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VARROC/SE/INT/2019-20/39

August 9, 2019

To,

(1) 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.

(2) The Manager - Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

NSE Symbol: VARROC

BSE Security Code: 541578

Security ID: VARROC

Dear Sir/Madam,

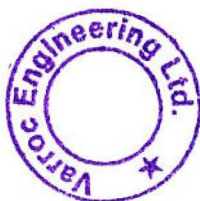
Sub: Investor Presentation - Financial Results for the quarter ended on June 30, 2019.

Please find enclosed herewith Investor Presentation on Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended on June 30 2019.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Varroc Engineering Limited

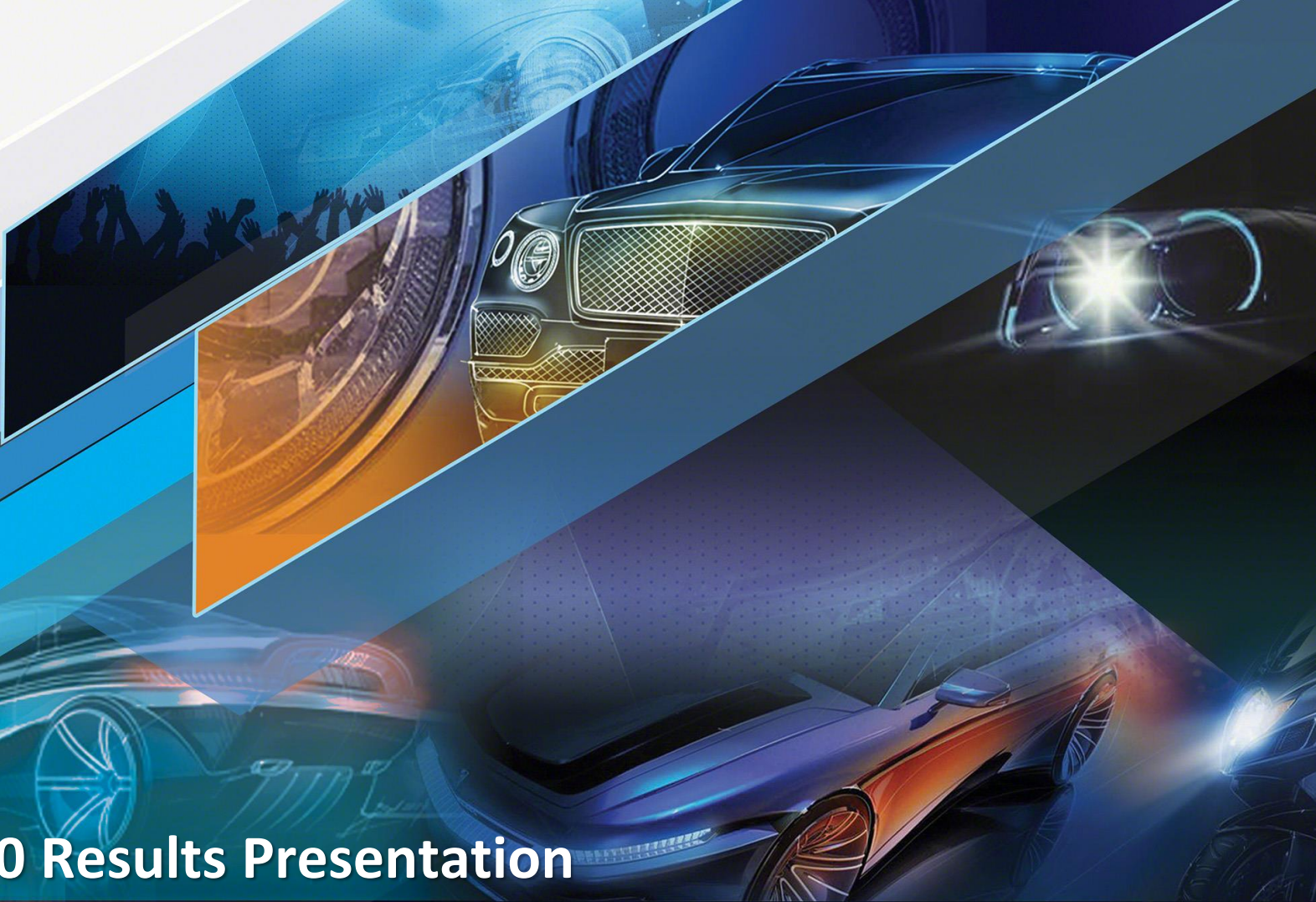


Rakesh Darji
Company Secretary & Compliance Officer

Encls: Investor Presentation



varroc



Q1 FY20 Results Presentation



Disclaimer



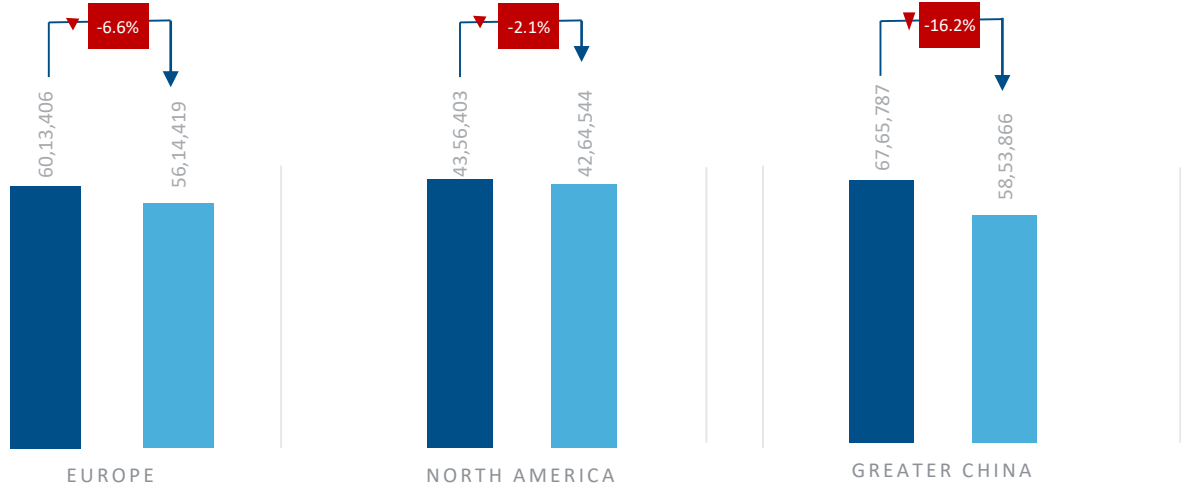
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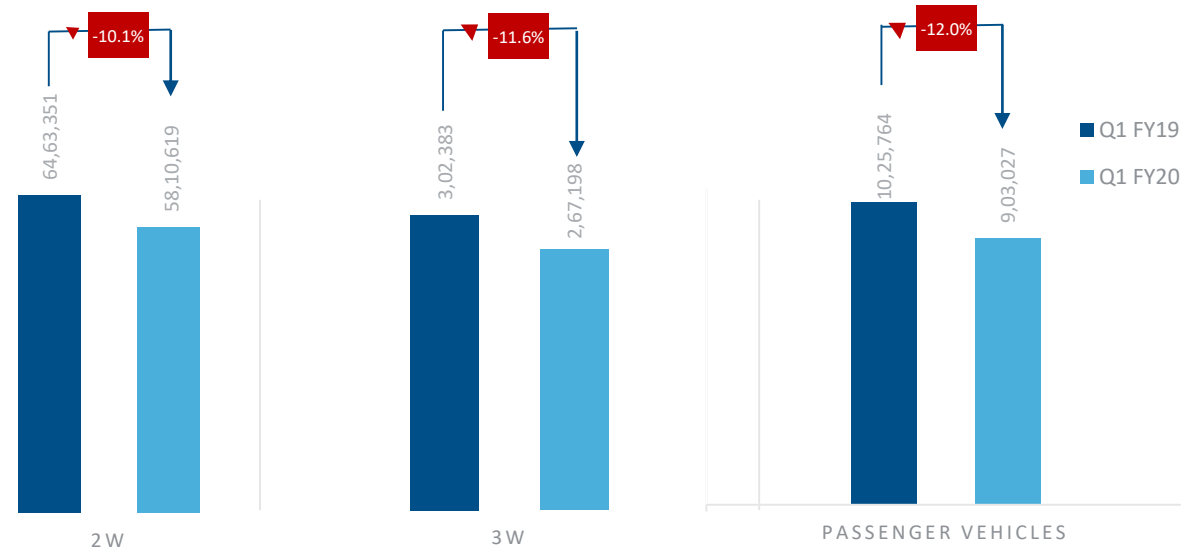
Industry Trends in Q1 FY20

