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October 10, 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-400051.

NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation Department,
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

BSE Security Code: 541578
[Debt: 973454 & 973455]

Sub: Transcript of Investor / Conference Call held on October 7, 2022

Dear Sir/Madam,

Please find Transcript of Investors / Conference Call held on Friday, October 7, 2022.

This is for your information and records.

For Varroc Engineering Limited

Ajay Kumar Sharma

Digitally signed by Ajay Kumar Sharma
Date: 2022.10.10 10:41:09 +05'30'

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a

"Varroc Engineering Limited's Conference Call"

October 07, 2022

SPEAKERS: **MR. TARANG JAIN – CHAIRMAN & MANAGING DIRECTOR, VARROC ENGINEERING LIMITED**
MR. K MAHENDRA KUMAR – GROUP CHIEF FINANCIAL OFFICER, VARROC ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Varroc Engineering Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation conclude. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tarang Jain, the Chairman and Managing Director. Thank you. And over to you sir.

Tarang Jain: Thank you. Tarang Jain here. Good afternoon to everyone and I would like to thank you all for joining the call of Varroc Engineering Limited. We're having this call to appraise our stakeholders about the divestment of the four-wheeler lighting business in Europe and America. We will also talk about how the continued business is progressing for the company.

Firstly, in respect of this divestment, I would like to highlight some important changes. The continuation of the Russia-Ukraine war leading to higher inflation, the consequent tightening by the central banks and the semiconductor supply shortages continue to impact both the supply and demand. This has resulted in lower demand, higher raw material prices and labor cost during the current year, especially the operations which are based in Europe and America. Economists are also forecasting recessionary trends in developed countries in the near future. On the backdrop of this and to take care of the buyers' concern, we had to amend the enterprise value from €600 million to €520 million.

Further, we strongly believe the patent infringement cases which were filed by Valeo will be nullified by the German court. The independent third-party opinion which we obtained also supported this view. However, this nullification process requires a further 12-to-18 months of time. Considering the urgency of concluding this deal, we had to agree for an out-of-court settlement for a higher value of €51 million.

Moreover, the debt and debt-like items have further added up to approximately €56 million compared to an earlier estimate of €25-to-€30 million. Details of the same are given in the presentation. Hence, as communicated in the AGM, the leftover equity value will be significantly lower than what we had estimated earlier. The net cash accretion excluding escrow will be also lower at €5-€9 million as compared to €160 million estimated earlier. As a result of this, the continued operations debt will only come down marginally though there will be a significant reduction in the consolidated debt. These changes will result in write-down of investments and advances. We will also have another €28 million in the escrow account and most of that is expected to flow to us in the near future.

Conclusion of the deal will result in avoidance of further debt burden on Varroc India enabling us to focus on high growth and profitable segments of our continued operations.

Some of the highlights I would like to share some positive developments in our continued businesses. The operation performance of the continued business is steadily improving. Firstly, the Indian operations revenue for this Q2 FY'23 will be the highest ever in the history of Varroc.

Secondly, we continue to see strong new business wins from incumbents as well as new players.

Thirdly, the VLS remaining operations is also improving its operating performance.

Lastly, the forging business in Italy, which is called IMES, started delivering positive EBITDA margin as we have seen in Q1 FY'22.

In our future strategy, prudent capital allocation and free cash flow generation will get a lot of focus.

I will now request our group CFO to walk you through the presentation which has already been uploaded in our website and on the stock exchange. Over to you, Mahendra.

K Mahendra Kumar: Thank you, Tarang. Good afternoon, everybody. Welcome to this call once again. I am happy to talk to all of you once again in my new role here.

As Mr. Tarang explained, the presentation has been uploaded on the website already. I think some of you or all of you might have seen it. I will take you through the presentation right now.

In slide #2, we tried to explain what the initial assumption or proposal was when we actually started the deal a few months ago. On the right side in slide #2, we explained the changes which have happened in the final settlement. So, as you can see and as Mr. Tarang also explained earlier in the call, the €600 million and face value had to be brought down to under €520 million. Considering the current economic scenario across the globe, as you also might have noticed in various press releases and news item, across the globe, the merger and acquisition activity has come down significantly. In fact, I was reading new reports that between US and Europe, the merger and acquisition activity went down this year by close to 50%-60% compared to last year.

