

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2018-19/49
February 08, 2019

To,

(1) 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.

(2) The Manager - Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

NSE Symbol: VARROC

BSE Security Code: 541578

Security ID: VARROC

Dear Sir/Madam,

Sub: Investor Presentation - Financial Results Q3 2018-19.

Please find enclosed herewith Investor Presentation on Unaudited Standalone and Consolidated Financial Results of the Company for the Quarter and nine months ended 31st December 2018.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Varroc Engineering Limited

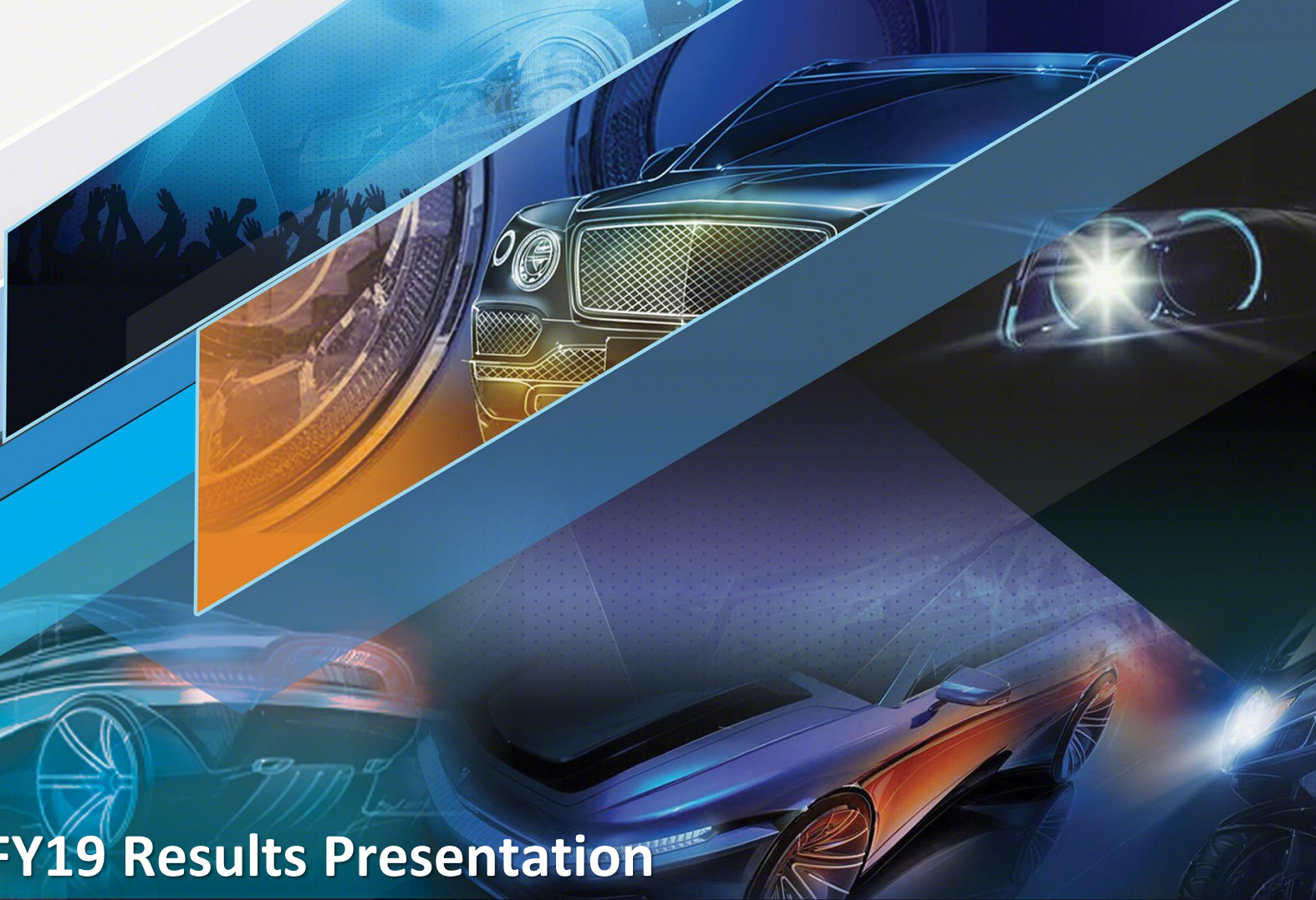


Rakesh Darji
Company Secretary & Compliance Officer

Encls: Investor Presentation on Unaudited Financial Results for the Quarter and nine months ended 31st December 2018.



