

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2022-23/110

February 7, 2023

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,
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001.
BSE Security Code: 541578
[Debt: 973454 & 973455]

Sub: Investor Presentation - Financial Results Q3 and Nine Months FY 2022-23

Dear Sir/Madam,

Please find enclosed a copy of Investor Presentation on the Un-audited Financial Results (Consolidated & Standalone) for the quarter and Nine Months ended December 31, 2022.

Kindly take the same on record and note the compliance.

For Varroc Engineering Limited

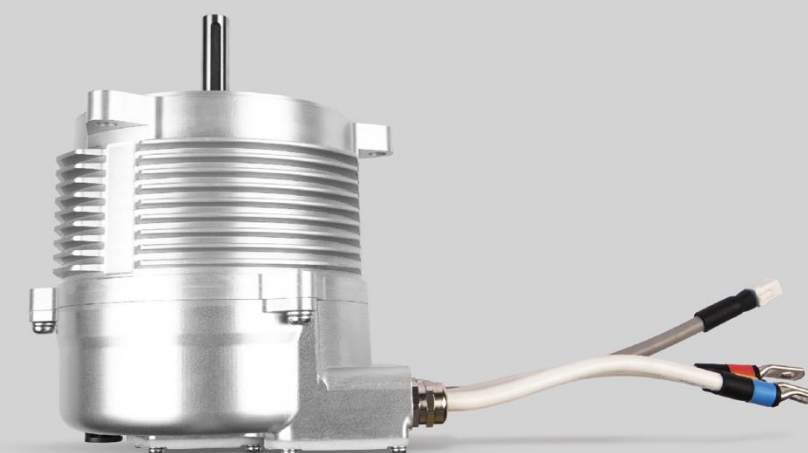
Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a



Financial Results Q3 FY23

7th Feb 2023



Disclaimer

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Content

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- 2. Industry Performance**
- 3. Financials**
- 4. New Business Win**
- 5. Opportunity in Mega Trends and Focus Area**
- 6. Awards & CSR**
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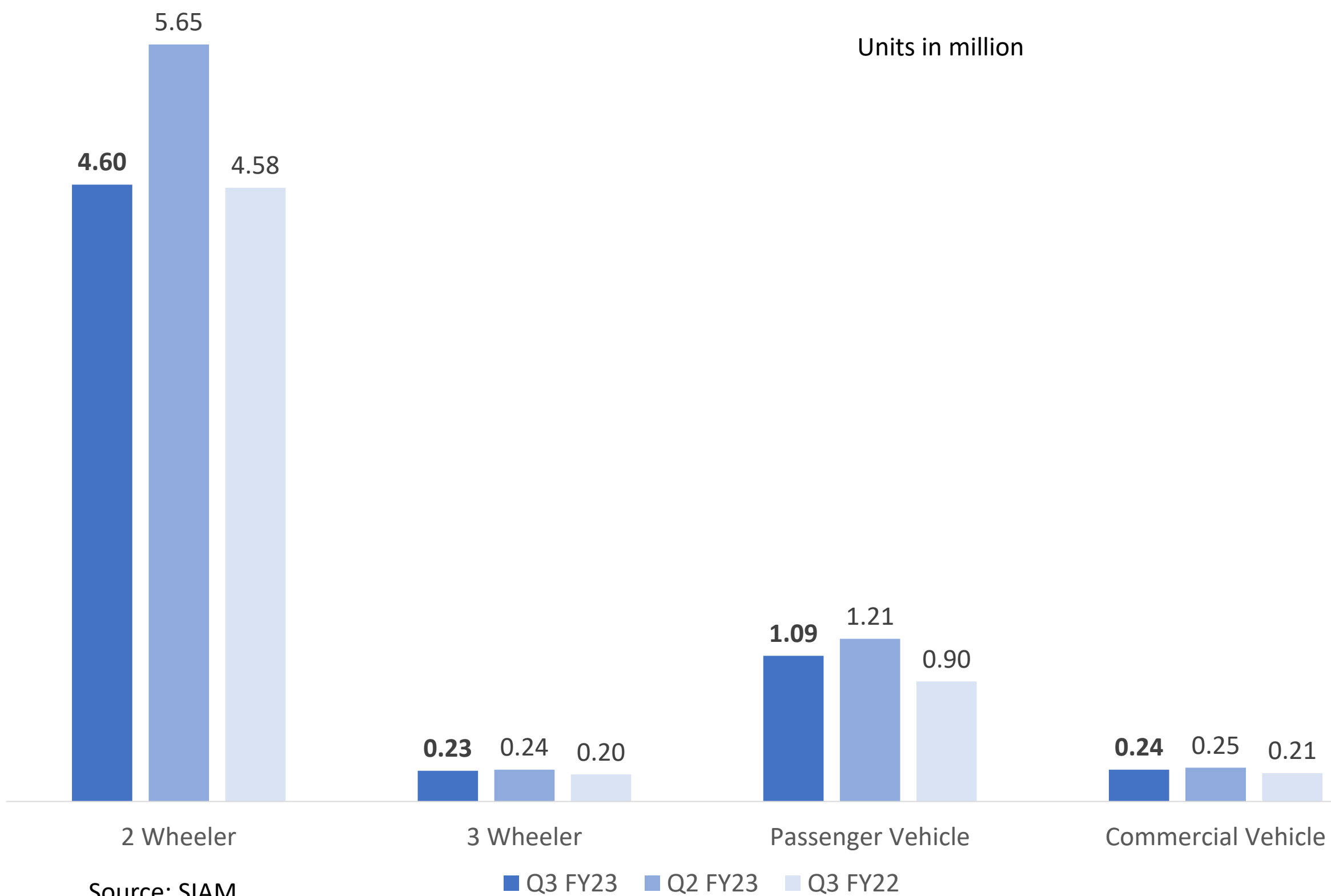


Highlights Q3 FY23

1. On 6th October 2022, completed the divestment of 4W Lighting business in Europe and America.
2. Outperformed market with 15.3% growth on YoY basis with Revenue in Q3 FY23 at Rs. 17228 million
3. Lifetime business won from new orders in 9M FY23 of Rs.35.65 billion incl. Rs. 8.9 billion from 5 EV customers.
4. EBITDA margin at 7.8% in Q3 FY23, higher by 140 bps on YoY basis
5. Rating agencies assigned 'stable outlook' from 'watch with developing implications'.
6. Better positioned to service and reduce debt levels with focus on improving profitability and cash flow.



Automotive Production in India



- 2W production saw tepid growth on YoY because of early festive season this year compared to last year whereas other segments saw growth due to improved economic activity and easing of semiconductor issues
 - 2W grew by 0.5%
 - 3W grew by 13.3%
 - PV grew by 21.4%
 - CV grew by 12.0%
- On QoQ basis, we saw de-growth across segments because of early festive season and reduction in inventory at the channel partners
 - 2W de-grew by 18.5%
 - 3W de-grew by 3.9%
 - PV de-grew by 10.5%
 - CV de-grew by 5.8%
- Going ahead, the retail sales especially for entry level vehicles both in 2W and PV will determine the strength of the momentum of vehicle production.
- Gearing up to capitalize on the opportunity from premiumization and mega trends (especially EV).
- We remain cautiously optimistic on the growing Indian economy as we saw thrust on capital spending in Union Budget



