

# Varroc Engineering Limited

Regd. & Corp. Office

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Waluj, Aurangabad 431 136,  
Maharashtra, India

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2023-24/116

February 7, 2024

To,  
The Manager,  
Bombay Stock Exchange Ltd ('BSE')  
1<sup>st</sup> Floor, P.J. Towers,  
Dalal Street,  
Mumbai – 400 001  
BSE Security Code: 541578 [Debt: 975062]

**Sub: Disclosure and Submission of information pursuant to Regulation 54 (Asset Cover) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) for the Quarter ended December 31, 2023**

Dear Sir/Madam,

In compliance with Regulation 54 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the Asset Cover Certificate w.r.t. to below mentioned Debt Securities.

| Sr. no | ISIN   | Facility Rs. in Crore | Nature and Extent of Security created and maintained  |
|--------|--|-----------------------|---|
| 1      | INE665L07040 (ISIN post restructuring)<br>INE665L08014 (Initial ISIN)<br>Scrip Code 975062 | 250                   | NCDs are secured by way of Exclusive Charge on specific identified movable fixed assets of the Company equal to 1.10 times or 110% of the aggregate amount of principal outstanding of the NCDs |

Kindly take the same on your records.

Thanking you,

**For Varroc Engineering Limited**

**Ajay Sharma**  
**Group General Counsel and Company Secretary**

Encl: A/a

**Independent Auditor's Report on Security Cover and book value of assets as at December 31, 2023 pursuant to Regulation 56(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and SEBI Circular dated May 19, 2022 for submission to Catalyst Trusteeship Limited (the 'Debenture Trustee')**

To

The Board of Directors

Varroc Engineering Limited

L-4, MIDC,

Waluj, Aurangabad,

Maharashtra, India 431 136.

1. This Report is issued in accordance with the terms of the service scope letter dated September 13, 2023 and master engagement agreement dated September 13, 2023, as amended with Varroc Engineering Limited (hereinafter the "Company").
2. We S R B C & CO LLP, Chartered Accountants, are the Statutory Auditors of the Company and have been requested by the Company to examine the accompanying Statement showing book values of assets included by the management in the certificate prepared pursuant to Regulation 56(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "SEBI Regulations") and SEBI Circular dated May 19, 2022 on Revised format of security cover certificate, monitoring and revision in timelines (the "SEBI Circular") (hereinafter referred to as "Security Cover Certificate"), and Security Cover as per the terms of the General Information Document and Debenture Trust Deed for secured redeemable listed non-convertible debenture securities as at December 31, 2023 (together referred to as the "Statement") which has been prepared by the Company from the Board approved unaudited standalone financial results, underlying books of account and other relevant records and documents maintained by the Company as at December 31, 2023 pursuant to the requirements of the SEBI Regulations and the SEBI Circular, and has been initialed by us for identification purpose only.

This Report is required by the Company for the purpose of submission with Catalyst Trusteeship Limited (hereinafter the "Debenture Trustee") of the Company to ensure compliance with the SEBI Regulations and SEBI Circular in respect of its secured redeemable listed non-convertible debenture securities having face value of Rs. 1,00,000 (the "Debentures") The Company has entered into an agreement with the Debenture Trustee vide Debenture Trust Deed dated September 01, 2023 in respect of such Debentures (the "Debenture Trust Deed").

## **Management's Responsibility**

3. The Management of the Company is responsible for preparation and submission of the Security Cover Certificate in the manner as prescribed in the SEBI Regulations and SEBI Circular.
4. The preparation of the Statement is the responsibility of the Management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
5. The Management of the Company is responsible for ensuring that the Company complies with all the relevant requirements of the SEBI Regulations and SEBI Circular including maintenance of security cover of 110% as per the terms of Debenture Trust Deed sufficient to discharge the principal amount and the interest thereon at all times for the Debentures issued. The management is also responsible for providing all relevant information to the Debenture Trustee as required under the General Information Document and Trust Deed.

