets**

Financial instruments at FVTOCI

Unquoted equity instruments

**Total financial assets**

|                                 | As at 31.03.2019 | Notes No | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------|------------------|----------|---------|---------|---------|-------|
| Financial instruments at FVTOCI |                  |          |         |         |         |       |
| Unquoted equity instruments     |                  | 4        | -       | -       | 0.13    | 0.13  |
| <b>Total financial assets</b>   |                  |          | -       | -       | 0.13    | 0.13  |

Level 1: Quoted prices in the active market. This level of hierarchy includes financial assets that are measured by reference to quoted prices in the active market. This category consists of quoted equity shares and debt based open ended mutual funds.

Level 2: Valuation techniques with observable inputs. This level of hierarchy includes items measured using inputs other than quoted prices included within Level 1 that are observable for such items, either directly or indirectly.

This level of hierarchy consists of debt based close ended mutual fund investments and over the counter (OTC)

Level 3: Valuation techniques with unobservable inputs. This level of hierarchy includes items measured using inputs that are not based on observable market data (unobservable inputs). Fair value determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instruments nor based on available market data. The main item in this category are unquoted equity instruments.

**Reconciliation of Level 3 fair value measurement**

(Rs. in million)

|                                 | Unlisted equity instruments |
|---------------------------------|-----------------------------|
| As at 01.04.2018                | 0.07                        |
| Acquisition                     | 0.06                        |
| Gains/(losses) recognised       | -                           |
| - in other comprehensive income | -                           |
| As at 31.03.2019                | 0.13                        |
| Acquisition                     | -                           |
| Gains/(losses) recognised       | -                           |
| - in other comprehensive income | -                           |
| <b>As at 31.03.2020</b>         | <b>0.13</b>                 |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**31.2 Financial risk management objective and policies**

The Company's activities expose it to market risk, liquidity risk and credit risk. In order to minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are entered to hedge certain foreign currency risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements.

| <b>Risk</b>                    | <b>Exposure arising from</b>  | <b>Measurement</b>                            | <b>Management</b>  |
|--------------------------------|---|---|--|
| Credit risk                    | Cash and cash equivalents, trade receivables, financial assets measured at amortised cost           | Aging analysis<br>Credit rating               | Diversification of bank deposits, credit limits and letter of credit |
| Liquidity risk                 | Business commitment and other liabilities   | Rolling cash flow forecasts                   | Availability of committed credit lines and borrowing facilities      |
| Market risk - foreign exchange | Commercial transactions recognised financial assets and liabilities not denominated in Indian rupee | Cash flow forecasting<br>Sensitivity analysis | Forward foreign exchange contracts                                   |

The financial risk management of the Company is carried out under the policies approved by the Board of Directors. Within these policies, the Board provides written principles for overall risk management including policies covering specific areas, such as foreign exchange risk management, commodity risk management and investment of funds.

**(i) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk primarily arises from trade receivables, balances with banks and security deposits. The credit risk on bank balances is limited because the counterparties are banks with good credit ratings. Trade receivables consist of Original Equipment Manufacturers as customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company's policies on assessing expected credit losses is detailed in notes to accounting policies. For details of exposure, default grading and expected credit loss as on the reporting year (See note 9).

**(ii) Liquidity risk**

Liquidity risk refers to the risk that the Company can not meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure funds are available for use as per the requirements.

The Company operates with a low Debt Equity ratio. The Company raises short term rupee borrowings for cash flow mismatches and hence carries no significant liquidity risk. The Company has access to the borrowing facilities to honour any liquidity requirements arising for business needs. The Company has large investments in debt mutual funds which can be redeemed on a very short notice and hence carries negligible liquidity risk.