Consolidated Financials of Continued Operations

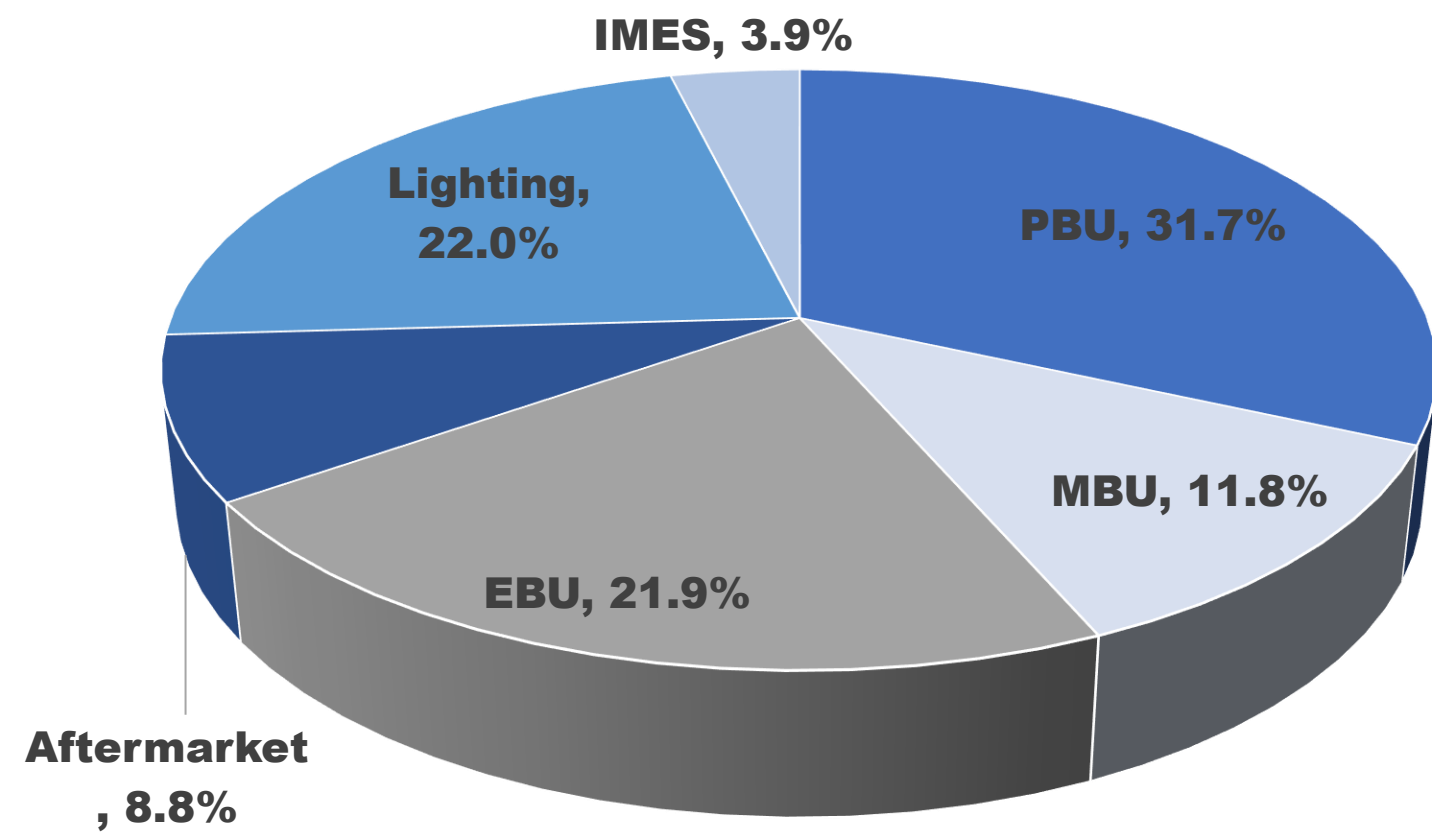
Rs. in Million	Q3 FY23	Q3 FY22	Q2 FY23	9M FY23	9M FY22	Quarter Summary
Revenue*	17,228	14,936	18,341	51,921	42,082	YoY ↑ 15.3%; QoQ ↓ 6.1%
Adjusted EBITDA [^]	1,345	952	1,681	4,372	2,883	
Adjusted EBITDA Margin	7.8%	6.4%	9.2%	8.4%	6.9%	YoY ↑ 140 bps; QoQ ↓ 140 bps;
Reported PBT	114	-279	307	417	-240	
Reported PAT	218	-284	-191	-12	-457	

- Revenue grew by 15.3% YoY due to new products and content increase.
- EBITDA margin improved YoY by 140 bps due to operating leverage
- PBT is positively impacted by forex gain in quarter due to appreciation of Euro against INR
- PAT improved due to creation of deferred tax asset and reversal of excess provision in respect of earlier year.

