

# Varroc Engineering Limited

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VARROC/SE/INT/2022-23/87

November 14, 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]

Dear Sir/Madam,

**Sub: Investor Presentation - Financial Results Q2/FY 2022-23**

Please find enclosed a copy of Investor Presentation on the Un-audited Financial Results (Consolidated & Standalone) for the quarter ended on September 30, 2022.

Kindly take the same on record and note the compliance.

**For Varroc Engineering Limited**

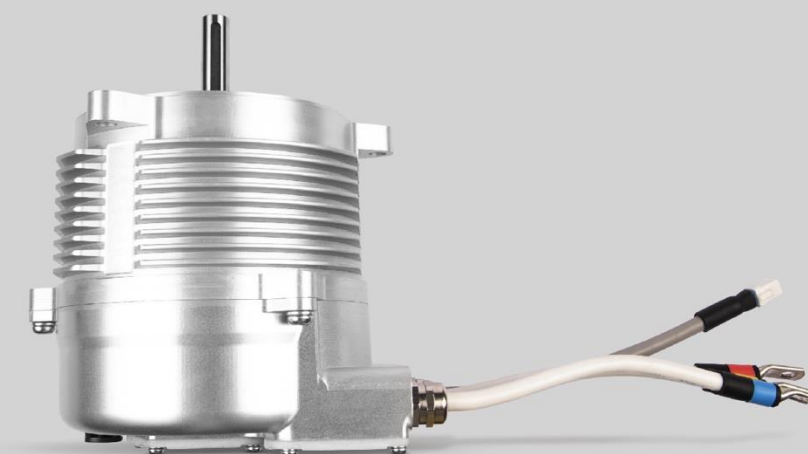
**Ajay Sharma**  
**Group General Counsel and Company Secretary**

**Encl:** a/a



# Financial Results Q2 FY23

14<sup>th</sup> Nov 2022



# Disclaimer

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This presentation may include statements which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events and involves known and unknown risks, uncertainties and other factors. The Company cannot guarantee that these assumptions and expectations are accurate or exhaustive or will be realised. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. No obligation is assumed by the Company to update the forward-looking statements contained herein.

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# Content

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# Highlights Q2 FY23

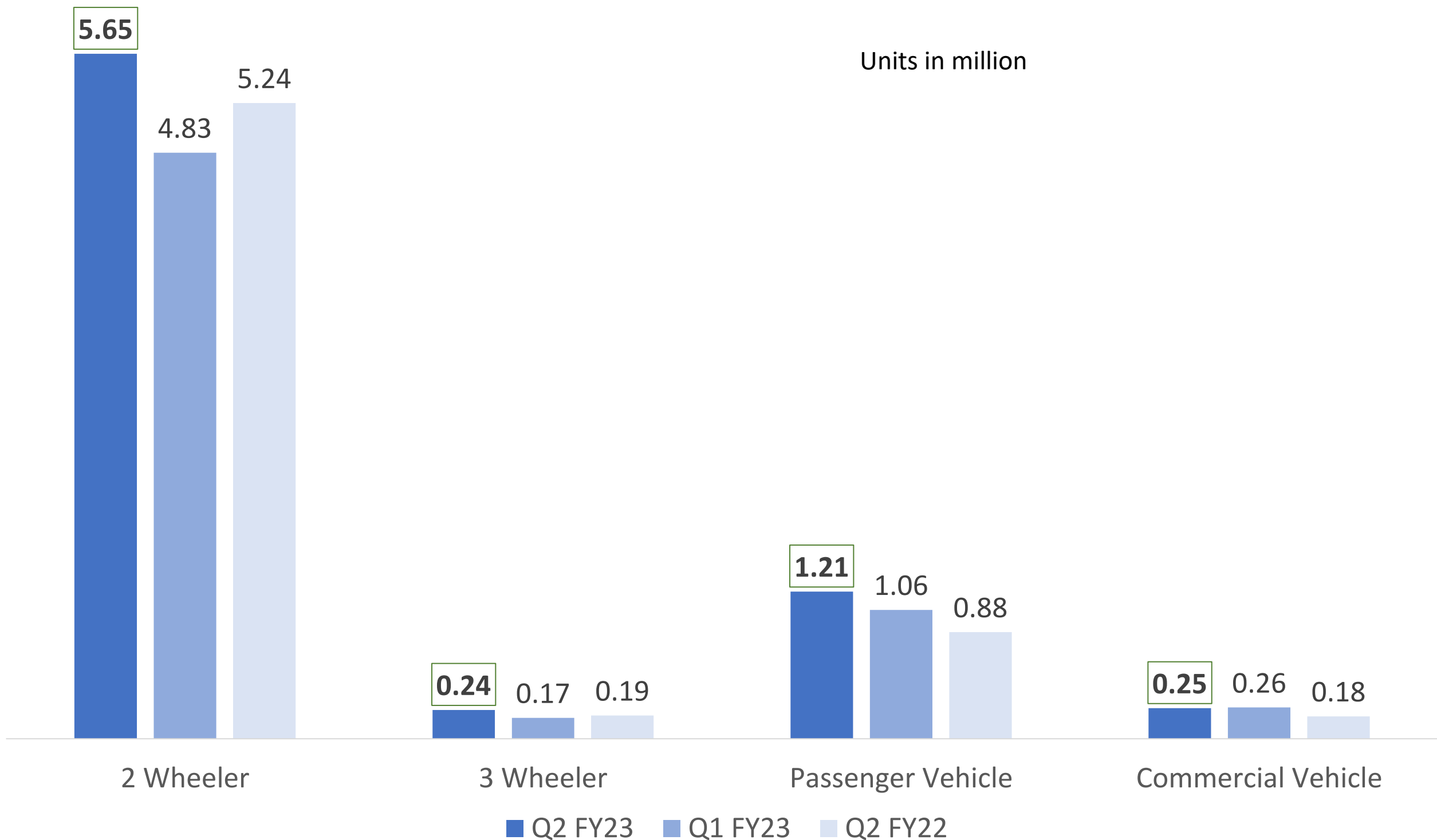
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1. On 6<sup>th</sup> October 2022, completed the divestment of 4W Lighting business in Europe and America.
2. Outperformed market with 21.2% growth on YoY basis; highest ever revenue for continued operations
3. Lifetime business won from new orders in H1 FY23 of Rs.25.5 billion incl. Rs. 8.7 billion from 5 EV customers.
4. EBITDA margin at 9.2%; continues to improve for the second consecutive quarter
5. Cleaner balance sheet with removal of debt & debt like obligations of ~ Rs. 34.4 billion and impairment consequent to divestment.
6. Better positioned to service and reduce debt levels with improved profitability





# Automotive Production in India



Source: SIAM

- Automotive production grew on YoY basis for all the segments because of low base
  - 2W grew by 7.7%
  - 3W grew by 24.3%
  - PV grew by 38.1%
  - CV grew by 36.2%
- On QoQ basis also, we saw good growth because of early festive season
  - 2W grew by 16.9%
  - 3W grew by 38.3%
  - PV grew by 14.2%
  - CV de-grew by 2.3%
- Easing of Semiconductor supply is helping the growth in high end PV and premium 2W.
- 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..
- Higher inflation, tightening by central banks can result in softening of demand for purchase of vehicles for commercial purposes.
- We remain cautiously optimistic on the growing Indian economy and the opportunity from premiumization and mega trends (especially EV).