**(a) Financing arrangements**

The Company had access to the following borrowing facilities at the end of the reporting period:

|  | (Rs. in million)  |            |
|--|-------------------|------------|
|  | <b>As at</b>      | As at      |
|  | <b>31.03.2020</b> | 31.03.2019 |
| Floating rate  |                   |            |
| - Expiring within one Year (bank overdraft and other facilities) | <b>1,350</b>      | 1,350      |
| - Expiring beyond one year (bank overdraft and other facilities) | <b>1,300</b>      | 1,300      |

**(b) Maturities of financial liabilities**

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities:

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

## Contractual maturities of financial liabilities

|                               | <u>As at 31.03.2020</u> |              |              |              | (Rs. in million) |
|-------------------------------|-------------------------|--------------|--------------|--------------|------------------|
|                               | <1 year                 | 1-3 Years    | 3-5 Years    | > 5 Years    | Total            |
| <b>Non current</b>            |                         |              |              |              |                  |
| - Other financial liabilities | -                       | 8.88         | -            | -            | 8.88             |
| - Lease Liability             |                         | 16.64        | 23.04        | 49.36        | 89.04            |
| <b>Current</b>                |                         |              |              |              |                  |
| - Lease Liability             | 6.42                    | -            | -            | -            | 6.42             |
| - Trade payables              | 1,412.86                | -            | -            | -            | 1,412.86         |
| - Other financial liabilities | 88.91                   | -            | -            | -            | 88.91            |
| <b>Total</b>                  | <b>1,508.19</b>         | <b>25.52</b> | <b>23.04</b> | <b>49.36</b> | <b>1,606.11</b>  |
| <br>                          |                         |              |              |              |                  |
|                               | <u>As at 31.03.2019</u> |              |              |              | (Rs. in million) |
|                               | <1 year                 | 1-3 Years    | 3-5 Years    | > 5 Years    | Total            |
| <b>Non current</b>            |                         |              |              |              |                  |
| - Other financial liabilities | -                       | 8.84         | -            | -            | 8.84             |
| <b>Current</b>                |                         |              |              |              |                  |
| - Bank Overdraft              | -                       | -            | -            | -            | -                |
| - Trade payables              | 1,919.76                | -            | -            | -            | 1,919.76         |
| - Other financial liabilities | 121.66                  | -            | -            | -            | 121.66           |
| <b>Total</b>                  | <b>2,041.42</b>         | <b>8.84</b>  | <b>-</b>     | <b>-</b>     | <b>2,050.26</b>  |

## (iii) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of change in market price. Market risk comprises of three types of risks - interest risk, foreign currency, and other price risk, such as equity price risk.

The Company's activities expose it primarily to currency risk and other price risk such as equity price risk. The financial instruments affected by market risk includes other current financial liabilities.

## (iii. a) Foreign currency risk

The Company has exposure to foreign currency risk on account of its payables and receivables in foreign currency which are mitigated through the guidelines under the foreign currency risk management policy approved by the Board of Directors. The Company enters into derivative financial instruments to mitigate the foreign currency risk including forward foreign exchange and options contracts for foreign currency risk mitigation.

## Foreign currency risk exposure

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting periods expressed in INR, are as follows:

| Currency | (Rs. in million)        |               |                         |               |
|----------|-------------------------|---------------|-------------------------|---------------|
|          | <u>As at 31.03.2020</u> |               | <u>As at 31.03.2019</u> |               |
|          | Receivables             | Payables      | Receivables             | Payables      |
| USD      | 26.31                   | 161.25        | 17.88                   | 217.33        |
| EUR      | -                       | 115.45        | 14.47                   | 162.61        |
| JPY      | -                       | 2.69          | -                       | 15.58         |
| GBP      | -                       | 44.15         | 3.99                    | -             |
| AUD      | -                       | -             | -                       | 13.96         |
|          | <b>26.31</b>            | <b>323.54</b> | <b>36.34</b>            | <b>409.48</b> |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**Sensitivity**

If INR is depreciated or appreciated by 5% vis-s-a-vis foreign currency, the impact thereof on the profit and loss of the company are given below:

(Rs. in million)

| Currency Exposure | Change in currency exchange rate | Effect on profit before tax |            |
|-------------------|----------------------------------|-----------------------------|------------|
|                   |                                  | 31.03.2020                  | 31.03.2019 |
| USD               | +5%                              | (6.75)                      | 10.87      |
|                   | -5%                              | 6.75                        | (10.87)    |
| EUR               | +5%                              | (5.77)                      | 8.13       |
|                   | -5%                              | 5.77                        | (8.13)     |
| JPY               | +5%                              | (0.13)                      | 0.78       |
|                   | -5%                              | 0.13                        | (0.78)     |
| GBP               | +5%                              | (2.21)                      | -          |
|                   | -5%                              | 2.21                        | -          |
| AUD               | +5%                              | -                           | 0.70       |
|                   | -5%                              | -                           | (0.70)     |

