

Varroc Engineering Limited

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VARROC/SE/INT/2022-23/30

May 30, 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.

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

NSE Symbol: VARROC

BSE Security Code: 541578

Sub: Investor Presentation - Financial Results Q4/FY 2021-22

Please find enclosed a copy of Investor Presentation on the Audited Financial results (Consolidated & Standalone) for the quarter / Financial Year ended on March 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



Varroc Engineering Limited

Financials Results Q4 FY22

30 May 2022

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- 1. Highlights & Overview of Varroc Group**
- 2. Financials**
- 3. Technology and Opportunity in Mega Trends**
- 4. Content, Kit Value & New Business Win**
- 5. ESG, Awards & Accolades**
- 6. Detailed P&L**
- 7 Appendix: Discontinued Operations (4-Wheeler Lighting Business Europe & Americas)**

Highlights

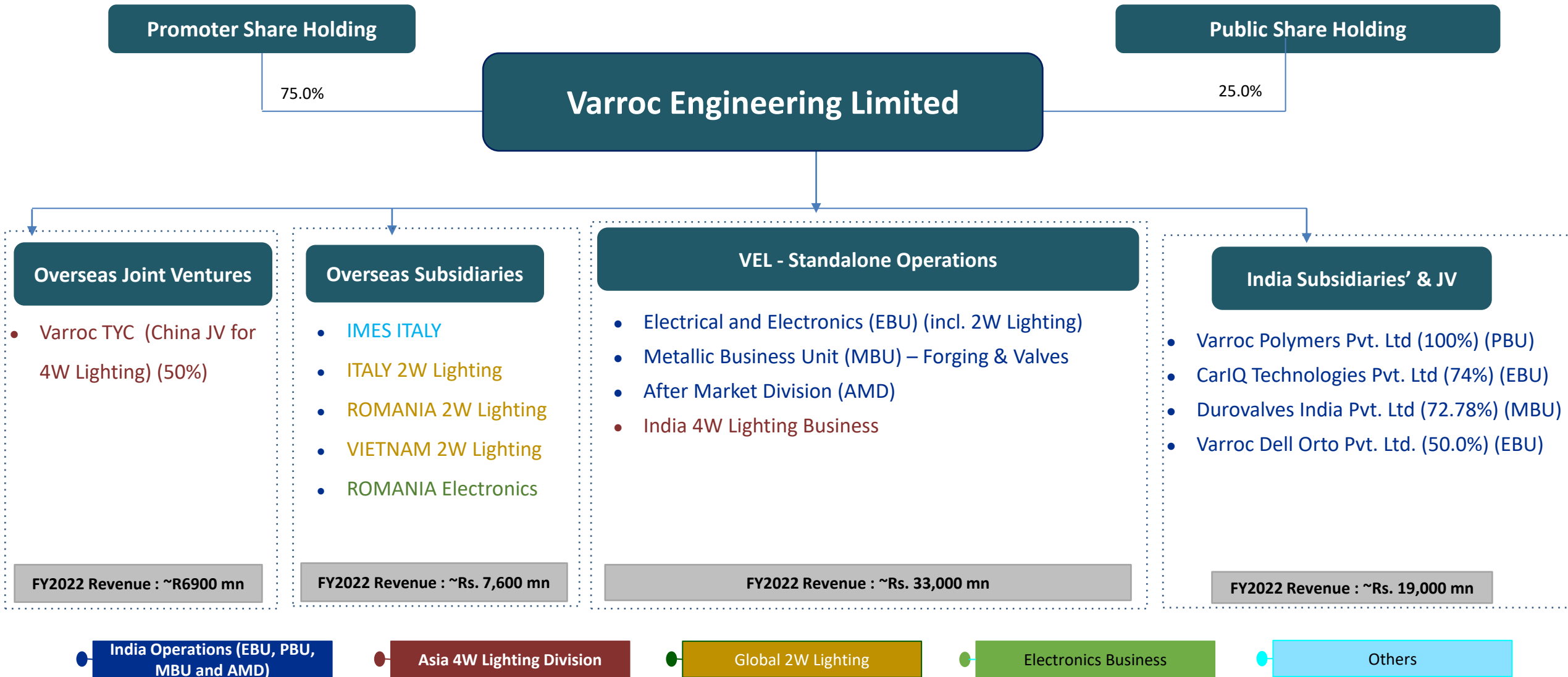
1. SPA signed in April'22 with Plastic Omnium to divest the 4W Lighting Business in Europe & America for Enterprise Value of Euro 600 Million
2. Application for Production Linked Incentive (PLI) scheme approved by the Government; target investment of approx. Rs.2800 Million over 5 Years
3. Revenue growth for the Quarter and Year for Continuing Operations (excluding divestment to PO) outperforms Industry growth
4. EBITDA for Continuing Operations sequentially improves from 5.0% in Q3 FY22 to 6.5% in Q4 FY22
5. Lifetime revenues from new orders won during FY22 of Rs.35,059 million
6. Lifetime revenues from new order wins in 2W EV segment from 4 Customers of Rs. 10,451 million



#1

Varroc Group: Overview

Overview of Continuing Operations of Varroc Group (Post Divestment)



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 30 years experience in the automotive industry



Arjun Jain
President – Electrical Business Unit and Whole-time Director

- Total Experience: ~8 years
- Previously associated with Bain & Co India Pvt. Ltd.



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

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



T. R. Srinivasan
Group Chief Financial Officer

- Total Experience: ~33 years
- Previously associated with Hindustan Lever Ltd, and Phillips India



Sanjay Sharma
Chief Supply Chain Officer

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



Christian Päschel
President and CEO – VLS

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



Sethumadavan D.
President –Polymer Business

- Total Experience: ~24 years
- Previously associated with Stanley Black & Decker, Schneider Electric, General Electric



Kavita Kulkarni
Chief Human Resource Officer

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

Global Business with Diversified Product Lines

	Lighting Business	Varroc's India Business			Other
	Asean PV & Global /Indian 2W= Lighting	Polymer	Electrical & Electronics	Metallic	IMES
Description	<ul style="list-style-type: none"> Global supplier of exterior lighting systems for passenger car OEMs 	<ul style="list-style-type: none"> Offers polymer solution providers to the 2W OEMs with a Pan-India presence 	<ul style="list-style-type: none"> Offers complete solutions in electrical-electronics components, assemblies for automotive applications 	<ul style="list-style-type: none"> Supplies precision forged & machined parts for engines and transmissions Supplies engines valves in domestic and international markets 	<ul style="list-style-type: none"> Manufactures hot steel forged parts for the construction and oil & gas industries
Select Product Portfolio					
Manufacturing Facilities#	Asean PV lighting 4 Facilities India (2), China (2). 2W Lighting India (3) Global 2W Lighting 3 Facilities - Italy, Romania, Vietnam	13 Facilities – India#	6 Facilities – India#	4 Facilities – India#	2 Facilities – Italy
Revenue Mix* FY22	21.4%	33.1%	19.8%	12.0%	5.1%
Customer Segment	PV & 2W	2W, 3W, PV & CV	2W, 3W & CV	2W, 3W, PV, CV & OHV	Earth-moving & Oil-drilling

BSVI Products

EV Products

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 8.5% of the Overall group revenue from continued operations * Revenue Mix does not include the revenue from the JV in China

Metallic Business Unit (MBU)



Transmission Assembly



Crankshaft



Connecting Rod



Engine Valves



Gears

Strengths

- Forging Capacity Ranging from 100 T to 8000 T
- State of the art equipment to produce components with very critical tolerance
- Sodium filled valves reduces weight by 10% as well as temperature operating range by 150° C
- Caters to almost all the segments i.e. 2W, 3W, PV, CV and Offroaders
- Export contributes nearly 20% of the revenue

