

# Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2022-23/54

August 12, 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

Dear Sir/Madam,

**Sub: Investor Presentation - Financial Results Q1/FY 2022-23**

Please find enclosed a copy of Investor Presentation on the Unaudited Financial results (Consolidated & Standalone) for the quarter ended on June 30, 2022.

Kindly take the same on record and note the compliance.

**For Varroc Engineering Limited**

A handwritten signature in blue ink, appearing to read 'Ajay Sharma', with a stylized flourish at the end.

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

**Encl:** a/a

# Varroc Engineering Ltd

## Financials Results Q1FY23



# 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

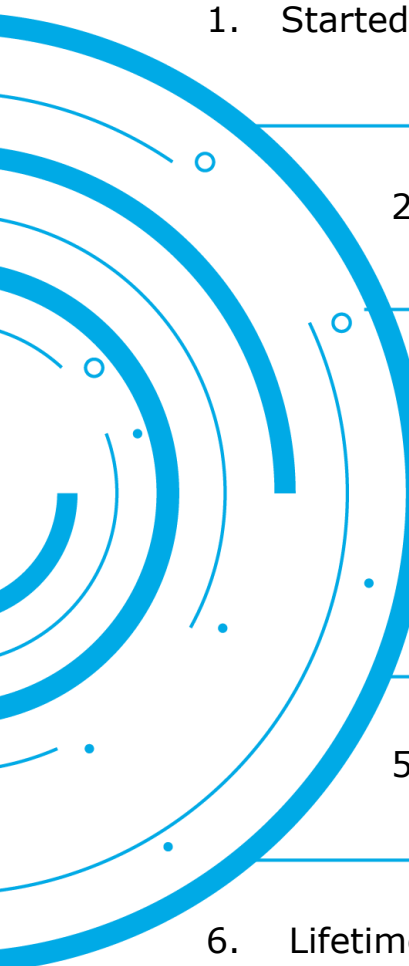
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- 1. Highlights**
- 2. Industry Performance**
- 3. Financials**
- 4. New Business Win**
- 5. Opportunity in Mega Trends**
- 6. Update on Discontinued Operations**
- 7. Appendix: About Varroc Engineering**



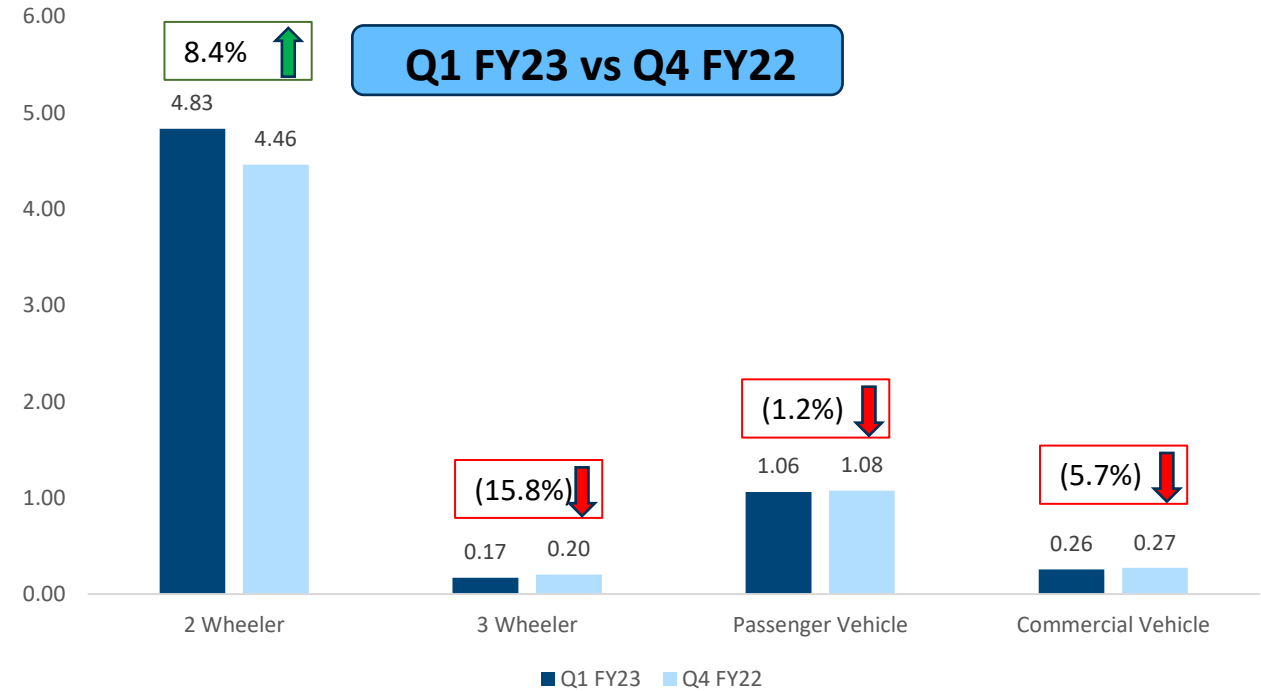
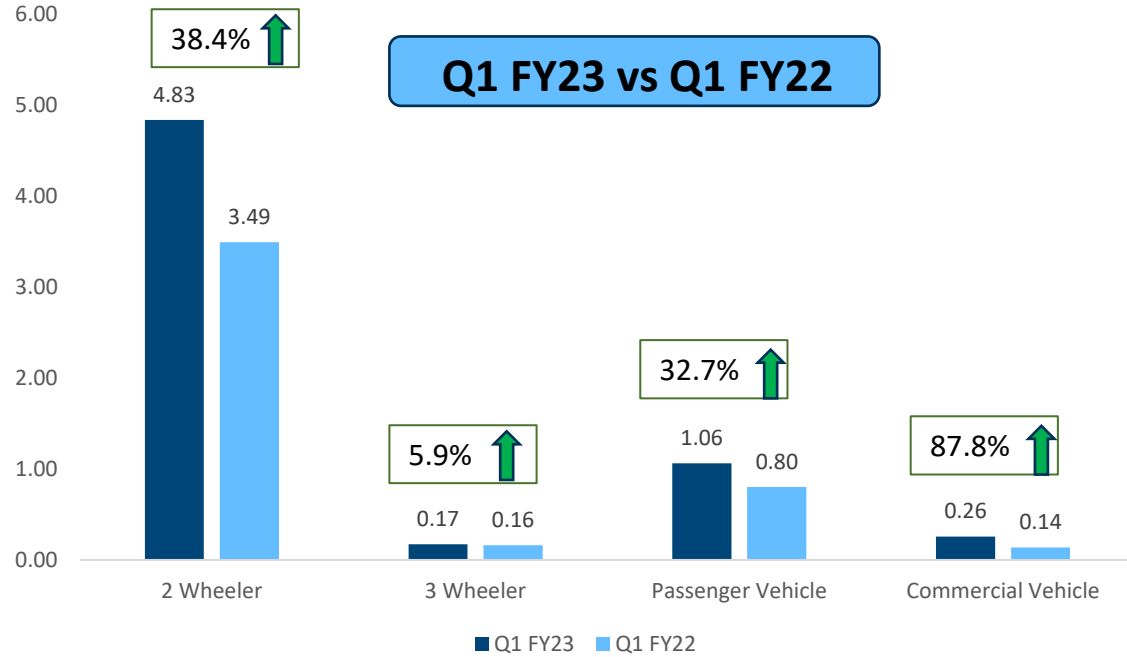
# Highlights Q1 FY23

