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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2020-21/18

June 30, 2020

To,

- (1) The Manager – Listing
The Listing Department,
National Stock Exchange of India Limited BSE Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai-400051.
- (2) The Manager - Listing
The Corporate Relation Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

NSE Symbol: VARROC

BSE Security Code: 541578
Security ID: VARROC

Dear Sir/Madam,

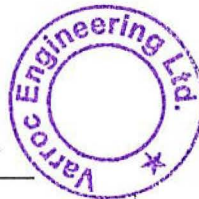
Sub: Investor Presentation - Financial Results Q4/FY 2019-20

Please find enclosed updated Investor Presentation on the Audited Financial results (Consolidated & Standalone) for the quarter / Financial Year ended on March 31, 2020.

Kindly take the same on record and note the compliance. ...

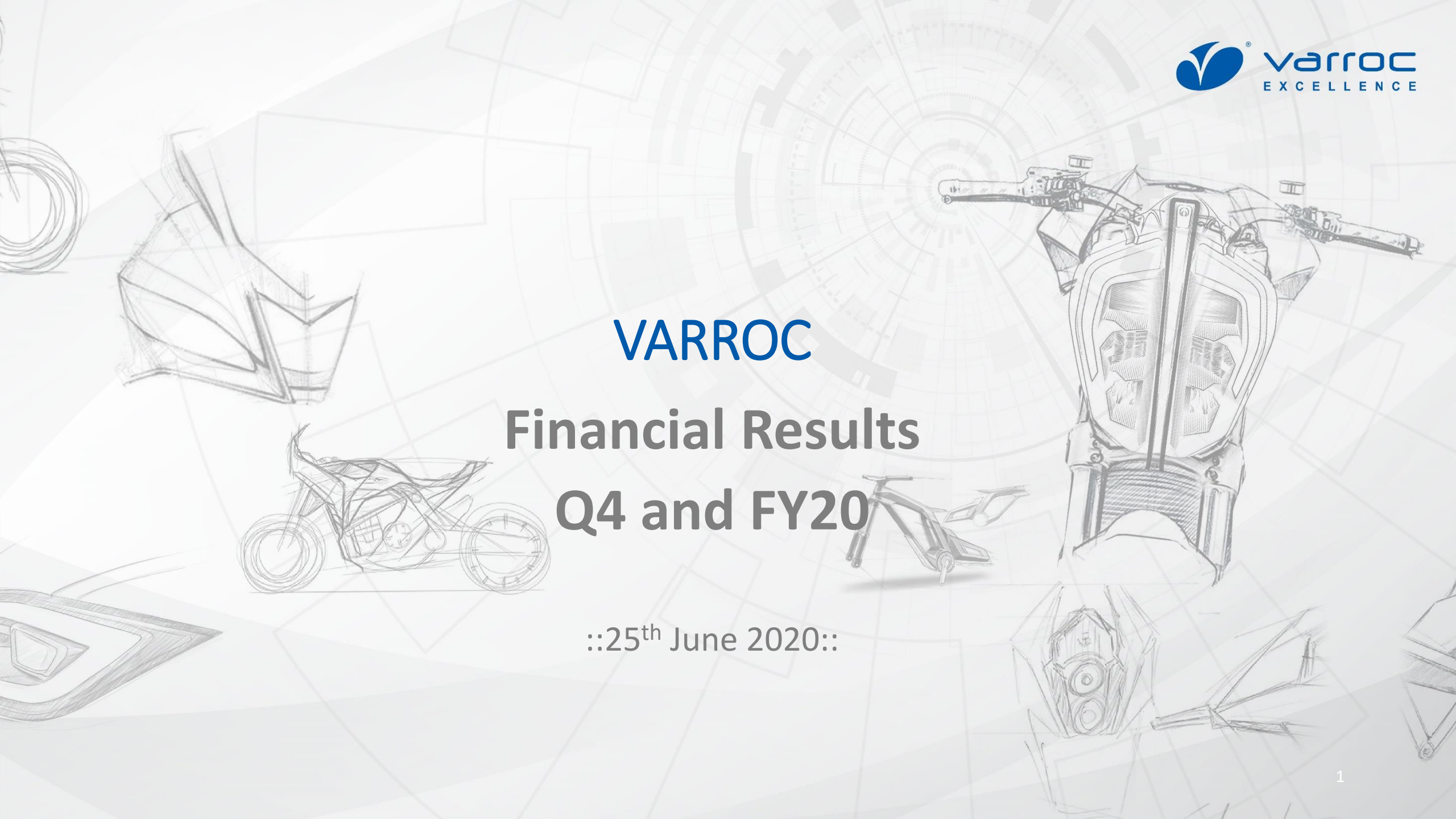
Thanking you,

Yours faithfully,
For Varroc Engineering Limited



Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a



VARROC
Financial Results
Q4 and FY20

::25th June 2020::

