

Independent Auditor’s Report
To the Members of Sundram Fasteners Limited

Report on the Audit of the Standalone Ind AS financial statements

Opinion

We have audited the Standalone Ind AS financial statements of Sundram Fasteners Limited (“the Company”), which comprise the standalone balance sheet as at March 31, 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the Standalone Ind AS financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the Standalone Ind AS financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS financial statements give the information required by the Companies Act, 2013 (“Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor’s Responsibilities for the Audit of the Standalone 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 together with the ethical requirements that are relevant to our audit of the Standalone Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the Standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

Impairment assessment of long-term investments in subsidiaries	
The key audit matter	How the matter was addressed in our audit
<p>The Company has long-term investments in subsidiaries as at March 31, 2020. The Company assesses investment in subsidiaries at each reporting date for any impairment indicators, based on internal or external sources of information. Where, such indicators exist, the Company performs impairment testing.</p> <p>The changes in business environment including impact of COVID-19 pandemic on budgets and forecasts and uncertainties caused by external factors affecting estimated performance of subsidiaries has triggered impairment testing in respect of certain subsidiaries.</p> <p>As impairment assessment involves significant estimates and judgements, it is a key area of focus in our audit.</p> <p>Refer Notes 3 and 6 to the standalone financial statements.</p>	<p>In view of the significance of the matter, we performed the following key audit procedures:</p> <ul style="list-style-type: none"> Assessed the design, implementation and operating effectiveness of key controls in respect of the Company’s impairment analysis process including evaluation and approval of forecasts, and the valuation model used; Examined the valuation reports of the independent third-party specialists as engaged by the Company; Evaluated and challenged the key assumptions considered in cash flow forecasts for assessing the recoverable amount such as growth rates, profitability, discount rates etc., with reference to our understanding of the business and historical trends; Involved our valuation specialists to examine the valuation methodology and key assumptions; Performed sensitivity analysis considering possible changes in key assumptions used; Evaluated the adequacy of disclosures made in the standalone financial statements.

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Taxation and contingent liability related matters	
The key audit matter	How the matter was addressed in our audit
<p>Determination of tax provisions and assessment of contingent liabilities involves judgment with respect to various tax positions on deductibility of transactions, tax incentives/ exemptions, interpretation of laws and regulations etc. Judgment is also required in assessing the range of possible outcomes for these matters.</p> <p>The Company makes an assessment to determine the outcome of these matters and records an accrual or discloses this as a contingent liability in accordance with applicable accounting standards.</p> <p>Further, the change in tax rates pursuant to the Taxation Laws (Amendment) Ordinance, 2019 has had significant current and deferred tax implications during the current year.</p> <p>Accordingly, taxation and contingent liability related matters are areas of focus in the audit.</p> <p>Refer Notes 3 and 35 to the standalone financial statements.</p>	<p>In view of the significance of the matter, we applied the following key audit procedures:</p> <ul style="list-style-type: none"> Involved our tax specialists and evaluated and challenged the underlying judgements used in respect of estimation of provisions, exposures and contingencies including Company's assessment of impact of Taxation Laws (Amendment) Ordinance, 2019 on current and deferred taxes. Considered third party advice received by the Company where applicable, status of recent and current tax assessments, outcome of previous claims, judgmental positions taken in tax returns and developments in tax environment. Evaluated the adequacy of disclosures on tax provisions and contingent liabilities made in the standalone financial statements.