# New Structure of Varroc

## INDIA

### Polymer

- 13 Facilities in India
- Focused on lightweight and innovation in Polymer for 2W, 3W, PV & CV

### Metallic

- 5 Facilities in India
- Supplies precision forged & machined parts for engines & transmissions. Also focused on the design and development of engine valves in the domestic and international markets for 2W, 3W, PV, CV & OHV

### Electrical & Electronics Including Lighting

- 10 Facilities in India
- Wide range of solutions in electrical & electronic components and lighting for 2W and 4W OEMs

### Aftermarket

- 740+ active distributors over 260 cities in India
- Key products includes C.D.I, Starter Motors, Carbon Kits, Armature, Regulator Rectifier, Forgings, Magneto Coil Plate, Filter, Engine Oils, Lighting, Ignition, Rear View Mirror, etc.

## One Varroc



## REST OF THE WORLD

### Global Lighting

- 3 Facilities (Italy, Romania Vietnam)
- Global supplier of exterior lighting systems for 2W OEMs and Super Luxury PV

### Electronics

- 1 Facility in Romania
- ADAS, Lighting Electronics (Light Engines & Light Control Units) and Electronics Manufacturing Services (EMS) for 2W & PV

### CHINA JV

- 2 Facilities – China
- Exterior lighting systems for PV and aftermarket

### IMES

- 2 Facilities in Italy
- Forged parts for oil & drill Industries



# Consolidated Financials of Continued Operations

Rs. in Million	Q2 FY23	Q1 FY23	Q2 FY22	H1 FY23	H1 FY22	Quarter Summary
<b>Revenue*</b>	<b>18341</b>	16352	15135	34693	27145	YoY ↑ 21.2%; QoQ ↑ 12.2%
Adjusted EBITDA <sup>^</sup>	1681	1347	1234	3028	1931	
<b>Adjusted EBITDA Margin</b>	<b>9.2%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.7%</b>	<b>7.1%</b>	YoY ↑ 100 bps; QoQ ↑ 100 bps;
Operational PBT before JV Gain	545	138	279	683	97	
<b>Ops.PBT Margin before JV Gain</b>	<b>2.9%</b>	<b>0.7%</b>	<b>1.8%</b>	<b>2.0%</b>	<b>0.5%</b>	YoY ↑ 110 bps; QoQ ↑ 220 bps;
Forex Gain (loss)	-242	-97	-45	-339	-44	
Share of Profit(loss) from JV	4	-45	12	-41	-14	
Reported PBT	307	-4	245	303	39	
Reported PAT	-191	-39	-9	-230	-173	

- Revenue grew by 21.2% YoY & 12.2% QoQ due to Industry growth and new products.
- EBITDA margin improved due to favorable product mix, better sourcing and operating leverage
- Mark-to-market impact mainly on foreign currency intercompany loan; primarily due to INR appreciation by 3.2% in Q2 FY23 vs Q1 FY23 against Euro.
- High tax expense in Q2 due to
  - Disallowance of notional forex losses for tax computation
  - Reversal of Deferred Tax Assets of this year as well as previous year primarily due to lower divestment consideration





# Varroc Group Business Performance

Rs. in Million	Q2 FY23	Q1 FY23	Q2 FY22	H1 FY23	H1 FY22
<b>India Operations (inc. 4W lighting)#</b>					
Revenue*	16,562	14,111	13,709	30,673	23,918
Adjusted EBITDA Margin^	9.8%	8.9%	9.5%	9.4%	8.2%
<b>Overseas Operations (Remaining# Global VLS + IMES)</b>	<b>Q2 FY23</b>	<b>Q1 FY23</b>	<b>Q2 FY22</b>	<b>H1 FY23</b>	<b>H1 FY22</b>
Revenue	1,886	2,372	1,577	4,258	3,582
Adjusted EBITDA Margin^	3.0%	4.5%	-2.6%	3.9%	2.1%
<b>Conso. Continued Operations</b>	<b>Q2 FY23</b>	<b>Q1 FY23</b>	<b>Q2 FY22</b>	<b>H1 FY23</b>	<b>H1 FY22</b>
Revenue*	18,341	16,352	15,135	34,693	27,145
Adjusted EBITDA Margin^	9.2%	8.2%	8.2%	8.7%	7.1%



# Consolidated Debt Position & Leverage Ratio's

Rs. in Million	30 <sup>th</sup> Sptember'22	As on Divestment (6 <sup>Th</sup> October 2022)^	31 <sup>st</sup> March 2022	31 <sup>st</sup> March 2022 (Continued + Discontinued Operations)^
Net Debt	15,700*	~ 13,000*	14,356	~ 26,500
Equity	8990	8990	20,140	~20,140
Annualised Adjusted EBITDA	6722	6722	3892 <sup>#</sup>	~ 730
Net Debt/Equity	1.75	<b>1.45</b>	0.71	1.32
Net Debt/EBITDA	2.34	<b>1.93</b>	3.69	36.3

Continued Operations

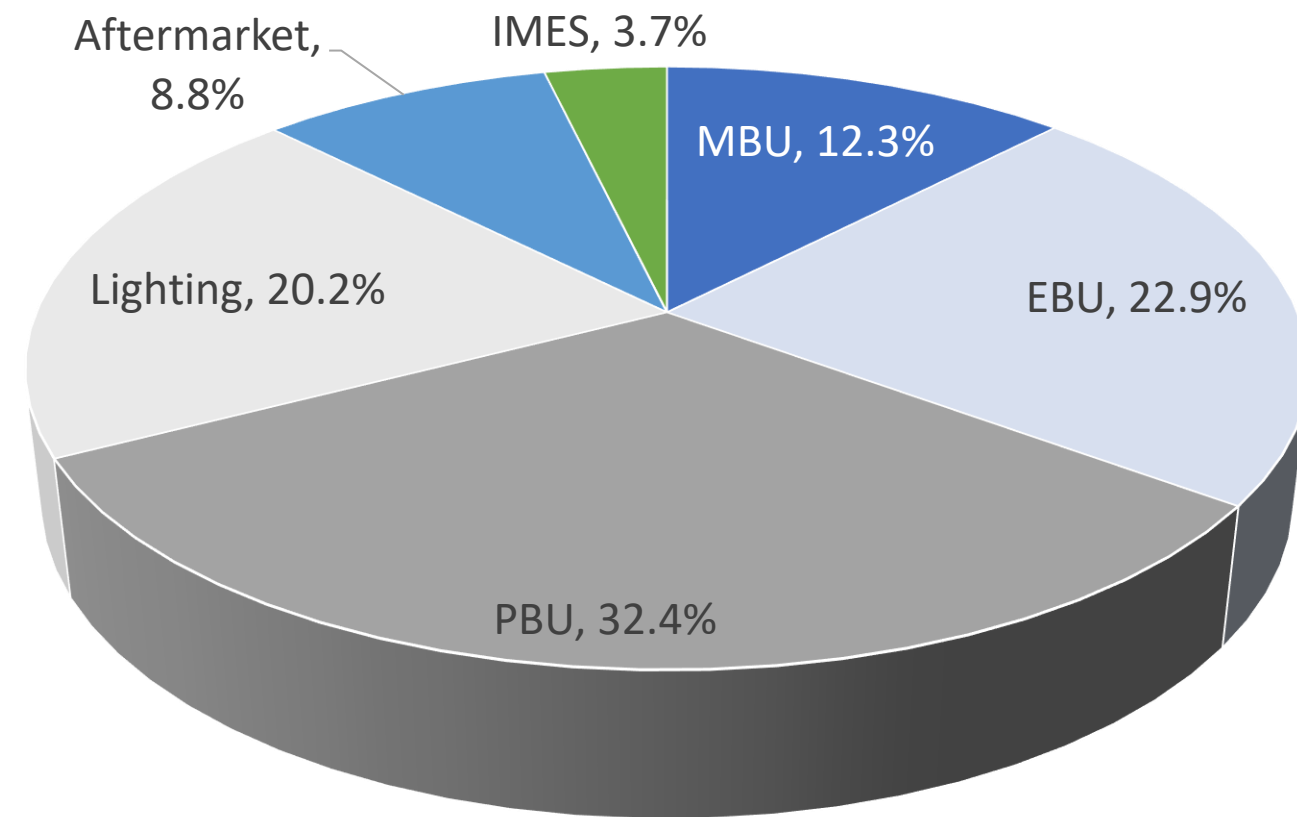
***Ability to service debt improves due to reduction in debt and improvement in operating performance***

- On 6<sup>th</sup> October around Euro 33 million loan has been repaid in overseas continued operations from the equity value which we received on divestment resulting in lowering of Net Debt.
- Please note that the Standalone Net Debt/Equity post divestment after removing intercompany loan is 1.7.