## **Auditor's Responsibility**

6. It is our responsibility to provide a limited assurance and conclude as to whether the:
  - (a) Company has maintained 110% security cover as per the terms of the General Information Document and Debenture Trust deed; and
  - (b) Book values of assets as included in the Statement which are included in the Security Cover Certificate prepared by management are in agreement with the books of account underlying the unaudited standalone financial results of the company as at December 31, 2023.
7. We have performed a limited review of the unaudited standalone financial results of the Company for the quarter and nine months ended December 31, 2023 prepared by the Company pursuant to the requirements of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and issued an unmodified conclusion dated February 07, 2024. Our review of these standalone financial results was conducted in accordance with the in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India ("ICAI").
8. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

10. Our scope of work did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this report. Accordingly, we do not express such opinion.
  
11. A limited assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the applicable criteria, mentioned in paragraph 6 above. The procedures performed vary in nature and timing from, and are less extent than for, a reasonable assurance. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, our procedures included the following in relation to the Statement:
  - a) Obtained and read the General Information Document and Debenture Trust Deed and noted that as per such General Information Document and Debenture Trust Deed, the Company is required to maintain security cover at least 110%.
  - b) Obtained the unaudited standalone financial results of the Company for the quarter and nine months ended December 31, 2023.
  - c) Traced and agreed the principal amount and the interest thereon of the Debentures as at December 31, 2023 to the books of account underlying the unaudited standalone financial results of the Company for the quarter and nine months ended December 31, 2023.
  - d) Traced the book value of assets having exclusive charge against debentures as per the Statement from the books of accounts and records underlying the unaudited standalone financial results of the Company as at December 31, 2023.
  - e) Traced the book value of assets having exclusive/ pari passu charge against other secured debt as per the Statement from the books of accounts and records underlying the unaudited standalone financial results of the Company as at December 31, 2023.
  - f) Obtained the list of security created in the register of charges maintained by the Company and 'Form CHG-9' filed with Ministry of Corporate Affairs ('MCA'). Traced the value of charge created against Assets to the book values of assets in the attached Statement.
  - g) Inquired with the management and determined that book value of assets having exclusive/ pari passu charge against other secured debt as per the Statement are not included in the calculation of Security Cover in respect of the Debentures.
  - h) Examined and verified the arithmetical accuracy of the computation of the Security Cover in the accompanying Statement.
  - i) Performed necessary inquiries with the Management and obtained necessary representations.

## Conclusion

12. Based on the procedures performed by us, as referred to in paragraph 11 above and according to the information and explanations received and management representations obtained, nothing has come to our attention that causes us to believe that the:
- a) The Company has not maintained security cover of 110% as per the terms of the Debenture Trust deed as at December 31, 2023; and
  - b) Book values of assets as included in the Statement are not in agreement with the books of account underlying the unaudited standalone financial results of the Company as at December 31, 2023.


## Restriction on Use

13. The Report has been issued at the request of the Company, solely in connection with the purpose mentioned in paragraph 2 above and to be submitted with the accompanying Statement to the Debenture Trustee and is not to be used or referred to for any other purpose or by any other person. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come. We have no responsibility to update this Report for events and circumstances occurring after the date of this report.

For **SRBC & COLLP**

Chartered Accountants

**ICAI Firm Registration Number: 324982E/E300003**

**Paul  
Alvares**  Digitally signed by Paul Alvares  
DN: cn=Paul Alvares, c=IN,  
o=Personal,  
email=paul.alvares@srb.in  
Date: 2024.02.07 11:53:02 +05'30'

**per Paul Alvares**

Partner

Membership Number: 105754

UDIN: 24105754BKBZMK5869

Place of Signature: Pune

Date: February 07, 2024

Statement of book values of assets included by the management in certificate prepared pursuant to SEBI Regulations and SEBI Circular ('Security Cover Certificate') and Security Cover as per the terms of the Placement Memorandum and Debenture Trust Deed for secured redeemable listed non-convertible debenture securities as at December 31, 2023

A. Book Value of assets included by the management in certificate prepared pursuant to SEBI Regulations and SEBI Circular ('Security Cover Certificate')