**(iii. b) Interest rate risk**

The Company is exposed to interest rate risk on current borrowings and fixed deposits outstanding as at the year end. The Company's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. The borrowings of the Company are principally denominated in Indian Rupees. These exposures are reviewed by appropriate levels of management on a monthly basis. The Company invests in fixed deposits to achieve the Company's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

**31.3 Capital Management**

The Company manages its capital to ensure that it will be able to continue as going concern, support business stability and growth, while maximising the return to stakeholders. The Company funds its operations majorly through internal accruals. To ride over short term working capital needs, the Company occasionally avails temporary credit facilities.

As at the year end, the cash and cash equivalents were higher than the short term debts availed by the Company. The capital structure of the Company consists of no debt. The Company is not subject to any externally imposed capital requirements.

The following table provides detail of the debt and equity at the end of the reporting period :

|                           | (Rs. in million)    |                     |
|---------------------------|---------------------|---------------------|
|                           | As at<br>31.03.2020 | As at<br>31.03.2019 |
| Borrowings                | -                   | -                   |
| Cash and cash equivalents | 1,611.36            | 1,209.81            |
| Net debt                  | -                   | -                   |
| Total equity              | 4,488.71            | 4,828.11            |
| Net debt to equity ratio  | -                   | -                   |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**32(a). Related Party Disclosures**

**I. List of related parties**

|          | <b>Nature of relationship</b>  | <b>Party Name</b>   |
|----------|--|---|
| <b>A</b> | Ultimate holding company   | Melrose Industries Plc, UK<br>GKN Driveline UK Ltd., UK   |
| <b>B</b> | Holding company  | GKN Driveline International GmbH, Germany   |
| <b>C</b> | Fellow subsidiaries with whom transactions have taken place during the current year or previous year | GKN Driveline Japan Ltd, Japan<br>GKN Do Brasil Ltd., Brasil<br>GKN Driveline Zumaia SA, Spain<br>GKN Driveline Vigo, Spain<br>GKN Group Service Ltd, UK<br>GKN Driveline Birmingham Ltd, U.K<br>GKN Automotive Ltd., U.K<br>GKN Driveline UK Ltd, U.K<br>GKN E Powertrain Innovation Centre<br>GKN Holdings Limited, U.K<br>GKN Investments III GP Limited., UK<br>GKN Freight Services Ltd, UK<br>GKN Service International GmbH, Germany<br>GKN Walterscheid GmbH, Germany<br>GKN Driveline Deutschland GmbH, Germany<br>GKN Driveline Firenze SpA, Italy<br>GKN Driveline Brunico, SpA, Italy<br>GKN Driveline North America, Inc., USA<br>GKN Driveline Malaysia Sdn Bhd, Malaysia<br>GKN Driveline Korea Ltd, South Korea<br>GKN Driveline (Thailand) Ltd, Thailand<br>Unidrive Pty Ltd, Australia<br>GKN Driveline Singapore Pte Ltd, Singapore<br>GKN Driveline Slovenija, d.o.o, Slovenia<br>GKN Driveline Ribemont Sarl, France<br>GKN Driveline SA, France<br>GKN Driveline Polska Sp.zo.o, Poland<br>GKN Sinter Metals Private Limited, India<br>GKN Driveline Mexico (UK) Ltd., UK |
| <b>D</b> | Joint ventures of GKN Plc, UK.   | Shanghai GKN Huayo Driveline System Co. Ltd China<br>Taiway Ltd, Taiwan<br>Transejes Transmisiones Homocineticas de Colombia  |
| <b>E</b> | Board and Key Managerial Personnel   | Mr. Sanjay Katyal (Managing Director from February 01, 2019)<br>Mr. Adam Touhig (Chairman and Non executive director from May 08, 2018 upto May 25, 2020)<br>Mr. Madan Singh Sisodia (Chief Finance Officer Upto May 14, 2019) (Executive Director From May 08, 2018)<br>Ms. Gopika Pant (Independent Director upto 19 Jan 2020)<br>Mr. K.N. Subramaniam (Independent Director upto 19 Jan 2020)<br>Mr. Matthew Richard Nozemack (Non Executive Director from February 27, 2019)<br>Mr. Jonathon Colin Fyfe Crawford ( Non Executive Director from February 27, 2019)<br>Mr. Rajeev Dogra (Executive Director from May 15, 2019)<br>Mr. Wilson Ng (Non Executive Director from May 08, 2018 upto July 19, 2019)<br>Ms. Monica Widhani (Independent Director from 1st April 2020)<br>Mr. Subramaniam Ramaswamy (Independent Director from 1st April 2020)<br>Mr. Tushar Jain (Chief Finance Officer from May 15, 2019)<br>Ms. Richa Porwal (Company Secretary)   |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