Disclaimers

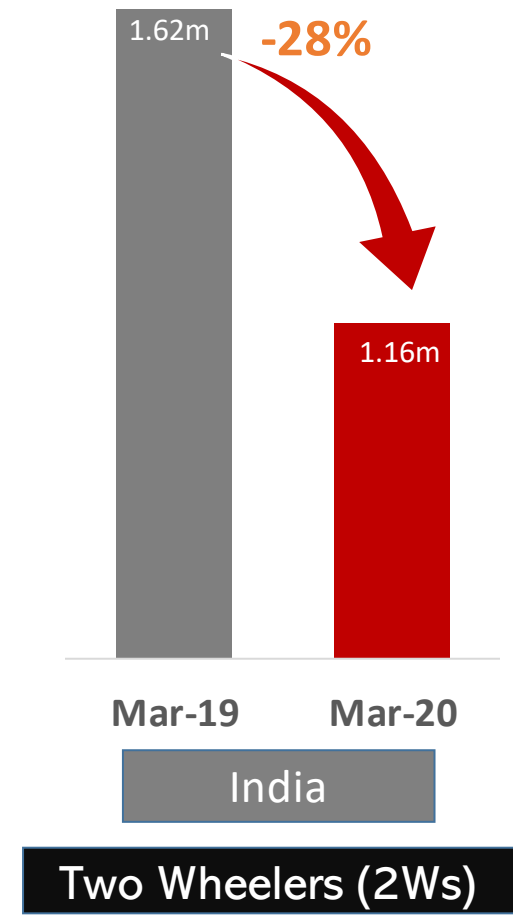
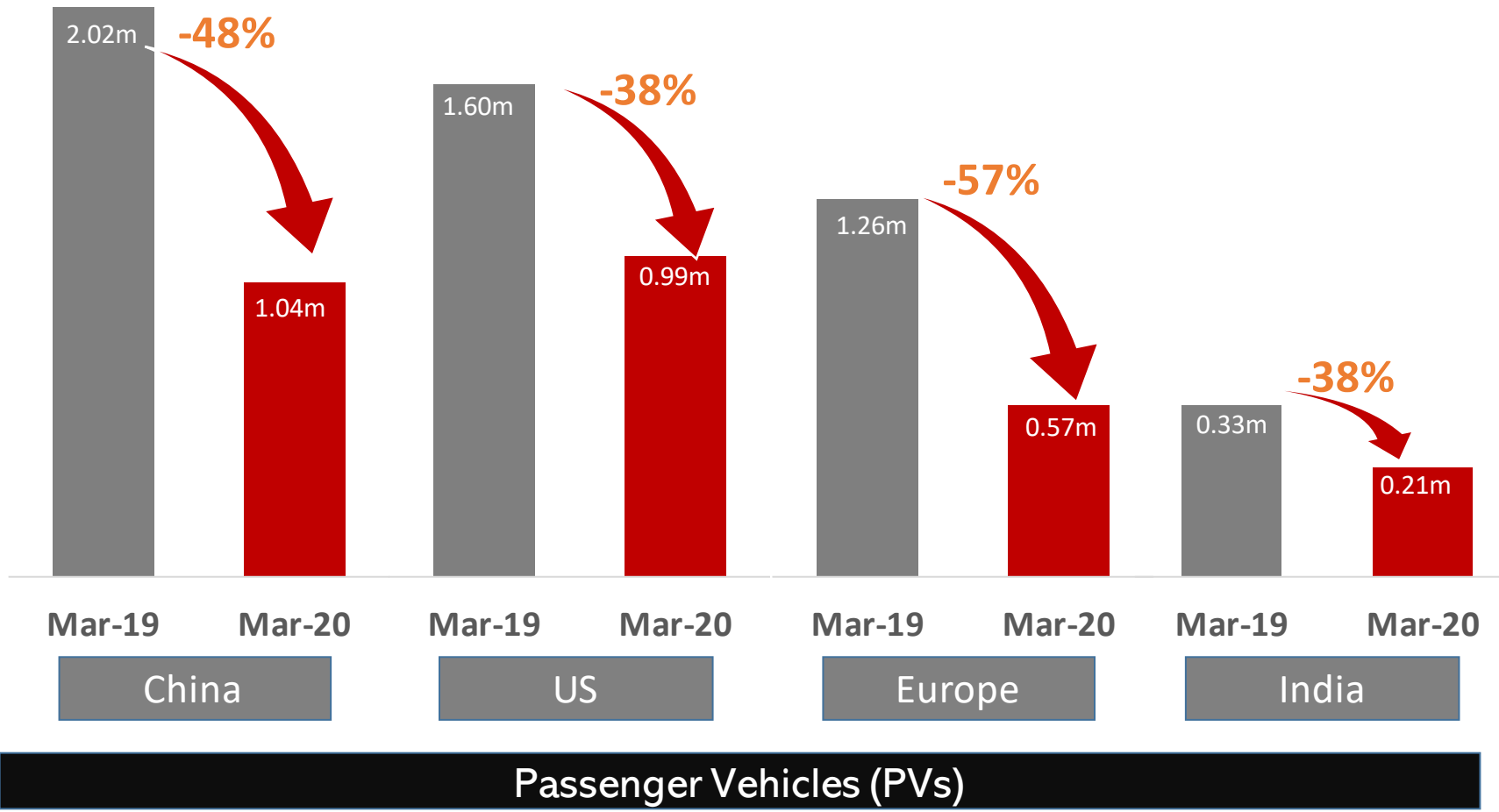
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CY 2020 Started with a substantial negative impact
of
Novel Coronavirus
across
geographies
beginning with
China (Jan & Feb)
and then
spreading across the globe (February onwards)