So, our focus was mainly to basically save this deal or conclude this deal. And also, the continuing outlook also seems to be somewhat a matter of concern. Because all of you know that Europe is going through a lot of recessionary fears. So, to accommodate these requests and the concerns of the buyer, we had to bring down the value from €600 million to €520 million.

And then this out-of-court settlement also had to be finalized for €51 million though we had a strong case to fight it out. Again, in order to conclude the deal, we had to agree for this high amount of settlement. But the good thing is this will actually put rest to all these disputes which have been hanging for some time.

And then the net cash accretion to Varroc will now come down to €5 million to €9 million. I will explain the walk in the subsequent slides.

Another positive thing here is the escrow which was earlier pegged at €35 million has now been brought down to €28 million.

So, with this, we concluded the deal yesterday and the settlement also has happened. And the overseas debt and debt-like items are approximately €400 million have been settled. Now, this is another positive development for us the way I see it. Because this much of debt burden or debt-like items burden has been washed away from the consolidated balance sheet which should give us good kind of relief going forward.

I will take you to slide #3. This explains the walk what we presented earlier versus what it is now, just so that all of us are clear about the walk. Previously, as you might remember, the enterprise value of €600 million after all these adjustments for debt and debt-like items is supposed to result in net cash accretion of about €157 million to €161 million. With this reduction from €600 million to €520 million and the valeo settlement coming in, the net cash accretion will now come to €5 million to €9 million.

On the enterprise value reduction, we already talked about. So, because of all these economic factors and the cost pressures, the raw material inflation and labor costs also have gone up in European countries. So, that created some kind of a bleak outlook for the future for these operations. So, to allay the fears of the buyer, we had to go for this kind of a correction.

And the patent infringement, as Mr. Tarang also explained earlier, we had a strong case to fight it out, we had certain legal options also supporting our case. But then again to conclude the deal, and to avoid further delay in the deal, we had to reach this out-of-court settlement and come out of these disputes.

And then there were a few other adjustments like working capital changes and license cost and lease liabilities which we had to correct. So that resulted in a reduction of equity value of about €188 million.

The escrow amount earlier pegged at €35 million has now been brought down to €28 million. Because this €35 million earlier also had a value-related escrow of close to about €10 million. Now that we reached a settlement, so that has gone out.

And then similarly, the debt repayment is now €33 million. Earlier, it was €62 million. But some of the debts have been repaid in the last few months. Now, this is again a good relief for the continuing operations. So, from the continued businesses, €33 million of this debt is going to be paid out. That will reduce the burden on continued operations. That leaves out about €5 million to €9 million as the net cash accrual to us.

Now, all this will result in some kind of write-down or impairment of the investments in VHBV. But this is under evaluation right now. We will have to take into consideration the various factors here because some of the VHBV. investments are into both continued and discontinued businesses. Now, we are in the process of doing a fair value assessment of some of those continuing businesses. We will see where the net impact ends up. And anyway, we will be completing audit by end of this month. So, when we talk about the Q2 results, we will explain what the net impact could be.

Now, I will take you to slide #4. So, this gives the status of net debt. Previously, I think when we talked about the net debt levels as of 30th June, we indicated that we continued operations in INR15.2 billion which will now come down to about INR13 billion. So, that's one good development. That's about the deal and the impact of the overall debt level.

And talking about these continued operations, of course, the things are looking bright for the existing businesses. We could actually improve profitability in Q1 for continued businesses. In fact, the momentum is continuing. Both in August and September also, we could have recorded one of our highest ever revenues for Indian operations. Of course, we will talk about the full results with the Q2 final results.

We also added three new significant customers in the last six months in the EV business and the ramp up of existing EV component business which we obtained earlier is also happening.

And then of course the new orders with a life-time value of close to Rs.1,500 crores have been won in Q1. Q2 status also we will report later. The aftermarket business continues to grow healthy at about 20%.

Now, one important thing we would like to bring to your notice is going forward we will be focusing heavily on free cash flows and return on capital employed improvements. We will be very prudent in our capital deployment strategies also.

So, in a way, this is like a new beginning for Varroc. The significant burden in terms of overseas operations and the cash flows has been now taken away. So, it enables us to focus now on the existing businesses which are profitable. So, we will be focusing on free cash flow generation going forward and see how to actually properly deploy it going forward. And we will also be focusing significantly on integrating our remaining overseas VLS operations in the coming weeks and months.