## 32(b). Transactions with related parties during the year

(Rs. in million)

| Particulars   | For year ended<br>31.03.2020 | For year ended<br>31.03.2019 |
|---|------------------------------|------------------------------|
| <b>Sale of goods</b>                                      |                              |                              |
| GKN Driveline Malaysia Sdn Bhd, Malaysia                  | 20.12                        | 26.17                        |
| GKN Driveline Japan Ltd, Japan                            | 59.40                        | 74.71                        |
| GKN Driveline Korea Ltd, Korea                            | 15.33                        | 42.97                        |
| Transejes Transmisiones Homocineticas de Colombia         | 3.46                         | 12.98                        |
| Others  | 1.47                         | 4.30                         |
|   | <b>99.78</b>                 | <b>161.13</b>                |
| <b>Purchase of raw materials and components</b>           |                              |                              |
| GKN Driveline SA, France                                  | 7.29                         | 40.85                        |
| GKN Driveline Zumaia S A, Spain                           | 9.69                         | 12.55                        |
| GKN Driveline North America, Inc, USA                     | 13.66                        | 10.74                        |
| GKN DO Brasil Ltd, Brasil                                 | 4.78                         | 12.89                        |
| Shanghai GKN Huayo Driveline System Co. Ltd., China       | 24.03                        | 17.41                        |
| GKN Driveline Korea Ltd, South Korea                      | 11.51                        | 14.41                        |
| GKN Driveline Deutschland GmbH, Germany                   | 22.28                        | 1.47                         |
| Others  | 12.67                        | 10.24                        |
|   | <b>105.91</b>                | <b>120.56</b>                |
| <b>Expenditure on Capital item</b>                        |                              |                              |
| GKN Driveline (Thailand) Ltd, Thailand                    | -                            | 30.99                        |
| Undrive Pty Ltd   | 0.10                         | 3.28                         |
|   | <b>0.10</b>                  | <b>34.27</b>                 |
| <b>Expenditure on royalty</b>                             |                              |                              |
| GKN Automotive Ltd, UK                                    | 40.39                        | 49.29                        |
| <b>Strategic management charge</b>                        |                              |                              |
| GKN Automotive Ltd, UK                                    | 29.57                        | -                            |
| <b>Expenditure on trade mark fees</b>                     |                              |                              |
| AP Newall & Co., UK                                       | -                            | 100.47                       |
| GKN Investment III GP Ltd                                 | 115.33                       | 31.84                        |
| <b>Expenditure on IT support system and other charges</b> |                              |                              |
| GKN Sinter Metals Private Limited, India                  | -                            | 0.84                         |
|   | <b>-</b>                     | <b>0.84</b>                  |
| <b>Reimbursement of expenses made</b>                     |                              |                              |
| GKN Freight Service Ltd, UK                               | 63.19                        | 83.48                        |
| GKN Driveline SA, France                                  | 4.08                         | -                            |
| Others  | 0.77                         | 9.14                         |
|   | <b>68.04</b>                 | <b>92.62</b>                 |
| <b>Reimbursement of expenses received</b>                 |                              |                              |
| GKN Driveline Japan Ltd, Japan                            | 0.49                         | 6.35                         |
| GKN Automotive Ltd, U.K                                   | 0.60                         | 4.24                         |
| GKN Walterscheid GmbH, Germany                            | 4.06                         | 4.35                         |
| GKN E Powertrain Innovation Centre                        | 0.70                         | -                            |
| Others  | -                            | 0.50                         |
|   | <b>5.85</b>                  | <b>15.44</b>                 |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