Focus Area

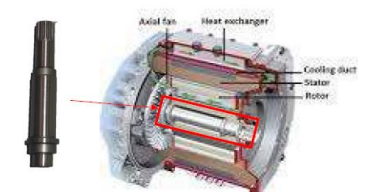
- Building capability for various components required in EV



EV SINGLE SPEED GEARBOX



EV DOUBLE SPEED GEARBOX



TRACTION MOTOR SHAFT

- To increase Capacity Utilisation
- Tapping more Export Opportunity
- Develop Engine Agnostic components

Lighting Business



HEAD LAMPS

REAR LAMPS



Xenon



LED



Matrix



LED



Other Lights

Strengths

- First to market efficient and stylish lighting
- Smart LED lighting (HL&TL) Compactness
 - Matrix Concept
 - Projector Head Lamps
 - Sensor Integration (Camera, Ultrasonic, Radar)
- Ability to support for any current and future international regulatory requirement (adaptive & bending light)
-

Focus Area

- Further Strengthen our position as Global 2 wheeler lighting player and Increase our presence in Asia in 4 wheeler lighting.
- Strengthening backward integration for light engines and light control units through its Romania plant for EBU
- Enhancing synergy with PBU to become system supplier like Smart surfaces, illuminated door trim, tail gate etc.
- Enhancing the capacity utilization in India 4W lighting business.

Polymer Business Unit (PBU)



Air Filter Assemblies



Mirror Assemblies



Trims (Interior and Door)



Seat Assemblies



Painted Body Parts

Strengths

- Advanced Manufacturing Process resulting into SOP of new products like tail gate, sun roof, roof rail & accessories.
- Added new customers like MG/Websato/CNH/PSA
- Successful product launches in PV for VW Taigun/ Kushaq/ Bajaj K17/ Mahindra XUV 700 & THAR
- Digitization (IoT, Robotics, poka-yoke system) to improve productivity
- Expanding our presence in Passenger vehicle

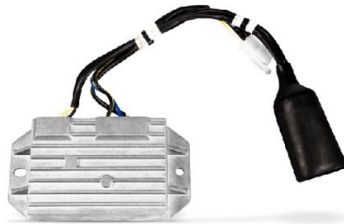
Focus Area

- Building capability for development of Green Bio-Carbon Material.
- Stabilizing operations for new business (products as well as for customers)
- Completing the greenfield plant in Chakan
- Strengthening of 4W product portfolio in various segments like interior, exterior, underhood parts, accessories and Mirrors.

Electrical-Electronics Business Unit (EBU)



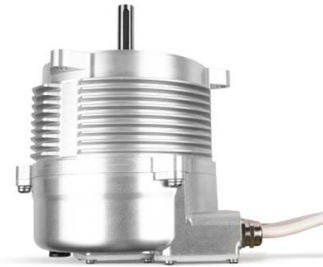
Instrument Cluster



DC-DC Converter



Regulator & Rectifiers



Traction Motor & Controller



Magneto



Starter Motor

Strengths

- Successful launch of EV products
- Product Engineering and Affordable Electronics Operations remains the key
- Localised design and development capability with speed and agility
- Indian market leader for Electrical-Electronics systems with large scale drives competency
- World class system validation and test lab

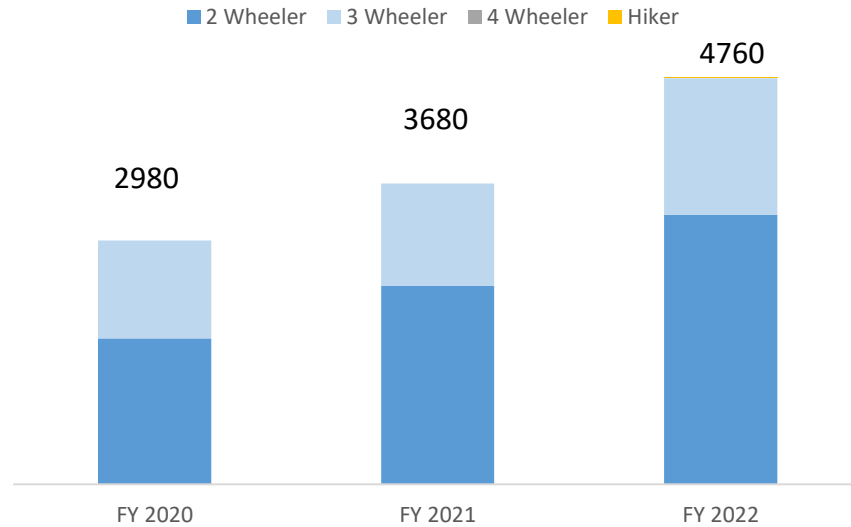
Focus Area

- Keep up the pace with aggressive technological development to capture the opportunity Mega Trends are bringing.
- More Products per Customer and More Customers per Product to drive the profitable revenue growth
- Production Linked Incentive to drive the investment required in EV Electronics.
- Long Term agreement with supplier especially for Semi-conductors.

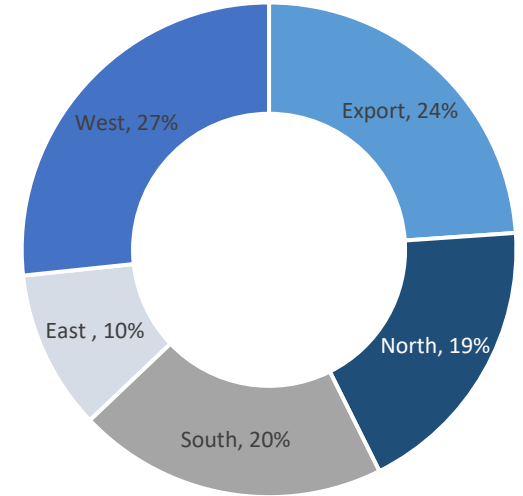
Aftermarket Division (AMD)

Revenue	Approx. Rs.4760 mn (FY2022)
Geography	<ul style="list-style-type: none"> - India - Asean - Africa - Latin America
Key Products	C.D.I, Starter Motors, Carbon Kits, Armature, Regulator Rectifier, Forgings, Magneto Coil Plate, Filter, Engine Oils, Lighting, Ignition, Rear View Mirror, etc.
No. of Active Distributors	Over 740 in FY22, Over 600 in FY21, Over 480 in FY20
No. of Cities Presence in India	Over 260 in FY22, Over 245 in FY21, Over 210 in FY20

Revenue Breakdown Segment



Region wise Revenue FY22



Aftermarket Sales growing exponentially helping us to grow and reduce dependency on sales to OEM

Expansion of Profitability over last few years in this business unit is helping the Companies Profitability

Product Portfolio and Channel expansion in New geographies helped us to outperform the market growth