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Q3 & 9M FY19 Results Presentation



Disclaimer



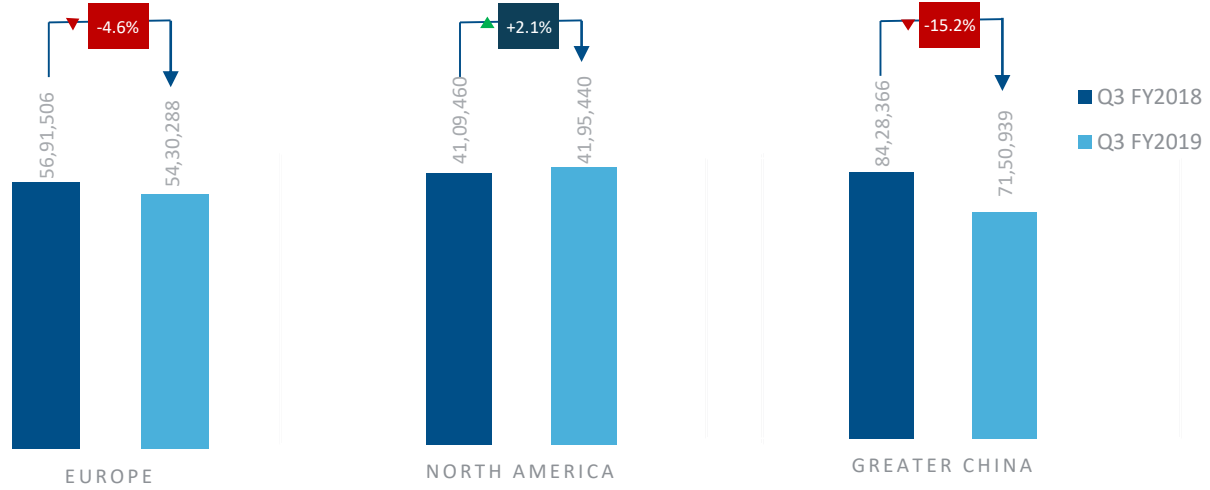
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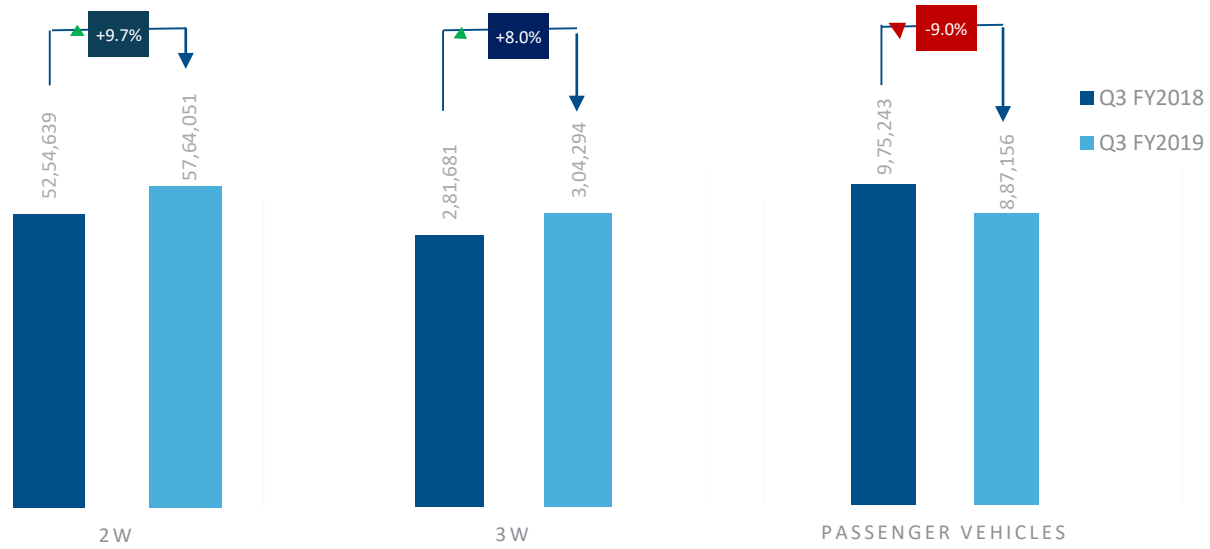
Industry Trends in Q3 FY19