| 32(c). Transactions with related parties during the year (Contd.)   | (Rs. in million)             |                              |
|---|------------------------------|------------------------------|
| Particulars   | For year ended<br>31.03.2020 | For year ended<br>31.03.2019 |
| <b>Management Consultancy and Business Auxiliary Services</b>   |                              |                              |
| GKN Automotive Ltd, U.K   | 9.00                         | 179.76                       |
| <b>Remuneration paid to key management personnel**</b>  |                              |                              |
| Mr. B. D. Singh Kanwar (Including excess Managerial remuneration of Rs. Nil (PY 21.54 million) and share based payments Rs. Nil (PY 7.47 million) | -                            | 38.68                        |
| Mr. Sanjay Katyal   | 6.77                         | 1.53                         |
| Mr. Madan Singh Sisodia   | 7.76                         | 6.54                         |
| Mr. Vinod Singh   | 1.82                         | 6.33                         |
| Mr. Rajeev Dogra  | 5.98                         | -                            |
| Mr. Tushar Jain   | 3.71                         | -                            |
| Ms. Richa Porwal  | 2.19                         | 2.09                         |
| Ms. Gopika Pant   | 0.82                         | 1.00                         |
| Mr. K.N. Subramaniam  | 1.00                         | 0.90                         |
| <b>Share based payments</b>   |                              |                              |
| Mr. B. D. Singh Kanwar  | -                            | 7.47                         |

\*\*Does not include provisions/contributions towards gratuity, compensated absences and personal accident insurance, where such provisions/contributions are for the Company as a whole.

**32(d) Operating Agreement**

During the previous year, the Company had entered into an Operating Agreement ("the Agreement") with a fellow subsidiary – GKN Driveline UK Ltd. ("DUK") effective from April 01, 2018, wherein DUK undertakes high value added activities, makes strategic decisions and bears strategic risks and Company carries out execution activities. Pursuant to the Agreement, the Company would get an agreed profit margin each year i.e. any excess/shortfall of actual return over/below Target Return agreed at the beginning of each year shall be payable/recoverable as a variable operating fee/market support fee to/from DUK.

However, the Company and DUK had been in discussions for a review of the aforesaid Agreement, as at March 31, 2019 and as a result of the ongoing discussions, it was mutually agreed to terminate the Agreement with effect from April 01, 2018 with no replacement charge for the financial year 2018-19 in respect of the services rendered by DUK under the Agreement vide "Termination of Operating Agreement" ("Termination Agreement") dated December 23, 2019.

As the Agreement was being reviewed, the termination of the agreement was considered as an adjusting event and the Management has accordingly made the necessary adjustments in previous year financial statements and the Company has accounted for reversal of the operating fee expense amounting to Rs. 329.90 Million, recorded as receivable from DUK, amounting Rs. 248.75 Million and TDS recoverable amounting Rs. 30.49 Million in previous year Ind AS financial statements.

As per Termination agreement, all monies paid by the Company has been refunded by DUK during the year ended March 31, 2020.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020

| 32(e). Balances Outstanding at year end          |                     | (Rs. in million)    |  |
|--|---------------------|---------------------|--|
| Particulars                                      | As at<br>31.03.2020 | As at<br>31.03.2019 |  |
| <b>Trade receivables</b>                         |                     |                     |  |
| GKN Driveline Malaysia Sdn. Bhd, Malaysia        | 0.98                | 2.59                |  |
| GKN Driveline Korea Ltd, Korea                   | -                   | 4.20                |  |
| GKN Driveline Japan Ltd, Japan                   | 5.13                | 6.31                |  |
| GKN Driveline Mexico (UK) Limited, UK            | 0.94                | -                   |  |
| GKN Automotive Ltd., U.K                         | -                   | 4.30                |  |
| Others   | 0.03                | 0.05                |  |
|  | <b>7.08</b>         | <b>17.45</b>        |  |
| <b>Trade payables</b>                            |                     |                     |  |
| GKN Driveline SA, France                         | 6.46                | 19.97               |  |
| Unidrive Pty Ltd, Australia                      | -                   | 13.96               |  |
| GKN Freight Services Ltd, Uk                     | 13.44               | 19.17               |  |
| GKN Investment III GP Ltd                        | 102.73              | -                   |  |
| AP Newall and Company Ltd,UK                     | -                   | 28.36               |  |
| GKN Automotive Ltd, UK                           | 34.48               | 46.24               |  |
| Others   | 30.91               | 22.74               |  |
|  | <b>188.02</b>       | <b>150.44</b>       |  |
| <b>Other receivables</b>                         |                     |                     |  |
| GKN Driveline UK Ltd, UK                         | 0.62                | 248.75              |  |
| Others   | -                   | 2.59                |  |
|  | <b>0.62</b>         | <b>251.34</b>       |  |
| <b>Guarantee issued in favour of the Company</b> |                     |                     |  |
| GKN Holding plc, UK                              | 1,600.00            | 1,600.00            |  |