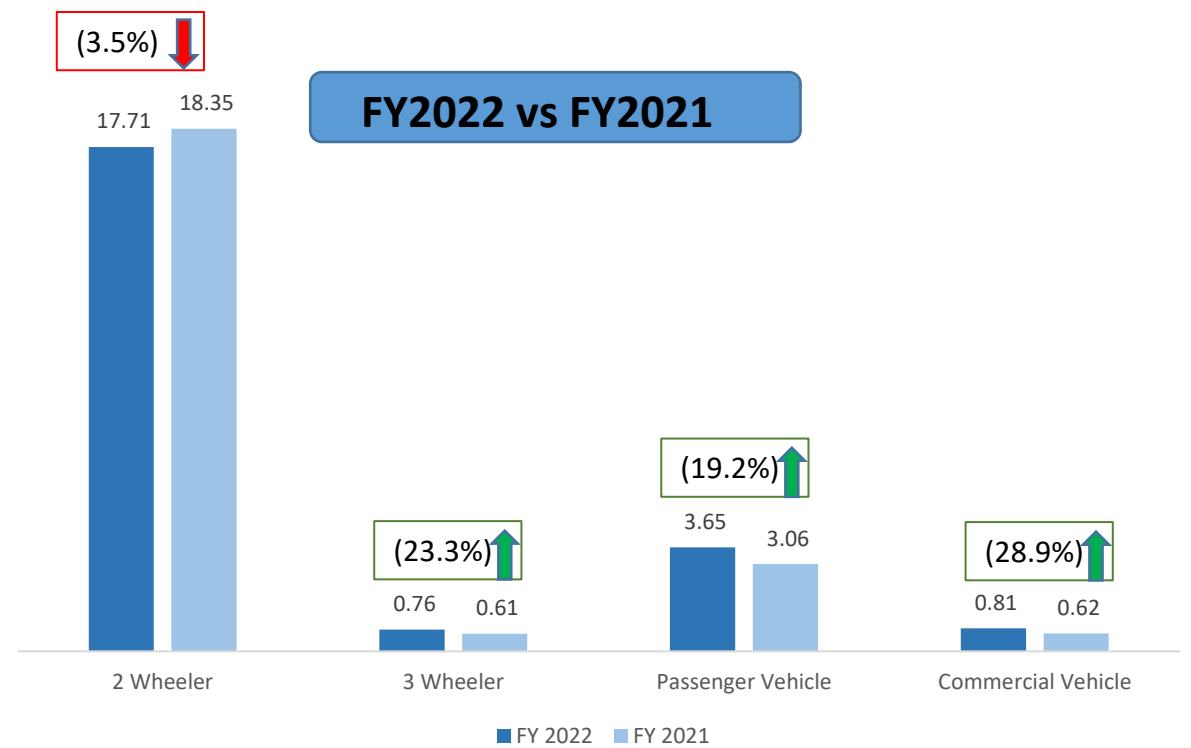
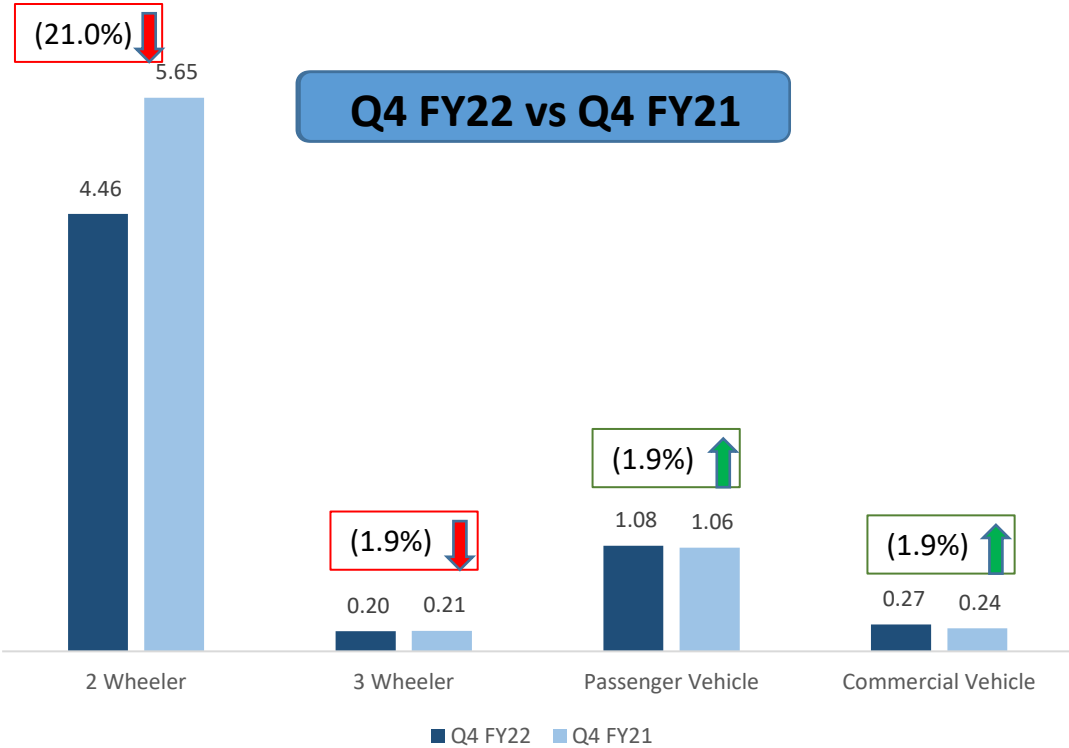
Addition of Products in New segment (4W & Accessories) and automation to drive future growth





#2 Financials

India Automotive Production Volumes



Commentary for Q4 FY22

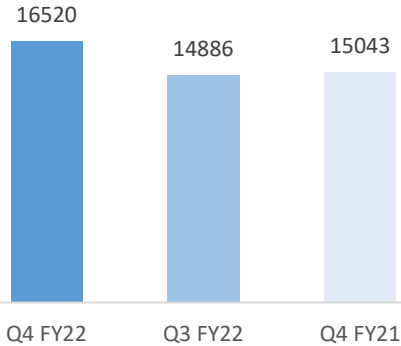
- Subdued demand in 2 wheeler continues to weigh on inventory reduction at dealership level by OEM's
- Supply issues related to semi-conductor results into muted growth in Passenger Vehicle

Commentary for Full Year 22

- Lower base in 3W and Commercial Vehicle results in growth
- Preference for personal mobility results in growth in PV
- Subdued rural demand, work from home and increase in cost of ownership impacts 2W

Financials for Continuing Operations

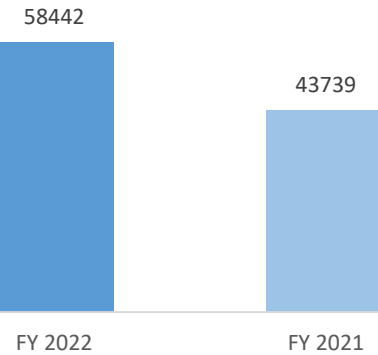
Quarterly Revenue



Q-o-Q 11.0% ↑
Y-o-Y 9.8% ↑

Rs. In Million	Q4 FY22	Q3 FY21	Q4 FY21	FY 2022	FY 2021
Total Revenue	16,520	14,886	15,043	58,442	43,739
EBITDA*	1,071	744	1,282	3,593	3,380
EBITDA %	6.5%	5.0%	8.5%	6.1%	7.7%
PBT	-61	-279	774	-301	1,266

Revenue for Full Year



Y-o-Y 33.6% ↑

Revenue

- Revenue for the Quarter as well for the Year continues to outperform the Market
- High Growth in Aftermarket helps us to outperform the Industry growth
- More Products per Customer and More Customer per Products helped all the Business Unit to grow better than the Industry growth

