

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2022-23/80

October 7, 2022

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-400 051.

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]

Dear Sir/ Madam,

Sub.: Investor Call Presentation

This is with respect to our communication dated October 7, 2022 relating to schedule of conference call / meeting with Analyst / Institutional Investors. Please find enclosed the Investor Presentation.

Kindly take the same on record.

The aforesaid information is also being placed on the website of the Company at www.varroc.com.

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Encl: A/a

Varroc Engineering Ltd



7th October 2022



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Initial Divestment Proposal - Overview

Divestment Completed- with Changes



Varroc Engineering Limited (Varroc) has entered into a definitive agreement with Compagnie Plastic Omnium SE, France (PO) to divest its 4-Wheeler lighting business in the Americas and Europe



Enterprise value of EUR 600M for 100% of the entities located in Europe, Americas and North Africa along with acquisition of the global R&D operations in India (Pune)



Enterprise value revised to EUR 520 million considering the current recessionary trends in Europe. Out of Court settlement for patents infringement disputes reached for Euro 51 million just for concluding the deal.



Net Cash Accretion to Varroc, post-tax and net of escrow, estimated to be between Euro 160-175M subject to closing adjustments ; escrow of 35M to be released over 2-3 years



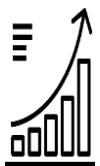
Net Cash Accretion to Varroc India, post-tax and net of escrow, estimated to be approx. Euro 5-9 million ; escrow revised downwards to Euro 28 million from 35 million



Q2 FY2023 (expected time for the deal to close, subject to customary closing conditions and regulatory approvals in Mexico, UK and EU)



Deal Completed on 6th October 2022 and debt & debt like adjustments of approx. Euro 400 million settled.



Transaction strengthens Varroc's balance sheet, enabling the company focus on high-growth Indian market, and emerging high-growth segments such as EV components, electronics, connectivity and global 2-wheeler lighting



Changes to the Bridge between EV and Equity value

| In EURO Million (Approx.) | Start of Divestment | Likely Closure of Divestment | Difference | Reasons |
|---|---------------------|------------------------------|--------------|--|
| Enterprise Value | 600 | 520 | (80) | Higher raw material inflation (6% vs. estimates) and lower demand caused by Ukraine war and other geo-political issues resulted in –ve EBITDA for VLS 4W lighting operations YTD and weakened the financial outlook for the businesses. The EV had to be amended to take care of buyer’s concern about the future profitability of the business due to recessionary concern. |
| Patent Infringement Settlement | | 51 | (51) | Out-of-court settlement of all patent Infringement cases with Valeo, only for concluding the deal. |
| Debt & Debt Like items in Divested Business & Others | 342-346 | 399-403 | (57) | Lease liabilities, license cost, working capital and other adjustments in additional to higher cash burn in last 6 months |
| Equity Value | 254-258 | 66-70 | (188) | |
| Escrow | 35 | 28 | 7 | |
| Debt repayment for continued VLS overseas business | 62 | 33 | 29 | This will reduce the debt burden in the Continued Overseas Operations |
| Net Cash Accretion to Varroc | 157-161 | 5-9 | (152) | |

- Impact of Impairment of investment in VCHBV due to lower equity realization is expected and it is under assessment



Net Debt before and after the divestment (likely)