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- 
1. Started mass production of both Traction Motor & Traction Controller for our Anchor Customer
  2. In record time(3 months) developed EFI as per the design of the customer and started supply
  3. Revenue growth for the Quarter on YoY basis for Continuing Operations (excluding divestment) is 36.3% which outperforms market growth
  4. EBITDA for Continuing Operations sequentially improves by 210 bps to 8.2% in Q1 FY23
  5. Lifetime revenues from new orders won of Rs.14,673 million
  6. Lifetime revenues from new order wins in 2W EV segment from 3 Customers (Incumbent & New) of Rs. 4,837 million



# India Automotive Production Number



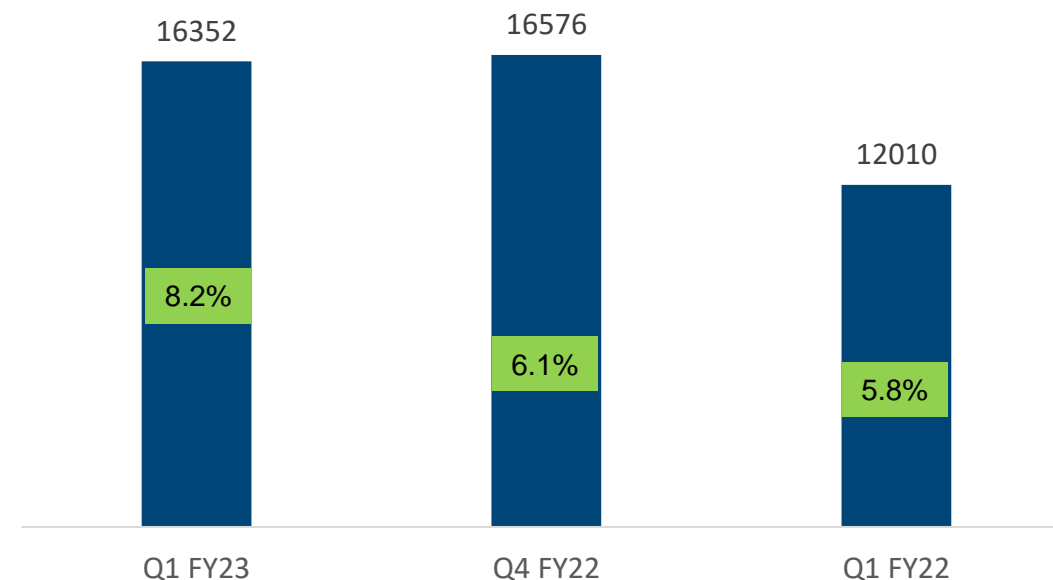
- Low base of last year due to second wave of Covid has resulted into good growth across all segments
- Supply issues related to semi-conductor results in muted growth for some 2W OEM's in Q1 FY23.

- General Cyclicity of the Industry from Q4 to Q1 was visible during the Quarter
- Despite cyclicity, growth in 2W is heartening and we expect growth to pick up for 2W going ahead



# Financials For Continued Operations

Rs. In Million	Q1 FY23	Q4 FY22	Q1 FY22
<b>Revenue*</b>	<b>16,352</b>	<b>16,576</b>	<b>12,010</b>
EBITDA	1,347	1009	698
EBITDA Margin	8.2%	6.1%	5.8%
Operational PBT before JV	138.3	-158.8	-181.8
Forex Exchange (Loss)/Gain	-96.8	119.2	1.3
Share of Profit/(loss) from JV	-45.1	-21.2	-25.5
PBT	-3.6	-60.9	-206.0