Revenue recognition and trade receivables	
The key audit matter	How the matter was addressed in our audit
<p>The Company's revenue is derived primarily from sale of automobile spare parts and components ("goods"). Revenue from the sale of goods is recognised upon the transfer of control of the goods to the customer.</p> <p>The Company and its external stakeholders focus on revenue as a key performance metric and the Company uses various shipment terms across its operating markets.</p> <p>Revenue recognition has been identified as a key audit matter as there could be an incentive or external pressures to meet expectations resulting in revenue being overstated or recognized before control has been transferred.</p> <p>Further, the Company has significant trade receivables as at the year end. Considering the size of the balances and the risk of some of the trade receivables not being recoverable due to the current COVID-19 situation, judgement is required to evaluate the adequacy of allowance recorded to reflect the credit risk.</p> <p>Refer 3 and 23 to the standalone financial statements.</p>	<p>In view of the significance of the matter we applied the following key audit procedures in this area:</p> <ul style="list-style-type: none"> Assessed the Company's accounting policy for revenue recognition as per applicable accounting standards. Tested the design, implementation and operating effectiveness of key controls relating to revenue recognition. Performed substantive testing of revenue transactions recorded during the year on a sample basis by verifying the underlying documents. Tested samples of revenue transactions recorded closer to the year-end by verifying underlying documents, to assess the accuracy of the period in which revenue was recognized. Tested manual journal entries posted to revenue. Circularised balance confirmations for the trade receivable balances on a sample basis and verified reconciliations / performed alternate procedures as applicable. Evaluated the Company's assessment of the recoverability of receivable balances and the judgements considered in the expected credit loss allowance, including for possible effects from the COVID-19 pandemic.

Information Other than the Standalone Ind AS financial statements and Auditors' Report Thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the Standalone 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 Standalone 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 Standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibility for the Standalone Ind AS financial statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Ind AS financial statements, the Management and Board of Directors are 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS financial statements

Our objectives are to obtain reasonable assurance about whether the Standalone 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 Standalone 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 Standalone 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 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 with reference to financial statements 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 in the Standalone Ind AS financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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 Standalone 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 Standalone Ind AS financial statements, including the disclosures, and whether the Standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other matter

The comparative financial information for the year ended March 31, 2019, presented in the Standalone Ind AS financial statements have been adjusted to include the financial information, of an erstwhile wholly owned subsidiary, Sundram Precision Components Limited ('SPCL') which merged with the Company pursuant to the order of National Company Law Tribunal (NCLT) and made effective on April 11, 2019. The merger being a common control business combination, the comparative financial information in the Standalone Ind AS financial statements of the Company have been restated to record the merger from April 1, 2018. Adjustment for the merger for the year ended March 31, 2019 is based on the financial statements of SPCL for the year ended March 31, 2019, that were audited by the erstwhile auditors of SPCL (vide their unmodified annual audit report dated April 19, 2019) and approved by the board of directors and has not been subjected to audit. According to the information and explanations given to us by the management, these financial information are not material to the Company. Our conclusion on the Standalone Ind AS financial statements is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. (A) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid Standalone 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 March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

- i. The Company has disclosed the impact of pending litigations as at March 31, 2020 on its financial position in its Standalone Ind AS financial statements - Refer Note 35 to the Standalone 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;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
- iv. The disclosures in the Standalone Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from November 8, 2016 to December 30, 2016 have not been made in these financial statements since they do not pertain to the financial year ended March 31, 2020.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for B S R & Co. LLP

Chartered Accountants

Firm's Registration number: 101248W/W-100022

S Sethuraman

Partner

Membership No.: 203491

ICAI UDIN: 20203491AAABO2908

Place : Chennai

Date : June 11, 2020

Sundram Fasteners Limited

B S R & Co. LLP
Chartered Accountants

KRM Tower, 1st & 2nd Floor, No. 1, Harrington Road,
Chetpet, Chennai 600 031, India

Annexure A to the Independent Auditor's Report

To the Members of Sundram Fasteners Limited on the Standalone Ind AS financial statements for the year ended March 31, 2020

(Referred to in paragraph 1 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 Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventory, except goods in transit and certain stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material. For stock lying with third parties at the year end, written confirmations have been obtained by the management.
- (iii) (a) According to the information and explanations given to us, during the year, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause (iii) (a) of the Order are not applicable to the Company.
- (b) The Company has granted loans in the earlier years to companies covered in the register maintained under section 189 of the Act. The schedule of repayment of principal and payment of interest has been stipulated for the loans granted and borrowers have been regular in payment of principal and interest, as applicable.
- (c) There are no amounts overdue for more than ninety days in respect of loans granted to companies listed in the register maintained under section 189 of the Act.
- (iv) According to the information and explanations given to us, the Company has complied with the provisions of sections 185 and 186 of the Act with respect to loans, investments, guarantees and security, as applicable.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under subsection (1) of Section 148 of the Act in respect of products manufactured and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records. .
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees state insurance, income tax, goods and services tax, duty of customs and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of cess, sales tax, service tax, duty of excise, value added tax.
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, income tax, goods and services tax, duty of customs, and other material statutory dues were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the dues set out in Appendix I in respect of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and Goods and Service tax have not been deposited by the Company on account of disputes.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions. The Company has not taken any loans or borrowings from government and have not issued any debentures.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. According to information and explanations given to us, money raised through term loans during the year has been utilised for the purpose for which there were raised.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the managerial remuneration for the year ended March 31, 2020 has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act and rules framed thereunder.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The details of such related party transactions have been disclosed in the Standalone Ind AS financial statements as required under applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