Global Passenger Cars Market Production



- All major Passenger Vehicle markets declined YoY in Q1 FY20
- The decline in China accelerated from FY19 due to slowing economic growth and lack of govt. support.

India Industry Trend : Production YoY



- Domestic Volumes in Q1 declined significantly over Q1 FY19; 2W declining (-11.7%). PV by -18.4% and 3W by -7.3%
- Exports for PVs showed a 3.6% YoY growth; 2W exports continued to grow but at a slower pace than last year (+3.1%). 3W exports declined by 13%YoY.

Business Highlights: Q1 FY20

- Revenue from Operations for Q1 FY20 declined by 2.0% YoY*
- EBITDA for Q1 FY20 at INR 2,788 Mn*; +20bps YoY
- VLS: Revenue increased 1% in Euro terms; margin improved by 40bps YoY to 9.5%*
- India Business: Revenue was almost flat against double digit decline in industry volumes; EBITDA margin maintained at 10.1%
- PAT for Q1 at INR 875 Mn a decline of 12.9% YoY as a result of:
 - China JV incurred a small loss due to significant decline in revenue (-37.1% YoY)
 - Higher depreciation and finance cost largely driven by adoption of Ind AS115 and Ind AS116 partially offset by higher tax credits in Q1 FY 20
- VLS business wins of Euro 93 Mn in first 4 months of FY20
- India Business focus on technology driven futuristic products; gaining traction with key OEMs

Starting this financial year, erstwhile TRIOM business which is into international lighting products for 2Ws, has been integrated with VLS. Financial numbers for both the periods are accordingly adjusted to include TRIOM.

Varroc Group: Summary Key Financials

Q1 FY20



(INR Mn)

Particulars	Q1 FY 20	Q1 FY19	Growth (Y-o-Y)
Revenue from Operations - Reported	28,701	29,270	-1.9%
Revenue from operations : like-for-like	28,701	29,273	-2.0%
Other income - Operating	280	165	
Other income - Non operating	11	96	
EBITDA - Reported *	2,970	2,412	23.2%
EBITDA : like-for-like \$	2,788	2,786	0.0%
<i>EBITDA Margins (%) \$</i>	<i>9.7%</i>	<i>9.5%</i>	
Share of net profits of JVs under equity method	(1)	129	-101.1%
PBT - reported	1,021	1,343	-24.0%
PAT - reported	875	1,004	-12.9%
Net Debt to Equity (Excl. Impact of Leases: Ind AS 116)	0.73	0.55	

Ind AS 116 impact on EBITDA and PAT for the quarter on consolidated basis at (+)INR 87 million and (-)INR 10 million, respectively.

Varroc Group: Business Wise Performance

Q1 FY20



(INR Mn)

SBU	Q1 FY20					Q1 FY19					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	10,359	10,359	1,066	1,050	10.1%	10,431	10,431	1,051	1,051	10.1%	-0.7%
VLS (Incl TRIOM)	17,840	17,840	1,859	1,692	9.5%	18,046	18,050	1,264	1,639	9.1%	-1.2%
Others (IMES)	578	578	33	33	5.7%	836	836	98	98	11.7%	-30.9%
Elimination	(76)	(76)	12	12		(43)	(43)	(1)	(1)		
Total	28,701	28,701	2,970	2,788	9.7%	29,270	29,273	2,412	2,786	9.5%	-2.0%
China JV - 50%	1,009	1,009	64	64	6.3%	1,605	1,605	214	214	13.3%	-37.1%