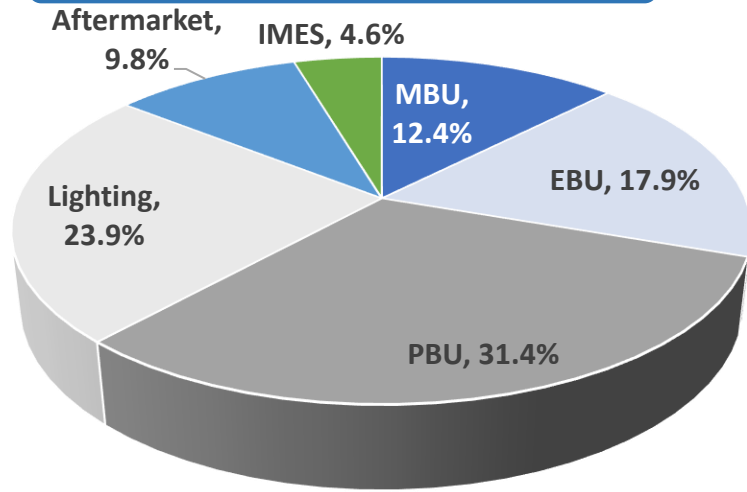


- Revenue from operations continues its strong momentum and grows by more than 36% on YoY basis
- Improvement in EBITDA Margin on YoY basis is due to Operating Leverage
- Improvement in EBITDA Margin on QoQ basis is due to increase in Gross Margin
- Operational PBT before JV for the quarter is back to positive but reported PBT is impacted by MTM on forex balance and loss in JV