Global Passenger Cars Market Production



- Global Passenger Vehicle production declined in Q3 FY19
- Decline in Europe and China due to the impact of ongoing political uncertainties, EU diesel regulations, US - China trade sanctions and negative consumer sentiments in China continued in Q3 FY19

India Industry Trend : Production YoY



- Domestic Sales growth in Q3 was subdued with Passenger Vehicles (-0.8%) and 3W (-6.8%) declining YoY and 2W slowing(+8.5%) as compared to H1
- Exports for PVs showed a 18.6% decline YoY; 2W & 3W exports continued to grow but at a slower pace than in H1 (2W +12% YoY and 3W +33%YoY)

Business Highlights : Q3 FY19

- Revenue from Operations for Q3 FY19 up by 18.3% YoY#
- EBITDA increased by 40% YoY*
- India Business: strong performance with 22.6% Revenue growth and 150 bps EBITDA margin improvement
- VLS: Revenue growth of 8% in Euro terms in spite of challenging market conditions; margin improved by 140bps YoY to 7.7%
- VLS: China revenue de-growth of 37.7% YoY; share of profit at INR 62 Mn as against INR 278 Mn in Q3 FY18
- Tax rate higher in Q3 due to higher share of India profit and timing difference for Czech tax credits
- Reported Consolidated PAT for the quarter at INR 1,022 Mn
- Brazil launch of 1st program with SOP in Jan. 2019 complete; Morocco on track for SOP in February and work progressing on construction of Phase II

Varroc Group: Summary Key Financials

Q3 & 9M FY19



(INR Mn)

Particulars	Q3 FY 19	Q3 FY18	Growth (Y-o-Y)	9M FY 19	9M FY18	Growth (Y-o-Y)
Revenue from Operations - Reported	29,550	25,405	16.3%	88,831	73,939	20.1%
Revenue from operations : like-for-like	29,276	24,745	18.3%	88,029	70,898	24.2%
Other income - Operating	106	76		434	207	
Other income - Non operating	72	1		187	8	
EBITDA - Reported *	2,779	2,090	33.0%	8,392	6,540	28.3%
EBITDA : like-for-like \$	2,737	1,955	40.0%	7,872	6,089	29.3%
EBITDA Margins (%) \$	9.3%	7.9%		8.9%	8.6%	
Share of net profits of JVs under equity method	62	278	-77.7%	264	532	-50.4%
PBT - reported	1,266	1,259	0.6%	4,054	3,672	10.4%
PAT - reported	1,022	1,170	-12.7%	3,035	3,080	-1.5%
Net Debt	22,018	14,520	51.6%	22,018	14,520	51.6%
Net Debt to Equity	0.7	0.6		0.7	0.6	

*EBITDA = Profit before share of net profits of investments plus depreciation plus finance cost less non-operating portion of other income
 \$ like-for-like excludes impact of Interior Plastics business closure in North America, Ind AS 115 and other items as explained in slide no 9

Varroc Group: Business Wise Performance

Q3 FY19



(INR Mn)