Euro Performance for VLS

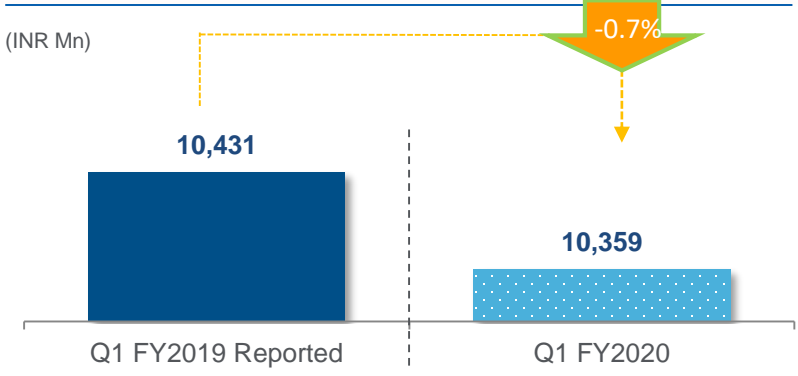
SBU	Q1 FY20					Q1 FY19					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	228	228	23.8	21.6	9.5%	226	226	15.6	20.5	9.1%	1.0%

Exchange rates : INR/Euro Average for Q1 FY20 = 78.120; INR/Euro Average for Q1 FY19 = 79.871

- *For Q1 FY19 it includes impact of Ind AS 115 and excludes Interiors Business to make results comparable
- #EBITDA : like-for-like is as explained in next few slides