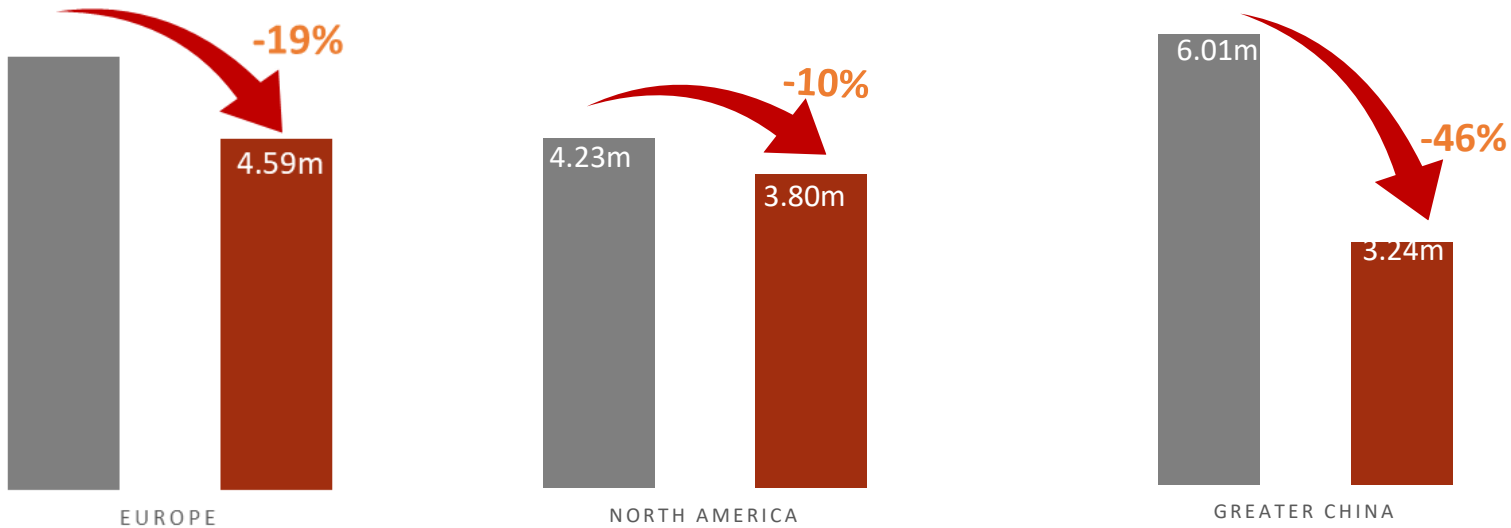
Significant Reduction in Volumes



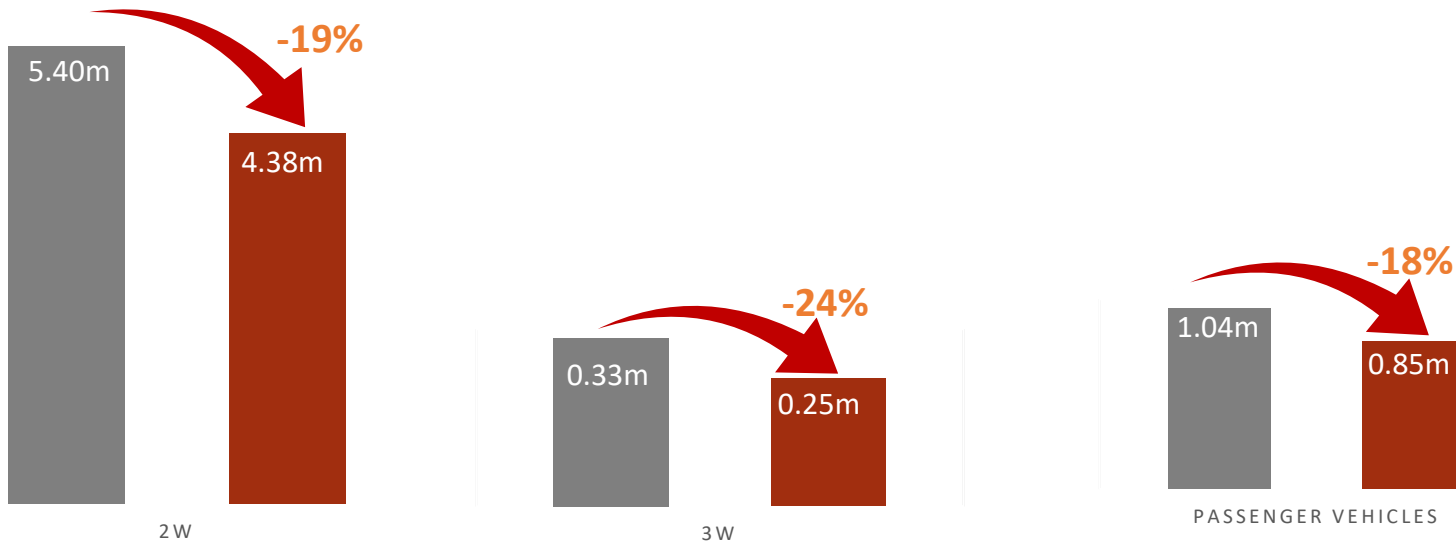
Sources: China Association of Automobile Manufacturers, Bureau of Economic Analysis, European Automobile Manufacturers Association and SIAM
*Sales volume of passenger cars in China, Sale of lite vehicles in the US, Car registration data in the Europe and production data for PVs and 2Ws in India

Industry Trends in Q4 FY20 YOY

Global Passenger Vehicle Market Production



India Industry Trend : Production YoY



- Passenger Vehicle volumes in Q4 FY20 declined significantly across all regions
- China PV volumes significantly impacted by Novel Coronavirus gradually spreading to other regions.
- Domestic sales volumes continued to decline; 2W volume declined 25%, PV by 22% and 3W volumes were down by 28% YoY
- Exports for 2Ws showed YoY growth of 9%. PV and 3W exports declined by 18% & 20% YoY, respectively.

Business Highlights: Significant challenges during the quarter

- **The auto industry volumes were sluggish even before arrival of the pandemic**
- **COVID-19 started impacting the Chinese Auto Sector, including component supplies, since January**
- **Supply Chain issues in February and March**
 - Supply delays, specially from China
 - Supply backlog to customers, resulting in premium freight, overtime and manufacturing inefficiencies
- **COVID-19 related customer shutdowns in the second fortnight of March, both in India and VLS**
- **Major fire at Pune VLS plant in February; no revenues in the next two months**
- **Slower than expected ramp-up at new facilities due to poor sentiments resulting into weaker results**
- Challenges and delays in new launches due to COVID-19

Business Highlights: Q4 FY20

- **Revenue from Operations for the quarter declined by 12.5% YoY***
- **Consolidated EBITDA on a like-for like basis for the quarter at INR 985 Mn*; EBITDA margins at 3.6%**
- **India Business:** Revenue declined by 16.4% due to the weak industry environment (Jan-Feb) and COVID-19 related shutdowns across India (March); EBITDA margin at 7.9%*