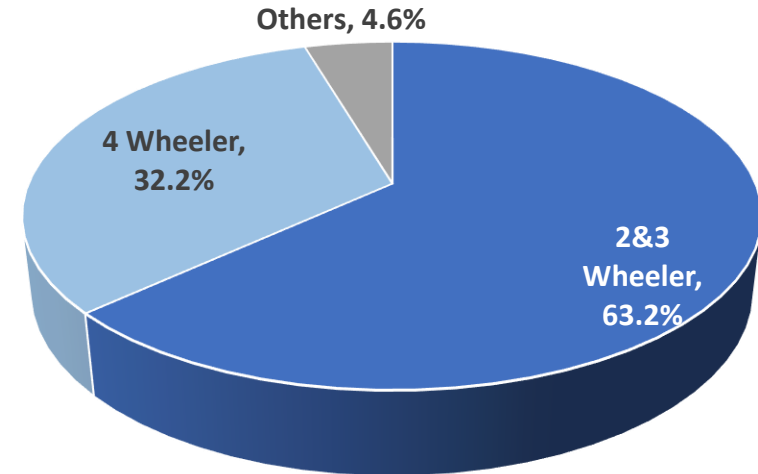


# Revenue Breakdown for Q1 FY23 for Continued Operations

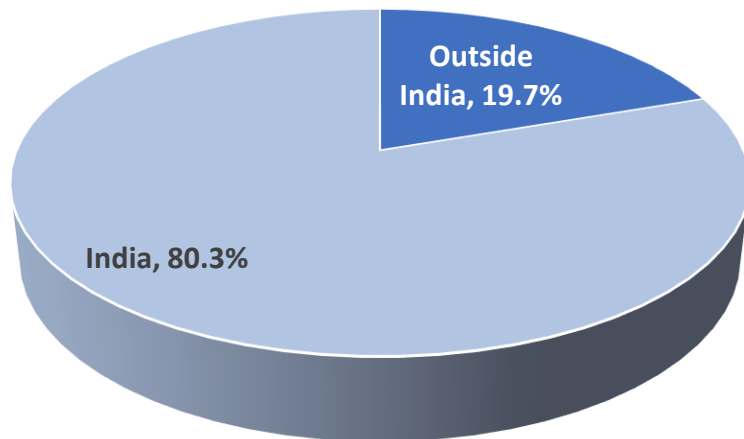
## Business Unit



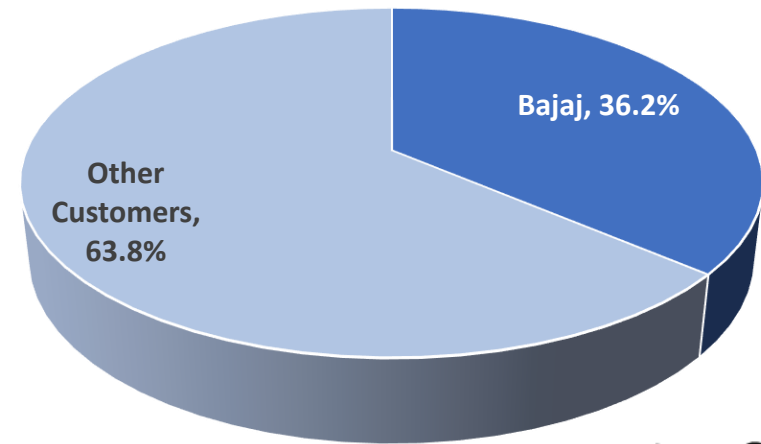
## Segment



## Geography



## Customer



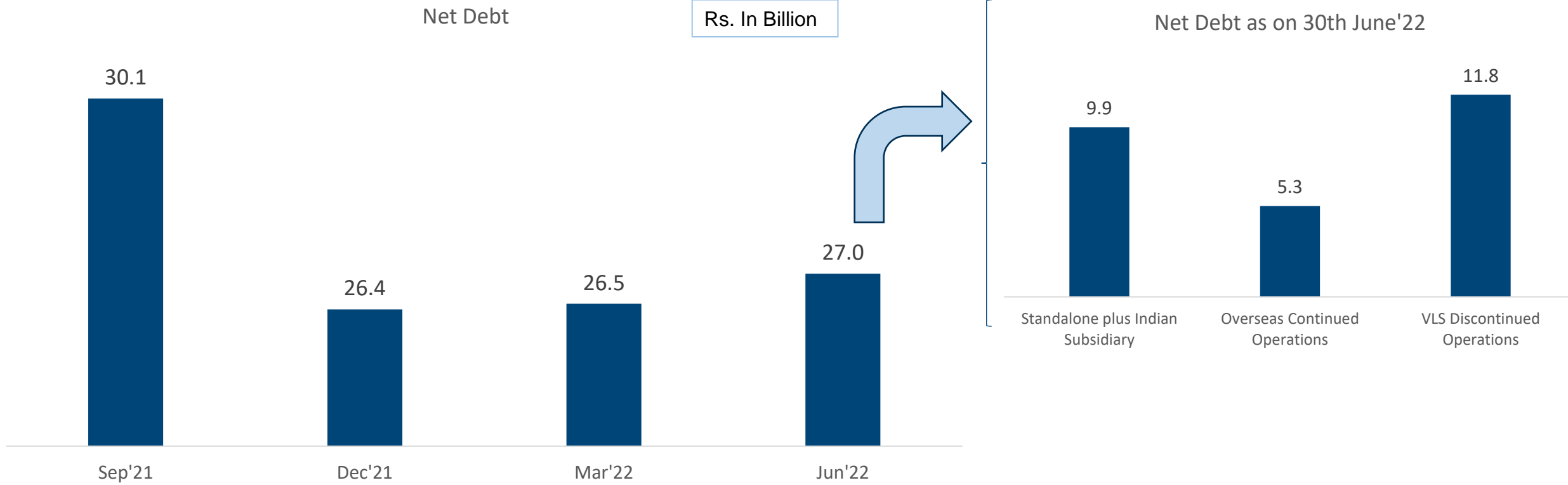


# Varroc Group Business Performance

Rs. In Million	Q1 FY23	Q4 FY22	Q1 FY22
<b>India Operations</b>			
Revenue*	12,721	12,493	9,540
EBITDA Margin^	9.9%	9.7%	7.3%
<b>VLS Remaining Operations</b>			
Revenue*	3,015	3,283	1,933