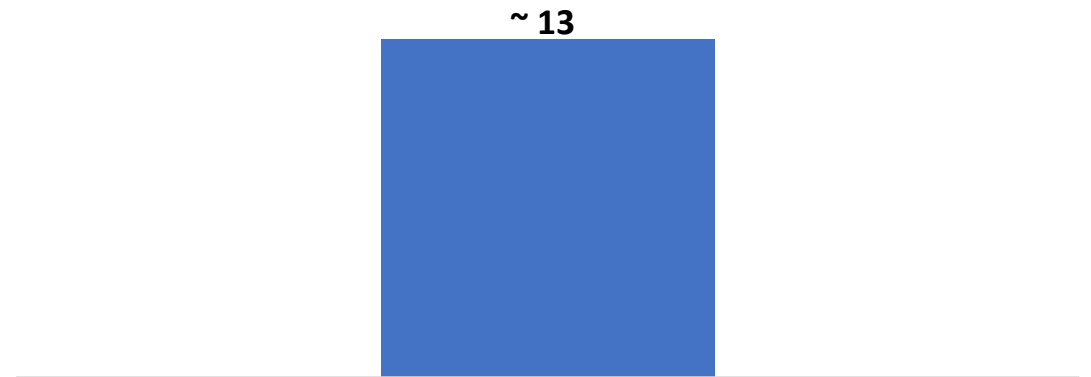
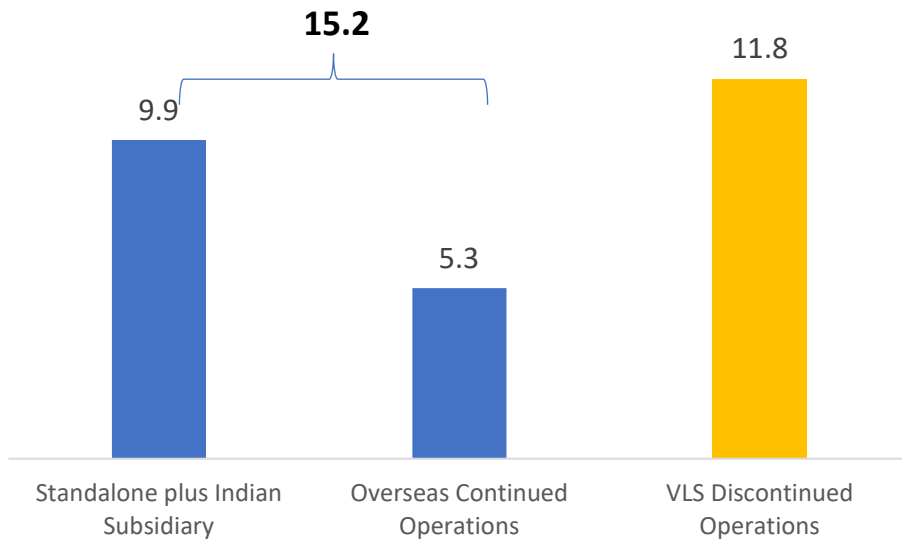
BEFORE

Rs. in Billion

AFTER (Likely)

Net Debt as on 30th June'22

Approx. Net Debt (Excludes Escrow amount) Post the closure in Continued Operations



Varroc Continued Operations– Way Forward

Despite the recovery in 2W & 3W being sluggish, we improved our profitability in Q1. Highest ever Revenue* in Aug'22 (~ 4,800 million INR) & Sep'22 (~ 5,200 million INR) for Indian Operations.

Have added 3 new customers in last 6 Months in Electric Vehicle. Ramping up of various EV components for our Anchor customers on track.

Strong New Order wins to drive future growth (lifetime value of ~ Rs.15,000 million INR won in Q1 FY23). Aftermarket continues to grow at 20%

Focus on Free Cash flow and ROCE Improvements across businesses

“One VARROC” - Integration of the remaining VLS business with India Operations



THANK YOU



TO SPEAK & ACT FROM THE HEART

SINCERITY



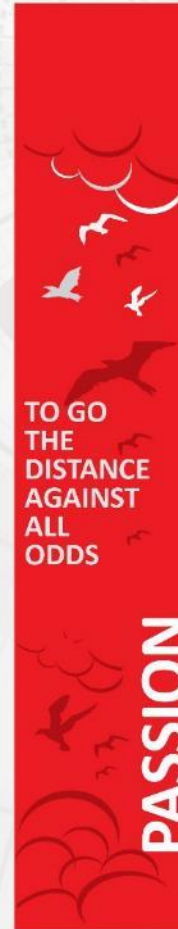
TO WALK WITH EVERYONE

HUMILITY



TO DO WHAT IS RIGHT

INTEGRITY



TO GO THE DISTANCE AGAINST ALL ODDS

PASSION



TO MAKE IT HAPPEN

SELF DISCIPLINE

Our Core Values