- **VLS:** Revenue declined by 9.8%* in Euro terms due to weak industry conditions and COVID-19 related disruptions; EBITDA margin at 1.6%* due to plant shutdowns, supply chain issues, Pune plant fire, manufacturing inefficiencies and losses at new facilities in the ramp-up phase
- **Restarted supplies to VLS India customers from a temporary facility; Chennai plant to be functional in Q2 FY21**
- **New cost rationalization initiatives rolled-out; benefits to be seen in the second half of FY21**
- **Net debt Rs 24.7 Bn[#]; likely to increase in Q1/Q2 FY21 due to disruptions to operating cycle; Cash flow expected to turn positive in second half of FY21**
- **VLS business wins of Euro 369 Mn in FY20; in line with internal target**

**on a like-for-like basis*

Excl impact of IND AS 116

Varroc Group: Financial Performance

| Particulars | Q4 FY20 | Q4 FY19# | Growth (Y-o-Y) | | FY20 | FY19# | Growth (Y-o-Y) |
|---|---------|----------|----------------|--|----------|----------|----------------|
| Revenue from Operations - Reported | 27,447 | 31,534 | -13% | | 1,11,219 | 1,20,365 | -8% |
| Revenue from operations : like-for-like | 27,447 | 31,379 | -13% | | 1,11,219 | 1,20,282 | -8% |
| Other income - Operating | 479 | 226 | | | 926 | 650 | |
| Other income - Non operating | 8 | 60 | | | 63 | 258 | |
| | | | | | | | |
| EBITDA - Reported * | 1,158 | 2,856 | -59% | | 9,134 | 11,238 | -19% |
| EBITDA : like-for-like \$ | 985 | 3,030 | -67% | | 8,478 | 11,799 | -28% |
| EBITDA Margins (%) \$ | 3.6% | 9.7% | | | 7.6% | 9.8% | |
| | | | | | | | |
| Share of net profits of JVs under equity method | (105) | 51 | -308% | | (92) | 315 | -129% |
| | | | | | | | |
| PBT - reported | (1,367) | 1,178 | | | 395 | 5,185 | -92% |
| | | | | | | | |
| PAT - reported | (1,371) | 1,289 | | | 25 | 4,287 | -99% |
| | | | | | | | |
| Net Debt | 24,737 | 22,759 | | | 24,737 | 22,759 | |
| Net Debt to Equity (Excl. Impact of Leases: Ind AS 116) | 0.8 | 0.7 | | | 0.8 | 0.7 | |