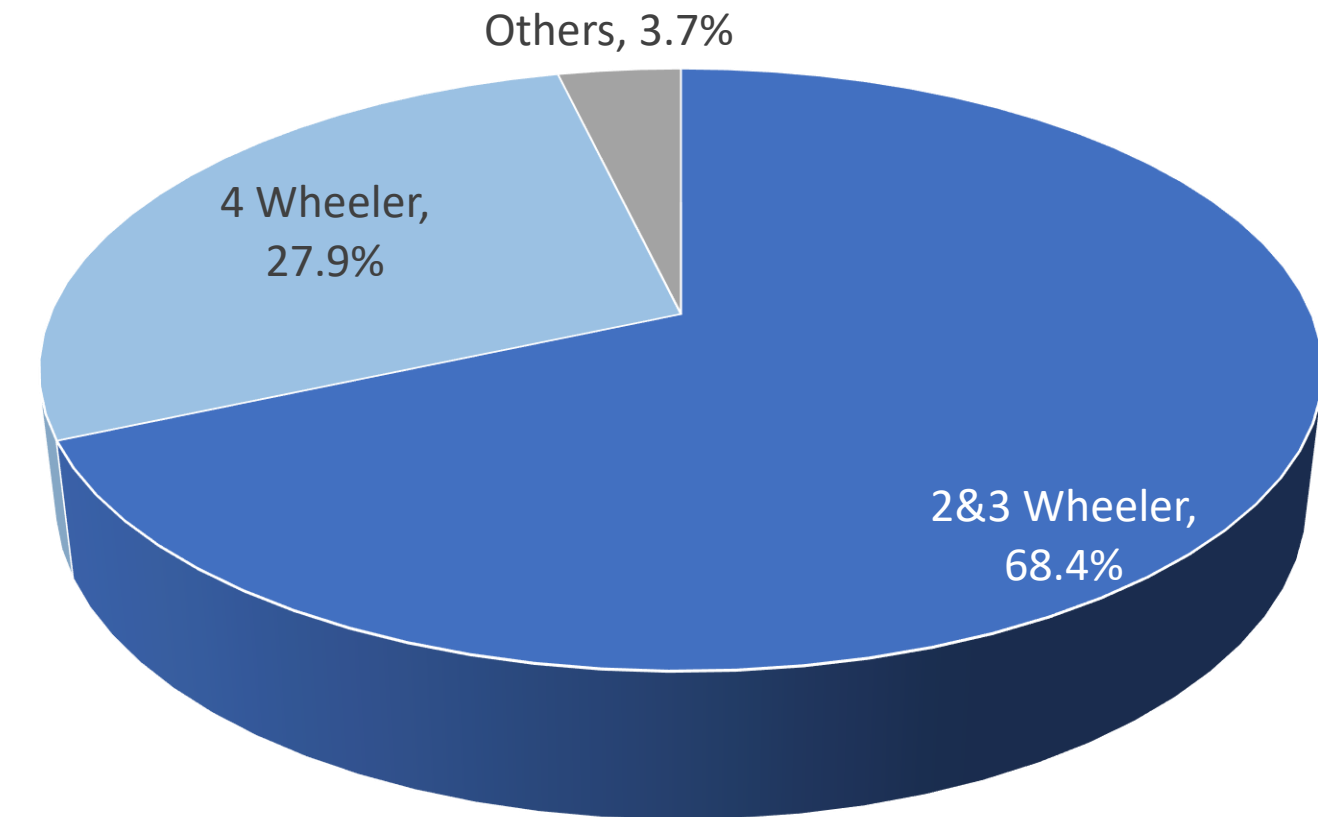


# Revenue Breakdown for H1 FY23 for Continued Operations

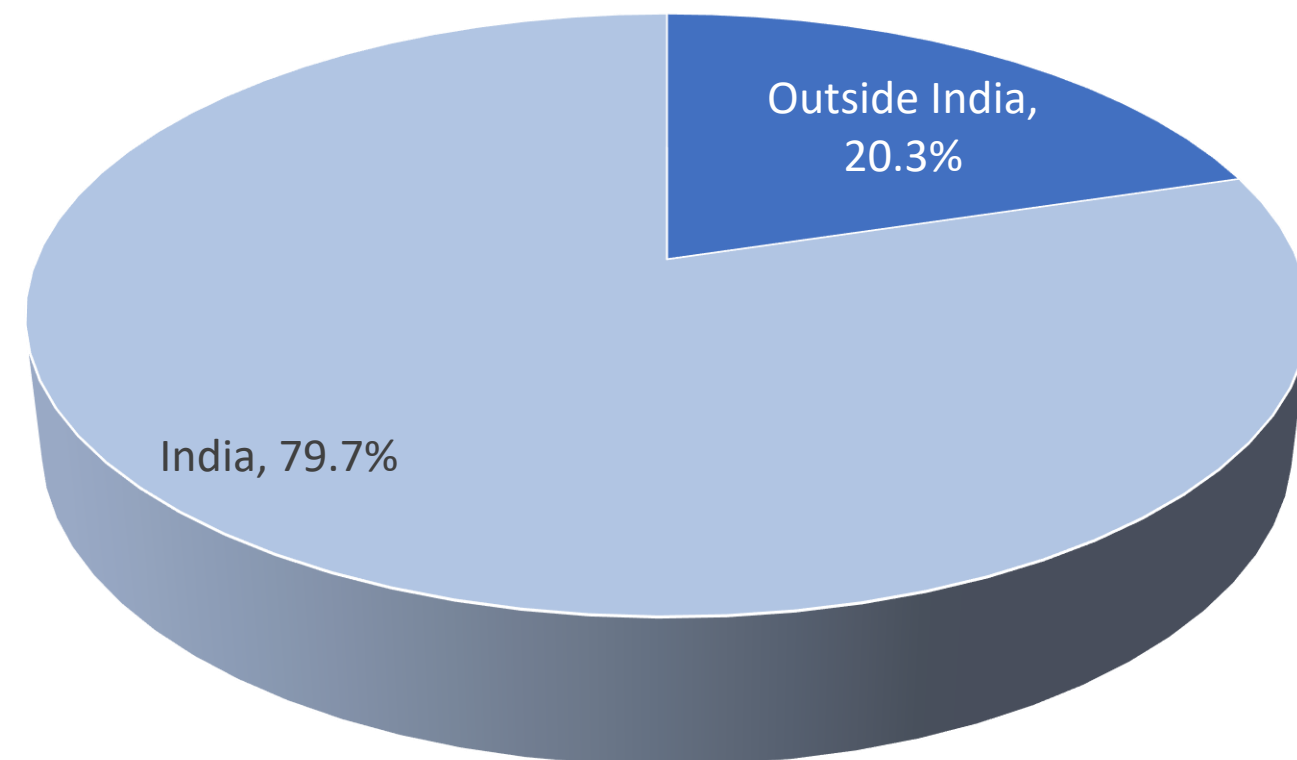
## Business Unit



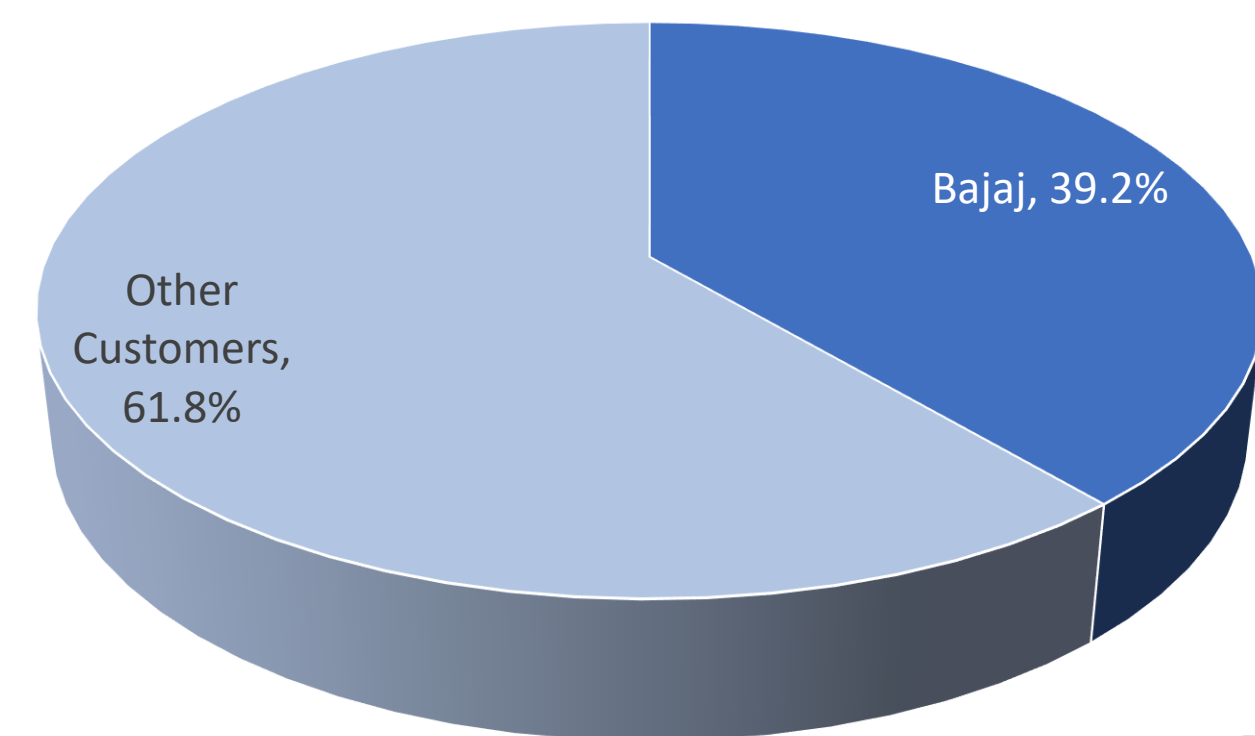