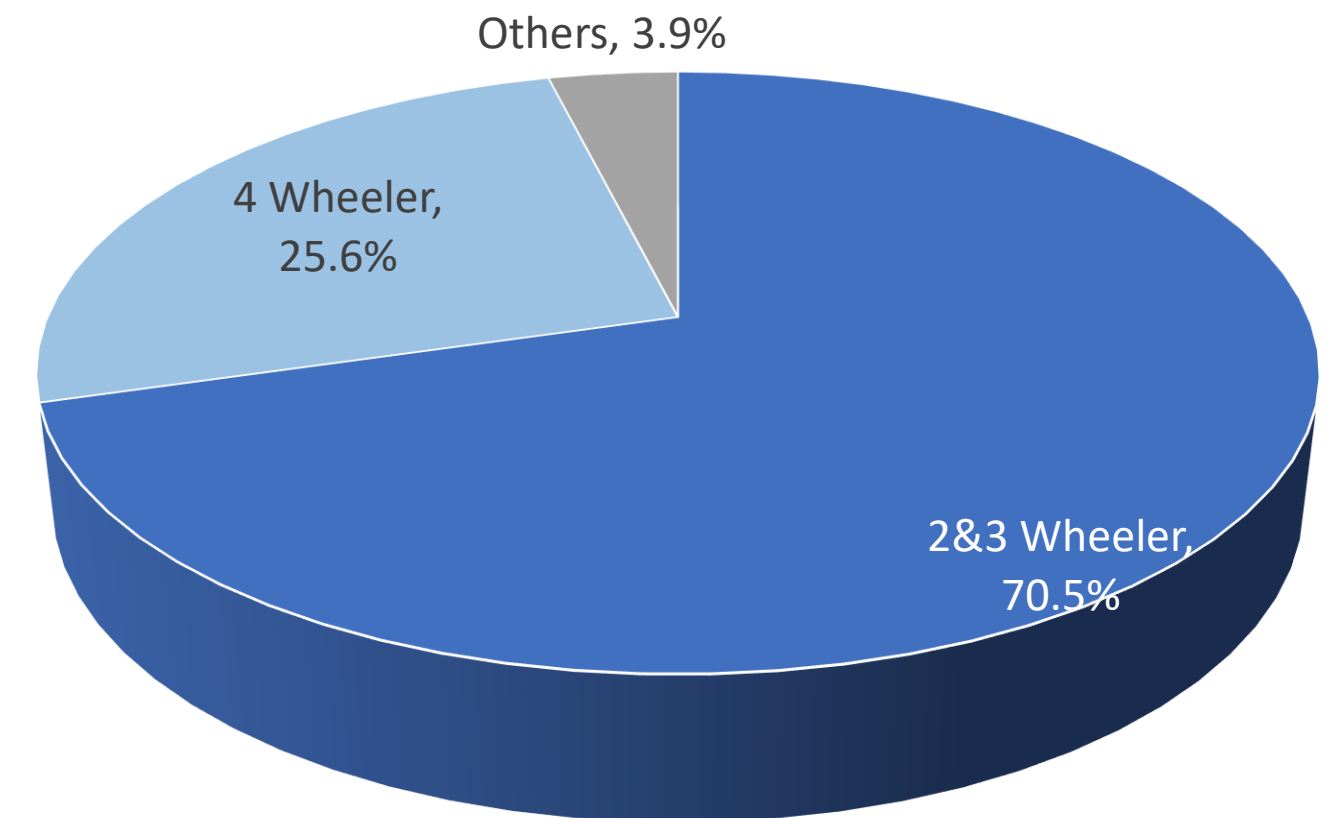


Revenue Breakdown for 9M FY23 for Continued Operations

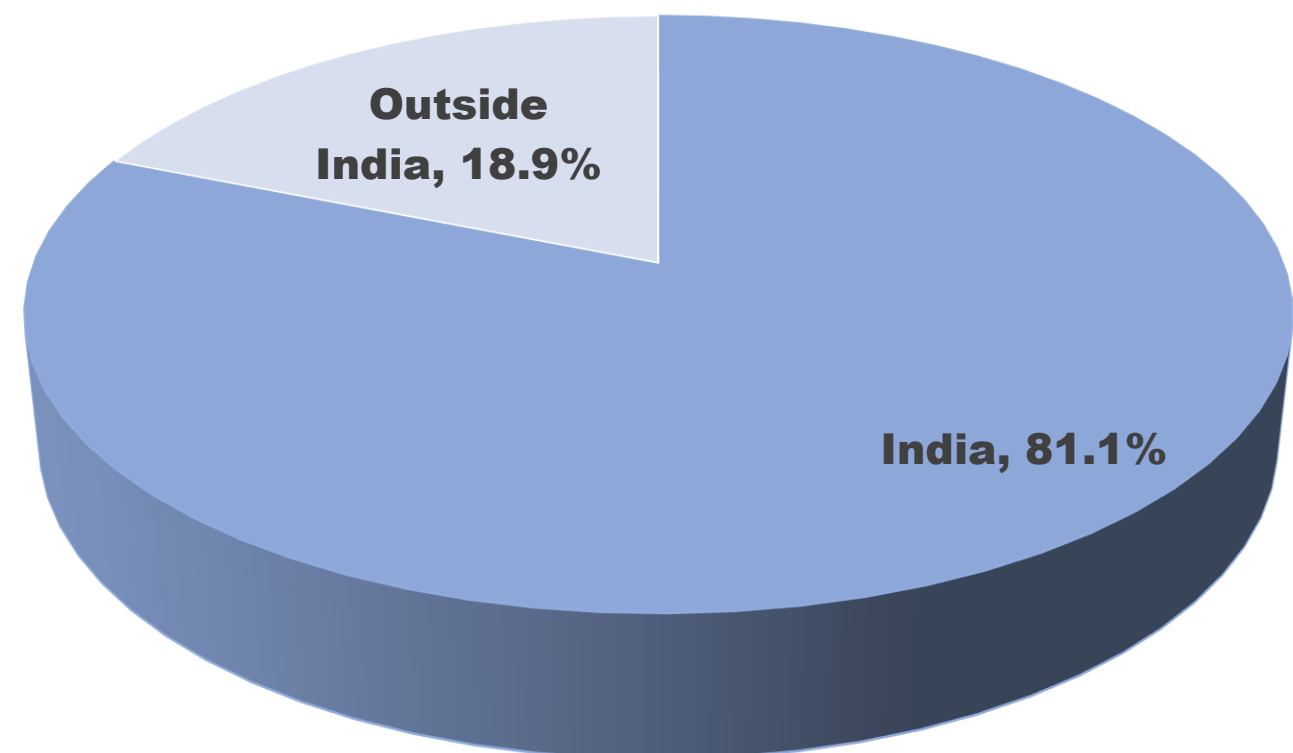
Business Unit



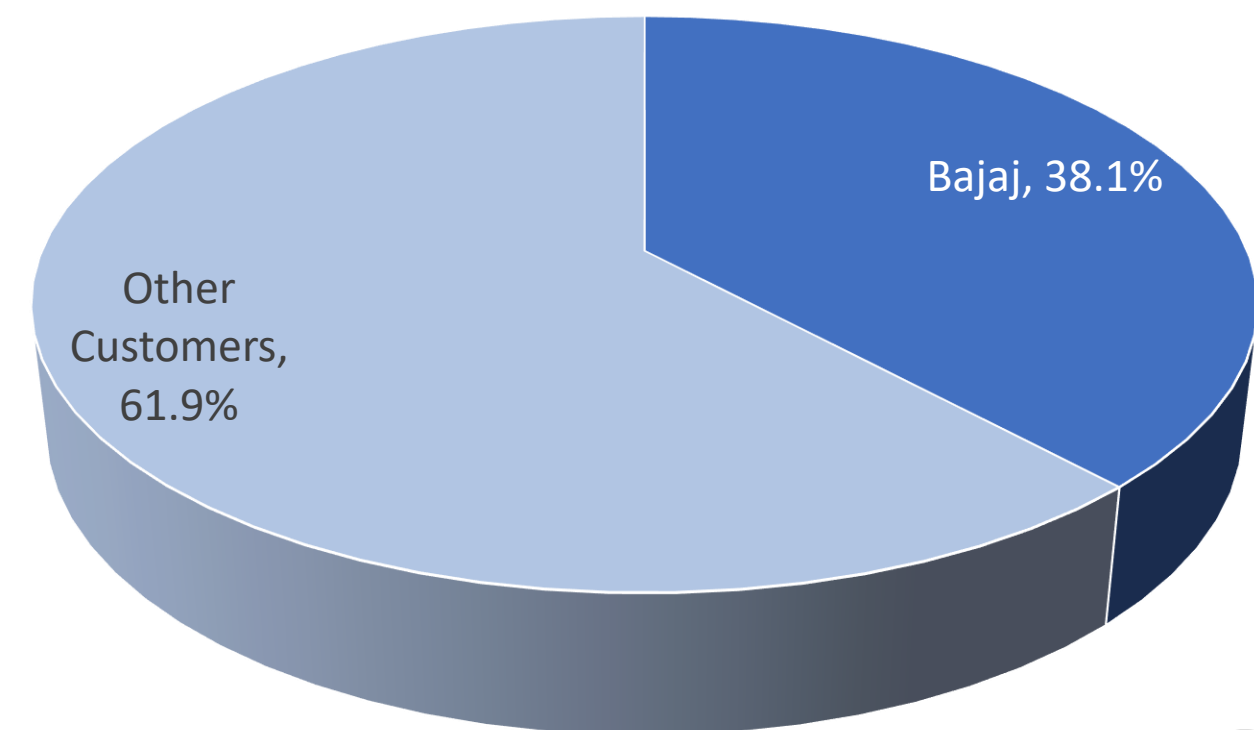
Segment



Geography



Customer

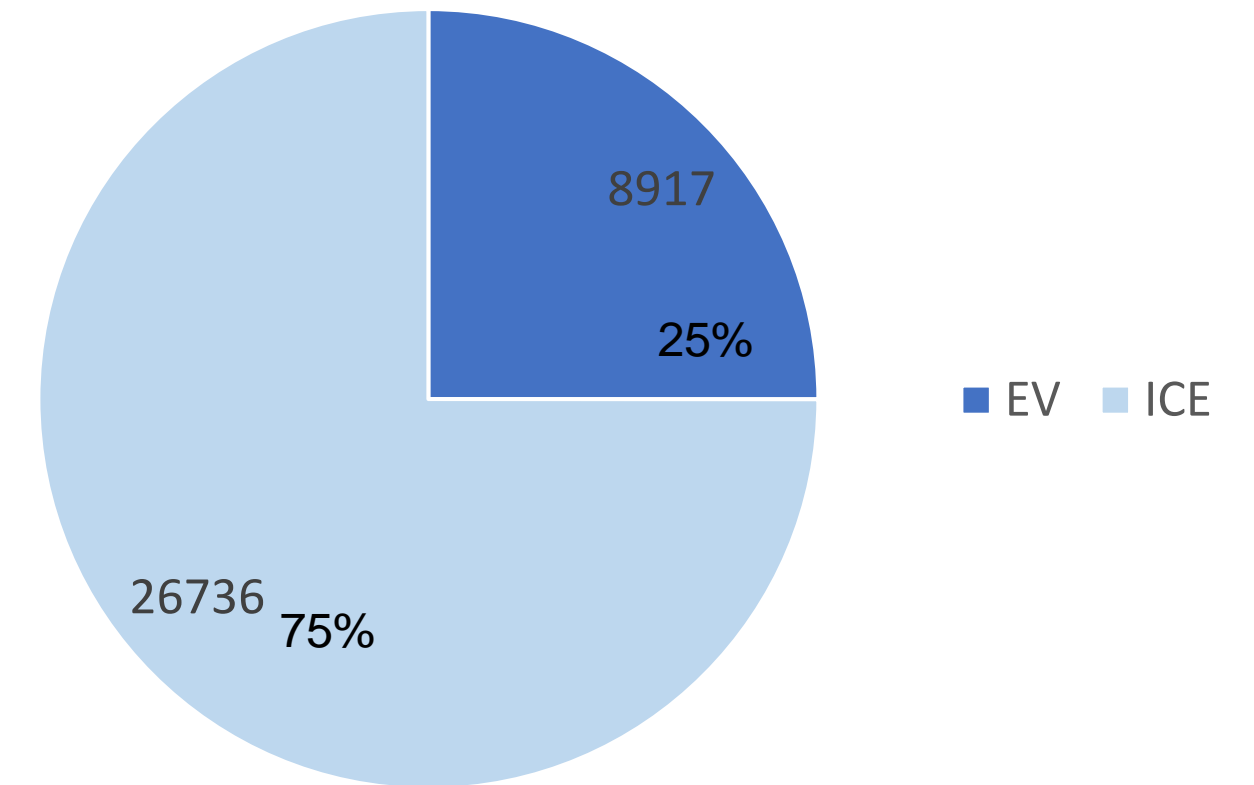


New Lifetime Order Win in 9M FY23 is Rs. 35,653 million

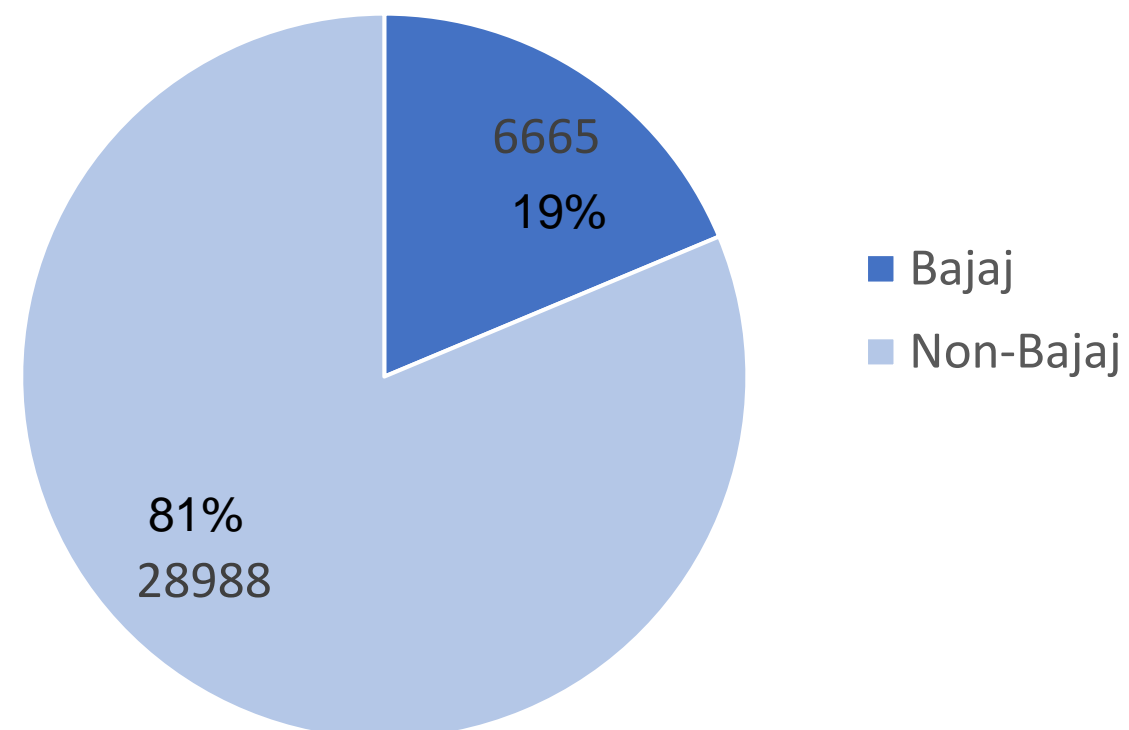
Lifetime Business win of Rs.35,653 Million

Start of Production	Rs. In Million
FY23	14,263
FY24	5,725
FY25 Onwards	15,665

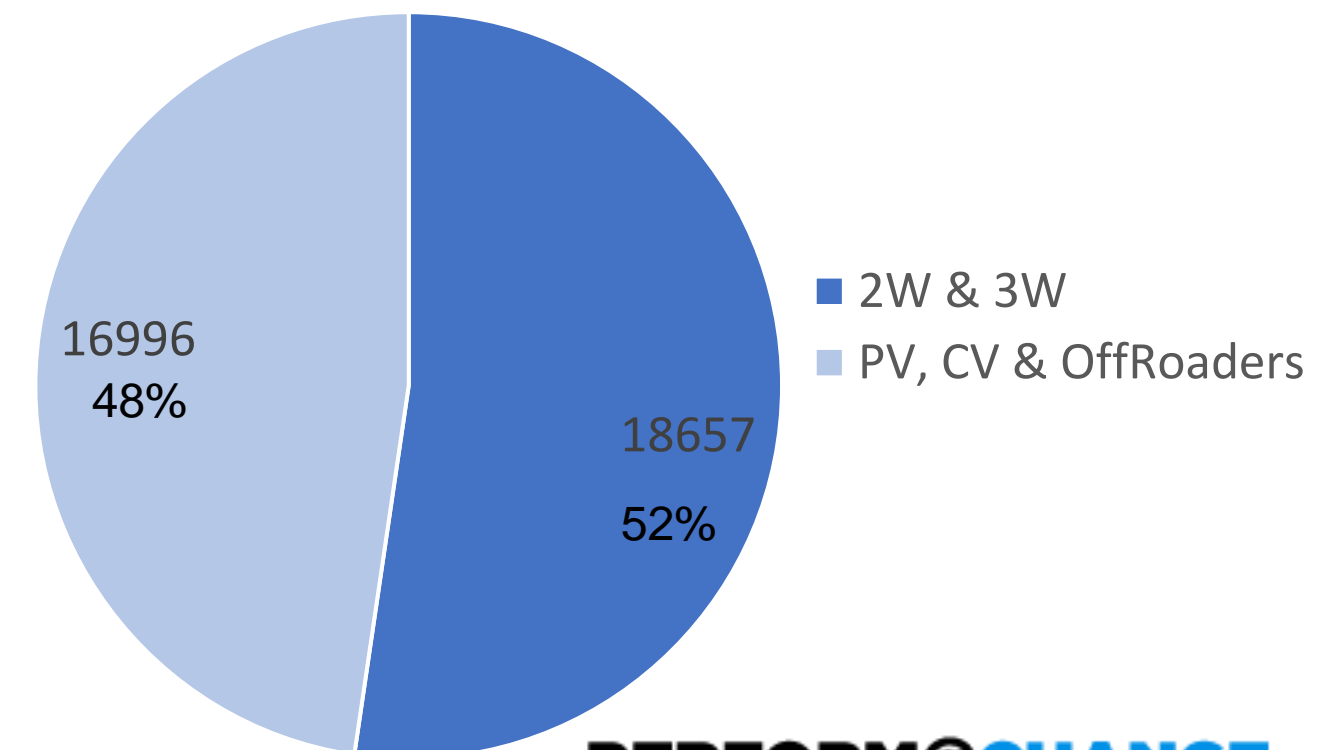
Lifetime Revenue win from ICE & EV Players



Lifetime Revenue win from Customers



Lifetime Revenue win from 2&3W and 4W Players




EV a Big-Opportunity (New Products in Various BU)

R&D efforts are directed towards ongoing trends




WE OFFER WIDE RANGE OF PRODUCTS FOR ELECTRIC VEHICLE WITH LOCALISED MANUFACTURING (2W/3W)


8




Telematics



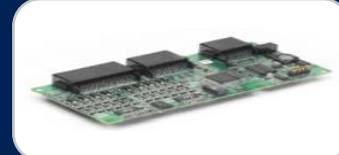
7




On Board Charger




6




BMS




5



TFT/fully Digital Cluster




4




Throttle Position Sensor

3




DC-DC Converter

2



Motor Controller

1



PMSM Traction Motor

(Localized manufacturing for OBC & BMS)