\$ Like-for-like numbers at consolidated level are adjusted for items such as start-up costs for facilities which are not yet operational, differential launch costs and IND AS 116 impact in FY20 etc.

*EBITDA = Profit before share of net profits of JVs plus depreciation plus finance cost less non-operating portion of other income

Restated

Varroc Group: Business Wise Performance Q4 FY20

| SBU | Q4 FY20 | | | | | Q4 FY19 | | | | | Revenue Change YoY |
|------------------|---------------|-----------------------|--------------|------------------------|-------------|---------------|-----------------------|--------------|------------------------|-------------|--------------------|
| | Revenue | Revenue like-for-like | EBITDA | EBITDA # Like-for-like | % EBITDA | Revenue | Revenue like-for-like | EBITDA | EBITDA # Like-for-like | % EBITDA | |
| India Business | 8,525 | 8,525 | 695 | 672 | 7.9% | 10,197 | 10,197 | 889 | 889 | 8.7% | -16.4% |
| VLS (Incl TRIOM) | 18,595 | 18,595 | 454 | 304 | 1.6% | 20,838 | 20,683 | 1,942 | 2,116 | 10.2% | -10.1% |
| Others (IMES) | 478 | 478 | 6 | 6 | 1.3% | 799 | 799 | 62 | 62 | 7.8% | -40.2% |
| Elimination | (151) | (151) | 3 | 3 | | (301) | (301) | (38) | (38) | | |
| Total | 27,447 | 27,447 | 1,158 | 985 | 3.6% | 31,534 | 31,379 | 2,856 | 3,030 | 9.7% | -12.5% |
| China JV - 50% | 861 | 861 | (6) | (6) | -0.7% | 976 | 976 | 37 | 37 | 3.8% | -11.8% |

Euro Performance for VLS

| SBU | Q4 FY20 | | | | | Q4 FY19 | | | | | Revenue Change YoY |
|------------------|---------|------------------------|--------|------------------------|----------|---------|------------------------|--------|------------------------|----------|--------------------|
| | Revenue | Revenue like-for-like* | EBITDA | EBITDA # Like-for-like | % EBITDA | Revenue | Revenue like-for-like* | EBITDA | EBITDA # Like-for-like | % EBITDA | |
| VLS (Incl TRIOM) | 233 | 233 | 5.7 | 3.8 | 1.6% | 260 | 258 | 24.2 | 26.4 | 10.2% | -9.8% |

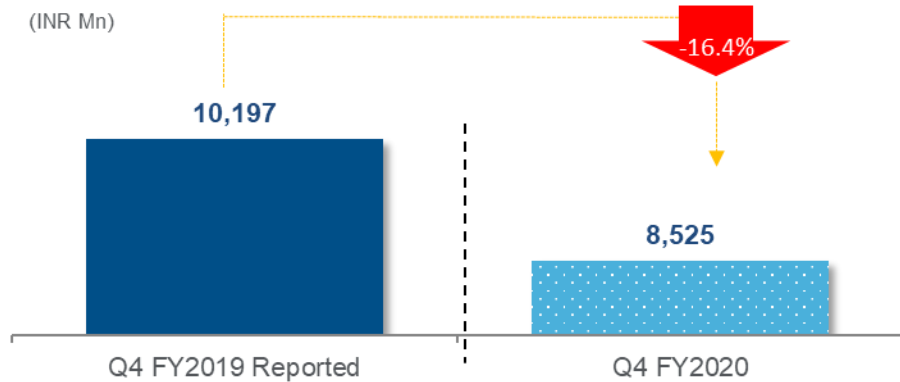
Exchange rates : INR/Euro Average for Q4 FY20 = 79.95; INR/Euro Average for Q4 FY19 = 80.09

* #EBITDA : like-for-like is as explained in next few slides; Both the time periods are post Ind AS 115