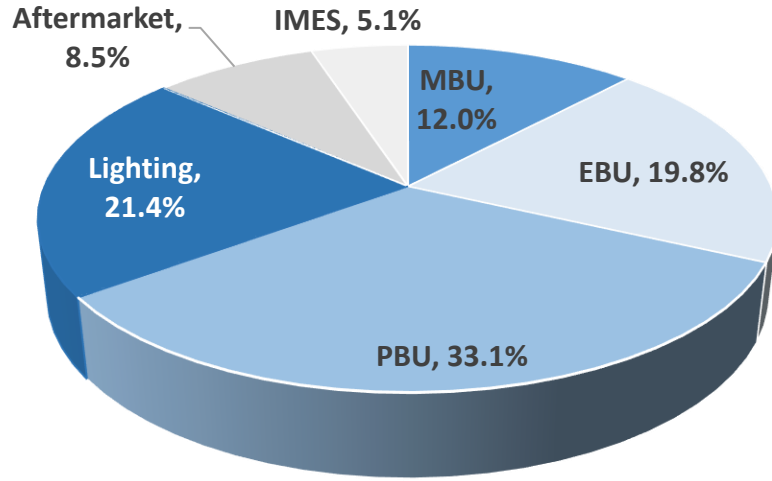
* EBITDA does not include other Income and consist of forex loss on intercompany loan

EBITDA

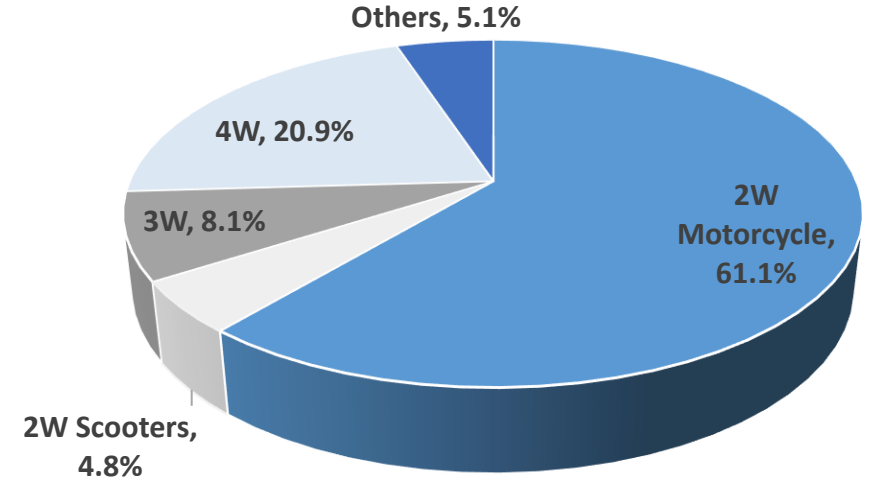
- EBITDA for the Quarter Improves Q-o-Q due to operating leverage
- EBITDA for the Quarter and Year still impacted due to
 - higher raw material price
 - Lower capacity utilization in certain plant
 - Forex translation losses on debt on intercompany loan

Revenue Breakdown for FY22 for Continued Operations by

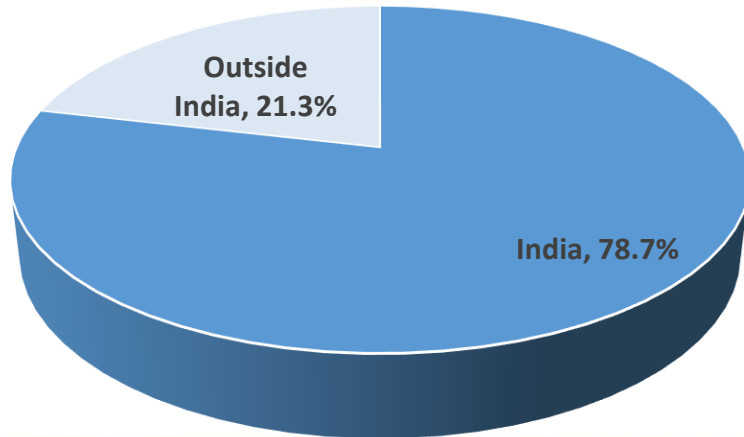
Business Unit



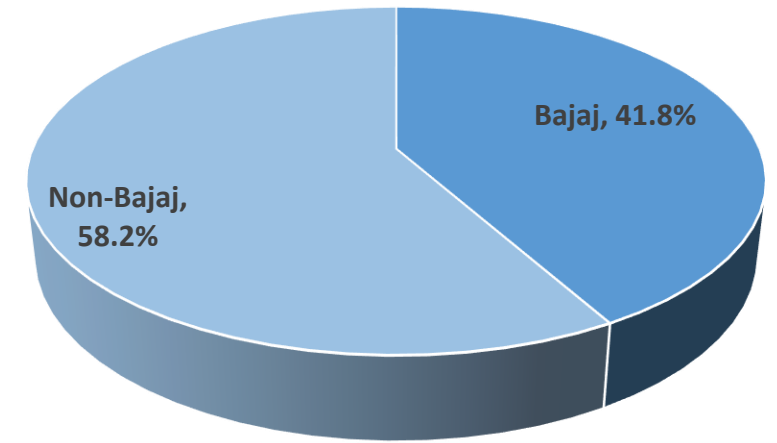
Segment



Geography



Customer

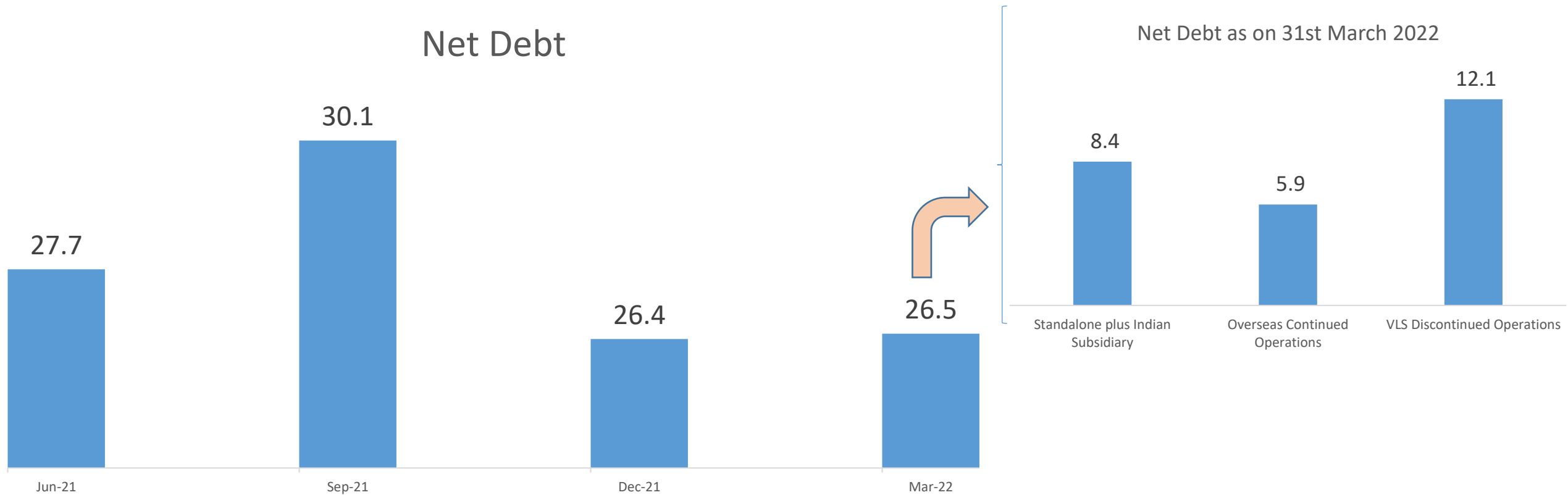


Varroc Group Performance

Rs. In Million	Q4 FY22	Q3 FY22	Q4 FY21		FY 2022	FY 2021
India Operations						
Revenue	12,437	12,088	12,249		46,753	36,466
EBITDA Margin*	9.8%	9.1%	10.9%		8.6%	10.0%
VLS Remaining Operations						
Revenue	3,283	2,190	2,286		9,418	5,890
EBITDA Margin*	0.5%	-9.1%	-0.5%		1.1%	1.0%
Others Operations (IMES)						
Revenue	904	706	577		2,957	1,918
EBITDA Margin*	-10.4%	-12.5%	-3.3%		-8.7%	-9.4%
Conso. Continued Operation						
Revenue	16,520	14,886	15,043		58,442	43,739
EBITDA Margin*	6.5%	5.0%	8.5%		6.1%	7.7%