## 33. Contingent liabilities:

| 1) Claims against the Company not acknowledged as debts    |                     | (Rs. in million)    |  |
|--|---------------------|---------------------|--|
| Particulars  | As at<br>31.03.2020 | As at<br>31.03.2019 |  |
| Demands from Income Tax Authorities                        | 55.39               | 53.08               |  |
| Demand raised by Central Excise department for Service Tax | 16.32               | 21.52               |  |
| Demand raised by Sales tax/VAT department for VAT          | 0.94                | 0.83                |  |
| Demand raised by Employee State Insurance Department       | -                   | 0.24                |  |
| Others   | -                   | 8.84                |  |
| <b>Total</b>   | <b>72.65</b>        | <b>84.51</b>        |  |

- a) All the above matters are subject to legal proceedings in the ordinary course of business. In the opinion of the management, the legal proceedings, when ultimately concluded, will not have a material effect on the results of the operations or financial position of the Company.

**Income Tax Matters**

Income Tax demands mainly relates to disallowance for purchase of raw material from allied entities, stock difference at one of its plants, warranty provision, CSR expenditure, Trademark and Royalty.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**Excise Matters**

Excise demands mainly relates to reversal of Cenvat credit on slow moving inventory which are not removed from the factory, and interest for delayed reversal of credit of additional duty of customs.

**Service Tax Matters**

Service Tax demands mainly relates to disputes regarding availment of Cenvat credit on certain expenses, distribution of CENVAT to other plants, Short payment of Service Tax and interest for delayed payment of service tax, availment of Cenvat credit for service tax to beneficiary plant where documents were in the name of other plant, and Demand of Service Tax on reimbursement of Salary of expatriates deputed in India.

**Sales Tax/VAT Matters**

Sales Tax demands mainly relates to non acceptance of manual C forms and F forms issued by customer and Non submission of C forms.

| 2) Other money for which the Company is contingently liable: (Rs. in million) |                     |                     |
|---|---------------------|---------------------|
| Particulars   | As at<br>31.03.2020 | As at<br>31.03.2019 |
| Bank guarantee furnished to Maharashtra Pollution Control Board.              | 0.50                | 1.00                |
| Bank guarantee furnished to ARS Energy Private Ltd.                           | 1.51                | 1.51                |
|   | <b>2.01</b>         | 2.51                |

**34. COVID-19 Impact:**

COVID-19 has impacted the normal business operations of the Company by way of interruption in production, supply chain disruption, unavailability of personnel, closure/lock down of production facilities etc. during the lock-down period.

The Operations and the Financial Results of the Company during the Year ended 31 March 2020 were marginally impacted due to sudden shutdown of the Company's plants due to the lockdown announced by the State/Central Government after the outbreak of COVID-19 Pandemic on 24 March 2020.

The Company has made detailed assessment of its liquidity position for the next year and the recoverability of carrying value of its assets comprising property, plant and equipment, intangible assets, right of use assets, investments, inventory and trade receivables. Based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The situation is changing rapidly giving rise to inherent uncertainty around the extent and timing of the potential future impact of the COVID-19 which may be different from that estimated as at the date of approval of these IND AS financial results.