India Business : Financial Performance

Revenue

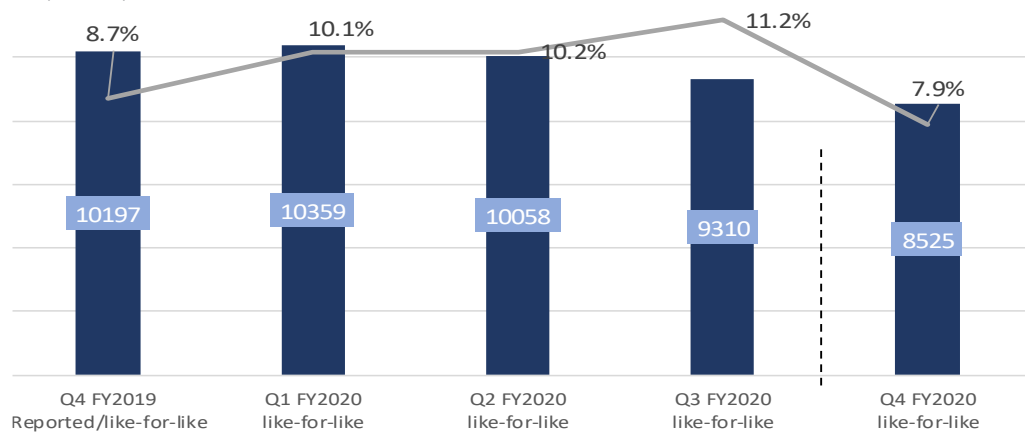
(INR Mn)



Revenue declined in a tough external environment and due to impact of plant shut downs across India in last fortnight of the quarter

Revenue and EBITDA margin trend

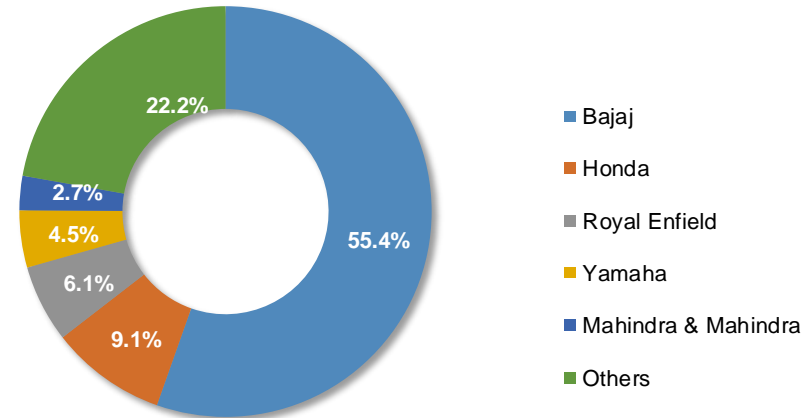
(INR Mn)