SBU	Q3 FY19					Q3 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	10,567	10,567	1,257	1,257	11.9%	8,689	8,617	899	899	10.4%	22.6%
VLS	17,875	17,601	1,402	1,361	7.7%	15,767	15,180	1,096	961	6.3%	15.9%
Others*	1,251	1,251	150	150	12.0%	1,012	1,012	92	92	9.1%	23.6%
Elimination	(143)	(143)	(31)	(31)		(64)	(64)	3	3		
Total	29,550	29,276	2,779	2,737	9.3%	25,405	24,745	2,090	1,955	7.9%	18.3%
China JV - 50%	1,029	1,029	98	74	7.2%	1,651	1,651	315	315	19.1%	-37.7%

Euro Performance for VLS

SBU	Q3 FY19					Q3 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	217	214	17.0	16.5	7.7%	206	198	14.3	12.6	6.3%	8.0%

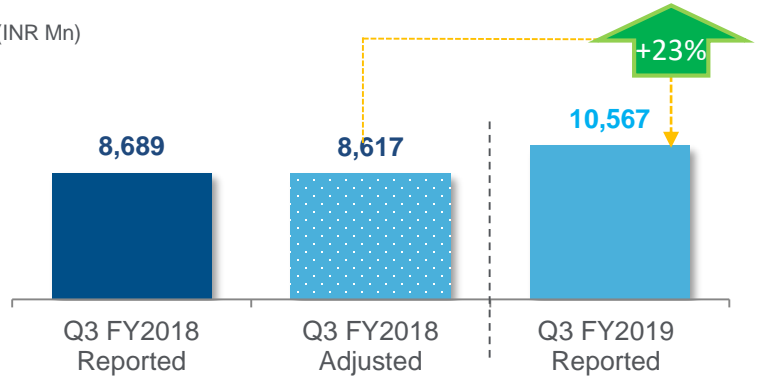
Exchange rates : INR/Euro Average for Q3 FY19 = 82.3 ; INR/Euro Average for Q3 FY18 = 76.2

- Excludes Excise Duty, Interiors Business and impact of Ind AS 115
- #EBITDA : like-for-like is for continuing operations and excludes impact of interiors business closure in North America and other items as explained in slide no 8

India Business : Financial Performance

Revenue

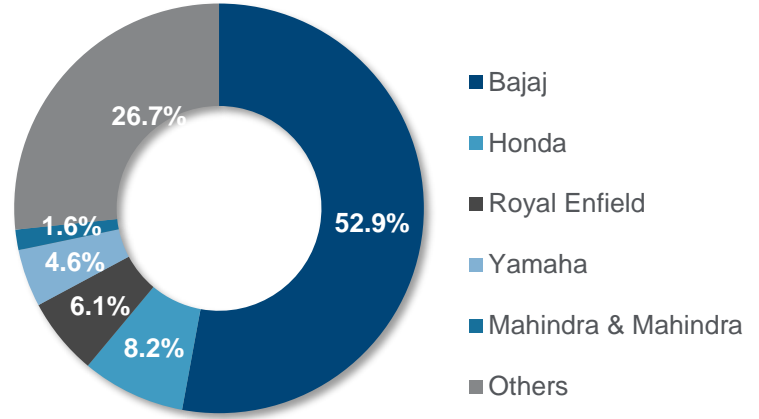
(INR Mn)



Strong growth across divisions and customers

India Revenue Split by Customer⁽¹⁾

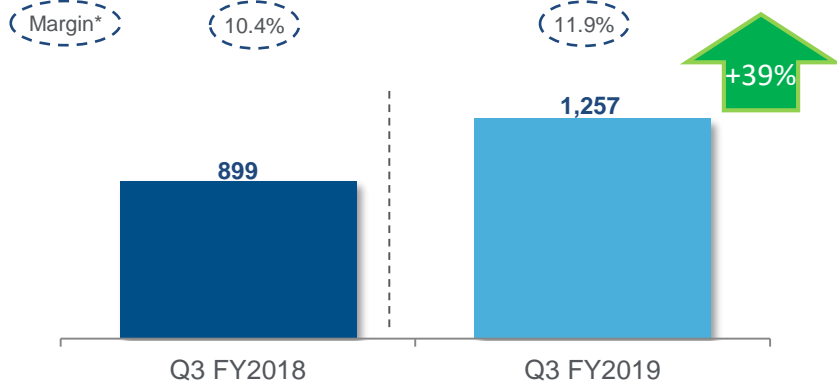
Q3 FY 2019, %



EBITDA

(INR Mn)