for B S R & Co. LLP
Chartered Accountants
Firm's Registration number: 101248W/W-100022

S Sethuraman
Partner
Membership No.: 203491
ICAI UDIN: 20203491AAABO2908

Place : Chennai
Date : June 11, 2020

**Appendix I as referred to under para (vii)(b) of Annexure A to the Independent Auditor's Report
To the Members of Sundram Fasteners Limited on the Standalone Ind AS financial statements for the year ended
March 31, 2020**

Name of the Statute	Nature of the Dues	Amount* (₹ in crores)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise duty	2.26	FY 2004-16	Customs, Excise and Service tax Appellate Tribunal
		0.01	FY 2005-17	Commissioner - Appeals
		0.21	FY 2009-18	Adjudicating authority/ Assessing Officer/ Division
Finance Act, 1994	Service tax	0.22	FY 2004-18	Customs, Excise and Service tax Appellate Tribunal
		0.06	FY 2008-16	Commissioner – Appeals
		0.34	FY 2008-17	Joint / Deputy / Assistant / Additional Commissioner
Income Tax Act, 1961	Income-tax dues	1.31	AY 2012-13	The Income tax Appellate Tribunal
Income Tax Act, 1961	Income-tax dues	1.27	AY 2013-14	The Income tax Appellate Tribunal
Income Tax Act, 1961	Income-tax dues	15.05	AY 2014-15	The Commissioner of Income-tax (Appeals)
Tamil Nadu Value Added Tax Act, 2006, Telangana Value Added Tax Act, 2005, Central Sales Tax Act, 1956	Sales tax	0.58	FY 2006-17	Joint/Deputy/Assistant/ Additional Commissioner
		0.34	FY 2014-17	High Court of Madras
Customs Act, 1962	Customs duty	0.69	FY 2014-15	Customs, Excise and Service tax Appellate Tribunal
		0.65	FY 2014-15	High Court of Madras

* net of amount paid under protest

Annexure B to the Independent Auditor's Report

To the Members of Sundram Fasteners Limited on the Standalone Ind AS financial statements for the year ended March 31, 2020

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

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

Opinion

We have audited the internal financial controls with reference to financial statements of **Sundram Fasteners Limited** ("the Company") as of March 31, 2020 in conjunction with our audit of the Standalone Ind AS financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2020, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI').

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively as at March 31, 2020 for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the standards on auditing, issued by ICAI and deemed to be prescribed under

section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal financial controls with reference to financial statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company

are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to financial statements

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

for B S R & Co. LLP

Chartered Accountants

Firm's Registration number: 101248W/W-100022

S Sethuraman

Partner

Membership No.: 203491

ICAI UDIN: 20203491AAABO2908

Place : Chennai

Date : June 11, 2020

Independent Auditor’s Report

To the Members of Sundram Fasteners Limited

Report on the Audit of Consolidated Ind AS financial statements

Opinion

We have audited the Consolidated Ind AS financial statements of Sundram Fasteners Limited (hereinafter referred to as the “Holding Company”) and its subsidiaries (Holding Company and its subsidiaries together referred to as “the Group”), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the Consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the Consolidated Ind AS financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries as were audited by the other auditors, the aforesaid Consolidated Ind AS financial statements give the information required by the Companies Act, 2013 (“Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor’s Responsibilities for the *Audit of the Consolidated Ind AS financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Ind AS financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the Consolidated Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the Consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