The Company will continue to closely monitor any material changes arising of future economic conditions and impact on its business

**35. Capital and other commitments: (Rs. in million)**

| Particulars  | As at<br>31.03.2020 | As at<br>31.03.2019 |
|--|---------------------|---------------------|
| <b>Capital commitments</b>   |                     |                     |
| (a) Estimated value of contracts in capital account remaining to be executed.  | 74.73               | 172.49              |
| (b) The Company has other commitments, for purchase/sales orders which are issued after considering requirements per operating cycle for purchase/sale of goods and services, employee benefits including union agreements in normal course of business. The Company does not have any long term commitments/contracts including derivative contracts for which there will be any material foreseeable losses. |                     |                     |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**36. Lease :**

Effective April 1, 2019, the Company has adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method by recognizing a lease liability at the date of initial application at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate and recognizing a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of the financial statements for the year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of Rs. 100.01 million from leases that were earlier classified as operating lease and 'Right of Use' asset of Rs. 26.11 million from leases that were earlier classified as prepayments aggregating to total 'Right of Use' asset of Rs. 126.12 million and a lease liability of Rs. 100.01 million from leases that were earlier classified as operating lease. The effect of this adoption has resulted in decreased prepayments by Rs. 26.11 million as on 1 April 2019.

The nature of expenses in respect of operating leases has changed from lease rent to depreciation and amortisation on right-of-use asset and finance cost for interest accrued on lease liability. Consequently, Finance Costs and Depreciation for the year ended March 31, 2020, are higher by Rs. 8.96 million and Rs. 12.27 million respectively.

Ind AS 116 has resulted in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

|   | (Rs. in million)             |                 |               |
|---|------------------------------|-----------------|---------------|
|   | <b>Category of ROU Asset</b> |                 |               |
|   | <b>Land leases</b>           | <b>Building</b> | <b>Total</b>  |
| Balance as of April 1, 2019                         |                              | 100.01          | 100.01        |
| * Reclassified on account of adoption of Ind AS 116 | 26.11                        | -               | 26.11         |
| Depreciation  | (0.28)                       | (11.99)         | (12.27)       |
| IND AS 116 transition                               | -                            | -               | -             |
| Balance as of March 31, 2020                        | <b>25.83</b>                 | <b>88.02</b>    | <b>113.85</b> |

The following is the movement in lease liabilities during the year ended March 31, 2020:

| <b>Particulars</b>                                  | <b>(Rs. in million)</b> |
|---|-------------------------|
| Balance as of April 1, 2019                         | 100.01                  |
| * Reclassified on account of adoption of Ind AS 116 | -                       |
| Finance cost accrued during the year                | 8.96                    |
| - Payment of Lease liabilities                      | (13.51)                 |
| Balance as of March 31, 2020                        | <b>95.46</b>            |

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

| <b>Particulars</b>   | <b>(Rs. in million)</b> |
|----------------------|-------------------------|
| Less than one year   | 6.42                    |
| One to five years    | 39.68                   |
| More than five years | 49.36                   |
| Total                | <b>95.46</b>            |

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**37. Disclosures as per the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**

| Particulars  | (Amount in Rs.)                  |                                  |
|--|----------------------------------|----------------------------------|
|  | For the year ended<br>31.03.2020 | For the year ended<br>31.03.2019 |
| (a) (i) the principal amount remaining unpaid to any supplier  | <b>8,671,518</b>                 | 14,888,895                       |
| (ii) interest due thereon  | <b>24,706</b>                    | 1,862                            |
| (b) interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 and the amount of payment made to the supplier beyond the appointed day.   | -                                | -                                |
| (c) interest due and payable for the period of delay in making payment other than the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006   | <b>171,584</b>                   | 39,846                           |
| (d) interest accrued and remaining unpaid  | <b>171,584</b>                   | 39,846                           |
| (e) further interest remaining due and payable even in the succeeding years for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. | <b>171,584</b>                   | 39,846                           |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

**38. Expenditure on Corporate Social Responsibility (CSR)**

As per Section 135 of the Companies Act, 2013, a Corporate Social Responsibility (CSR) Committee has been formed by the Company. Company's CSR areas targets inclusive growth of all stakeholders under the categories, mentioned under Schedule VII of the Companies Act, 2013. The approved target areas are:

Rural development project  
Education & vocational skills (incl. educational infrastructure)  
Environmental sustainability  
Healthcare including sanitation and drinking water  
Gender equality & women empowerment (Incl. old age homes)

A three-tier governance structure is responsible for implementing CSR activities at GKN Driveline (India) Limited. These include the CSR Committee of the Board, Central CSR Team, and Operational CSR Teams located at respective plant sites.