EBITDA margin impacted negatively due to COVID and lower revenue base

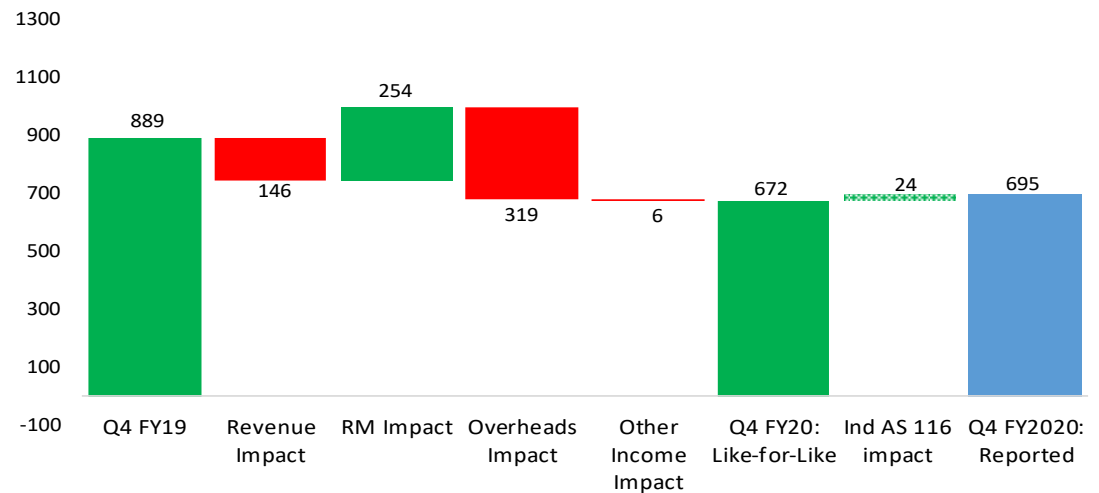
India Revenue Split by Customer⁽¹⁾

Q4 FY 20 %



EBITDA variation analysis

Q4 FY 19 Vs Q4 FY20



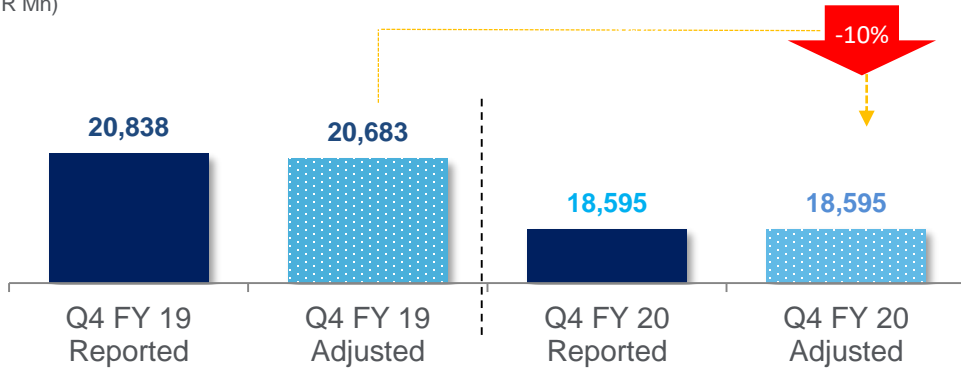
Note: (1) Based on management information system database
Non operating portion of other income not considered while calculating EBITDA

Global Lighting Business (VLS): Financial Performance

Revenue (1)

50% China Joint Venture:
Q4 FY 19 Revenue: 976 Mn INR
Q4 FY 20 Revenue: 861 Mn INR

(INR Mn)



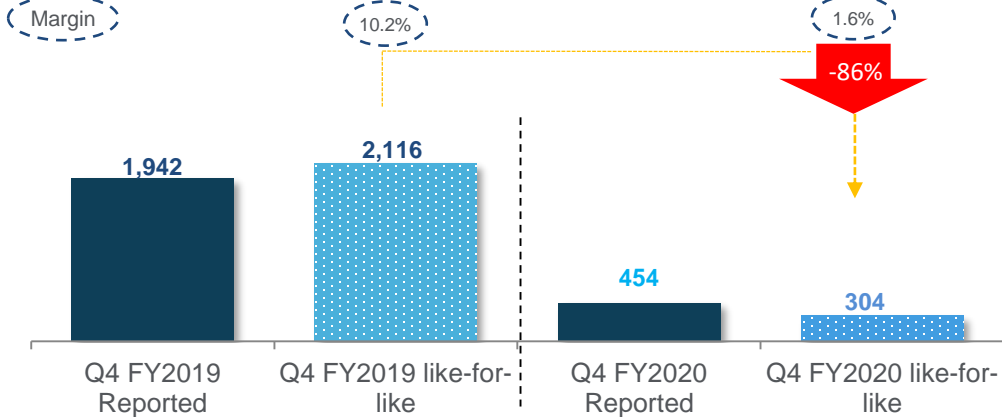
9.8% YoY revenue decline in Euro terms

EBITDA (1) & like-for-like EBITDA (3)

(INR Mn)

50% China Joint Venture:
Q4 FY 19 EBITDA / Margin: INR 37 Mn / 3.8%
Q4 FY 20 EBITDA / Margin: INR (-)6 Mn / (-)0.7%

Margin

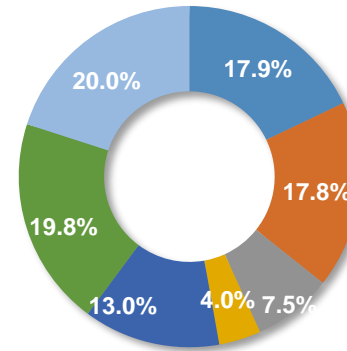


| Eur Mn | 24.2 | 26.4 | 5.7 | 3.8 |
|--------|------|------|-----|-----|
|--------|------|------|-----|-----|

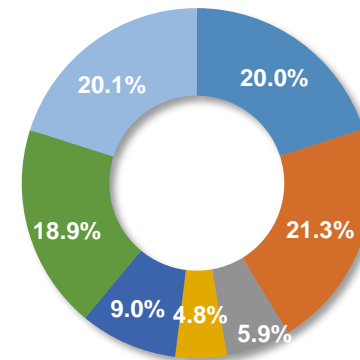
EBITDA declined due to COVID and other issues

VLS Revenue Split by Customer (2)