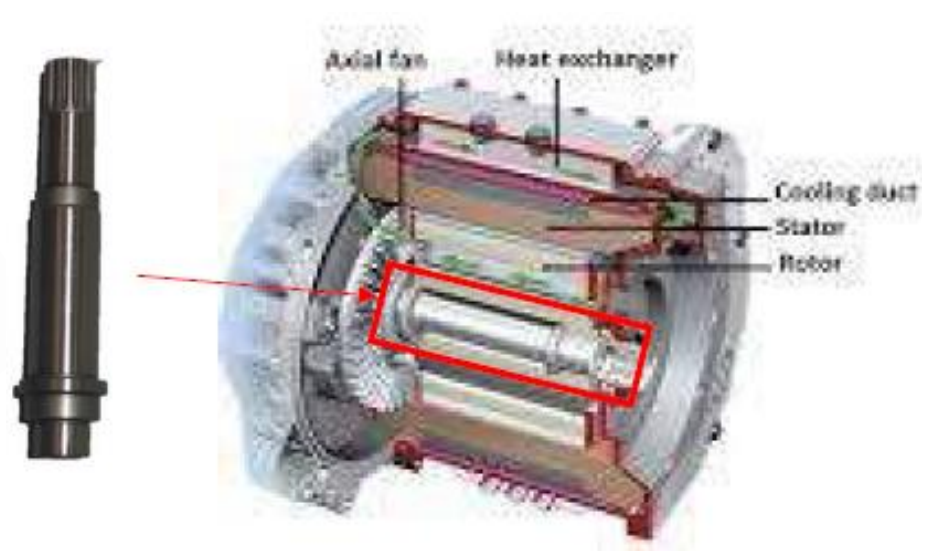
EV Fan

EV Fan Housing

PCB Cover Assy



Single Speed Gear



Traction Motor Shaft

Adoption of EV is going to result in increase in content of certain products due to premiumization like clusters, switches and painted parts

Have developed new products worth approx. Rs.37,900/- for 2 wheeler and Rs.46,000/- in 3 wheeler for EV

EV Business won So Far: Highlights and Updates

2W	Component	Industry product price averages (Rs per 2W)	Total @ Installed Capacity (Rs Crs) #	Expected revenue in FY25 for current business based on SOB and industry price (Rs Crs)
		Traction motor	11,000	866
	Controller	5,000		
	DC-DC converter	1,400		
	Telematics	3,000		
	Battery Management	4,500		
	Other Products (VCU, On-board Charger, Switch and Polymer products etc)	13,000		
	Total per vehicle (A)	37,900	866	750

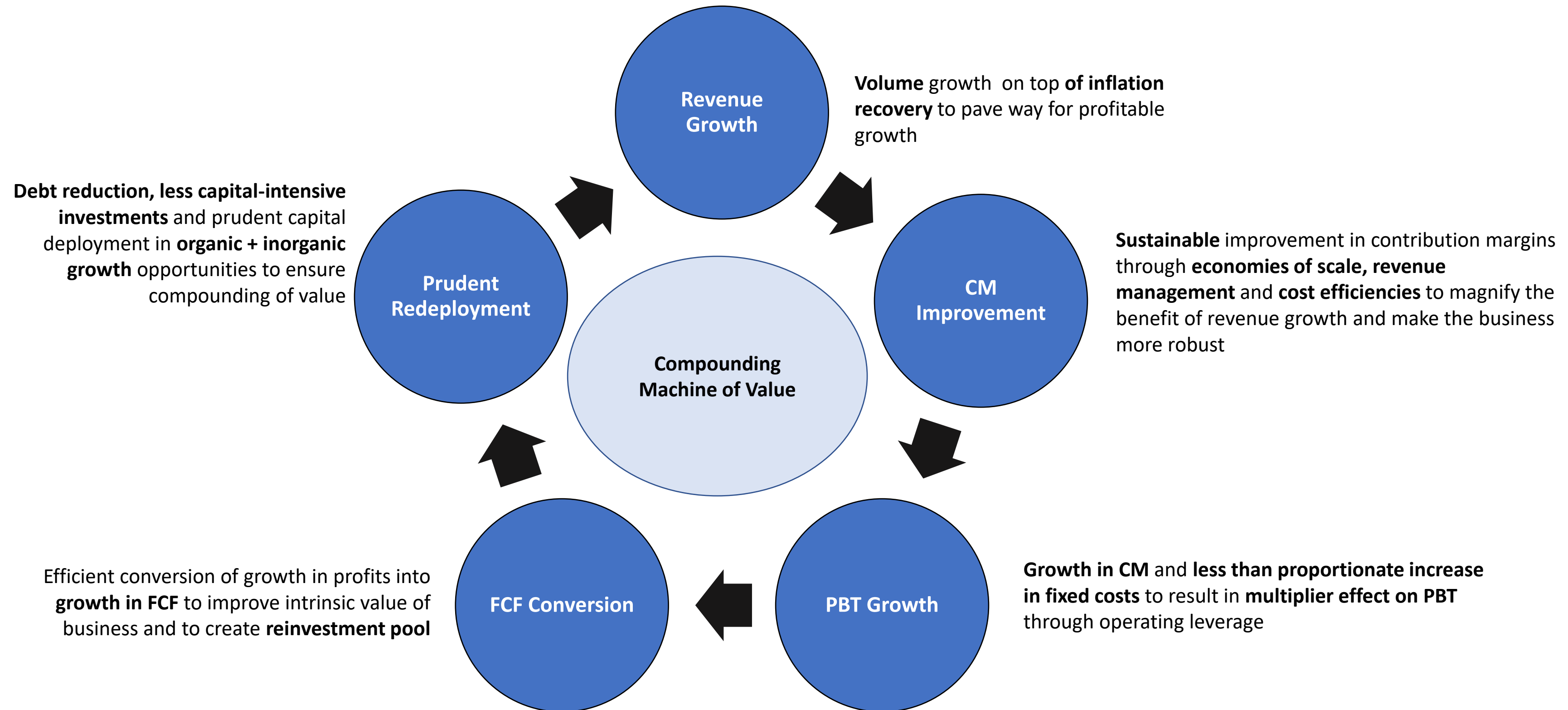
constrained by the lowest capacity product; some of the product at Varroc will have much larger capacity; This is based on certain volume assumptions for existing business wins

3W	Component	Industry product price averages (Rs per 2W) *	Total @ Installed Capacity (Rs Crs) #	Expected revenue in FY25 for current business based on SOB and industry price (Rs Crs)
		Traction motor	15,000	368
	Controller	8,000		
	DC-DC converter	1,500		
	Telematics	3,000		
	Battery Management	4,500		
	Other Products (VCU, On-board Charger, Switch and Polymer products etc)	14,000		
	Total per vehicle (B)	46,000	368	306

	Total per vehicle (B)	46,000	1234	1056
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Focus areas for Varroc



AWARDS & CSR



Certificate of Merit in EHS awarded by National Safety Council



Breakthrough in Kaizen under Jury Challenge awarded by CII



Indian Manufacturing Excellence Gold & Silver Award by Frost & Sullivan



Varroc Cricket Tournament 2022

The tournament began from 18th Nov 2022 with matches in 2 categories-

- 14th Varroc Interschool Cricket Tournament
- 16th Varroc Industrial Cricket Tournament





Annexure 1 : About Varroc



About Us

Varroc is a Leading Indian Auto Technology Group with a Global Footprint

- Founded in 1988 in Aurangabad, India by the Jain family
- Successful listing on the Indian Stock Exchanges in July 2018
- Strong, long-lasting, growing customer relationships with marquee Global OEM's
- Well-diversified auto component business across products, segments, and customers
- Low cost, strategically located global manufacturing footprint
- 35 Operating Manufacturing facilities and 7 R&D Centers
- In-house R&D capabilities in India, Italy, Romania and China
- ~750 R&D engineers; 76 patents filled for Indian Operations
- Experienced management team supported by reputed Board

Four primary business lines:



**ELECTRICAL -
ELECTRONICS**



LIGHTING



POLYMER



**METALLIC
(Forging and Valves)**

PARTNERSHIPS

DELLORTO

CANDERA

Heraeus

CarIQ

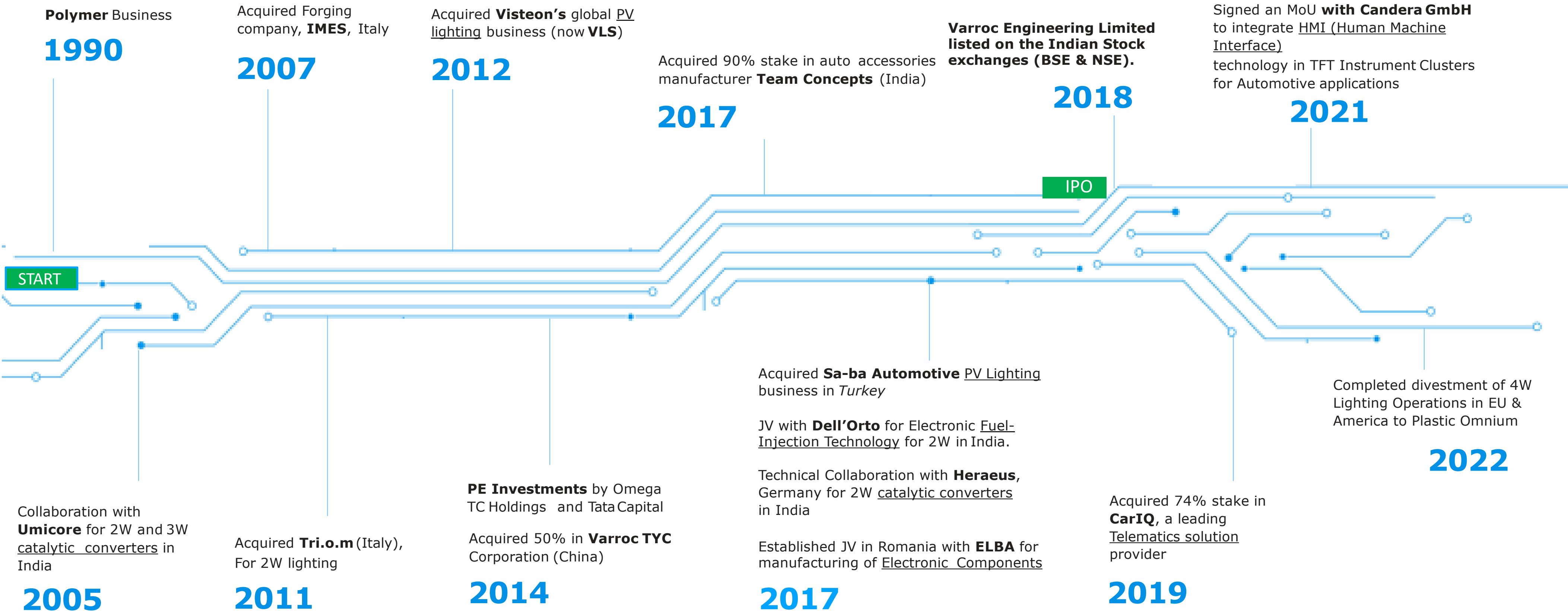
**MEKRA
LANG**

SCARPA & COLOMBO
VALVOLE PER MOTORI

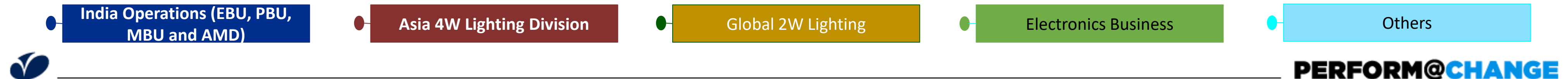
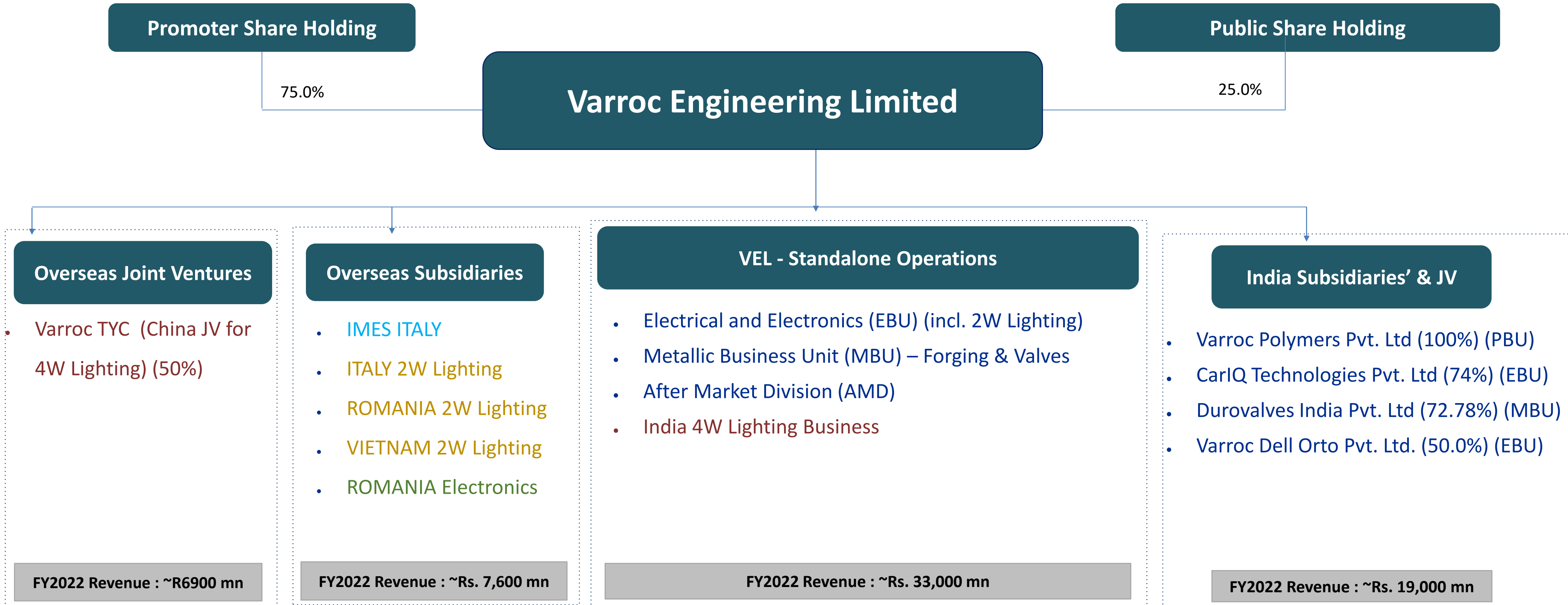
PERFORM@CHANGE

Our Journey

Varroc's Transformation into a Global Auto Technology Group



Symmetric Representation of Varroc (Post Divestment)



Global Business with Diversified Product Lines

	INDIAN Operations (76.4%)			EUROPEAN Operations (13.0%)			CHINA JV (10.6%)
	Polymer	Electrical & Electronics (Includes Lighting)	Metallic	Global Lighting	Electronics	Metallic (IMES)	Lighting
Description	<ul style="list-style-type: none"> Offers light weighting solution to OEMs with a Pan-India presence 	<ul style="list-style-type: none"> Wide solutions in electrical-electronics components and lighting for 2W and 4W OEMs in India 	<ul style="list-style-type: none"> Supplies precision forged & machined parts for engines & transmissions and also engines valves in domestic and international markets 	<ul style="list-style-type: none"> Global supplier of exterior lighting systems for Two-Wheelers OEMs and Super Luxury PV 	<ul style="list-style-type: none"> Focus on ADAS, Lighting Electronics (Light Engines & Light Control Units) and Electronics Manufacturing Services (EMS) 	<ul style="list-style-type: none"> Manufactures hot steel forged parts for the construction and oil & gas industries 	<ul style="list-style-type: none"> Supplier of exterior lighting systems for PV and Aftermarket
Select Product Portfolio	 <p>Seat Assemblies Front Bumper Air Filter Mirror Assemblies Centre Console Fan Cooling</p>	 <p>Motors Magneto Instrumental Cluster EFI Telematics Throttle Sensor Traction Motors & Controller Four Wheeler & Two Wheeler Lighting</p>	 <p>Transmission Gears Crankshaft Connecting Rod Sun & Planetary Gears Engine Valves Crankpins</p>		 <p>Lighting Electronics EMS</p>	 <p>Undercarriage Links Drill bit cones & heads Undercarriage Segments</p>	 <p>Matrix Xenon Laser Halogen</p>
Customers	Bajaj, HMSI, Suzuki, Piaggio, Yamaha, Royal Enfield M&M, Harley Davidson, Hero Electric, VW, Skoda, Renault, Nissan, Force Motors	Bajaj, Royal Enfield, KTM, Piaggio, Suzuki, Ducati, Harley Davidson, Kawasaki, Yamaha, Hero Moto, Honda, M&M, VW, Skoda, Renault, Nissan	Bajaj, Royal Enfield, KTM, Suzuki, Ducati, Harley Davidson, Honda, Yamaha, Hero Moto, Fiat, Tata, GM, Thyssenkrupp, Triumph	Aprilia, KTM, Piaggio, Vespa, Yamaha, Honda, Moto Guzzi, Ducati, Zero Motors, Kawasaki, Husqvana, McLaren	TIER-I	Caterpillar, Schlumberger, Brist, Baker Hughes, Berco, ITM, Smith Bits	CJLR, VW, Geely, Tesla, CAF, Avatr, JMC,
Plants	13 Facilities – India	10 Facilities – India	5 Facilities – India	3 Facilities – Italy, Romania and Vietnam	1 Facilities – Romania	2 Facilities – Italy	2 Facilities – China
Customer Segment	2W, 3W, PV & CV	2W, 3W, PV & CV	2W, 3W, PV, CV & OHV	2W	2W & PV	Earth-moving & Oil-drilling	PV
Revenue Mix	29.6%	28.8%	10.8%	7.1%	1.4%	4.5%	10.6%