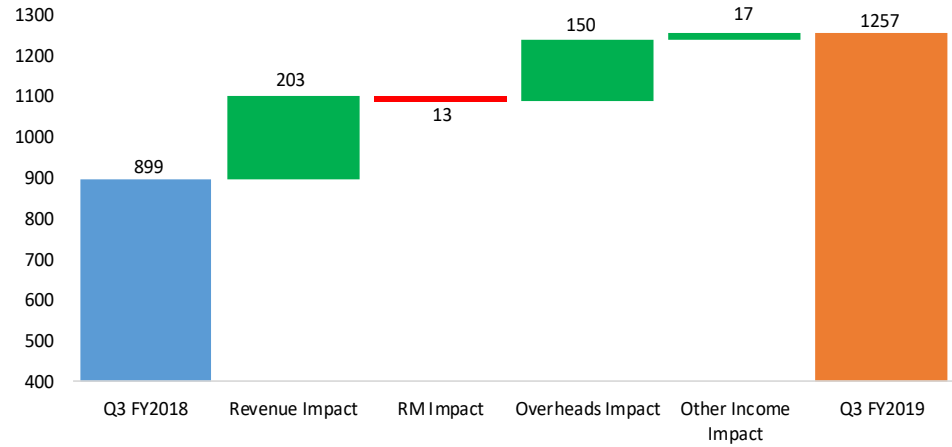
Margin*



EBITDA margins increased by 150 bps YoY

EBITDA variation analysis

Q3 FY 18 Vs Q3 FY19



EBITDA improvement as a result of higher revenue and operating leverage

* On Revenue excl. Excise Duty

Note: (1) Based on management information system database
Non-operating portion of other income not considered while calculating EBITDA

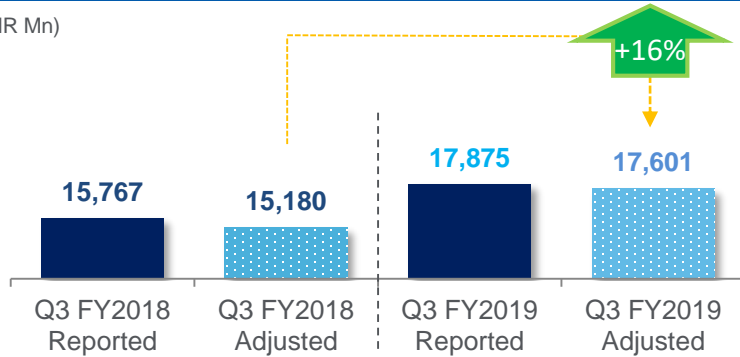
Global Lighting Business (VLS): Financial Performance



Revenue (1)

50% China Joint Venture:
Q3 FY 18 Revenue: 1651 Mn INR
Q3 FY 19 Revenue: 1029 Mn INR

(INR Mn)

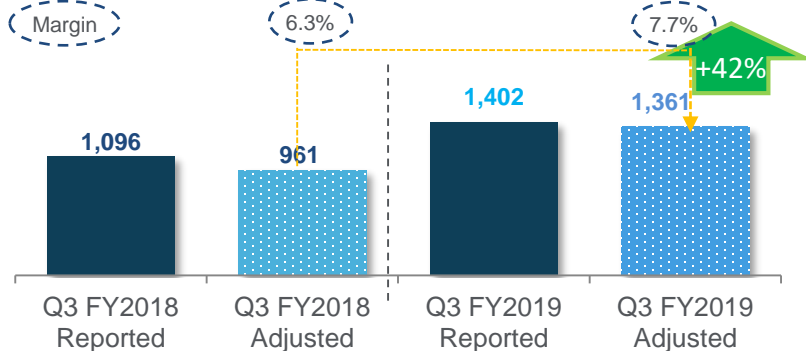


8.0% YoY revenue growth in Euro terms

EBITDA (1) & Adjusted EBITDA (3)

(INR Mn)