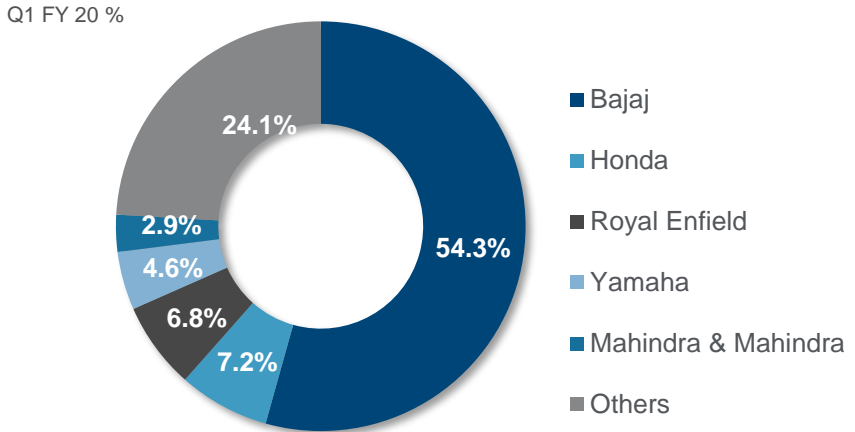
India Business : Financial Performance

Revenue

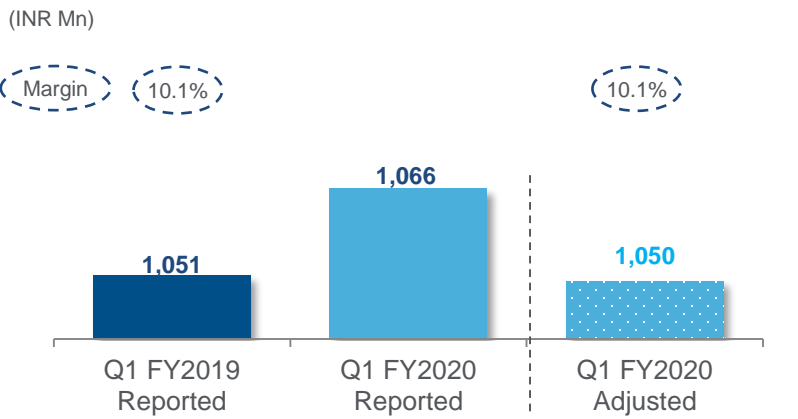


Revenue nearly flat in a tough external environment

India Revenue Split by Customer⁽¹⁾

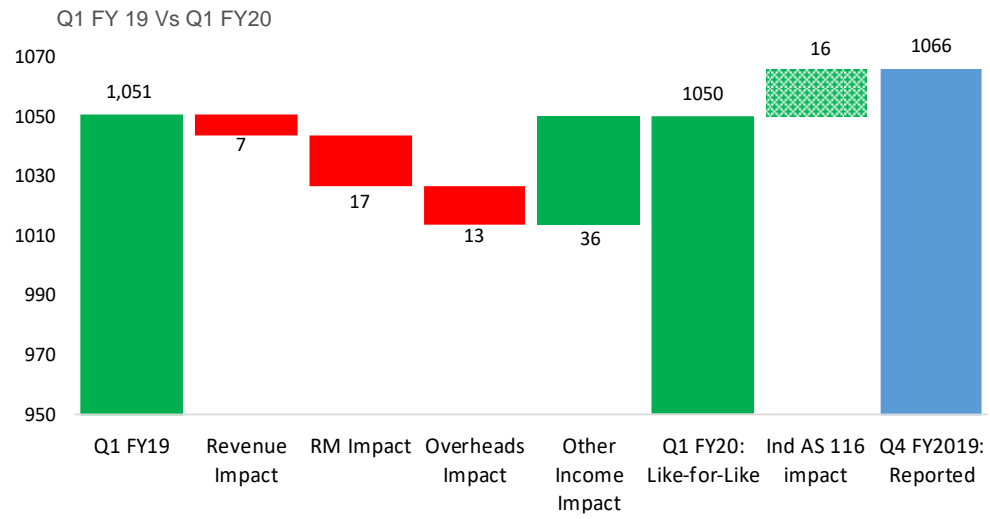


EBITDA



EBITDA margins flat YoY adjusted for impact of Ind AS116

EBITDA variation analysis



EBITDA margin maintained in a declining industry

Note: (1) Based on management information system database
Non-operating portion of other income not considered while calculating EBITDA

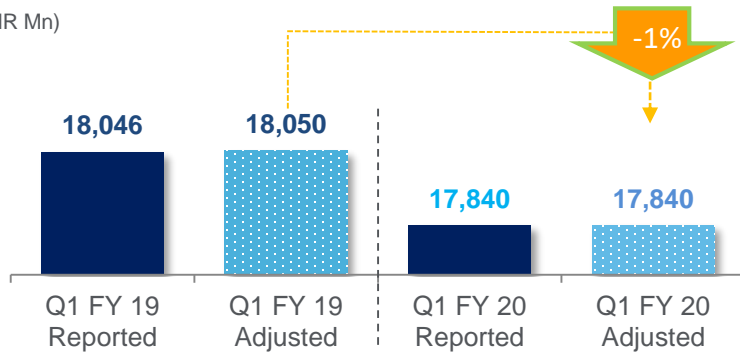
Global Lighting Business (VLS): Financial Performance



Revenue (1)

50% China Joint Venture:
Q1 FY 19 Revenue: 1605 Mn INR
Q1 FY 20 Revenue: 1009 Mn INR

(INR Mn)

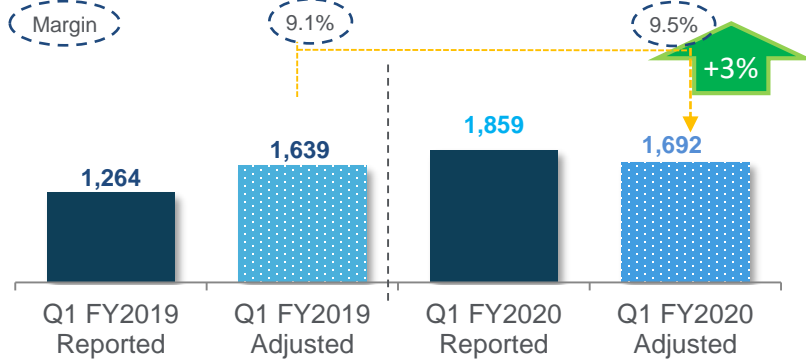


1.0% YoY revenue growth in Euro terms

EBITDA (1) & Adjusted EBITDA (3)