With that, I will stop. We will now take your questions and clarify any doubts that you may have. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Aditya Jhawar from Investec Capital. Please go ahead.

Aditya Jhawar: I have two questions. #1, on the debt side, for the next couple of years, what is the line of sight of debt repayment in FY'23 and '24? What could be the CAPEX for continued operations?

Tarang Jain: Aditya, as far as the debt is concerned, now I would say that the debt is under more manageable levels. You see a very high growth in the Indian market in spite of what's happening in the rest of the world. India continues to grow, and we are also growing in some of these growing segments like EV, electronics and light weighting. So, this augurs well for us. So, we are quite confident that over the next couple of years, we will be bringing this debt down considerably. Our focus definitely like what you correctly mentioned will be on two areas. One is of course, prudent capital allocation. I am talking now only about India and Europe. We do not say that the CAPEX going forward will be more than probably around Rs.300 crores or a little bit more in that range. Whatever else with the rising EBITDA which we expect with the rising sales, we are going to focus that we have a quarterly reduction in our debt as we go along. We are really focused on how we are managing to still become a net debt negative company going forward in the next couple of years.

Aditya Jhawar: My second question is specifically for EV components, have we got any visibility or order wins from other than Bajaj?

Tarang Jain: In the recent months, whether it be the incumbent companies or new ones, we got three large EV players that we have won business. We are not allowed to disclose the names and the details at the moment. We will try to see if we can share with you at the time of the Q2 results. But we have now three companies and things are looking very good for us going forward on the EV space, whether its for the power train or whether it's for the other components.

Moderator: The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Sir, you mentioned that after this deal, debt would be to reduce Rs.13 billion. So, how much is from the India continued operations and the overseas operations?

K Mahendra Kumar: Most of it will be in India operations or will be only very little left for overseas.

Abhishek Jain: So, how much debt will be left from overseas operations? Earlier, in the last quarter, it was around Rs.5.3 billion.

K Mahendra Kumar: In terms of INR equivalent, it will be close to about Rs.100 crores.

Abhishek Jain: After this deal, you will have a balance of around €120 million. Out of that, you will pay around €52 million. So, net cash flow should be around €70 million and out of that €30 million for the escrow account. Still, you should have around €40 million no sir? You are now talking about the €5 million to €6 million only.

K Mahendra Kumar: We are not counting on the escrow money now. So, that's why these levels what we are indicating now is excluding the escrow realization.

Abhishek Jain: After excluding escrow realization, we have a calculation that you should have around €50 million because you had paid around €400 million as a debt, so balance would be around €120 million and out of that it will be around €52 million because of this Valeo litigation?

K Mahendra Kumar: I think we gave the details in the slide. You can see the details there. So, what we are saying is after all these, equity value will be close to around €66 million to €70 million. Out of that, if we take escrow of €28 million out, we will be left with around €42 million, out of that €33 million will go to repay the continued operations of overseas debt of about €33 million, so that leaves out anywhere between €5 million to €9 million for the other things with the accounting on escrow.

Abhishek Jain: What is the future of the China VLS business after this deal? Most probably, that will be scrapped because there will be a competition with the other players also?

Tarang Jain: On the China piece, as you know that Plastic Omnium has not bought into our JV. So, JV is still continuing in China, which is between the TYC and us. We have been in the discussions for the last couple of years for a split between us and those discussions are progressing. We are hoping that we are able to reach a conclusion within this financial year '23 so that then we can also get the China operations within our continued operations going forward from the next financial year.

Abhishek Jain: Because of this Valeo litigation, is there any impact on the four-wheeler India lighting business which is giving good business from many OEMs?

Tarang Jain: No, not really, because firstly, on this Valeo litigation, frankly, our case was very strong. But like Mahendra said that we had to kind of reach the settlement in the interest of concluding on this deal. This is the total settlement for the past, any so-called alleged patent infringements and also, we have a license for all the current products till end of life. This covers everything and it includes also all the entities of Varroc which are remaining with us, whether it's India or it's China or elsewhere under the future license.

Abhishek Jain: The deal was completed on 1st October. Have you not incurred any further loss in VLS for the first half FY'23?

Tarang Jain: As you know that on the discontinued operations, that's not coming in our results. We are only kind of bringing the results of the continued operations.

Abhishek Jain: What is your revenue, EBITDA target for FY'23 and debt payment target for the next year?