## Segment



## Geography



## Customer

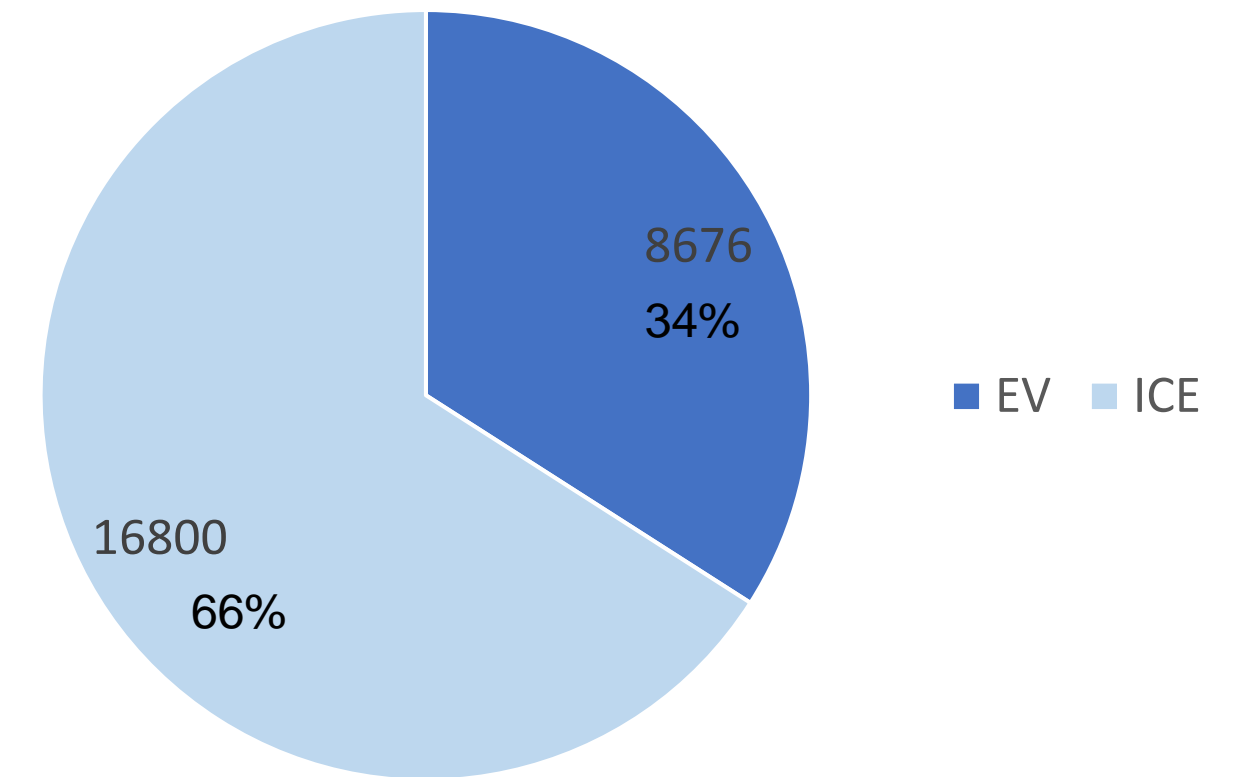


# New Lifetime Order Win in H1 FY23

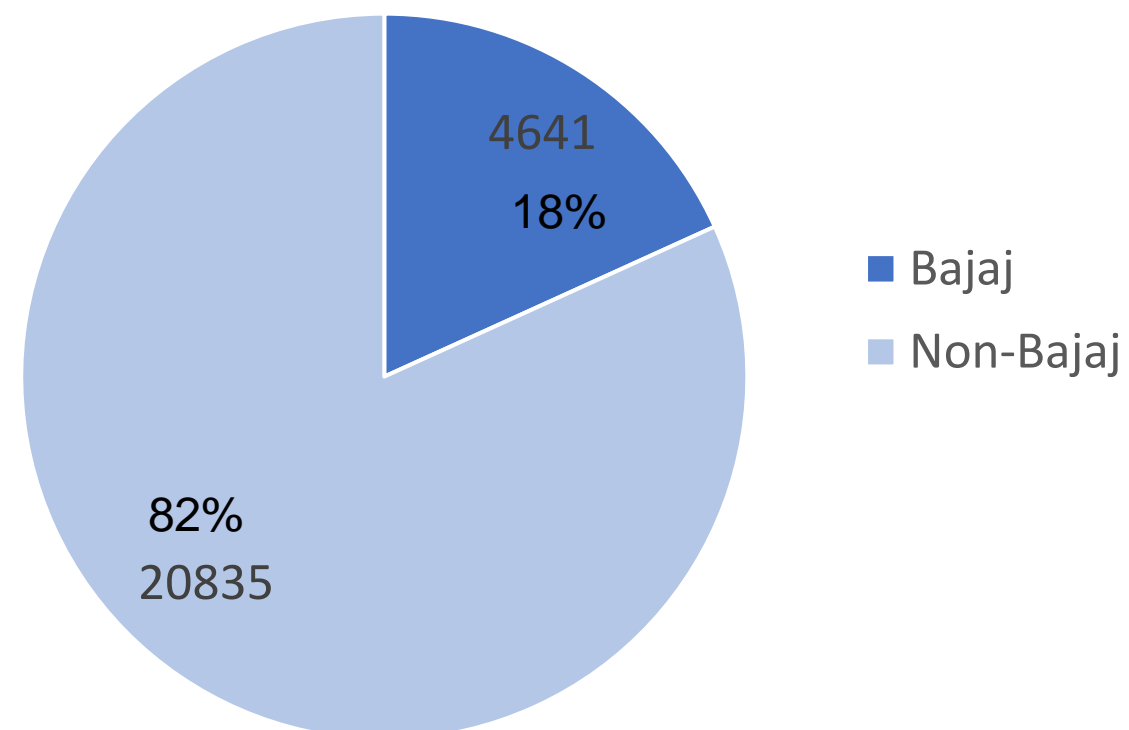
Lifetime Business win of Rs.25,476 Million

