

Varroc Engineering Limited

Regd. & Corp. Office

L-4, MIDC, Industrial Area
Waluj, Aurangabad 431 136,
Maharashtra, India

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2024-25/101

November 13, 2024

To,

The Manager- Listing
The Listing Department,
**National Stock Exchange of India
Limited**
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai-400051.
NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation
Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
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”) – September 30, 2024

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. for the below mentioned Debt Securities for the Quarter ended September 30, 2024:

| Sr. no | ISIN | Facility Rs. in Crore | Nature and Extent of Security created and maintained |
|---------------|--|------------------------------|---|
| 1 | INE665L07040 (ISIN post restructuring) INE665L08014 (Initial ISIN) Scrip Code 975062 | 250 | NCDs are secured by way of Exclusive Charge on specific identified movable fixed assets of the Company. The Asset Cover in with respect to these NCDs is 1.35 times (135%) of the total due amount which is higher than the requirement of 1.10 times as specified in Debenture Trust Deed. |

Request you to kindly take on the record the aforesaid information.

Thanking you,

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Independent Auditor's Report on Security Cover and book value of assets as at September 30, 2024 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 431136.

1. This Report is issued in accordance with the terms of the service scope letter dated July 19, 2024 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 (containing annexure 1 and Annexure 1A) on book values of assets provided as security for 8.6% Secured, Non-Convertible, Non-Cumulative Redeemable, Taxable Debentures of the face value of Rs 1,00,000 each aggregating to Rs 2,500 million (hereinafter the 'Debentures') as at September 30, 2024 which has been prepared by the Company from the board approved unaudited standalone financial results, underlying books of accounts and other relevant records and documents maintained by the Company as at and for the period ended September 30, 2024 pursuant to the requirements of 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 "the Statement"), 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") to ensure compliance with the SEBI Regulations and SEBI Circular in respect of its 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 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.

S R B C & COLLP

Chartered Accountants

4. 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

5. 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 prepared by management are in agreement with the books of account underlying the the unaudited standalone financial results of the company as at September 30, 2024.
6. We have performed a limited review of the unaudited standalone financial results of the Company for the quarter ended September 30, 2024 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 November 13, 2024. Our review of these financial results was conducted 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").
7. 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.
8. 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.
9. 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.

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10. A limited assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the applicable criteria, mentioned in paragraph 5 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 ended September 30, 2024.
 - c) Traced and agreed the principal amount and the interest thereon of the Debentures as at September 30, 2024 to the books of account underlying the unaudited standalone financial results of the Company for the quarter ended September 30, 2024.
 - 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 September 30, 2024.
 - 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 September 30, 2024.
 - 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.

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Conclusion

11. Based on the procedures performed by us, as referred to in paragraph 10 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 September 30, 2024; 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 September 30, 2024.


Restriction on Use

12. 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 **S R B C & C O L L P**

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: 2024.11.13 17:38:37 +05'30'

per Paul Alvares

Partner

Membership Number: 105754

UDIN: 24105754BKBZRU3343

Place of Signature: Pune

Date: November 13, 2024

Annexure 1: Statement on book value of assets and security cover as at September 30, 2024 as per Regulation 56(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and SEBI Circular dated May 19, 2022 on Revised format of security cover certificate, monitoring and review in timelines