EBITDA Margin^	1.7%	-1.2%	5.2%
<b>Others Operations (IMES)</b>			
Revenue*	746	904	741
EBITDA Margin^	6.8%	-10.5%	-1.0%
<b>Conso. Continued Operation</b>			
Revenue*	<b>16,352</b>	<b>16,576</b>	<b>12,010</b>
EBITDA Margin^	8.2%	6.1%	5.8%

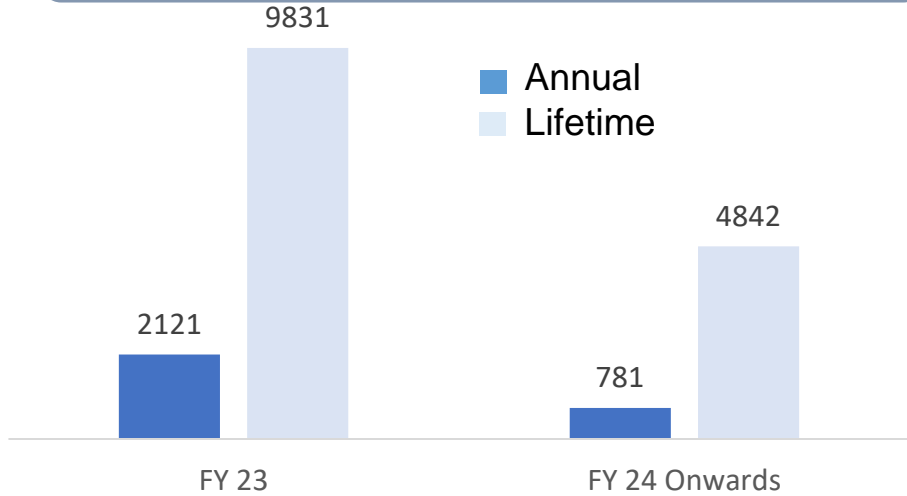


# Leverage and Cash Flow

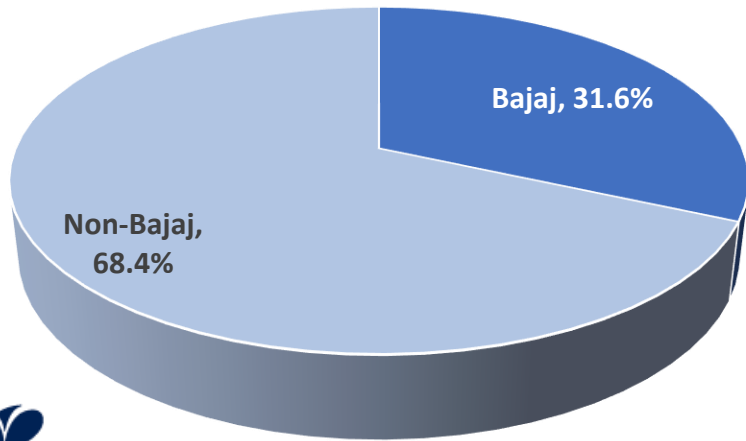


# New Lifetime Order Win in Q1 FY23

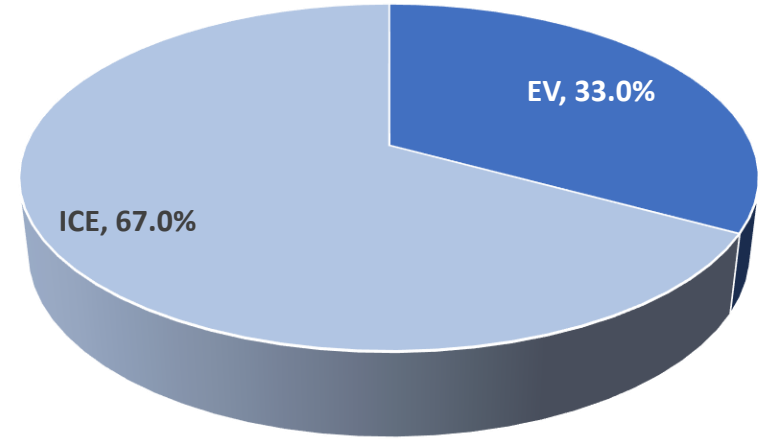
Annual Peak Revenue win of Rs.2,902 Million  
Lifetime Revenue win of Rs.14,673 Million