A diversified product portfolio catering to 2W, 3W, PV, CV & OHV Segments. Long-lasting, growing customer relationships with marquee auto OEMs globally and in India

Board & Leadership Team

Independent Directors



Marc Szulewicz
Ex-General Manager,
Foreign equipment
division, Plastic
Omnium



Vinish Kathuria
Co-Founder and
President of Rank
Software Inc.



Gautam Khandelwal
Executive Chairman,
Nagpur Power and
Industries Ltd



Vijaya Sampath
Lawyer, ex-Group
General Counsel
for Bharti Airtel Ltd



Tarang Jain

Chairman and Managing
Director

- Founded Varroc in 1988
- Over 33 years experience in the automotive industry



K. Mahendra Kumar

Group Chief Financial Officer

- Total Experience: ~20 years
- Previously worked with Tube Investments of India Ltd, Southern Petrochemical Industries Corporation, Ford India Pvt. Ltd and Vestas India Ltd.



Arjun Jain

President – Electrical
Business Unit and
Whole-time Director

- Total Experience: ~10 years
- Previously associated with Bain & Co India Pvt. Ltd.



Dhruv Jain

Additional Director (Non-
Executive Non-Independent
Director)

- Total Experience: ~3 years
- Bachelor of Economics from University of Chicago



Kavita Kulkarni

Chief Human Resource Officer

- Total Experience: ~27 years
- Previously associated with Infosys Ltd, WNS and Mphasis



Vidyadhar Limaye

President –Polymer Business

- Total Experience: ~34 years
- Previously associated with IAC International, Faurecia, TACO interiors & Plastic div



Rohit Prakash

President – Business Unit
Head (Metallic) and
Whole-time Director

- Total Experience: ~25 years
- Previously worked with Sogefi Engine Systems India



Sanjay Sharma


Chief Supply Chain Officer

- Total Experience: ~26 years
- Previously worked with Delphi Automotive Systems and Havells India



For us, innovation is the ability to see change as an opportunity, not a threat.

Global mobility trends we consistently work towards:

-  **Greener**
-  **Safer**
-  **Smarter**
-  **Connected**

GREENER



FOCUS ON EV

- Traction Motor and Controller
- DC DC Converter
- Onboard Charger
- Battery Management System

FOCUS ON SUSTAINABLE MATERIALS FOR AUTOCOMPONENTS

- Coffee Chaff Headlamp Housing Case
- Specialised BMC (Bulk Molded Compound) Reflectors

FOCUS ON IMPROVED EMISSIONS & ENERGY EFFICIENCY

- Catalytic Converters
- Sodium Valves
- Titanium Valves
- 3i Technology in Polymer Parts
- LED Technology-Headlamps & Tail Lamps
- Conversion of Sheet Metal to High Strength Plastic
- Net Shape Forging

Trends@Varroc

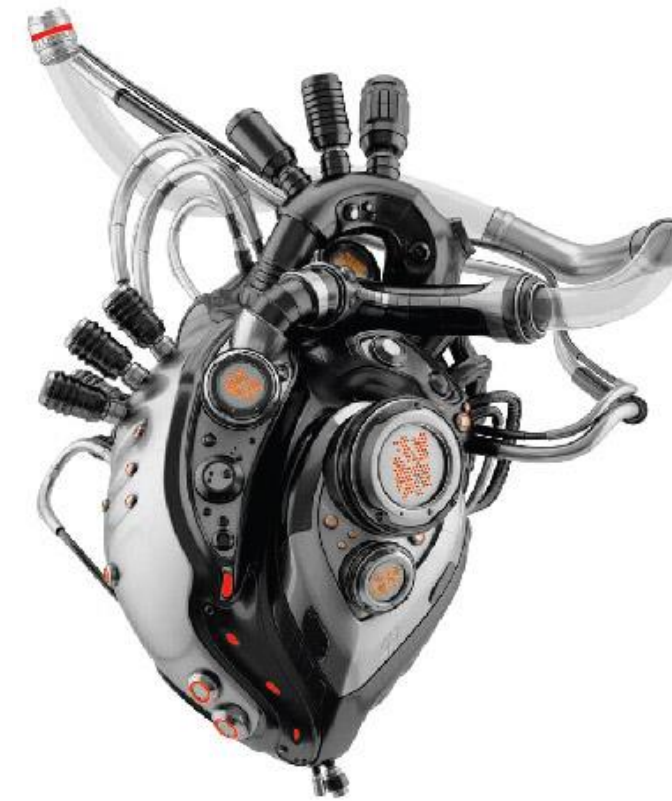
For us, innovation is the ability to see change as an opportunity, not a threat.

SAFER



- ADB (Adaptive Driving Beam)
- Matrix Technology in Lighting
- Laser Boosted Headlamps

SMARTER & CONNECTED



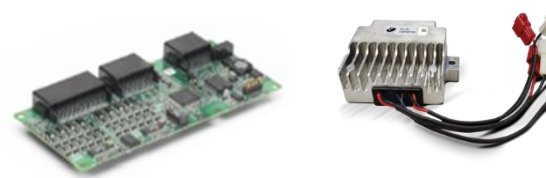
- Connected Clusters
- EFI ECU
- TBT (Turn By Turn) Indicator
- Duel Injection Tailgate Carriers
- ISG
- Advanced Connected Vehicles Platform
 - CarIQ for car owners
 - BikeIQ for bike owners
 - FleetIQ for advanced fleet management
 - Predictive analytics
 - Usage Based Insurance Platform



Electrification and Efficiency

48V-epowertrain platform for small vehicles

- Consists of basic units (on board charger, inverter and DC/DC converter) with PMSM Motor. Total power output is 2-8KW)
- BLDC motor for actuation (0.2-2KW)
- Battery Management System
- Integrated Starter Gen (ISG)



48V-epowertrain components integration (System & Compactness)

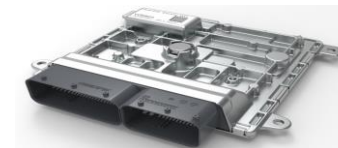
48V- Alternate motor technology (rare earth magnet free/less)

48V Fuel cell and hydrogen-based technology

96V-epowertrain platform for small vehicles

- Consists of basic units (on board charger, inverter and DC/DC converter) with PMSM Motor. Total power output is 10-25KW)
- BLDC motor (3 to 8KW)

Power Assist ISG



Connectivity and Digitization

LCD to TFT and Connected

- Android/Car-play OS
- WiFi/BTLE
- Smartphone usage
- Digital Key
- NFC for safety and unlock



TFT and Sensor Interface

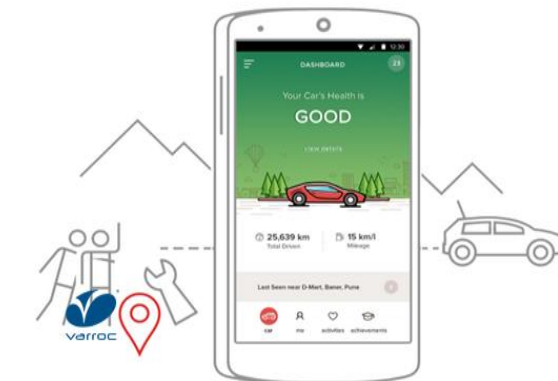
- Heads up display
- Enhanced user experience
- Helmet connectivity
- Camera interface
- Radar interface