All amounts in Rs. Million

| Particulars                   | Debentures                    | Other Secured Debt            |                    |
|-------------------------------|-------------------------------|-------------------------------|--------------------|
|                               | Exclusive Charge              | Exclusive Charge              | Pari- Passu Charge |
|                               | Book Values<br>(Refer Note 1) | Book Values<br>(Refer Note 2) | Book Values        |
| Property, Plant and Equipment | 3,495.92                      | 4,086.31                      | -                  |
| Capital Work-in- Progress     | 66.57                         | -                             | -                  |
| Investment Property           | -                             | 114.53                        | -                  |
| Right of Use Assets           | -                             | 362.57                        | -                  |
| Inventories                   | -                             | -                             | 4,255.13           |
| Trade Receivables             | -                             | -                             | 2,231.92           |
| <b>Total</b>                  | <b>3,562.49</b>               | <b>4,563.41</b>               | <b>6,487.05</b>    |

Note 1: Details of book values of assets exclusively secured against Debentures:

| Plant Name        | Book Value as at December 31, 2023 |                          |
|-------------------|------------------------------------|--------------------------|
|                   | Property, Plant & Equipment        | Capital Work in Progress |
| VEL-VII (Valves)  | 417.77                             | 16.71                    |
| VEL-VII (Forging) | 369.80                             | 0.05                     |
| VEL-III           | 1,204.03                           | 30.15                    |
| VLS Chakan        | 838.62                             | 19.66                    |
| VEL-Bhamboli      | 665.70                             | -                        |
|                   | <b>3,495.92</b>                    | <b>66.57</b>             |

Note 2: Details of book values of assets exclusively secured against other Secured debt:

| Plant Name        | Book Value as at December 31, 2023 |                     |                     |
|-------------------|------------------------------------|---------------------|---------------------|
|                   | Property, Plant & Equipment        | Right of Use Assets | Investment Property |
| VEL-I             | 257.40                             | 1.28                | -                   |
| VEL-Corp          | 678.06                             | 34.17               | 102.72              |
| VEL-V             | 832.64                             | 46.99               | -                   |
| VEL-V (R&D)       | 36.17                              | -                   | -                   |
| VEL-VII (Valves)  | 190.15                             | 73.69               | -                   |
| VEL-VII (Forgine) | 38.89                              | -                   | -                   |
| VEL-III           | 400.14                             | 58.32               | -                   |
| VEL-III (R&D)     | 263.81                             | -                   | -                   |
| VEL-II            | 42.78                              | 31.92               | -                   |
| VEL-IV            | 22.86                              | 12.90               | 11.82               |
| VEL-VIII          | 545.09                             | 10.50               | -                   |
| VEL-VI            | 279.39                             | -                   | -                   |
| VLS Chakan        | 27.07                              | -                   | -                   |
| VEL-Exhaust       | 35.65                              | -                   | -                   |
| VEL-Halol         | 204.99                             | -                   | -                   |
| VEL-Solar         | 108.10                             | -                   | -                   |
| VEL-PN            | 123.13                             | 92.79               | -                   |
|                   | <b>4,086.31</b>                    | <b>362.57</b>       | <b>114.53</b>       |

**B. Computation of Security Cover Ratio as per the terms of the Placement Memorandum and Debenture Trust Deed for secured redeemable listed non-convertible debenture securities as at December 31, 2023**

| Particulars   | Amounts (Rs. Million) |
|---|-----------------------|
| Debentures outstanding as at December 31, 2023 (including interest thereon) [A] | 2,514.73              |
| Book value of assets as per Table A above [B]                                   | 3,562.49              |
| Security Cover Ratio [C = B/A]  | 1.42                  |
| Security Cover Ratio as per requirements of Trust Deed                          | 1.10                  |
| Whether compliant?  | Yes                   |

For and on behalf of Varroc Engineering Limited

**Ajay Kumar  
Sharma**

Digitally signed by Ajay  
Kumar Sharma  
Date: 2024.02.07 09:59:09  
+05'30'

**Ajay Kumar Sharma**  
Group General Counsel and Company Secretary  
Place: Pune  
Date: 07.02.2024