Start of Production	Rs. In Million
FY23	12,694
FY24	2,749
FY25 Onwards	10,033

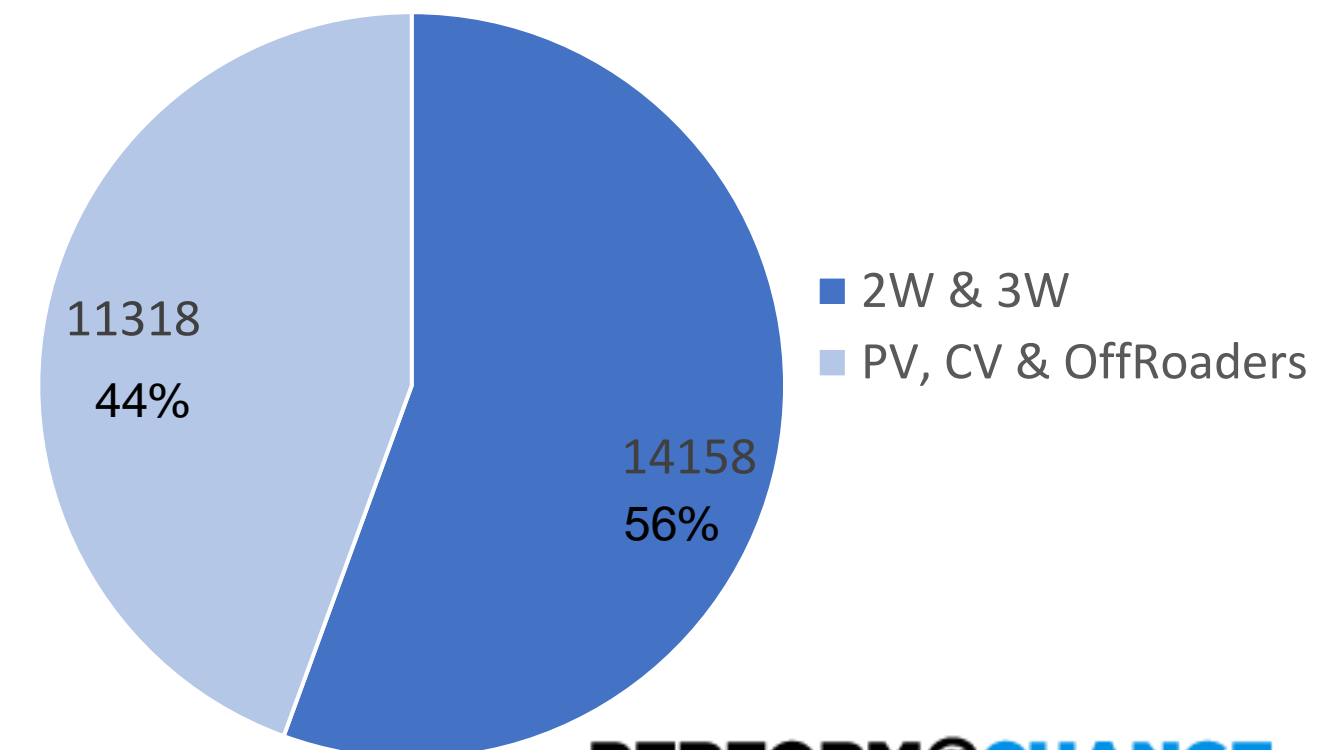
Lifetime Revenue win from ICE & EV Players



Lifetime Revenue win from Customers



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



**PERFORM@CHANGE**

Confidential


# 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)



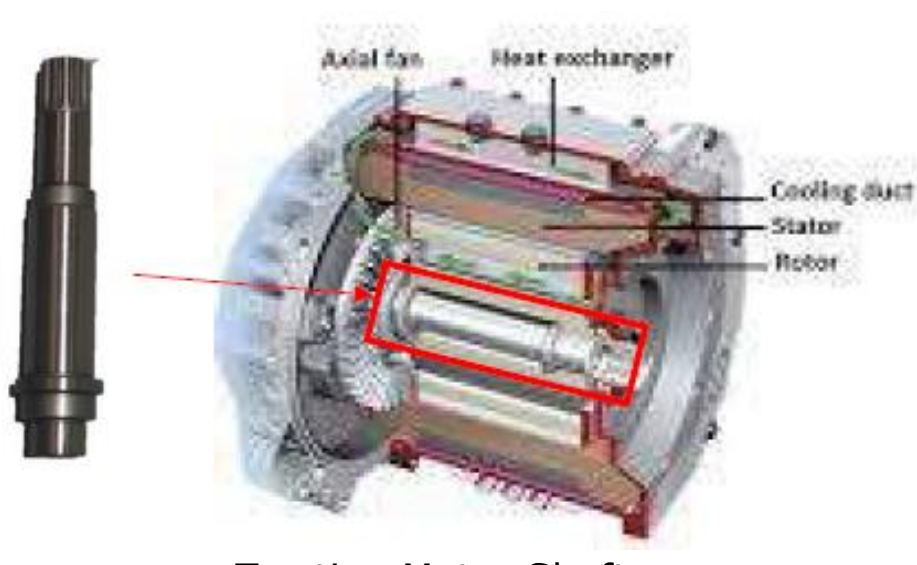
EV Fan

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		
	<b>Total per vehicle (A)</b>	<b>37,900</b>	<b>866</b>	<b>750</b>