Tarang Jain: For this financial year, we already said that for the continued operations, not including China till it's in place, we were looking at about Rs.7,000 crores of revenue. And on the EBITDA side, I think we would be trying to achieve around 9%. Indian segment now will be a mainstay almost about 80% of revenues and here like we said that we will grow 10% more than the market growth and definitely going forward we are looking at a double-digit EBITDA, but our target is of course going forward to be between 11% and 12% in the next financial year for the whole of continued operations. On the debt repayment schedule, that is something which we are actually working on, and we will see like I said quarterly reduction in debt as now we are in control it's going to reduce, that's something I think we can probably a little bit more share with you when we are announcing the Q2 results. But definitely, I think we will be in a healthier space as we move along with debt is concerned, that's something which is also on top of our agenda.

K Mahendra Kumar: Abhishek, just don't take these things as any kind of revenue guidance or profit guidance, these are like our estimates.

Moderator: The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: My question is on the similar side of the debt of around Rs.1,553 crores in FY'22. After this deal, how much we are expecting it will reduce by '23 and '24 if you can guide us?

K Mahendra Kumar: So, as I explained earlier in my presentation, after this deal, we will end up with net debt of about Rs.13 billion or round about Rs.1,300-1,350 crores.

Moderator: The next question is from the line of Karan Kokane from Ambit Capital. Please go ahead.

Karan Kokane: My first question is on growth. You mentioned that you are planning to grow 10% ahead of the industry. Could you please elaborate on what would be the key drivers of this?

Tarang Jain: I am talking of our India which we have a larger play. So, in India, we see a lot of premiumization in the two-wheeler market and there is a content growth which is happening, for example, when it comes to Bajaj Auto, we have seen that Pulsar family; they have models between 125 cc to 250 cc in the Pulsar range. Other than 125 cc, all the others have come out with new models of above 125 cc, with today code name K17, it will be called something. And here, the premiumization is a lot, when it comes to electronics, when it comes to even the use of plastics, the use of paint in the plastics, so there is a lot of premiumization which is already happening for example. Lot of our entry into more of a four wheeler plastics business in India on the interior components side and generally obviously the EV side growth will lead to a lot of additional business because when it comes to the scooters and three wheelers where we see lot of EV happening at least in our case, our share of overall this thing is not more than 10%, 12% for scooters and on the three wheelers side. And here whatever comes out of the EV side is all additional revenue for us and also huge content growth for us. So, therefore, we see that from a revenue standpoint, we can say that even if the market grows next year from 5% to 7% or whatever, we will be 10% more. We are very confident going forward that the revenues will be realized, and we have already won in this financial year, last financial year a lot of business when it comes to plastic products, polymer products, electronics, lighting, two-wheeler and four-wheeler lighting. So we remain quite bullish over here and also when it comes to our foreign two wheeler lighting business when it comes to Italy and Vietnam, in Vietnam, we see a quite of good growth going forward, in Italy, yes, we have to get in some more revenue, that's something now we will focus in a bigger way, and, of course, the four wheeler electronics which we have a plant in Romania, we will also see a certain level of focus coming in there. So, I am just saying on the back of India, we see a good level growth and what we are talking about 10% more for the Indian market, not for Europe.

Karan Kokane: My second question is on the EV components. Many auto component players nowadays have been manufacturing components like motors, controllers, BMS, all those components. My question is what is our key competitive advantage in these components and what do OEMs look for, what is the differentiating factor in these components and why we will gain market share?

Tarang Jain: On the EV powertrain, I think the main products which we have are the motor, controller, DC-DC converter and our telematics control unit. We do some others also. I am just saying for the EV powertrain. And there, there are two models: One is a build-to-print model which sometimes the customers want to give their design. And the second model is that we have already developed the motor, motor controller. DC-DC converter obviously and telematics control unit is our own proprietary technology, that we supply. For motor, motor controller which are the two main model products in the two and three wheelers EV. Both the models what we bring in is that we have put up a very-very robust manufacturing process when it comes to electronics or on the motor side, so we bring in very strong QCD, very reliable and sustainable products to the market, that is one thing. Secondly, of course, we remain very competitive in our pricing in this segment, whether it's for build-to-print or whether it's for our products. So, people see us that we have proprietary technology, we have a strong R&D when it comes to advancement, when it comes to development of the EV products, and we have already started powertrain quietly one customer and people know about this and we have a very strong performance track record for overall products and customers know that. So, we see a lot of interest coming to Varroc and the way I would say is that we are selecting and going forward with whom we consider are the winners in the market.