All amounts in Ru/Million unless otherwise stated

| Column A | Column B | Column C ¹ | Column D ¹ | Column E ¹ | Column F ¹ | Column G ¹ | Column H ¹ | Column I | Column J | Column K | Column L | Column M | Column N | Column O |
|--|--|--|-----------------------|--|---|--|--------------------------------|---|------------------|--|---|---|--|-----------------------|
| Particulars | | Exclusive Charge | Exclusive Charge | Par-Passu Charge | Par-Passu Charge | Par-Passu Charge | Assets not offered as Security | Elimination (amount in negative) | (Total C to H) | | | | | |
| | Description of asset for which this certificate relates | Debt for which this certificate being issued | Other Secured Debt | Debt for which this certificate being issued | Assets shared by pari passu debt holder includes debt for which this certificate is issued & other debt with pari-passu charge) | Other assets on which there is pari passu charge (excluding items covered in column F) | | debt amount considered more than once (due to exclusive plus pari passu charge) | | Market Value for Assets charged on Exclusive basis | Carrying/book value for exclusive charge assets whose market value is not ascertainable or applicable (For Eg. Bank Balance, DSRA market value is not applicable) | Market Value for Pari Passu charge Assets** | Carrying value/book value for pari passu charge assets whose market value is not ascertainable or applicable (For Eg. Bank Balance, DSRA market value is not applicable) | Total Value (K+L+M+N) |
| | | Book Value | Book Value | Yes/No | Book Value | Book Value | | | | | | | | |
| ASSETS | | | | | | | | | | | | | | |
| Property, Plant and Equipment | Refer Note A, B & C of Annexure 1A | 3,348.02 | 4,234.08 | No | - | - | 876.79 | - | 8,460.89 | 4,258.42 | - | - | - | 4,258.42 |
| Capital Work-in-Progress | Refer Note A, B & C of Annexure 1A | 37.01 | - | No | - | - | 173.83 | - | 210.84 | 37.01 | - | - | - | 37.01 |
| Right of Use Assets | Refer Note B of Annexure 1A | - | 338.77 | No | - | - | 1,292.55 | - | 1,851.32 | - | - | - | - | - |
| Investment Property | Refer Note B of Annexure 1A | - | 74.52 | No | - | - | 86.75 | - | 173.27 | - | - | - | - | - |
| Goodwill | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Intangible Assets | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Intangible assets under development | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Investments | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Loans | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Inventories | | - | - | No | - | 5,062.90 | - | - | 5,062.90 | - | - | - | - | - |
| Trade Receivables | | - | - | No | - | 3,307.88 | - | - | 3,307.88 | - | - | - | - | - |
| Cash and Cash Equivalents | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Bank Balances other than Cash and Cash Equivalents | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Others | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Total | | 3,385.03 | 4,667.37 | | | 8,365.78 | 2,443.92 | | 18,862.10 | 4,286.43 | | | | 4,286.43 |
| LIABILITIES | | | | | | | | | | | | | | |
| Debt securities to which this certificate pertains | Refer Note D of Annexure 1A | 2,500.00 | - | No | - | - | - | - | 2,500.00 | - | 2,500.00 | - | - | 2,500.00 |
| Other debt sharing pari-passu charge with above debt | | - | - | No | - | - | - | - | - | - | - | - | - | - |
| Other Debt | Refer Note F of Annexure 1A | - | 3,753.81 | No | - | 1,726.75 | - | - | 5,474.56 | - | - | - | - | - |
| Subordinated debt | | - | - | No | - | - | 3,737.99 | - | 3,737.99 | - | - | - | - | - |
| Others | Interest accrued on debt | 14.14 | 6.26 | No | - | - | 27.24 | - | 47.64 | - | 14.14 | - | - | 14.14 |
| Total | | 2,514.14 | 3,760.07 | | | 1,726.75 | 3,765.23 | | 11,769.19 | 2,514.14 | | | | 2,514.14 |
| Cover on Book Value (No. of Times) | Exclusive Security Cover Ratio (Refer Note E of Annexure 1A) | 1.35 | | | | | | | | | | | | |
| Cover on Market Value (No. of Times) | | | | | | | | | | | | | | 1.71 |
| | | Exclusive Security Cover Ratio | 1.35 | | | PariPassu Security Cover Ratio | - | | | | | | | |

¹ Pertains to book value of assets having exclusive charge and outstanding book value of debt for which this certificate is issued.
² Pertains to book value of assets having exclusive charge and outstanding book value of all corresponding debt other than column C.
³ Pertains to debt for which this certificate is issued having any pari passu charge.
⁴ Pertains to book value of assets having pari-passu charge to outstanding book value of debt for which this certificate is issued and c) other debt sharing pari-passu charge along with debt for which certificate is issued.
⁵ Pertains to book value of all other assets having pari-passu charge and outstanding book value of corresponding debt.
⁶ Pertains to all those assets which are not charged and shall include all unsecured borrowings including subordinated debt and also include only those assets which are paid for.
⁷ All assets which are comprised of Market Value like Land, Building, Residential/Commercial Real Estate to be stated in Market Value. Other assets having charge to be stated at book value/Carrying Value.
⁸ The market value has been calculated as per the total value of assets mentioned in Column O.

This Annexure is to be read in conjunction with Annexure 1A

For and on behalf of Varroc Engineering Limited

Ajay Kumar Sharma
 Digitally signed by Ajay Kumar Sharma
 Date: 2024.11.13 17:14:30 +05'30'
 Ajay Kumar Sharma
 Group General Counsel and Company Secretary
 Place/Pune
 Date: November 13, 2024

Annexure 1A

Notes to Statement on Security Cover and book value of assets

All amounts in Rs Million unless otherwise stated

A Details of book value of property, plant and equipment and capital work in progress for which this certificate is issued

| Plant Name | Book Value as at September 30, 2024 | |
|--------------------------|-------------------------------------|--------------------------|
| | Property, Plant & Equipment | Capital Work in Progress |
| VEL-VII (Valves) | 424.12 | 15.23 |
| VEL-VII (Forgine) | 312.09 | 0.90 |
| VEL-III | 1,141.26 | 18.71 |
| VEL 4W Lighting Chakan | 209.23 | 1.60 |
| VEL 4W Lighting Bhamboli | 1,261.31 | 0.57 |
| | 3,348.02 | 37.01 |