50% China Joint Venture:
Q3 FY 18 EBITDA / Margin: INR 315 Mn / 19.1%
Q3 FY 19 EBITDA / Margin: INR 74 Mn⁽³⁾ / 7.2%

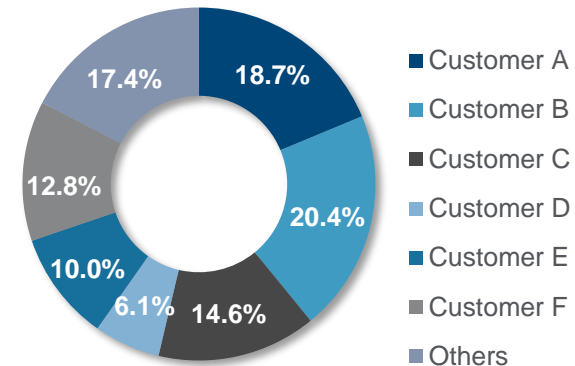


Eur Mn	14.3	12.6	17.0	16.5
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31%YoY EBITDA growth in Euro terms

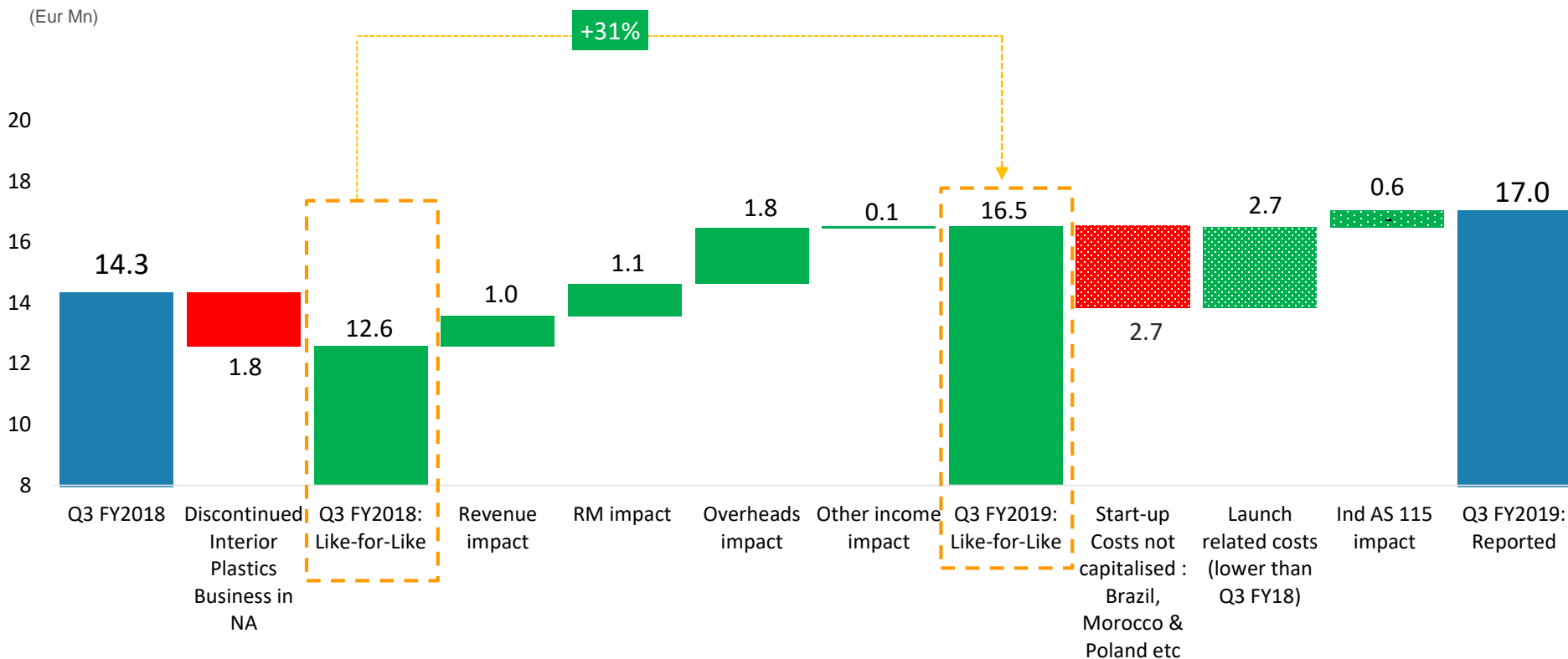
VLS Revenue Split by Customer⁽²⁾

Q3 FY 2019, %



Note: (1) China JV revenue and EBITDA not included in the reported numbers; (2) Total Revenue break-up in Euro for Q3 FY19 excl VTYC; Customer A is an American multinational car manufacturer, Customer B is a large British car manufacturer, Customer C is an American electric car manufacturer, Customer D is an international automotive manufacturer, customer E is a large European car manufacturer & customer F is a global automotive manufacturer headquartered in Europe (3) Adjusted for closure of Interiors Business in North America, Ind AS 115 impact removed & Excise Duty impact adjusted for VLS India

Global Lighting Business (VLS): EBITDA variation analysis



- Overhead costs, contained in spite of higher revenue
- Launch activity during the quarter was lower as compared to Q3 FY18 and as a result, launch costs too were lower on a comparable basis

Varroc Group: Business Wise Performance

9M FY19



(INR Mn)

SBU	9M FY19					9M FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	32,495	32,495	3,744	3,744	11.5%	26,724	25,770	2,769	2,769	10.7%	26.1%
VLS	52,642	51,841	4,209	3,692	7.1%	44,387	42,299	3,515	3,064	7.2%	22.6%
Others	3,987	3,987	487	487	12.2%	2,981	2,981	276	276	9.3%	33.7%
Elimination	(294)	(294)	(48)	(48)		(152)	(152)	(20)	(20)		
Total	88,831	88,029	8,392	7,875	8.9%	73,939	70,898	6,540	6,089	8.6%	24.2%
China JV - 50%	3,756	3,756	462	401	10.7%	4,706	4,706	719	719	15.3%	-20.2%

Euro Performance for VLS

SBU	9M FY19					9M FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	648	638	52	45	7.1%	598	570	47	41	7.2%	12.0%

Exchange rates : INR/Euro Average for 9M FY19 = 79.87; INR/Euro Average for 9M FY18 = 74.22

- Excludes Excise Duty, Interiors Business and impact of Ind AS 115