Karan Kokane: You have spoken about double-digit margin. Currently, we are at a single digit. So, apart from commodity benefits, what would be the key drivers of margin improvement from these levels, and do you have any ROCE target in that?

Tarang Jain: One is of course the general stuff that we are improving operationally year-on-year and like to correct this on material side. Main, I think driver is volume growth. So, with the volume growth, firstly, there is a better control on the fixed cost. Secondly, obviously, you can realize better deal when it comes to buying of raw materials or vendor parts. So, these are the two main drivers more than anything else. Of course, more we do on the electronics side, it's anyway better margins for us. So, therefore, we feel comfortable to say that we will be moving forward to achieve the double-digit margins. And ROCE, for sure, is going to be more than 20% as we move forward, that is our minimum target that we have to have a pre-tax ROCE of 20%, but like what Mahendra also showed in his presentation earlier, our big focus is going to be other than ROCE, on free cash flow. That is something which is going to be the most important. Its prudent capital allocation, Yes. For some time now we have to also repay our debts, because still they are on a balance sheet. So, we will be extremely focused on free cash flow and on ROCE as we go forward.

Karan Kokane: You said that you are seeing a 20% kind of CAGR in the aftermarket segment. So, what is driving the 20% growth?

Tarang Jain: We have a strong team in the aftermarket, for the domestic market and as well as for the exports. Largely, the products which we manufacture is in our own in-house and also, we do trading in items. That is something we are seeing that we are getting better penetration in various tier-2 and tier-3 cities year-on-year. So, our reach is actually increasing in a whole network, which is what is helping us. And also, we are adding a few more newer products. Our reach is growing up in India and exports also I think more countries in Africa, in South America, Southeast Asia, we are adding a couple of countries, and also growing the current markets abroad. So, here, if you see the past few years track record, we are growing more than 20% and that's something we feel we will continue to do as we move forward, we are confident.

Karan Kokane: IMES was reporting operating losses and also plans of hiving this business. So, how is this business doing and are we planning to hive it off, will that bring in more cash flows?

Tarang Jain: I agree with you that it's not a core part of our business, because we are largely to the auto market when it comes to cars, commercial vehicles or two and three wheelers. This is more non-auto to do with oil and gas industry and Caterpillar and these kinds of customers. But presently, what is happening is that our focus today on an immediate term is to improve the profitability. So, higher EBITDA margins, achieving PAT here. And we are working with our existing customers on more revenues and also better operational performance. Our focus is actually on that at the moment. And yes, let's see how it goes. Immediately, in the current environment especially in Europe, things are so bad, I don't see really sale taking place to be honest. So, our focus has to be that we make this plan stronger in the near future and when the environment gets better, and when the business is stronger, then we can look at probably a possible kind of M&A or something at that point of time, but immediately, we are not looking at it.

Moderator: The next question is from the line of Vishal S from Svan Investment. Please go ahead.

Vishal S: I have two questions. First question is regarding the impairment on the investment. How much as per your estimation will be the impairment? I know the estimation is WIP. but what can be the magnitude? And when this impact will flow in our books… do you expect it to flow in FY'23 or going forward?

K Mahendra Kumar: Vishal, as I mentioned earlier in my presentation, we are currently assessing it. I don't want to put a number to it because it is subject to audit also. So, we will come back to you anyway at the time of Q2 results. To answer your other part of a question, yes, we will recognize this impact during Q2 results.

Vishal S: My second question is by when the escrow amount will flow into our books and what do we expect, it will be 80% or 90% which is stated currently or what can be a ballpark number of this what you have stated??

K Mahendra Kumar: We want to stay conservative at this moment. So, we are not banking on this escrow amount when we reported this net debt of Rs.13 billion. But having said that, we are expecting that more than 50% of this at least should come to us during this financial year, but again, there are certain conditions and all. We need to see how actually things progress in the coming months and when the time is appropriate, we will come back to you with more details on that.

Moderator: The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

Basudeb Banerjee: A few things to understand. With this change in valuation of selling off, to balance that out, how quickly one should expect IMES stake sale to balance off the increase in debt in balance sheet?