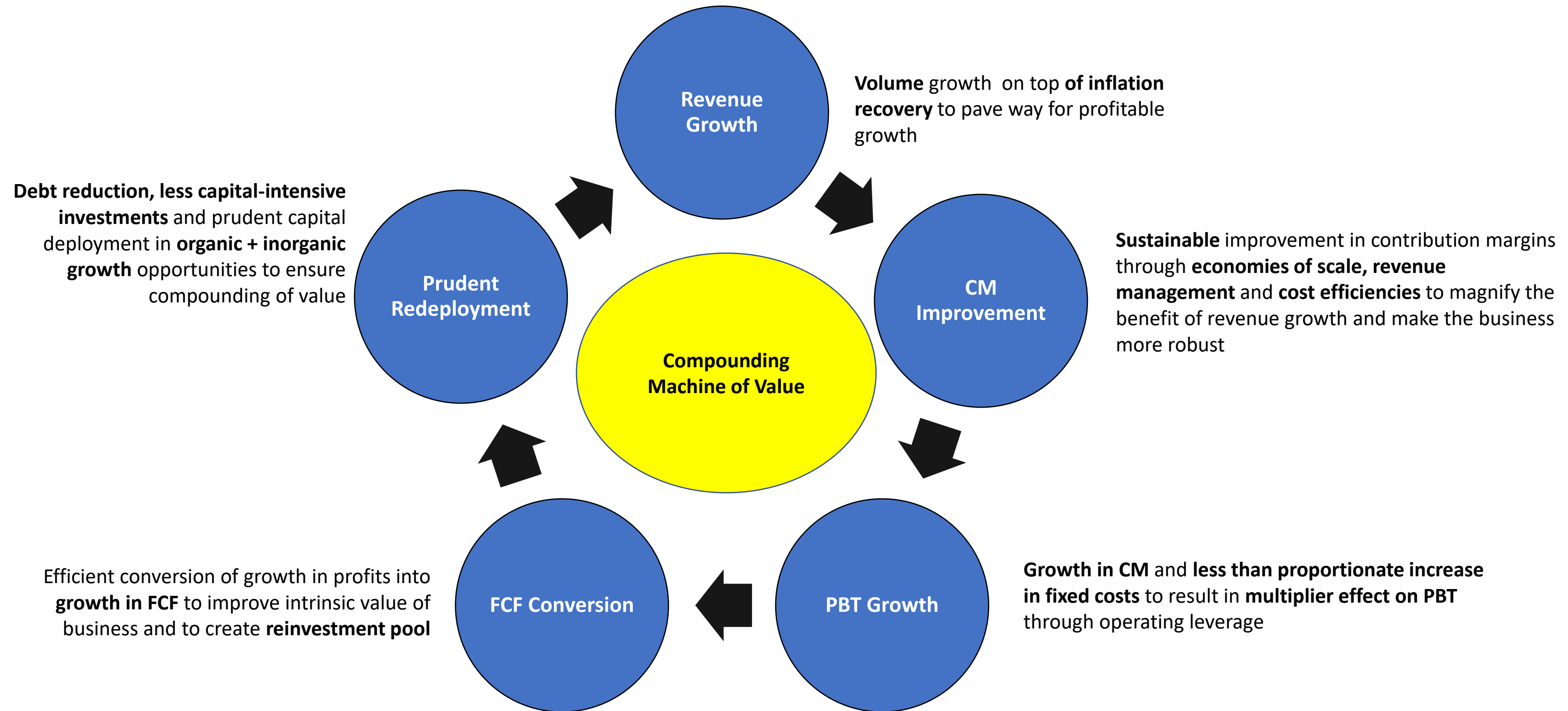
# constrained by the lowest capacity product; some of the product at Varroc will have much larger capacity; This is based on certain volume assumptions for existing business wins

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		
	<b>Total per vehicle (B)</b>	<b>46,000</b>	<b>368</b>	<b>306</b>

	<b>Total per vehicle (B)</b>	<b>46,000</b>	<b>1234</b>	<b>1056</b>
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# Focus areas for Varroc





# AWARDS & CSR



35<sup>th</sup> CII Quality Circle Competition conducted on 21-Sep-22 won by Pantnagar plant



CII EHS best practices competition 23-Sep-22 won by VEL -5 plant of Aurangabad



3<sup>rd</sup> CII National DigiTech Circle Competition 2022 13<sup>th</sup> & 14<sup>th</sup> Sep-22 won by VEL -3 plant of Pune



## Blood Donation

On 20<sup>th</sup> July 2022, Varroc organized "Blood Donation Drive" for Corporate office, Plant VII (Valve and Forging) and R&D center within the premises in Aurangabad. Around 84 people participated with zeal and enthusiasm which continued all along the day. Varroc was able to donate Blood for a Noble cause, which will make difference in lives of as much as 84 underprivileged children.







# 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**

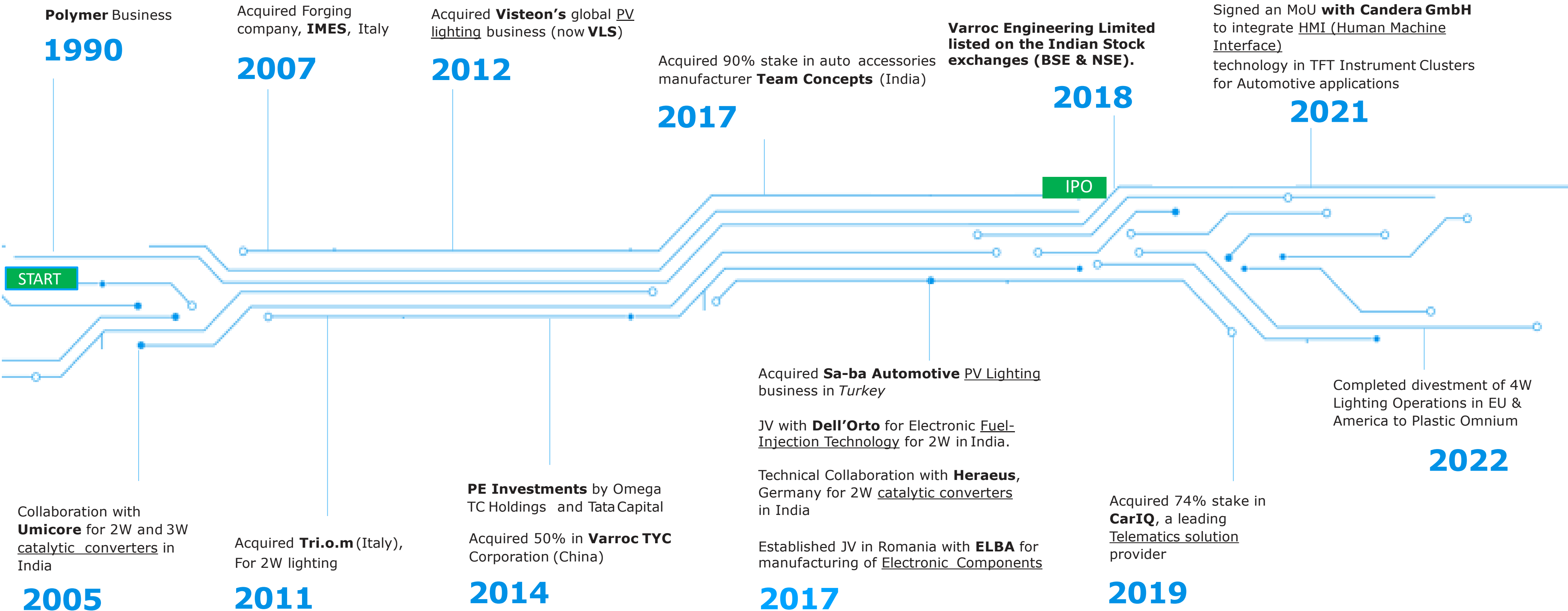
**SCARPA & COLOMBO**  
VALVOLE PER MOTORI