Taxation and contingent liability related matters	
The key audit matter	How the matter was addressed in our audit
<p>Determination of tax provisions and assessment of contingent liabilities involves judgment with respect to various tax positions on deductibility of transactions, tax incentives/ exemptions, interpretation of laws and regulations etc. Judgment is also required in assessing the range of possible outcomes for these matters.</p> <p>The Group makes an assessment to determine the outcome of these matters and records an accrual or discloses this as a contingent liability in accordance with applicable accounting standards.</p> <p>Further, the change in tax rates pursuant to the Taxation Laws (Amendment) Ordinance, 2019 has had significant current and deferred tax implications during the current year.</p> <p>Accordingly, taxation and contingent liability related matters are areas of focus in the audit.</p> <p>Refer Notes 3 and 35 to the consolidated Ind AS financial statements.</p>	<p>In view of the significance of the matter we applied the following key audit procedures:</p> <ul style="list-style-type: none"> Involved our tax specialists and evaluated and challenged the underlying judgements used in respect of estimation of provisions, exposures and contingencies including Group’s assessment of impact of Taxation Laws (Amendment) Ordinance, 2019 on current and deferred taxes. Considered third party advice received by the Group where applicable, status of recent and current tax assessments, outcome of previous claims, judgmental positions taken in tax returns and developments in tax environment. Evaluated the adequacy of disclosures on tax provisions and contingent liabilities made in the consolidated Ind AS financial statements.

Revenue recognition and trade receivables	
The key audit matter	How the matter was addressed in our audit
<p>The Group's revenue is derived primarily from sale of automobile spare parts and components ("goods"). Revenue from the sale of goods is recognised upon the transfer of control of the goods to the customer.</p> <p>The Group and its external stakeholders focus on revenue as a key performance metric and the Group uses various shipment terms across its operating markets.</p> <p>Revenue recognition has been identified as a key audit matter as there could be an incentive or external pressures to meet expectations resulting in revenue being overstated or recognized before control has been transferred.</p> <p>Further, the Group has significant trade receivables as at the year end. Considering the size of the balances and the risk of some of the trade receivables not being recoverable due to the current COVID-19 situation, judgement is required to evaluate the adequacy of allowance recorded to reflect the credit risk.</p> <p>Refer Notes 3 and 23 to the consolidated Ind AS financial statements.</p>	<p>In view of the significance of the matter we applied the following key audit procedures in this area:</p> <ul style="list-style-type: none"> Assessed the Group's accounting policy for revenue recognition as per applicable accounting standards. Tested the design, implementation and operating effectiveness of key controls relating to revenue recognition. Performed substantive testing of revenue transactions recorded during the year on a sample basis by verifying the underlying documents. Tested samples of revenue transactions recorded closer to the year-end by verifying underlying documents, to assess the accuracy of the period in which revenue was recognized. Tested manual journal entries posted to revenue. Circularised balance confirmations for the trade receivable balances on a sample basis and verified reconciliation / performed alternate procedures as applicable. Evaluated the Group's assessment of the recoverability of receivable balances and the judgements considered in the expected credit loss allowance, including for possible effects from the COVID-19 pandemic.

Information Other than the Consolidated Ind AS financial statements and Auditors' Report Thereon

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the Consolidated 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 Consolidated 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 Consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, 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 and Board of Directors' Responsibilities for the Consolidated Ind AS financial statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company, and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Ind AS financial statements, the respective Management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern,

disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS financial statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated 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 Consolidated 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 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 the internal financial controls with reference to the Consolidated Ind AS financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of Consolidated Ind AS financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. 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 Consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Ind AS financial statements, including the disclosures, and whether the Consolidated 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 such entities or business activities within the Group to express an opinion on the Consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the Consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the Consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Ind AS financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other matters

- (a) We did not audit the financial statements / financial information of six subsidiaries, whose financial statements / financial information reflect total assets of ₹ 644.79 crores as at March 31, 2020, total revenues of ₹ 417.03 crores and net cash inflows amounting to ₹ 14.48 crores for the year ended on that date, as considered in the Consolidated Ind AS financial statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the Consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the audit reports of the other auditors.
- (b) We did not audit the financial statements / financial information of three subsidiaries (including one step down subsidiary), whose financial statements / financial information reflect total assets of ₹ 9.06 crores as at March 31, 2020, total revenues of ₹ 10.86 crores and net cash inflows amounting to Rs. 0.95 crores for the year ended on that date, as considered in the Consolidated Ind AS financial statements, have not been audited either by us or by other auditors. These unaudited financial statements / financial information have been furnished to us by the management and our opinion on the Consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements / financial information are not material to the Group.