Tarang Jain: To answer the first question, presently, we are not looking at a sale because I don't think in the current environment in Europe, we are going to find a buyer. And I think the focus now is on operational improvement and we are getting some good results. We are talking about now recessionary trends setting in Europe. I don't know how long it's going to go on also. Immediately, we can't be thinking on those lines. So, our focus would be on operational improvements and if that opportunity comes in the near future, then we can look at it. But presently, we are not looking at the sale of IMES. And frankly speaking, I don't know. Yes, I mean, going forward, but I saw that we are going to get some big kind of a value out of it even if we have to sell it, I don't think it's going to be a big value transaction that is going to impact us in a very significant way. But yes, I do agree that it is not a part of our core business and that's something in our mind that we have to deal with it at some point of time in the future.

Basudeb Banerjee: Post this deal, now what level of interest outgo for Q2 and guiding for next three, four quarters?

K Mahendra Kumar: As I mentioned, we are now having a debt of close to Rs.1,300-1,350 crores. So, we will of course make some efforts to reduce the debt levels in the coming quarters like what our chairman explained. Of course, on the current cost of borrowing, give us sometime and we will anyway work out some kind of a plan and we will continue to reduce the debt levels as we go forward.

Basudeb Banerjee: With the steel, aluminum, copper, so much of correction in the commodity basket, for your core India legacy business, what kind of margin uptick which can be from the present levels of 9%-10%?

Tarang Jain: With all these commodity prices going up and down, we have an understanding with all our customers in India mostly for a quarterly adjustment. For many quarters earlier, we saw an upswing in all the commodity prices and we had to absorb one quarter of this upswing in commodity cost. But after that, we also saw a little bit of softening on the commodity side and there were some gains also over there, so, our risk over there is limited. So, therefore, I think this up and down in commodities are not going to really impact too much our margins overall with whatever our objectives around the margins. With the growth which we are envisaging going forward, we do expect that we should be able to kind of realize whatever our goals are.

Moderator: The next question is from the line of Deepak Pawar from Vasuki India Fund. Please go ahead.

Deepak Pawar: My question is what would be the expected EBITDA of India business for this financial year and what are you expecting the EBITDA on the EV components business as standalone?

Tarang Jain: Like I said, we are going to be striving for the continued operations at about 9%, India could be this thing higher than Europe and for the other business of four-wheeler lighting in India. What was your second question?

Deepak Pawar: Estimated EBITDA, any ballpark figure only on the EV components business and standalone?

Tarang Jain: That is something we really cannot share, but I saw that the margins whatever are there on the electronics side of the EV, on the other electronics that the same thing we are getting over there. So, it's not that the margins are much higher, but because the content is very high, it is quite beneficial for us. So, overall revenue growth is what is helping our margins also probably.

Deepak Pawar: So, any ballpark on only India standalone business?

Tarang Jain: On the EV side of the business, the powertrain, I can only say that it will be a double-digit, but I cannot share the number.

Moderator: We have our last question from the line of Shweta from ICICI Bank. Please go ahead.

Shweta: Just one small question on the semiconductor chip shortage issue. So, will Varroc continue to face this shortage issue in the coming future or what do you envisage in this manner?

Tarang Jain: What we see is the shortage issue is actually improving, but it's not gone away. So, we do expect that probably in next six to 12-months, there will still be shortages for us, but somehow, we are very closely working with all the electronics buyers, and we have very good understanding. So, in our case, largely, we are able to manage quite well for all the chips. In some cases, where there are some shortages, we are now pushing for higher allocation because the issue is that the growth is very high in India. So, we have to see, and we are giving projections for next one and a half years to all the electronics supplies. So, we have to make sure that we are managing the growth, that's more important because whatever the volumes today we are somehow able to manage, I would not say, very comfortably, most of this thing, but in some cases there are some shortages which we manage in the end may be some hand-to-mouth kind of a situation, but largely I see that the situation is improving.

Moderator: I now hand over the call to Mr. Tarang Jain for closing comments. Over to you, sir.

Tarang Jain: So, I would like to thank again everyone for joining, listening and asking the various questions. The trust and fate of the stakeholders are what motivates us to pursue excellence in our day-to-day life. Thank you once again and all the best.

Moderator: On behalf of Varroc Engineering, that concludes this conference. Thank you for joining us and you may now disconnect your lines.