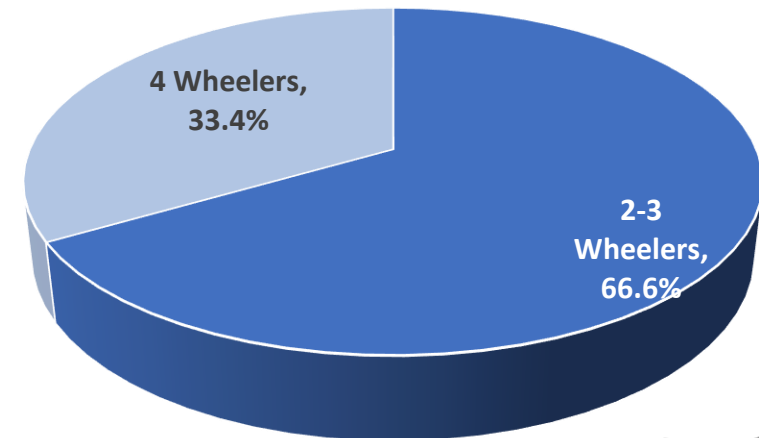
Lifetime Revenue win from Customers



Lifetime Revenue win from ICE & EV Players



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



# 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)**



(Localized manufacturing for OBC & BMS)



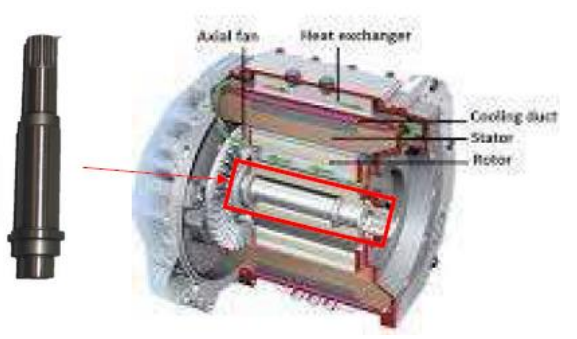
EV Fan

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	Total @ Installed	Expected revenue in FY25
		expectations based on Investec Research (Rs per 2W) *	Capacity (Rs Crs) #	for current business based on SOB and industry price (Rs Crs)
	Traction motor	11,000		
	Controller	5,000		
	DC-DC converter	1,400	866	700
	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>700</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

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

3W	Component	Industry product price	Total @ Installed	Expected revenue in FY25
		expectations based on Investec Research (Rs per 2W) *	Capacity (Rs Crs) #	for current business based on SOB and industry price (Rs Crs)
	Traction motor	15,000		
	Controller	8,000		
	DC-DC converter	1,500	368	306
	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>1006</b>



# Commercial Production of Traction Motors & Controller

## ALL THE TRACTION AN EV NEEDS FOR **PEAK PERFORMANCE.**

Varroc's Traction Motor & Controller are specially designed and developed to match each electric vehicle's requirement and optimize its performance. So, you can build EVs that drive like a dream.



One-stop solution for motor & controller



Flexible & agile production with localised design, development & manufacturing



Customisation for vehicle specific requirements

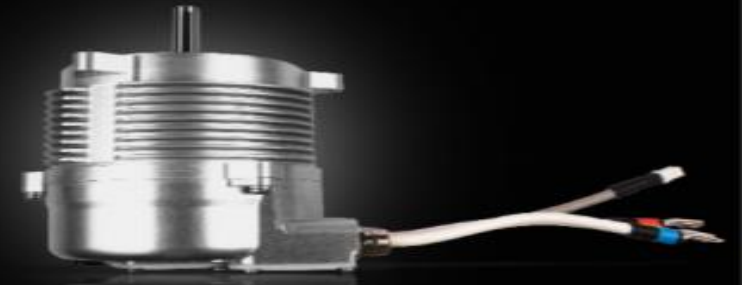


Up to 98% controller efficiency



Up to 94% motor efficiency

TRACTION MOTOR



TRACTION MOTOR CONTROLLER



# Rationale and Major Milestone

## 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  
(DONE)

Lenders Approval  
(ONGOING)

Regulatory Approval (UK, EU,  
Morocco Received, Only  
Mexico Pending)

# Financials for Discontinued Operations

Rs. In Million	Q1 FY23	Q4 FY22	Q1 FY22
Operational Revenue	19,453	19,730	17,466
Operational EBITDA	-248	-391	-491
Operational EBITDA %	-1.3%	-2.0%	-2.8%
Depreciation*	0	1802	1500
Operational PBT	-401	-2344	-2087
MTM Forex Gain (Loss)	-378	-149	-126
PBT	-779	-2493	-2214
TAX	24	31	84
PAT	-803	-2,524	-2,129



\*Please note that as per AS 105 we cannot depreciate the asset since the business is held for sale

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#

## Annexure (Overview of 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

## PARTNERSHIPS

DELLORTO

CANDERA

Heraeus

CarIQ

MEKRA  
LANG

SCARPA & COLOMBO  
VALVOLE PER MOTORI

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## Four primary business lines:



**ELECTRICAL -  
ELECTRONICS**



**LIGHTING**



**POLYMER**

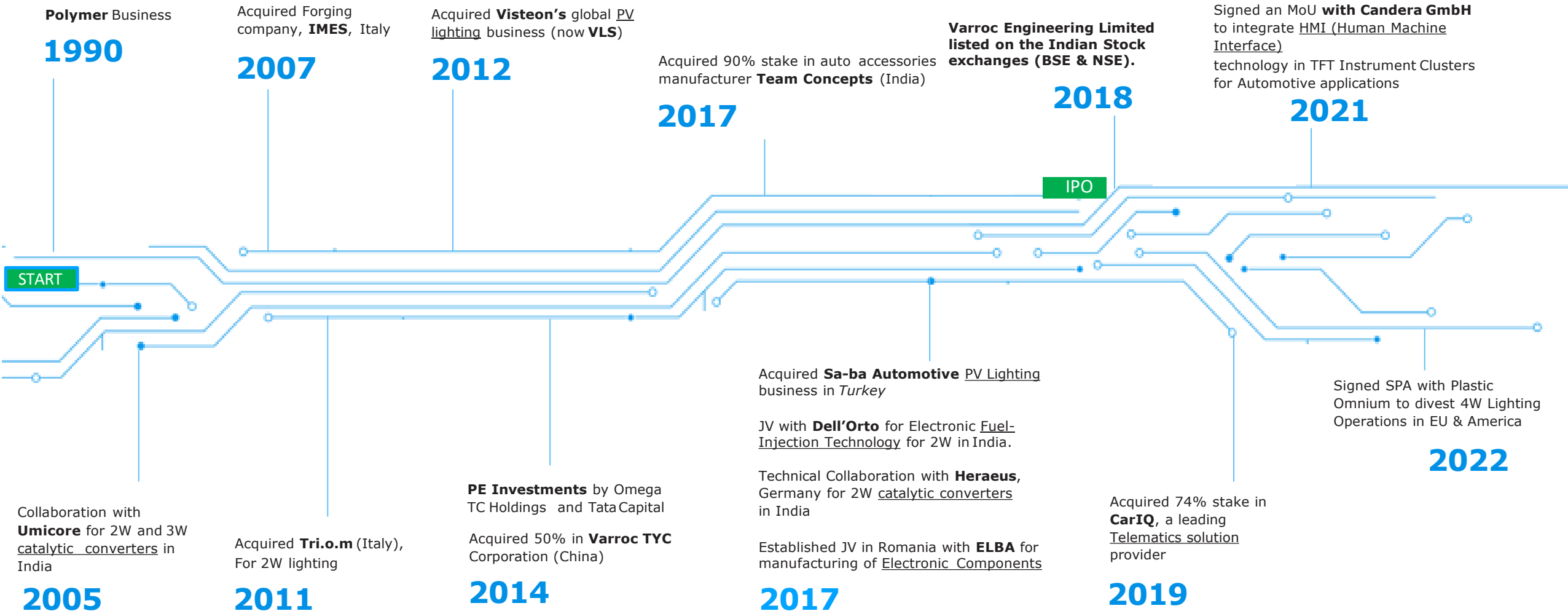


**METALLIC  
(Forging and Valves)**

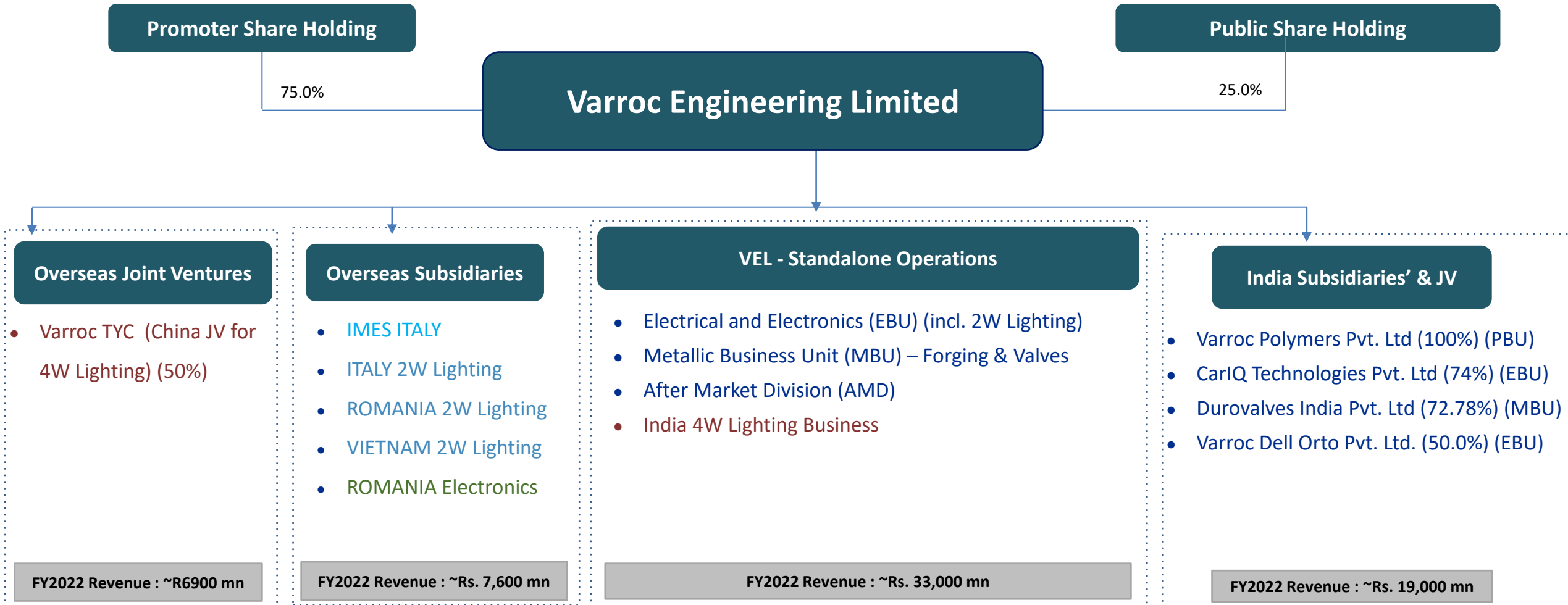


# Our Journey

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



# Symmetric Representation of Varroc (Post Divestment)



# Diversified Business for Global Customers

	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"> <li>Global supplier of exterior lighting systems for passenger car OEMs</li> </ul>	<ul style="list-style-type: none"> <li>Offers polymer solution providers to the 2W OEMs with a Pan-India presence</li> </ul>	<ul style="list-style-type: none"> <li>Offers complete solutions in electrical-electronics components, assemblies for automotive applications</li> </ul>	<ul style="list-style-type: none"> <li>Supplies precision forged &amp; machined parts for engines and transmissions</li> <li>Supplies engines valves in domestic and international markets</li> </ul>	<ul style="list-style-type: none"> <li>Manufactures hot steel forged parts for the construction and oil &amp; gas industries</li> </ul>
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



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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

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# 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



## 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



## Arjun Jain

President – Electrical  
Business Unit and  
Whole-time Director

- Total Experience: ~9 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



## Sethumadavan D.

President –Polymer  
Business

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



## T. R. Srinivasan

Group Chief Financial Officer

- Total Experience: ~32 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



## 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

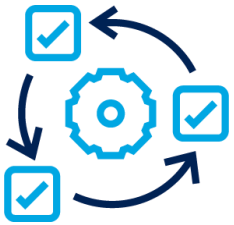


CarIQ



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# Customer Centric Manufacturing Company