Our opinion on the Consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

- A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries, as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:
- 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 of the aforesaid Consolidated Ind AS financial statements.
 - In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind AS financial statements.
 - In our opinion, the aforesaid Consolidated Ind AS financial statements comply with the Ind AS specified under section 133 of the Act.
 - On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

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- f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies, incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, as noted in the 'Other Matters' paragraph:
- i. The Consolidated Ind AS financial statements disclose the impact of pending litigations as at March 31, 2020 on the consolidated financial position of the Group. Refer note 35 to the Consolidated Ind AS financial statements.
 - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended March 31, 2020.
 - iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Group during the year ended March 31, 2020.
 - iv. The disclosures in the Consolidated Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended March 31, 2020.
- C. With respect to the matter to be included in the Auditor's report under section 197(16):
- In our opinion and according to the information and explanations given to us and based on the reports of the statutory auditors of such subsidiary companies incorporated in India which were not audited by us, the remuneration paid during the current year by the Holding Company and its subsidiary companies to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for B S R & Co. LLP

Chartered Accountants

Firm's Registration number: 101248W/W-100022

S Sethuraman

Partner

Membership No.: 203491

ICAI UDIN: 20203491AAAABP7229

Place : Chennai

Date : June 11, 2020

Annexure A to the Independent Auditor's Report

To the Members of Sundram Fasteners Limited on the Consolidated Ind AS financial statements for the year ended March 31, 2020

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

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

Opinion

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to consolidated Ind AS financial statements of Sundram Fasteners Limited ("the Holding Company") and such companies incorporated in India under the Companies Act, 2013 which are its subsidiary companies as of March 31, 2020 in conjunction with our audit of the Consolidated Ind AS financial statements of the Company for the year ended on that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies, have, in all material respects, has an adequate internal financial controls with reference to consolidated Ind AS financial statements and such internal financial controls were operating effectively as at March 31, 2020, based on the internal financial controls with reference to consolidated Ind AS financial statements criteria established such companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI').

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated Ind AS financial statements based on the criteria established by the respective company considering the essential components of internal control stated in the Guidance Note issued by ICAI. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively as at March 31, 2020 for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the standards on auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated Ind AS financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated Ind AS financial statements included obtaining an understanding of internal financial controls with reference to consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, 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 and the audit evidence obtained by the other auditors of the relevant subsidiary companies, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to consolidated Ind AS financial statements.

Meaning of Internal financial controls with reference to financial statements

A company's internal financial controls with reference to consolidated Ind AS financial statements is a process

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

Inherent limitations of internal financial controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also,

projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated Ind AS financial statements insofar as it relates to three subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not modified in respect of the above matter.

for **B S R & Co. LLP**

Chartered Accountants

Firm's Registration number: 101248W/W-100022

S Sethuraman

Partner

Membership No.: 203491

ICAI UDIN: 20203491AAAABP7229

Place : Chennai

Date : June 11, 2020

Form No. MR-3

Secretarial Audit Report for the financial year ended March 31, 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 of

Sundram Fasteners Limited,

[CIN:L35999TN1962PLC004943]

98-A, VII Floor, Dr. Radhakrishnan Salai, Mylapore,
Chennai 600004

The members are requested to read this report along with our letter of even date annexed to this report as Annexure –A.

We have conducted a Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by **SUNDRAM FASTENERS LIMITED** (hereinafter called "the Company") during the financial year from April 1, 2019 to March 31, 2020 ("the year"/ "audit period"/ "period under review").

We conducted the Secretarial Audit in a manner that provided us a reasonable basis for evaluating the Company's corporate conducts / statutory compliances and expressing our opinion thereon.