Gross amount required to be spent by the Company during the year is Rs. 20.48 million (Previous year Rs. 20.60 million) and the details of amount spent are as under:

| Particulars   | (Rs. in million)                    |                                     |
|---|-------------------------------------|-------------------------------------|
|   | For the<br>year ended<br>31.03.2020 | For the<br>year ended<br>31.03.2019 |
| Amount actually spent by the Company for above mentioned activities | <b>21.20</b>                        | 20.89                               |

**39.** The remuneration paid by the Company during previous year to its erstwhile Managing Director, Mr. BD Singh for the period upto 25 January, 2019 was in excess by Rs. 21.54 million vis-à-vis the limits specified in Section 197 of Companies Act, 2013 ('the Act') read with Schedule V thereto. The Company has complied with the prescribed statutory requirements and regularized the excess payments by way of shareholders approval in its Annual General Meeting held on 28 January 2020.

**40.** The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the financial year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2020**

**41. Segment Information**

The Company is primarily in the business of manufacturing and sale of driveshafts to original equipment manufacturers in the automobile industry.

**a) Revenue to External Customers**

| Particulars   | (Rs. in million)                 |                                  |
|---------------|----------------------------------|----------------------------------|
|               | For the year ended<br>31.03.2020 | For the year ended<br>31.03.2019 |
| Within India  | 8,815.10                         | 10,434.60                        |
| Outside India | 388.30                           | 18.20                            |
| <b>Total</b>  | <b>9,203.40</b>                  | <b>10,452.80</b>                 |

**b) Non Current Assets**

| Particulars   | (Rs. in million)                 |                                  |
|---------------|----------------------------------|----------------------------------|
|               | For the year ended<br>31.03.2020 | For the year ended<br>31.03.2019 |
| Within India  | 3,679.38                         | 3,952.06                         |
| Outside India | -                                | -                                |
| <b>Total</b>  | <b>3,679.38</b>                  | <b>3,952.06</b>                  |

**Information about major customers:**

There are three customers which individually contribute more than 10% of the total revenue in current as well as previous year. The aggregate amount of revenue from such customers account for 65% of total revenue (previous year 65%).

**42. Impairment of assets**

In accordance with the Ind-AS 36 on "Impairment of Assets", Property, plant and equipment were tested for impairment by the management as at the reporting date where indicators of impairment were existed.

Based on the assessment, management identified a product specific line named "LST Joint" (considered as CGU) where recoverable amount exceeded the carrying value as at 31 March 2020

The recoverable amount was determined based on value in use methodology using significant assumptions such as period of forecast of 5 years, Long term growth rate of 2% and pre-tax discount rate of 14% based on the weighted average cost of capital comprising risk free rate on Government of India bonds and a market participant risk premium.

Management has considered latest approved forecasts to determine the recoverable amount of the LST joint which resulted in an impairment charge of Rs. 94.14 million (2018-19: Rs. 54.23 million) recognised as "Other expenses" (refer note 25)

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

**44.** The financial statements are authorised to issue by Board of Directors in their meeting held on August 27, 2020

For and on behalf of the Board of Directors of  
**GKN Driveline (India) Limited**

|                     |                   |   |
|---------------------|-------------------|---|
| Sanjay Katyal       | (DIN 08354025)    | Managing Director                       |
| Monica Widhani      | (DIN 07674403)    | Independent Director<br>Chairman - ARMC |
| S. Ramaswamy        | (DIN 01952258)    | Independent Director                    |
| Madan Singh Sisodia | (DIN 08111748)    | Executive Director                      |
| Rajeev Dogra        | (DIN 05270378)    | Executive Director                      |
| Tushar Jain         | (Mem. No. 500602) | Chief Financial Officer                 |
| Richa Porwal        | (Mem. No. F8318)  | Company Secretary                       |

Place: Faridabad  
Date: August 27, 2020





*If undelivered please return to :*

## **GKN Driveline (India) Limited**

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