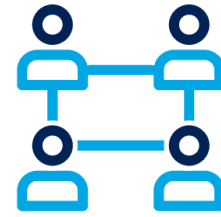
**AGILITY**



**PROXIMITY**



**DIGITALIIZATION**



**BD & KAM  
STRUCTURE**



**WHAT NEXT  
(INNOVATION)**



# Cost Leadership in Manufacturing



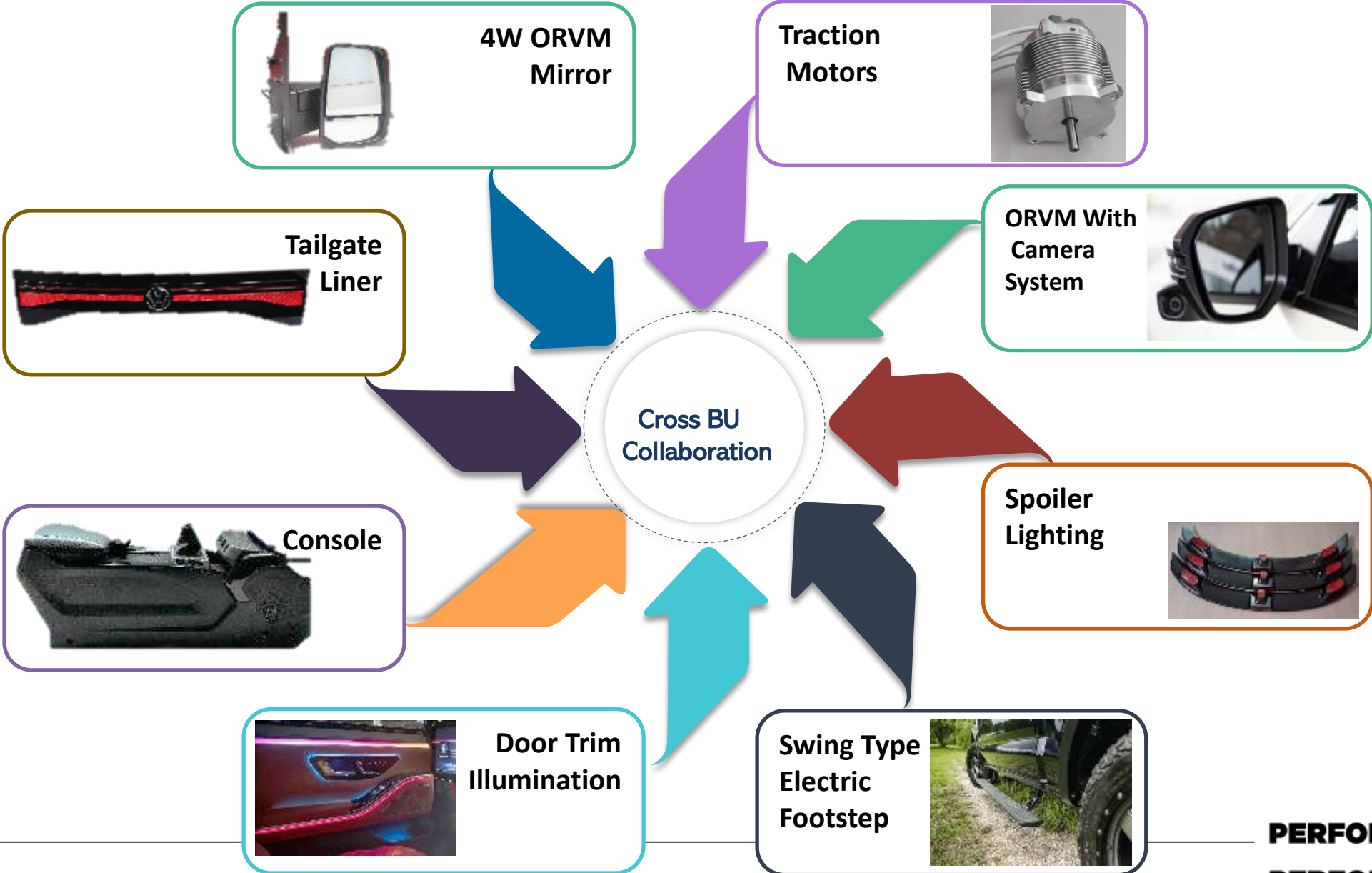
**1 | SOURCING**

**2 | VALUE ADDITION &  
VALUE ENGINEERING**

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



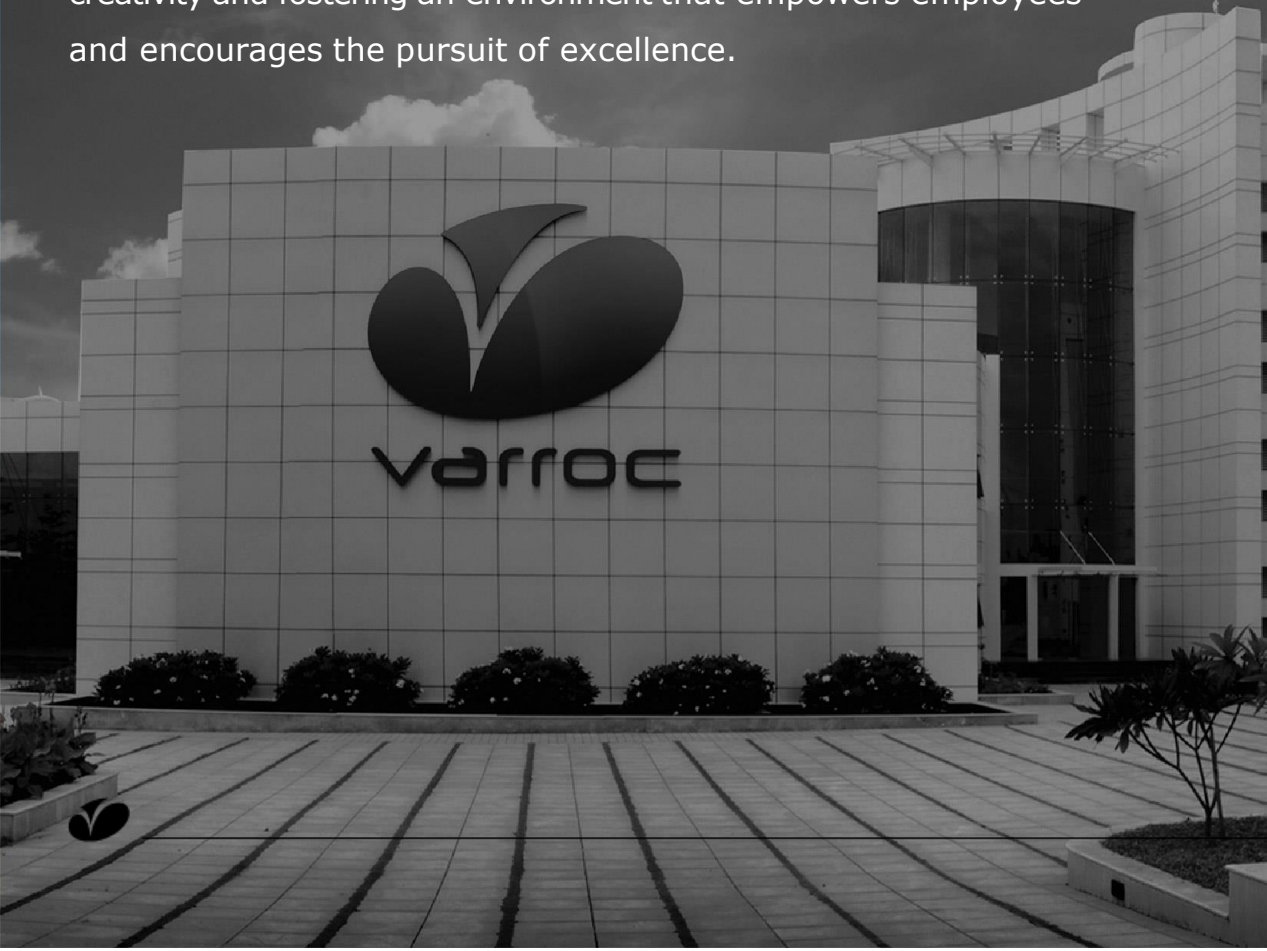
# Cross Business Unit Collaboration



# Why Varroc?

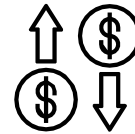
## Varroc's Vision Statement

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



### 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

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# Thank You

Our Core Values

## Sincerity



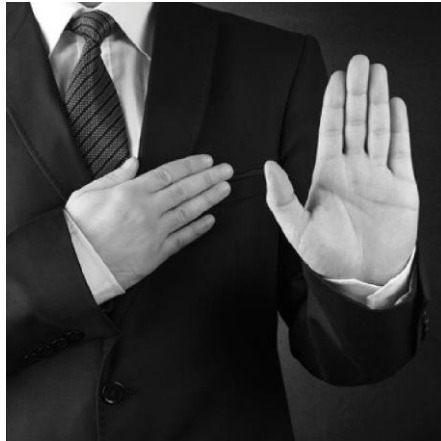
To speak and act from the heart

## 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