- #EBITDA : like-for-like is for continuing operations and excludes impact of interiors business closure in North America and other items as explained in slide no 8

R & D / Business Updates

Global Lighting Business

- **CES Show Las Vegas:** VLS showcased various technologies in the fields of personalization, connectivity/communication, innovative styling, and autonomous vehicles at the CES show.

Focused technologies and products showcased :

- Adaptive Driving Beam (ADB) Demo Box
- Concept Car showing how lighting can be used for personalization, communication and the integration of sensors to support ADAS functionality
- Low cost innovations Surface-LED to replace OLED, and low cost LED headlamps and matrix



R & D / Business Updates

Polymer

- Increased traction in the 4W segment with significant business wins from leading OEMs
- Our differentiated and unique molding technology for light weighting and paint elimination has won business with a leading 4W player and has generated huge interest with 2W players

Electrical

- Developed in-house advanced telematics devices and progressing towards complete telematics solutions for 2W
- In-house developed EV traction motor for 2W; prototype undergoing tests

Facility Readiness – Brazil

Decorating / Cleaning



Molding



Assembly line



Assembly line



Construction Status – Morocco, Phase II

Phase II (Marked with orange outline)



Metallic Structure – Phase II

Morocco Phase II – Construction activity progress



Metallic Structure – Phase II



Business Outlook

India Business

- Indian 2W/3W market : After a soft festival season, start to Q4 FY19 weaker than expected

VLS Business

- Europe: Impact of Brexit uncertainty and new diesel regulations expected to continue
- Czech: operational efficiencies at Czech plants started to show improvements
- Turkey: integration of acquisition progressing as planned; business performance in line with expectations
- China: market sentiments continue to be weak. Recovery not expected until second half of 2019

Thank You