We are issuing this report based on:

- (i) Our **verification** of the books, papers, minute books and other records maintained by the Company and furnished to us and scanned copies of some of them provided to us through e-mail where the same could not be physically furnished for verification due to the Central Government imposed lockdown restrictions, forms / returns filed and compliance related action taken by the Company during the year as well as after March 31, 2020 but before the issue of this audit report;
- (ii) Our **observations** during our visits to the registered office and some of the factories of the Company;
- (iii) **Compliance certificates** confirming compliance with all laws applicable to the Company given by the key managerial personnel / senior managerial personnel of the Company and taken on record by the Audit Committee / Board of Directors; and
- (iv) **Representations** made, documents shown and information provided by the Company, its officers, agents and authorised representatives during our conduct of the Secretarial Audit.

We hereby report that, in our opinion, **during the audit period covering the financial year ended on March 31, 2020** the Company has:

- (i) Complied with the statutory provisions listed hereunder; and
- (ii) Board processes and compliance mechanism in place **to the extent, in the manner and subject to the reporting made hereinafter.**

1. Compliance with specific statutory provisions

We further report that:

- 1.1 We have examined the books, papers, minute books and other records maintained by the Company and the forms, returns, reports, disclosures and information filed or disseminated during the year according to the applicable provisions / clauses of the Acts, Rules, Regulations, Standards and Agreements set out hereunder.
- 1.2 During the period under review, and also considering the compliance related action taken by the Company after March 31, 2020 but before the issue of this report, to the best of our knowledge and belief and based on the records, information, explanations and representations furnished to us, **the Company's compliance** with the said applicable provisions / clauses of the Acts, Rules, Regulations, Standards and Agreements **are as set out hereunder.**
- 1.3 The Company **has complied with:**
 - (i) The Companies Act, 2013 and the rules made thereunder (*the Act*);
 - (ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
 - (iii) The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;
 - (iv) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (v) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (vi) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015(*LODR*);
 - (vii) The listing agreements entered into by the Company with the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) (*Agreements*)

Sundram Fasteners Limited

- 1.4 The Company **has generally/ broadly complied with:**
- (i) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of
 - (a) Overseas Direct Investment; and
 - (b) External Commercial Borrowings.
 - (ii) The following laws that are specifically applicable to the Company (*Specific laws*):
 - (a) The Special Economic Zones Act, 2005 and the rules made thereunder (for the units located in Special Economic Zones); and
 - (b) Export Oriented Unit Scheme (for the Company's units having letters of approval under the Scheme)
 - (iii) The following Secretarial Standards issued by The Institute of Company Secretaries of India (*Secretarial Standards*):
 - (a) Meetings of the Board of Directors (SS-1) to the extent applicable to Board meetings; *and*
 - (b) On General Meetings (SS-2) to the extent applicable to the 56th Annual General Meeting and the 9th postal ballot.
 - (iv) The Company has not adopted the Secretarial Standards on Dividend (SS-3) and the Secretarial Standards on Board's Report (SS-4) issued by the Institute of Company Secretaries of India, since they are not mandatory.
- 1.5 The Company **was not required to comply with** the following on account of the non-occurrence of events during the year:
- (i) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investments;
 - (ii) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Act and dealing with client;
 - (iii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
 - (iv) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (v) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (vi) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (vii) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
2. **Board processes:**
- We further report that:**
- 2.1 The constitution of the Board of Directors of the Company during the year was in compliance with the applicable provisions of the Act and LODR.
- 2.2 As on March 31, 2020 the Board has:
- (i) Two Executive Directors;
 - (ii) Two Non-Executive Non-Independent Directors; and
 - (iii) Five Independent Directors.
- 2.3 The Board has four women directors, two of whom are Executive Directors, one a Non- Executive Non-Independent Director and one an Independent Director.
- 2.4 The processes relating to the following changes in the composition of the Board of Directors during the year were carried out in compliance with the provisions of the Act and LODR:
- i. Re-appointment of two Independent Directors - one from September 22, 2019 to September 21, 2021 and another from April 16, 2020 to September 25, 2024;
 - ii. Re-appointment of the Director retiring by rotation at the 56th Annual General Meeting held on August 8, 2019; and
 - iii. Cessation of a Non-Executive Non-Independent Director from June 17, 2019.
- 2.5 Adequate notice was given to all the directors to enable them to plan their schedule for the Board meetings.
- 2.6 Notice of Board meetings were sent at least seven days in advance.
- 2.7 Agenda and detailed notes on agenda were sent to the directors at least seven days before the Board meetings with the exception of the following items, which were either circulated separately or at the Board meetings and consent of the Board for so circulating them was duly obtained as required under SS-1:
- (i) Supplementary agenda notes and annexures in respect of unpublished price sensitive information such as audited accounts / results, unaudited financial results and connected papers; and
 - (ii) Additional subjects / information / presentations and supplementary notes.
- 2.8 A system exists for directors to seek and obtain further information and clarifications on the agenda items before the meetings and for their meaningful participation at the meetings.
- 2.9 We noted from the minutes that, at the Board meetings held during the year:

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- i. Majority decisions were carried through; and
 - ii. No dissenting views were expressed by any Board member on any of the subject matters discussed, that were required to be captured and recorded as part of the minutes.

3 Compliance mechanism

We further report that:

- 3.1 There are reasonably adequate systems and processes in the Company, commensurate with the Company's size and operations, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. There is scope for further improvement in the compliance systems and processes, keeping pace with the growth in operations and increasing statutory requirements.

4 Specific events / actions

We further report that:

- 4.1 The specific events and actions during the audit period, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations and standards were:

- i. M/s. Sunfast TVS Limited, was incorporated as a wholly-owned subsidiary of the Company on April 8, 2019.
- ii. The amalgamation of M/s. Sundram Precision Components Limited, a wholly-owned subsidiary, with the Company, was approved by the National Company Law Tribunal, Chennai Bench on April 11, 2019.
- iii. The amalgamation, effective from April 1, 2018, of M/s. TVS Next Private Limited (Transferor), a step-down subsidiary, with M/s. TVS Infotech Limited (Transferee), a subsidiary, was approved by the National Company Law Tribunal, Chennai Bench on April 30, 2019. The name of the Transferee was changed to M/s. TVS Next Limited with effect from August 2, 2019.
- iv. M/s. TVS Engineering Limited, was incorporated as a wholly-owned subsidiary of the Company on February 10, 2020.
- v. The Company has issued a Corporate Guarantee of GBP 300,000 on behalf of its step-down wholly-owned foreign subsidiary M/s. Cramlington Precision Forge Limited, UK to secure its supplier payments.

For S Krishnamurthy & Co.,
Company Secretaries,

K Sriram,
Partner.

Membership No: F6312
Certificate of Practice No: 2215
UDIN: F006312B000333705

Date: June 11, 2020
Place: Chennai

Sundram Fasteners Limited

Annexure – A to Secretarial Audit Report of even date

To the Members of
Sundram Fasteners Limited, [CIN:L35999TN1962PLC004943]
98-A, VII Floor, Dr. Radhakrishnan Salai, Mylapore,
Chennai 600004

Our Secretarial Audit Report (Form MR-3) of even date for the financial year ended March 31, 2020 is to be read along with this letter.

1. The Company's management is responsible for maintenance of secretarial records and compliance with the provisions of corporate and other applicable laws, rules, regulations and standards. Our responsibility is to express an opinion on the secretarial records produced for our audit.
2. We have followed such audit practices and processes as we considered appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records.
3. While forming an opinion on compliance and issuing this report, we have also considered compliance related action taken by the Company after March 31, 2020 but before the issue of this report.
4. We have considered compliance related actions taken by the Company based on independent legal / professional opinion obtained as being in compliance with law.
5. We have verified the secretarial records furnished to us on a test basis to see whether the correct facts are reflected therein. We also examined the compliance procedures followed by the Company on a test basis. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
6. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
7. We have obtained the Management's representation about compliance of laws, rules and regulations and happening of events, wherever required.
8. Our 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.

Date: June 11, 2020
Place: Chennai

**For S Krishnamurthy & Co.,
Company Secretaries,
K Sriram,
Partner.
Membership No: F6312
Certificate of Practice No: 2215
UDIN: F006312B000333705**