* EBITDA does not include other Income and consist of forex loss on intercompany loan

Net Debt Position for the Group (Continued + Discontinued)



Please note that Gross Debt of around Rs.19.9 billion will be paid and post the transaction the Company will become Net Debt Negative



#3

Technology and Opportunity in Mega Trends

Strong In-house Technology, Innovation & R&D Capabilities

R&D efforts are directed towards ongoing trends



Increased Use of Electronics



Stricter Environmental Regulation



Electrification



Autonomous Driving



Connectivity



Digitalization & IoT



Sustainability, Reliability & Efficiency

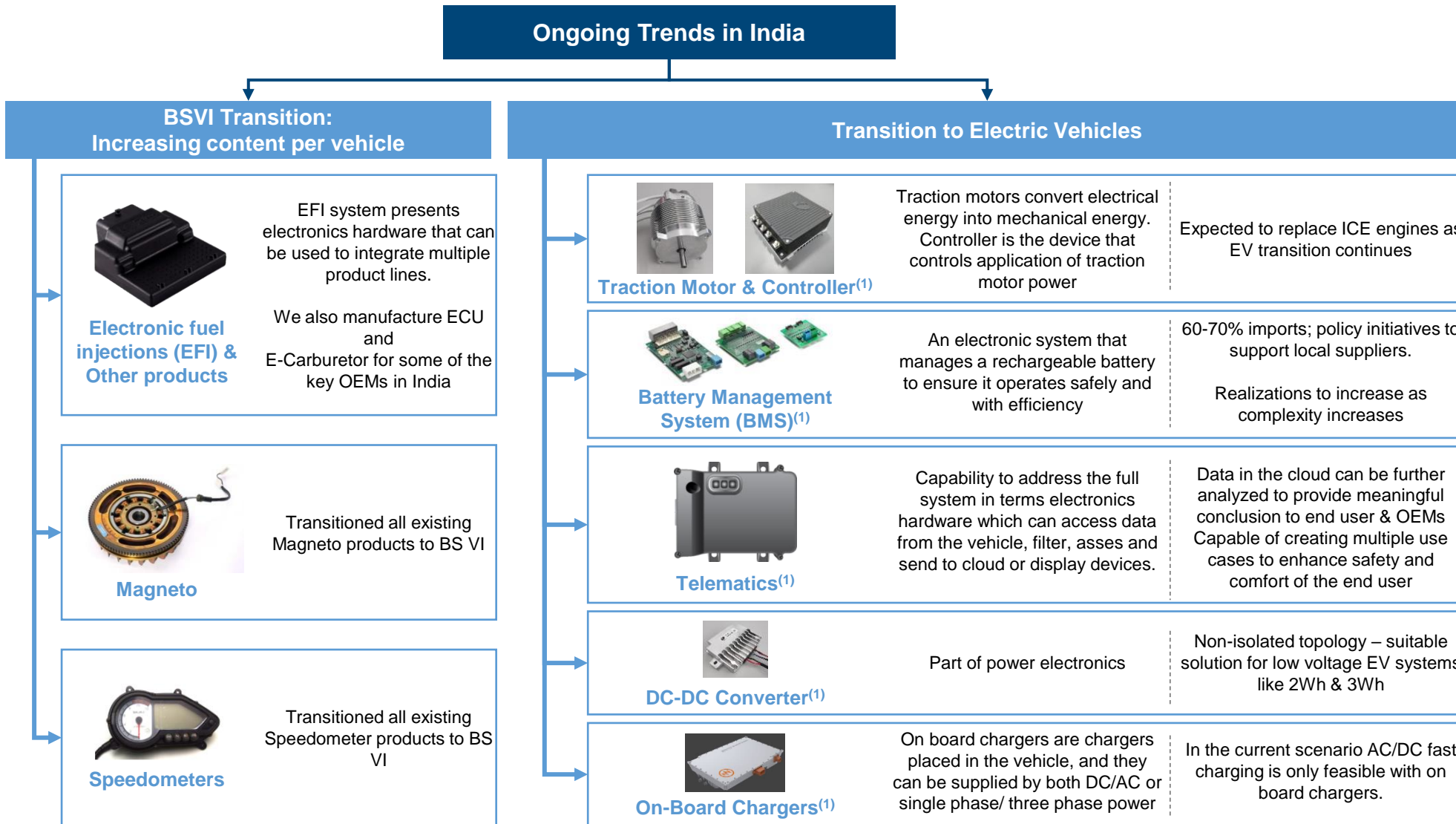
WE OFFER WIDE RANGE OF PRODUCTS FOR ELECTRIC VEHICLE WITH LOCALISED MANUFACTURING (2W/3W)



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

Have developed new products worth approx. Rs.30,000/- for 2 wheeler and Rs.38,000/- in 3 wheeler for EV

Electric Vehicles (“EV”) Transition and Changes in Emission Norms



- Varroc has recently entered high growth 2W EV market: **72-74% CAGR over FY21E-FY26P⁽¹⁾**
- Varroc has developed **48V PMSM traction motor**; won order from one of the leading 2W OEMs in India
- Varroc made acquisition of CarlQ and entered into exclusive manufacturing tie-ups to capture the opportunities

Policy support⁽¹⁾:

- **FAME II amendments & PMP Scheme – subsidy only for local production and higher warranty**
- **PLI (Production Linked Incentive) scheme for eligible players**
- **15% import duty on traction motors from Apr-2021 to deter imports**

Note:
1. As per CRISIL Report; Product developed, orders received, production to commence based on customer requirements

EV business won so far: Highlights & Updates

2W

Component	Industry product price expectations based on Investec Research (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		
Controller	5,000		
DC-DC converter	1,400	866	596
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	596

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

*Research report published by Investec on 27th July 2021 titled "Electric Vehicles – the electrification of auto ancillaries"

3W

Component	Product price expectations (Rs per 3W)	Total @ Installed Capacity (Rs Crs)	Expected revenue in FY25 for current business based on SOB (Rs Crs)
Traction motor			
Controller			
DC-DC converter			
Telematics	46,000	368	306
Battery Management			
Other Products (VCU, On-board Charger, Switch and Polymer products etc)			
Total per vehicle (B)	46,000	368	306
Total Varroc current business (A+B)	46,000	1,234	902