FOTA in Telematics

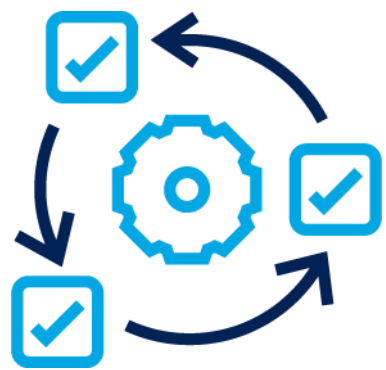
Prognostic based use cases, Bike sharing, Cyber Security

5G enabled telematics, Video sending capability

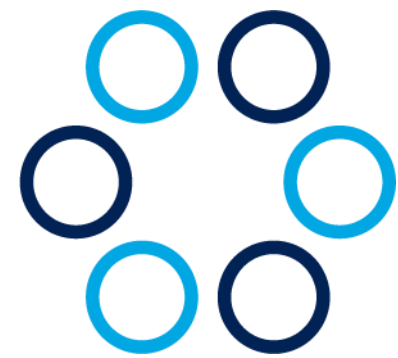


CarIQ

Customer Centric Manufacturing Company



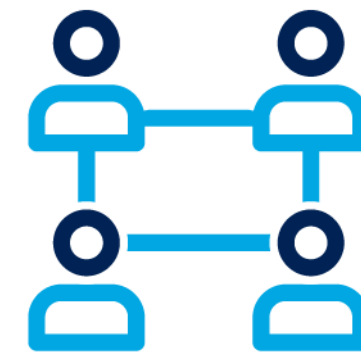
AGILITY



PROXIMITY



DIGITALIIZATION



**BD & KAM
STRUCTURE**



**WHAT NEXT
(INNOVATION)**



Cost Leadership in Manufacturing



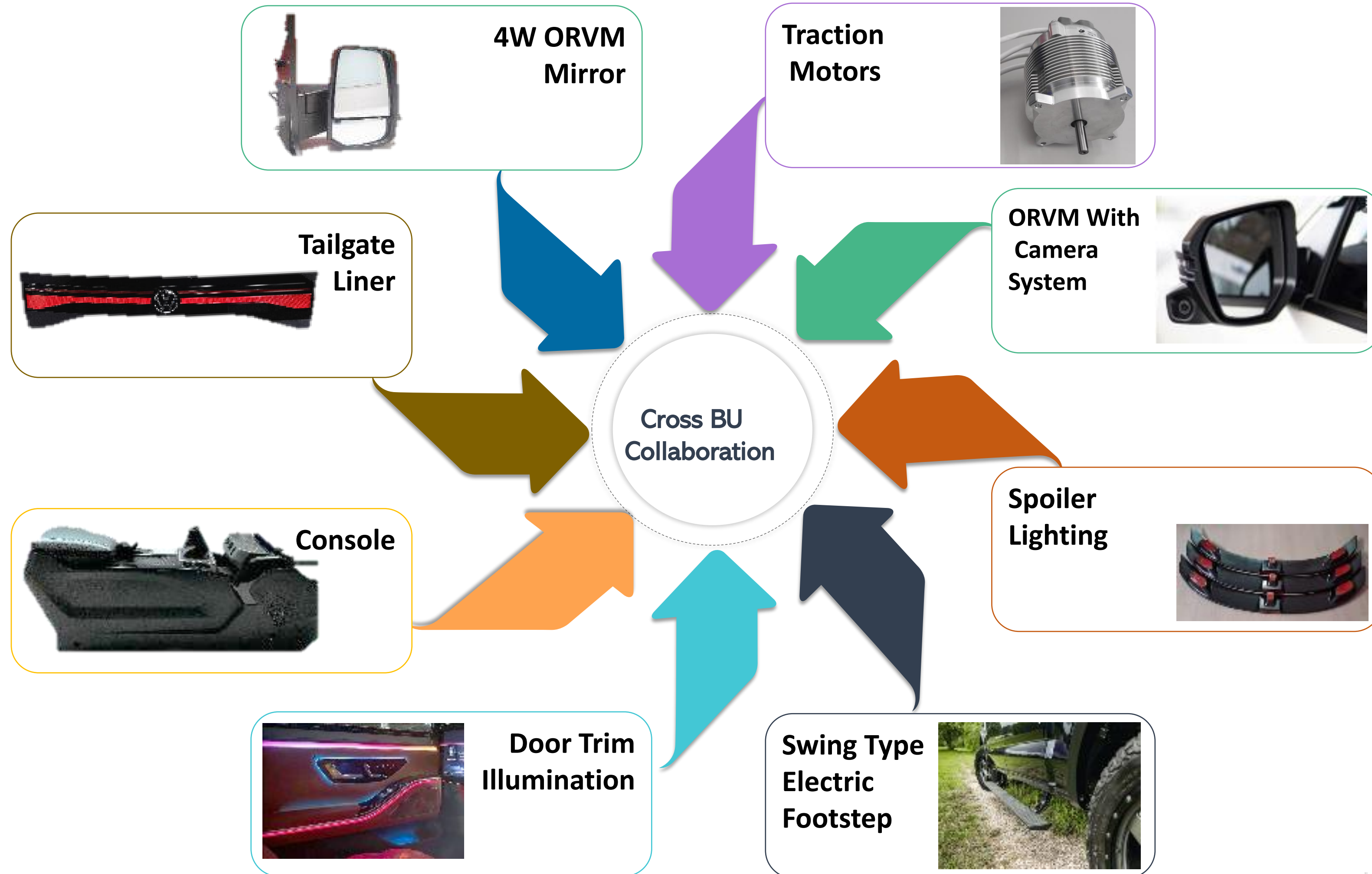
1 | SOURCING

2 | VALUE ADDITION & VALUE ENGINEERING

3 | INDUSTRY 4.0
(Smart Factories)



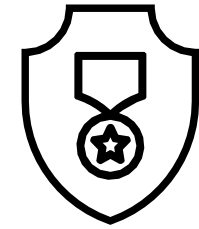
Cross Business Unit Collaboration



Why Varroc?

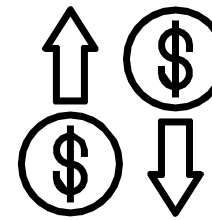
Varroc's Vision Statement

To bring leading-edge technologies to the mainstream markets with high quality and cost competitive solutions by delivering customized solutions with superior services with speed, agility and creativity and fostering an environment that empowers employees and encourages the pursuit of excellence.



Q - High Reliability

- Reuse of proven designs
- APQP methodology, layered process Audits, Sustenance Audits ensures high quality & reliability



C - Competitive Pricing

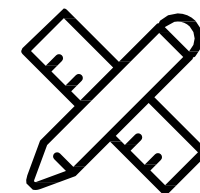
- No dependence on JV partner, so no burden of Royalty costs
- Complete in-house Validation
- Lower sourcing cost due to Bulk purchase for Varroc Group



D - Strategic Locations

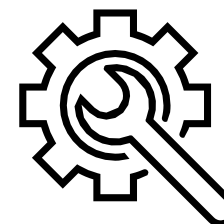
- Varroc Plant presence in close vicinity of customer plants ensuring timely delivery (JIT)
- Faster & Speedy delivery due to localization

25



Strong Design Capability

- Achieved higher part standardization as high as 80% Complete In- house development viz. Hardware, Software & Mechanical
- Use of simulation Tools to reduce Design iterations & time e.g. P-spice, Ansys, MS-Nastran, NX-Nastran, Flux, Maxwell etc.



Art of Manufacturing

- Hi tech SMD facility for electronics PCB manufacturing with a planned Capacity increase from 12 Mn to 33 Mn PCB assemblies/year
- High precision molding, Anti Fogging & Metallizing equipment's for lighting programs

PERFORM@CHANGE

Thank you

Sincerity



To speak and act from
the heart

Humility



To walk with everyone

Integrity



To do what is right

Passion



To go the distance
against all odds

Self-Discipline



To make it all happen