(INR Mn)

50% China Joint Venture:
Q1 FY 19 EBITDA / Margin: INR 214 Mn / 13.3%
Q1 FY 20 EBITDA / Margin: INR 64 Mn(3) / 6.3%

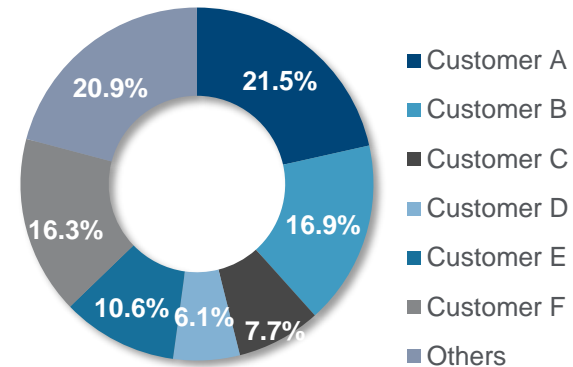


Eur Mn	15.6	20.5	23.8	21.6

5.4% YoY EBITDA growth in Euro terms

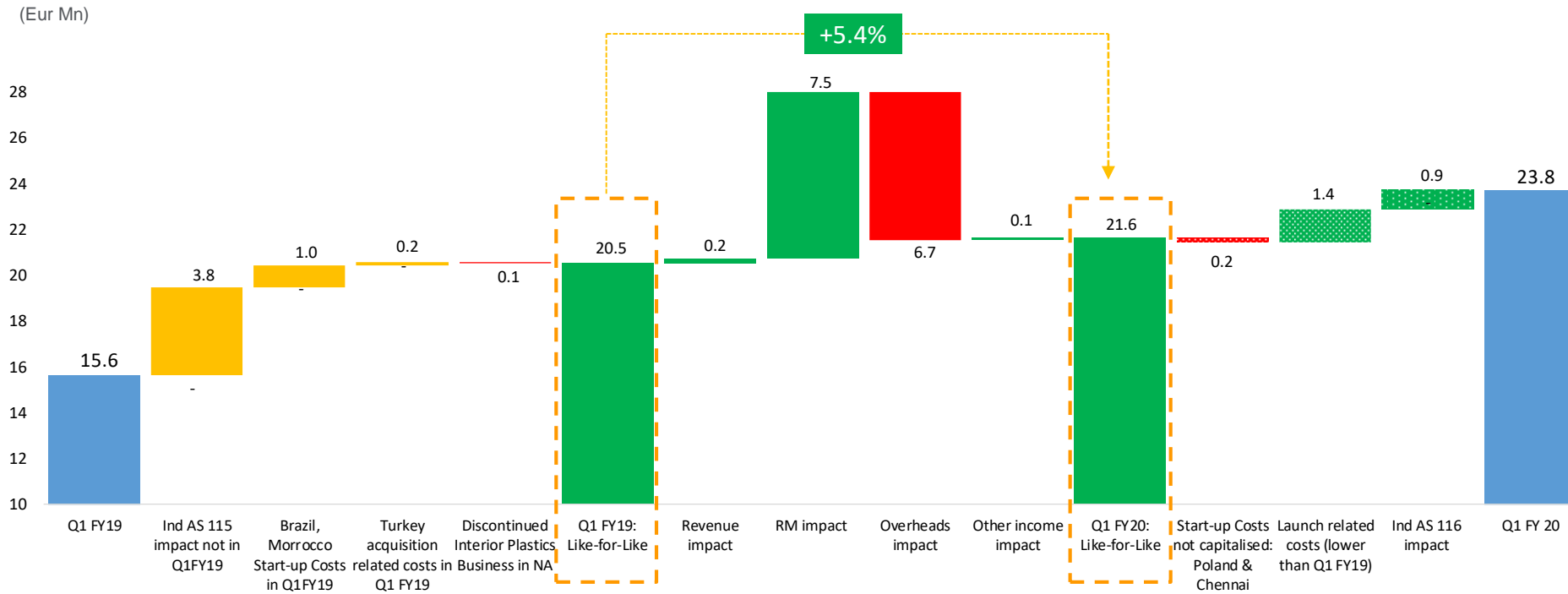
VLS Revenue Split by Customer(2)