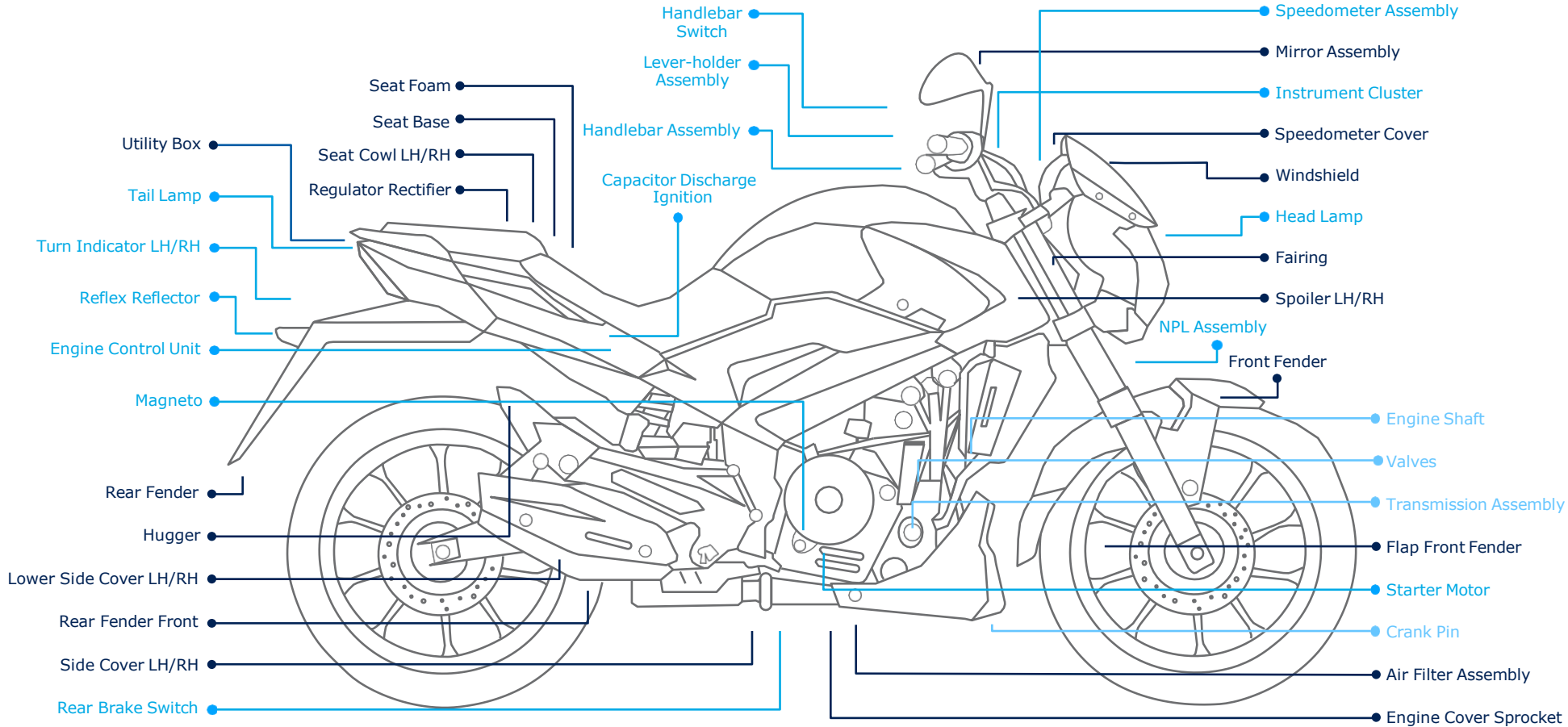


#4

Content, Kit Value and New Order Win

Diversified 2W Portfolio

Diversified Portfolio Catering to 2W and 3W Segments



Motor Controller



BMS



PMSM Traction Motor



DC-DC Converter



On-Board Charger

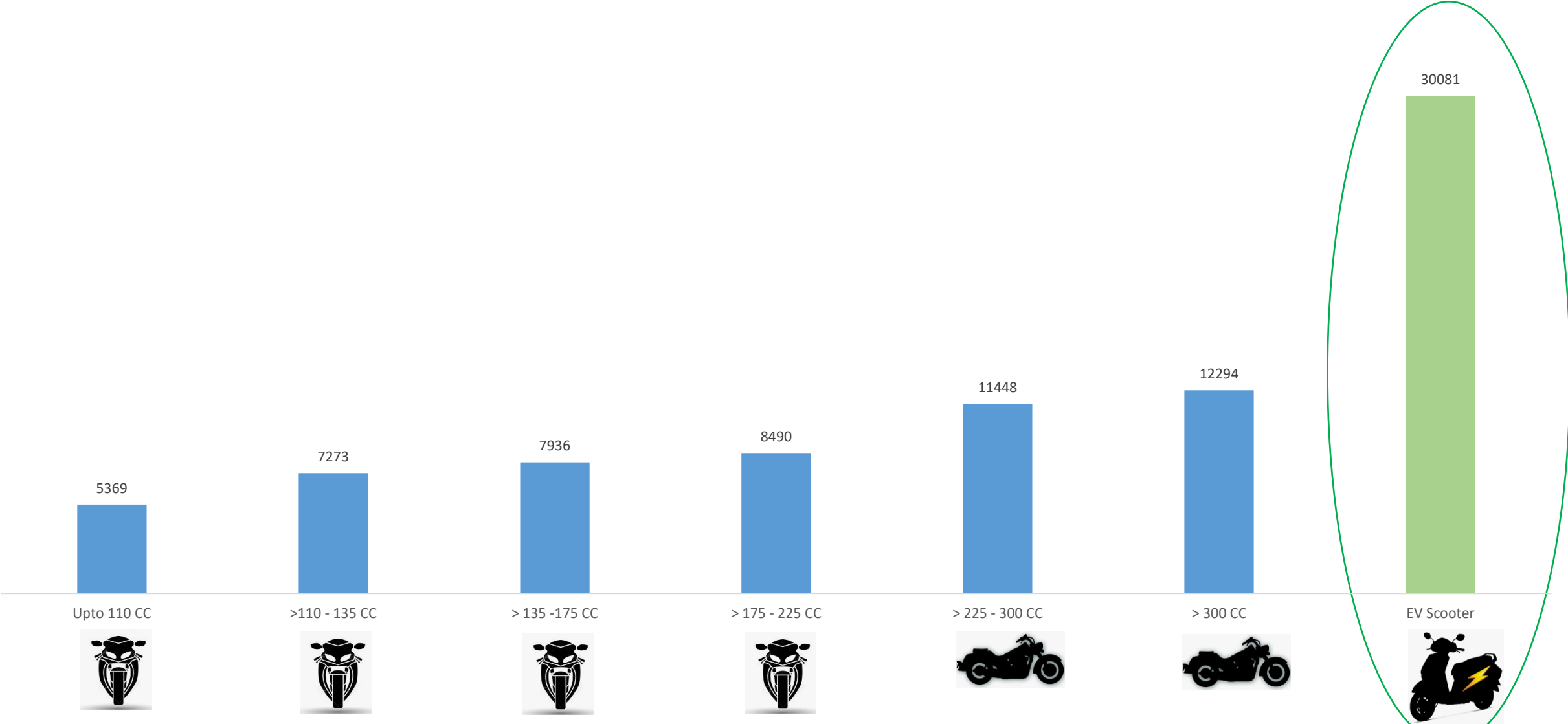


Telematics

- POLYMER
- ELECTRICAL
- METALLIC
- EV Component

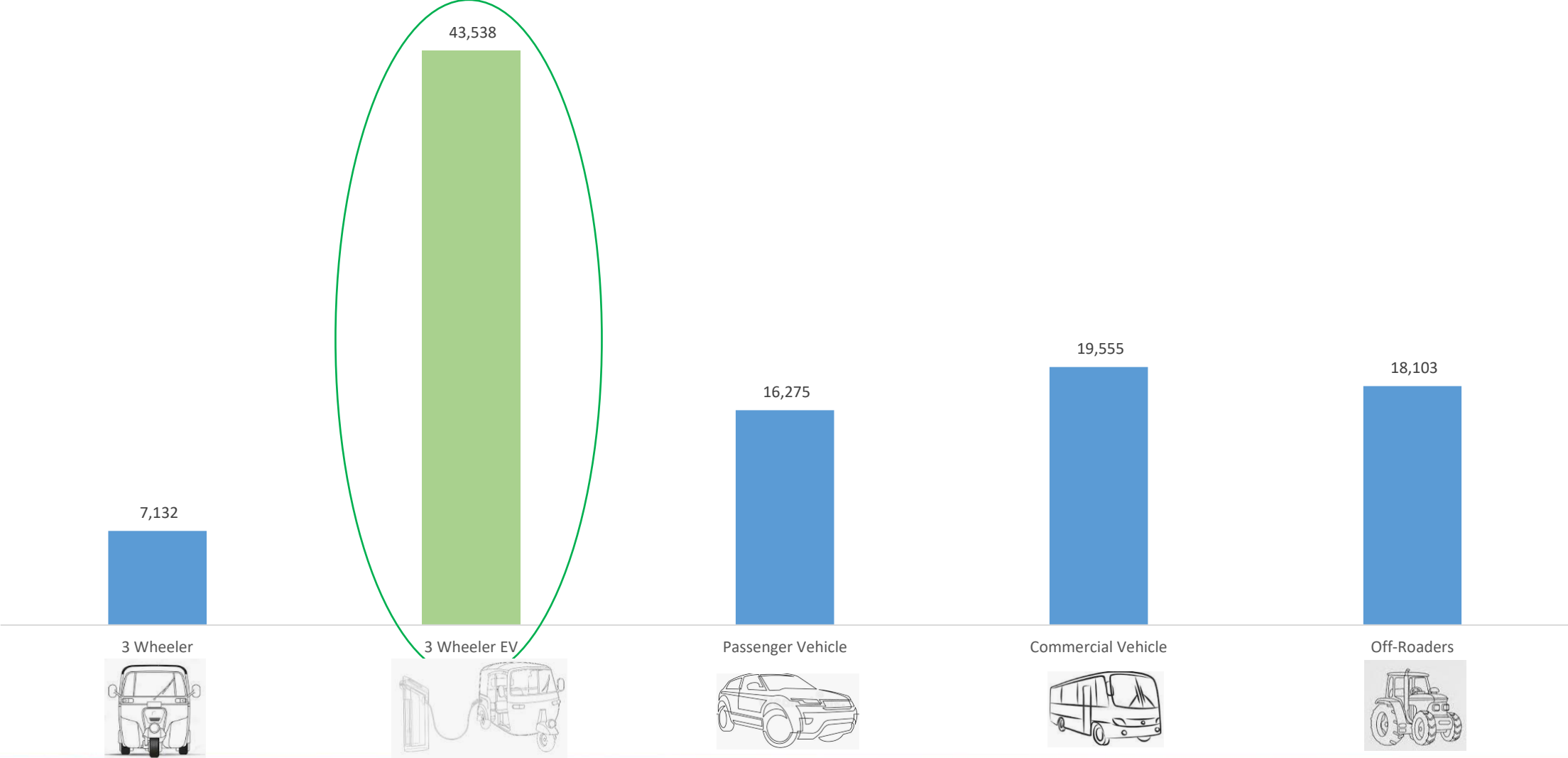
Wide range of products across Polymer, Electrical and Metallic segments; One-Stop Shop for customers enabling cross-selling

Current Kit Value in 2 Wheeler



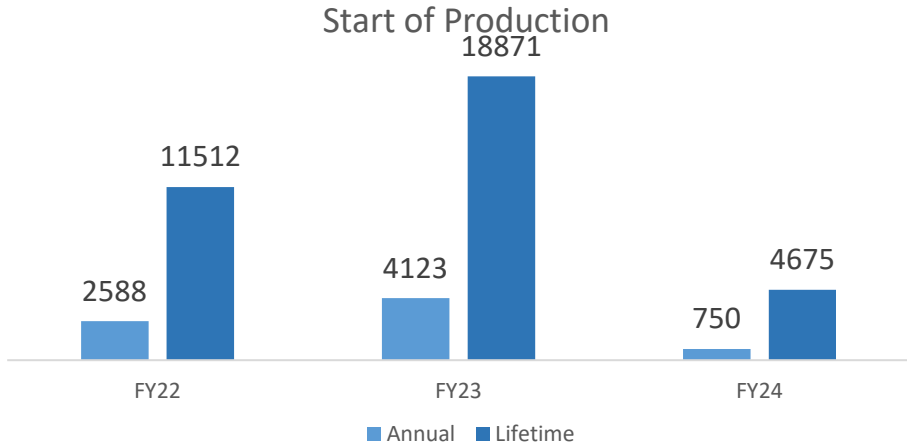
Please Note:- Maximum content which the Company is giving in above category

Current Kit Value in other Segment

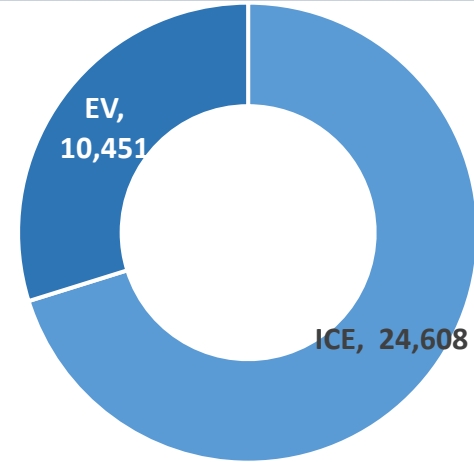


New Business Order wins in FY22 (lifetime revenues of Rs. 35,059 Million)

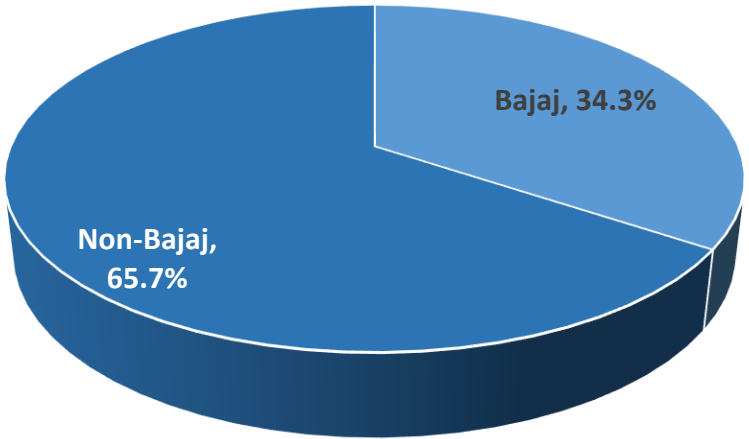
Annual Peak Revenue win of Rs.7,460 Million
 Lifetime Revenue win of Rs.35,059 Million



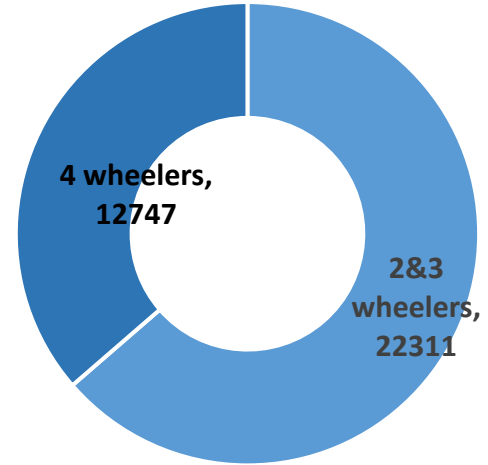
Lifetime Revenue win from ICE & EV Players



Lifetime Revenue win from Customers



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





#6 ESG, Awards & Allocades

Focus on Environment, Social and Corporate Governance

- Varroc is committed towards interweaving sustainable environmental, social and governance practices into its business strategies and is well on its way to create long-term value for all the stakeholders.
- In September 2008, Varroc launched a sustainable Environment, Health and Safety (EHS) strategy plan. Its goal is to be injury-free, while being eco-friendly. Various environmental projects like ZLD, waste utilisation and alternate usage of by-product etc. have been initiated to promote it.
- Varroc has implemented an integrated environmental, health and safety management system at all manufacturing plants globally that is consistent with the ISO 14001 Environmental and OHSAS 18001 Health and Safety Management Systems. This system is certified in compliance with these standards by a third-party registrar, Bureau Veritas.
- The company has also initiated several social programs such as Kham River eco restoration, setting up a solar power plant launching the 'Learn and Earn' scheme along with several sports initiatives.