B Details of book value of assets exclusively secured against other Secured Debt

| Plant Name | Book Value as at September 30, 2024 | | |
|-------------------|-------------------------------------|-----------------------|---------------------|
| | Property, Plant & Equipment ^ | Right of Use Assets ^ | Investment Property |
| VEL-I | 265.15 | 1.26 | - |
| VEL-Corp | 668.32 | 33.84 | - |
| VEL-V | 726.66 | 46.51 | - |
| VEL-VII (Valves) | 182.80 | 72.87 | - |
| VEL-VII (Forgine) | 39.76 | - | - |
| VEL-III | 385.00 | 57.74 | - |
| VEL-III (R&D) | 271.90 | - | - |
| VEL-II | 240.94 | 31.60 | - |
| VEL-IV | 21.81 | 12.77 | 11.70 |
| VEL-VIII | 200.39 | 10.38 | - |
| VEL-VI | 279.96 | - | 62.83 |
| VLS Chakan | 15.28 | - | - |
| VEL-Exhaust | 0.06 | - | - |
| VEL-Halot | 178.21 | - | - |
| VEL-Solar | 121.55 | - | - |
| VEL-PN | 583.90 | 91.82 | - |
| VEL-R&D Forgine | 34.27 | - | - |
| VEL- Bhamboli | 18.12 | - | - |
| | 4,234.08 | 358.77 | 74.52 |

^ Note: This includes movable assets with book value of Rs. 211.40 million, debt related to which has been repaid as at September 30, 2024 and Company is in process of filing charge satisfaction documents with relevant regulatory authorities

C Details of market value of property, plant and equipment and capital work in progress for which this certificate is issued

| Plant Code | Market Value as at September 30, 2024 | |
|--------------------------|---------------------------------------|------------------------------|
| | Property, Plant & Equipment (#) | Capital Work in Progress (*) |
| VEL-VII (Valves) | 666.56 | 15.23 |
| VEL-VII (Forgine) | 557.74 | 0.90 |
| VEL-III | 1,428.09 | 18.71 |
| VEL 4W Lighting Chakan | 1,501.86 | 1.60 |
| VEL 4W Lighting Bhamboli | 104.17 | 0.57 |
| | 4,258.42 | 37.01 |

Market values of Property, Plant and Equipment in respect of Plants VEL-VII (Valves Division), VEL-VII (Forging Division), VEL-III, VEL Chakan (Lighting plant), and VEL Bhamboli (Lighting Plant) have been obtained from the valuation report dated October 03, 2023 issued by an Independent Registered Valuer - Ompal Singh (Reg. No- IBBI/RV/02/2021/13876) appointed by the Debenture Trustee.

* In respect of Capital Work in Progress of all plants, management believe that the market value is at least equal to the carrying value as at September 30, 2024.

D Details of Non-convertible debentures

| ISIN | Facility | Type of charge | Outstanding amount as at September 30, 2024 | Asset cover required as per Debenture Trust deed (No. of Times) | Date of issue of debentures |
|--------------|----------------------------|------------------|---|---|-----------------------------|
| INE665L08014 | Non-Convertible Debentures | Exclusive charge | 2,500.00 | 1.10 | September 07, 2023 |

E 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 September 30, 2024

| Particulars | Amounts (Rs. Million) |
|--|-----------------------|
| Debentures outstanding as at September 30, 2024 (including interest thereon) [A] | 2,514.14 |
| Book value of assets as per Table A above [B] | 3,385.03 |
| Security Cover Ratio [C = B/A] | 1.35 |
| Security Cover Ratio as per requirements of Trust Deed | 1.10 |
| Whether compliant? | Yes |

F Other Secured debt consists:

a. Rs. 972.22 million debt which is secured by hypothecation of certain movable assets of Varroc Polymers Limited, which is 100% subsidiary of the Company

G Assets disclosed in the Statement

The assets disclosed in the Statement pertain to only those assets on which charge is created against issue of secured redeemable non-convertible debentures or term loans obtained from banks/ financial institutions or working capital loans obtained from banks/ financial institutions. Assets other than these have not been disclosed in this Statement by the management.

H Liabilities disclosed in the Statement

The liabilities disclosed in the Statement pertain to the liabilities of secured redeemable non-convertible debentures, term loans from banks/ financial institutions and working capital loans from banks/ financial institutions, and interest accrued thereon. Liabilities other than these have not been disclosed in this Statement by the management

For and on behalf of Varroc Engineering Limited

Ajay Kumar
Sharma

Digitally signed by Ajay Kumar
Sharma
Date: 2024.11.13 17:14:47 +05'30'

Ajay Kumar Sharma
Group General Counsel and Company Secretary
Place: Pune
Date: November 13, 2024