Q1 FY 20, %



Note: (1) China JV revenue and EBITDA not included in the reported numbers; (2) Total Revenue break-up in Euro for Q1 FY20 excl VTYC; Customer A is an American multinational car manufacturer, Customer B is a large British car manufacturer, Customer C is an American electric car manufacturer, Customer D is an international automotive manufacturer, customer E is a large European car manufacturer & customer F is a global automotive manufacturer headquartered in Europe (3) Adjusted for closure of Interiors Business in North America (Q1 FY19 small inventory sold), Ind AS 115 impact adjusted in Q1FY19, start-up costs and differential launch cost. Ind AS 116 impact excluded from Q1FY20 adjusted EBITDA but it includes Turkey.

Global Lighting Business (VLS): EBITDA variation analysis



- RM costs lower due to purchasing efficiencies and customer/product mix change
- Overheads higher due to new locations and infrastructure being built to support future revenue growth
- Launch activity during the quarter was lower as compared to Q1 FY19

Highlights of Major Order Wins and Near Term Potential



Business New Business wins: VLS / Recent orders: India		Near term potentials
VLS (YTD July)	<p>Overall Net Business Wins of Eur 93 Mn</p> <ul style="list-style-type: none"> - New Business wins - Eur 81 Million - Re-wins (net) - Eur 12 Mn 	<p>VW is set to become our second largest customer in FY20 & the largest in FY21.</p> <p>Ford: In discussion for some programs in and outside of North America</p> <p>China: Focus on locally strong players like Geely, VW-FAW.</p>
India Business (Q1 FY20)	<p>VW: New business won 2k Injection molding technology orders INR 590 Mn – Part business start in FY22</p> <p>Bajaj: New business of INR 290 Mn/ re-wins INR 1160 Mn in Q1 FY20</p> <p>HMSI: INR 640 Mn wins and re-wins for Polymer & Electrical products</p> <p>PSA: Export order for supply of Intake/Exhaust Valve for Euro VII Engine – INR 1040 Mn; SOP to start in FY21</p> <p>M&M: Polymer orders for INR 300 Mn</p> <p>RE: UCE BSVI Magneto replacement order for INR 450Mn; LOI to supply valves to J1 Engine for Jan2020 SOP</p> <p>ThyssenKrupp: BSVI crankshaft replacement INR 450 Mn</p> <p>Yamaha: New order for polymer body parts INR 90 Mn</p>	<p>Traction Motor & Controller: development in progress. Prototypes ready for 2W & development work is ongoing for 3W; in discussion with a few customers</p> <p>ISG: In discussion with customers for near term supply</p> <p>In discussion with RE for more product categories in Metallic and Electrical business.</p> <p>TVS: In discussion for more Electrical products</p> <p>Polymer products for M&M: Working on few products</p>

R & D / Business Updates – Q1 FY20

Global Lighting Business

- **Updates on new locations**
 - Brazil: Industrialization on track to support our 2nd customer launch and ramp up by December. This is full vehicle lighting including our first HL launch in Brazil.
 - Morocco: Seven new projects will be launched in Morocco during FY20. Phase 2 extension is on-track and likely to be ready by November 2019.
 - Poland: Construction activity on track; likely to start SOP in Q4 FY20
 - Romania JV: Building shell ready and SMT machines being ordered.
- **VLS completed a fully functional demonstration vehicle in India, to show new lighting innovations directly targeted to the value conscious India market.**

India Business

- **EBU:** Multiple customer enquiries for exploring supply of traction motor, ISG and telematics devices.
- **Metallic:** Success in securing order for Euro VII valves; exploring opportunities with other customers to supply these products
- **Polymer:** working with a large customer to supply complete body parts for 2W EV. SOP to start later this year.

Poland Manufacturing Plant : Const. Status

Outside view



Roof insulation and proofing



Manufacturing Area – inside view 1



Manufacturing Area – inside view 2



Thank You