**PERFORM@CHANGE**

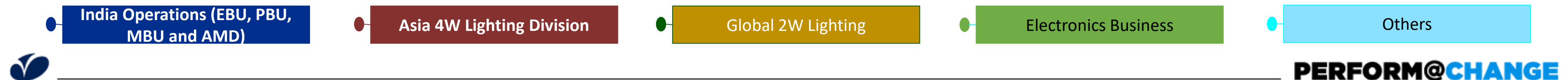
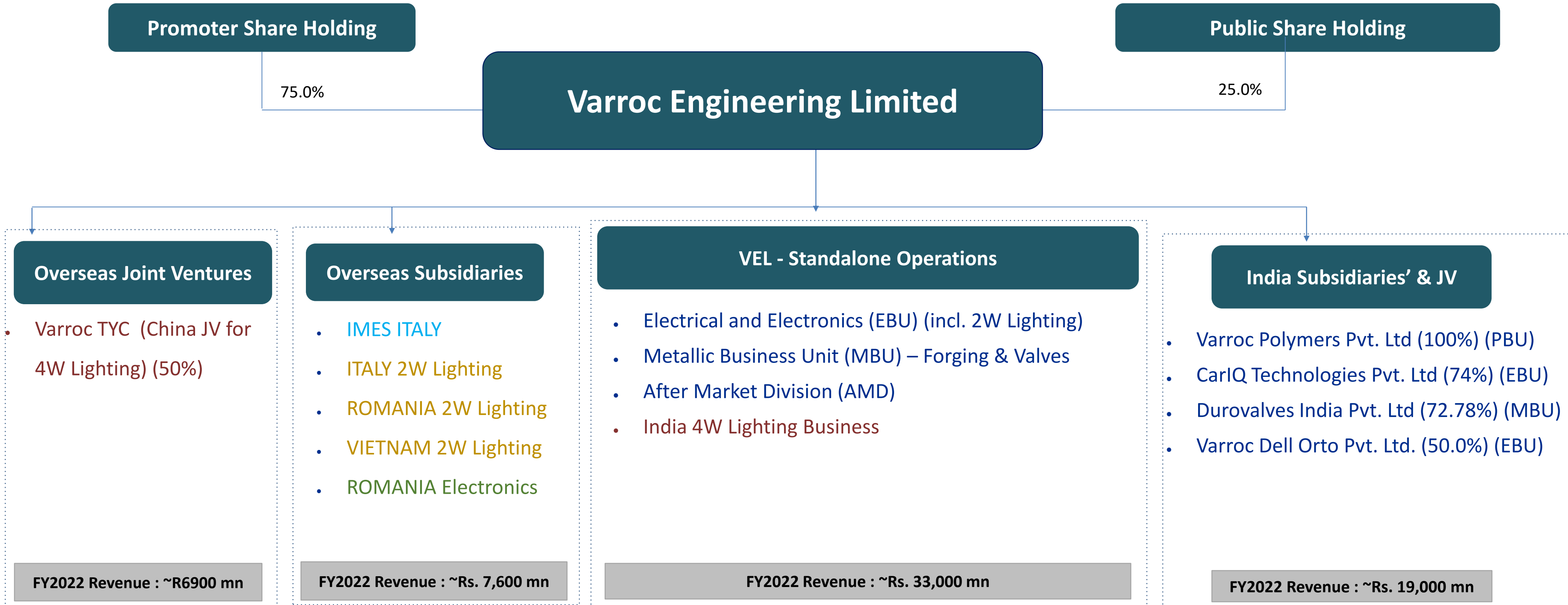


# Our Journey


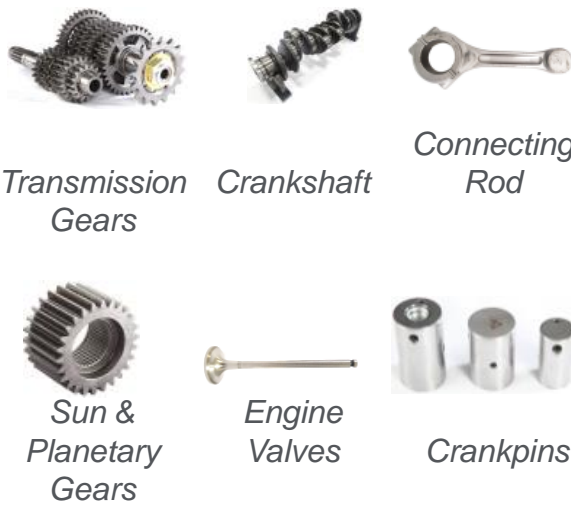
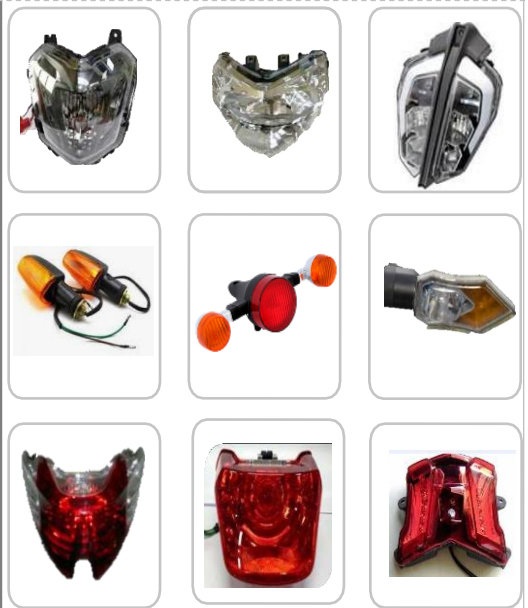
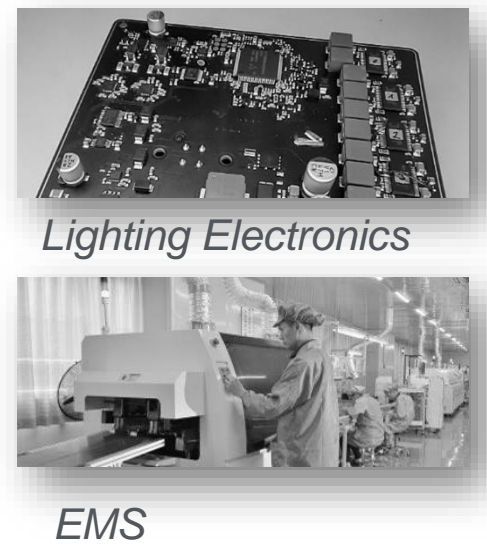

## Varroc's Transformation into a Global Auto Technology Group



# 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"> <li>Offers light weighting solution to OEMs with a Pan-India presence</li> </ul>	<ul style="list-style-type: none"> <li>Wide solutions in electrical-electronics components and lighting for 2W and 4W OEMs in India</li> </ul>	<ul style="list-style-type: none"> <li>Supplies precision forged &amp; machined parts for engines &amp; transmissions and also engines valves in domestic and international markets</li> </ul>	<ul style="list-style-type: none"> <li>Global supplier of exterior lighting systems for Two-Wheelers OEMs and Super Luxury PV</li> </ul>	<ul style="list-style-type: none"> <li>Focus on ADAS, Lighting Electronics (Light Engines &amp; Light Control Units) and Electronics Manufacturing Services (EMS)</li> </ul>	<ul style="list-style-type: none"> <li>Manufactures hot steel forged parts for the construction and oil &amp; gas industries</li> </ul>	<ul style="list-style-type: none"> <li>Supplier of exterior lighting systems for PV and Aftermarket</li> </ul>
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 &amp; Controller Four Wheeler &amp; Two Wheeler Lighting</p>	 <p>Transmission Gears Crankshaft Connecting Rod Sun &amp; Planetary Gears Engine Valves Crankpins</p>		 <p>Lighting Electronics EMS</p>	 <p>Undercarriage Links Drill bit cones &amp; 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

Please note: Aftermarket contributes nearly 7.3% of the Overall Group Revenue \* Revenue Mix include the revenue from the JV in China



# 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



**Christian Päschel**  
GCEO – Varroc

- Total Experience: ~20 years
- Previously from HELLA as a member of the Executive Board and the Head of Sales in the Automotive Lighting Division



**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



**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.



**Vidyadhar Limaye**  
President –Polymer Business

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



**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




**Kavita Kulkarni**  
Chief Human Resource Officer

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

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



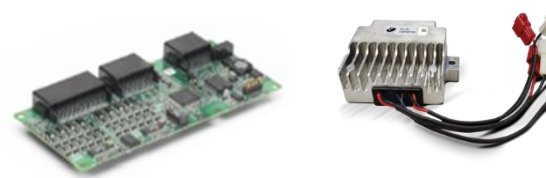
- Connected Clusters
- EFI ECU
- TBT (Turn By Turn) Indicator
- Duel Injection Tailgate Carriers
- ISG
- Advanced Connected Vehicles Platform
  - CarIQ for car owners
  - BikeIQ for bike owners
  - FleetIQ for advanced fleet management
  - Predictive analytics
  - Usage Based Insurance Platform