Kham River Eco Restoration

Undertaken Kham River Eco Restoration for 1.5 km distance which includes cleaning of the river & putting trappers for garbage, constructing & guarding of a green bridge and beautification. The ₹218 lakh project involves 6 green bridges, 1 Eco Park, 2 M.S. metal screens. It has been awarded the 'Times Green Award' from Times of India.



Solar Power Plant

Set up a solar power plant and wind power plant to harness clean and sustainable energy. The Surya Kiran Power Plant in Dhule generates 5 MW power. Moreover, Varroc has invested in windmills and developed solar-powered lanterns in Satara, Supa and Jaisalmer's power-starved neighbourhoods and also undertaken several projects to replenish water in the areas that house our plants.



Learn & Earn Scheme

Varroc has partnered with TISS, a prestigious institution in the field of management and social work to give shape to Learn & Earn Scheme at Varroc Academy. The scheme provides livelihood, job opportunities and a conducive environment to deserving students for their learning. The scheme also tries to develop skills in a broader way through a 3-year course that includes classroom and shop floor learning during production. Varroc sponsors all the training and scholarship fees for the students.



EHS plan

EHS focuses on the following key factors:

- Eliminating operational risks by proactively identifying and controlling hazards
- Preserving the company's assets and complying with all legal norms
- Enhancing EHS skills through training and development
- Reducing environmental impacts and optimising the use of natural resources
- Preventing diseases by maintaining hygiene at work places

Awards & Allocades



Received the 'New Part Development Award' by Honda Motorcycle and Scooter India Private Limited



Given the 'Supplier Quality Excellence Award' by General Motors



Won the '2016 General Motors Quality Excellence award'



Jaguar Land Rover bestowed us with the 'Global Supplier of the Year Award'



Awarded for 'Overall Performance of The Year' by Maruti Suzuki



Performance Award for 'Incoming Quality Improvement' at Suzuki Motorcycles India Pvt. Ltd.'s 2019 Suppliers' Meet.



Named as one of the 'Top 100 Companies' in Czech Republic



Presented with an award for 'Electrical and Electronics Excellence in Automotive Lighting' by the International Centre For Automotive Technology



Awarded the 'Emerging Manufacturing Giant' by the honourable Chief Minister of Maharashtra, India, Mr. Devendra Fadnavis, on behalf of Indian Merchant Chambers



Handed the 'Best Quality Award' by FCA



National Safety Council awarded us for 'Lowest average frequency accident rate and zero accident frequency rate'



#6 Detailed P&L

Detailed P&L

Rs. In Million	Q4 FY22		Q3 FY22		Q4 FY21		FY 2022		FY 2021	
Revenue from Continued Operations	16,519.9		14,886.1		15,043.5		58,442.0		43,738.8	
Other Income	95.6		84.9		347.4		339.3		1,157.4	
Total Revenue	16,615.5		14,971.0		15,390.9		58,781.3		44,896.1	
Raw Material	11,218.8	67.9%	9,779.2	65.7%	9,960.0	66.2%	38,493.6	65.9%	27,907.5	63.8%
Employee Cost	1,448.6	8.8%	1,565.2	10.5%	1,527.1	10.2%	6,192.6	10.6%	5,097.7	11.7%
Finance Cost	370.8	2.2%	353.8	2.4%	226.2	1.5%	1,183.5	2.0%	889.4	2.0%
D&A	835.8	5.1%	785.1	5.3%	693.2	4.6%	3,045.5	5.2%	2,737.9	6.3%
Other Expenses	2,781.1	16.8%	2,797.6	18.8%	2,274.8	15.1%	10,162.4	17.4%	7,353.7	16.8%
PBT from Continued Operation Before JV	-39.7		-309.8		709.6		-296.3		910.0	
Share of Profit/(Loss) from JV	-21.2		30.9		64.0		-4.3		356.3	
PBT from Continued Opeartions	-60.9		-279.0		773.6		-300.6		1,266.3	
Tax Expense	264.8		5.5		304.7		482.3		478.7	
Profit After Tax from Continued Operations	-325.7		-284.5		468.9		-782.8		787.6	
Profit (Loss) from Discontinued Operations	-2,523.9		-2,668.1		-1,912.1		-10,284.4		-7,074.0	
Profit for the Period	-2,849.6		-2,952.6		-1,443.2		-11,067.3		-6,286.4	



#7 Appendix

Rationale & Major Milestones for Closing the Divestment

Rationale



Significant impact on the operating performance of the Varroc Lighting Systems business due to Covid-related disruptions from early 2020



Semiconductor supply shortages have compounded the situation due to lower OEM demand, impacting capacity utilisation, margins and cash flows; full normalisation expected to take another 12-18 months



Varroc has infused significant liquidity in VLS in the last year through QIP and additional borrowings in India, resulting in high leverage, and constraining ability to invest in other growth opportunities



Proposed divestment will enable Varroc to deleverage its balance sheet while enabling VLS to get required support as part of a large global auto-component player

Closure of the Divestment expected by Sept'22

Shareholders Approval

Lenders Approval

Regulatory Approval

Financials for Dis-Continued Operations

Rs. In Million	Q4 FY22	Q3 FY21	Q4 FY21		FY 2022	FY 2021
Revenue	19,730	16,463	21,149		68,899	69,289
EBITDA	-540	-695	-213		-3,130	481
EBITDA %	-2.7%	-4.2%	-1.0%		-4.5%	0.7%
PBT	-2,493	-2,547	-1,951		-10,349	-6,248
PAT	-2,524	-2,668	-1,912		-10,284	-7,074

THANK YOU



TO SPEAK & ACT FROM THE HEART

SINCERITY



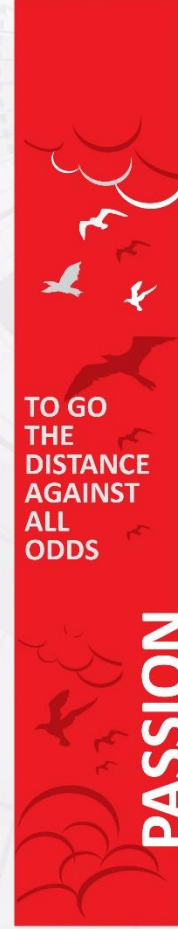
TO WALK WITH EVERYONE

HUMILITY



TO DO WHAT IS RIGHT

INTEGRITY



TO GO THE DISTANCE AGAINST ALL ODDS

PASSION



TO MAKE IT HAPPEN

SELF DISCIPLINE