# 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)

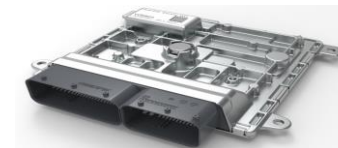
## 48V- Alternate motor technology (rare earth magnet free/less)

## 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

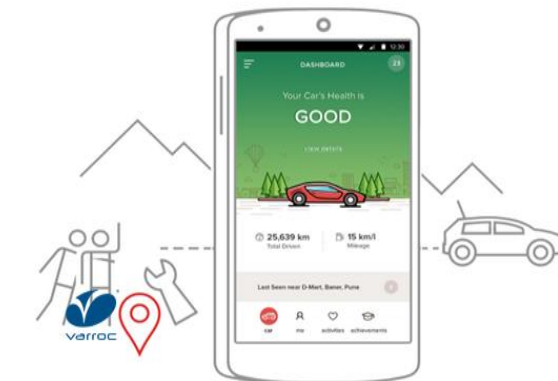
- Heads up display
- Enhanced user experience
- Helmet connectivity
- Camera interface
- Radar interface



## FOTA in Telematics

## Prognostic based use cases, Bike sharing, Cyber Security

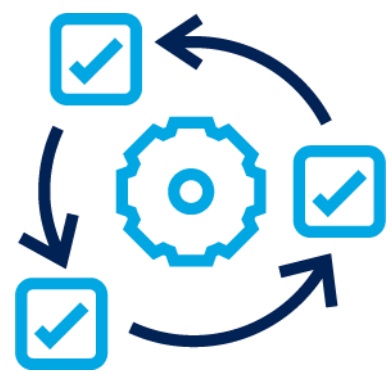
## 5G enabled telematics, Video sending capability



CarIQ



# Customer Centric Manufacturing Company



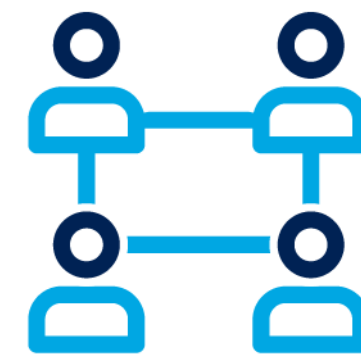
**AGILITY**



**PROXIMITY**



**DIGITALIIZATION**



**BD & KAM  
STRUCTURE**



**WHAT NEXT  
(INNOVATION)**





# Cost Leadership in Manufacturing



**1 | SOURCING**

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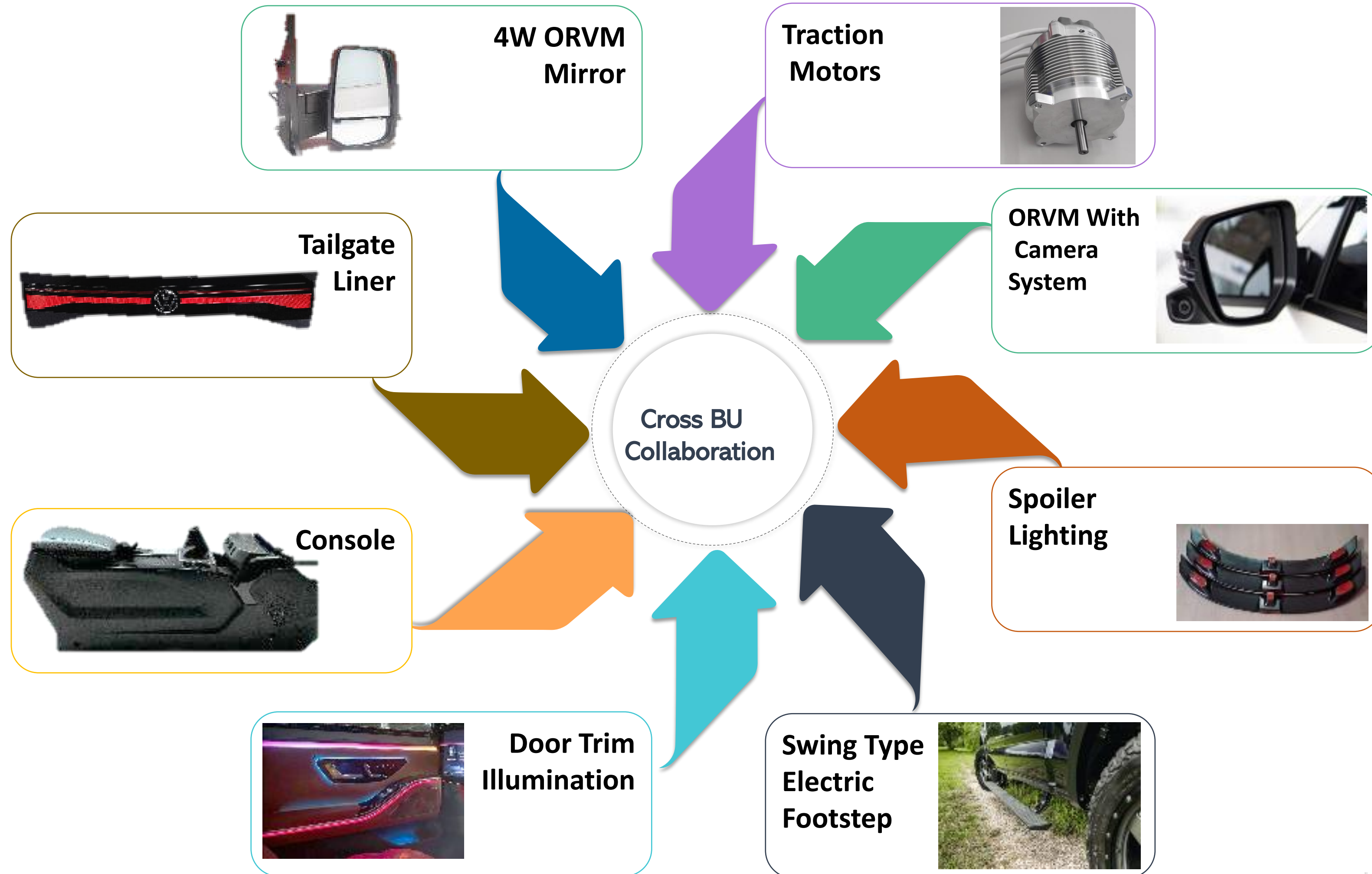
**2 | VALUE ADDITION & VALUE ENGINEERING**

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**3 | INDUSTRY 4.0**  
(Smart Factories)



# Cross Business Unit Collaboration





# Why Varroc?

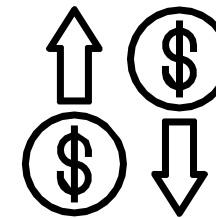
## Varroc's Vision Statement

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

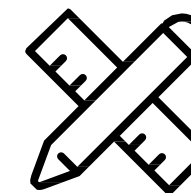
- No dependence on JV partner, so no burden of Royalty costs
- Complete in-house Validation
- Lower sourcing cost due to Bulk purchase for Varroc Group



### D - Strategic Locations

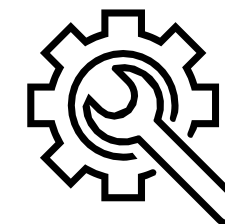
- Varroc Plant presence in close vicinity of customer plants ensuring timely delivery (JIT)
- Faster & Speedy delivery due to localization

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### 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