Q4 FY 20, %



Q4 FY 19, %



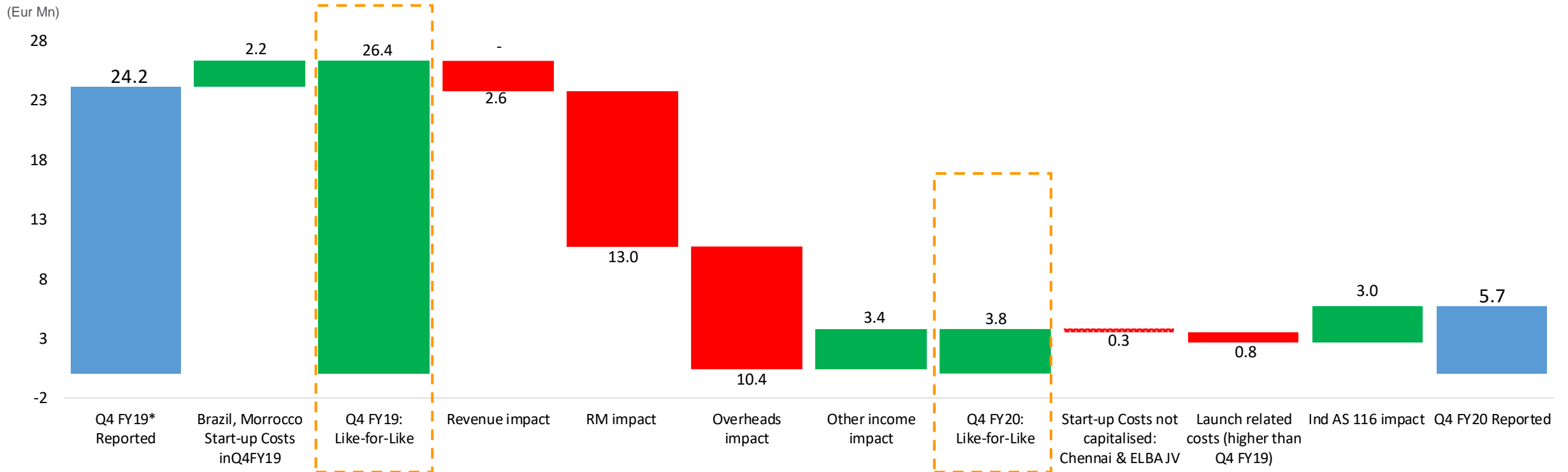
- Customer A
- Customer B
- Customer C
- Customer D
- Customer E
- Customer F
- Others

Revenue in Europe declined by 13% YoY
Revenue in Americas increased by 6% YoY
Revenue in India declined by 40% YoY due to fire at our facility in Pune

VLS EBITDA margin variation explanation on the next page

Note: (1) China JV revenue and EBITDA not included in the reported numbers; (2) Total Revenue break-up in Euro 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 start-up costs and differential launch cost. Ind AS 116 impact excluded from Q3 FY20 like-for-like EBITDA.

Global Lighting Business (VLS): EBITDA variation analysis



- RM costs higher due to premium freight, higher launch-related material consumption, obsolete inventory write off and higher scrap
- Overheads higher due to impact of fixed cost during COVID related shutdowns, overtime payments, idle labour and new facilities
- Launch activity during the quarter was slightly higher as compared to Q4 FY19; delayed launches at new facilities

Varroc Group: Business Wise Performance FY20

| SBU | FY20 | | | | | FY19 | | | | | Revenue Change YoY |
|------------------|-----------------|-----------------------|--------------|------------------------|-------------|-----------------|-----------------------|---------------|------------------------|-------------|--------------------|
| | Revenue | Revenue like-for-like | EBITDA | EBITDA # Like-for-like | % EBITDA | Revenue | Revenue like-for-like | EBITDA | EBITDA # Like-for-like | % EBITDA | |
| India Business | 38,253 | 38,253 | 3,901 | 3,832 | 10.0% | 42,720 | 42,720 | 4,623 | 4,623 | 10.8% | -10.5% |
| VLS (Incl TRIOM) | 71,054 | 71,054 | 5,116 | 4,531 | 6.4% | 75,101 | 75,018 | 6,385 | 6,946 | 9.3% | -5.3% |
| Others (IMES) | 2,291 | 2,291 | 100 | 100 | 4.4% | 3,076 | 3,076 | 303 | 303 | 9.9% | -25.5% |
| Elimination | (380) | (380) | 15 | 15 | | (533) | (533) | (74) | (74) | | |
| Total | 1,11,219 | 1,11,219 | 9,134 | 8,478 | 7.6% | 1,20,365 | 1,20,282 | 11,238 | 11,799 | 9.8% | -7.5% |
| China JV - 50% | 3,981 | 3,981 | 230 | 230 | 5.8% | 3,756 | 3,756 | 578 | 578 | 12.2% | -15.9% |

Euro Performance for VLS

| SBU | FY20 | | | | | FY19 | | | | | Revenue Change YoY |
|------------------|---------|------------------------|--------|------------------------|----------|---------|------------------------|--------|------------------------|----------|--------------------|
| | Revenue | Revenue like-for-like* | EBITDA | EBITDA # Like-for-like | % EBITDA | Revenue | Revenue like-for-like* | EBITDA | EBITDA # Like-for-like | % EBITDA | |
| VLS (Incl TRIOM) | 901 | 901 | 65 | 58 | 6.4% | 928 | 920 | 79 | 86 | 9.3% | -2.1% |

Exchange rates : INR/Euro Average for Q4 FY20 = 78.84; INR/Euro Average for Q4 FY19 = 80.94

* #EBITDA : like-for-like is as explained in next few slides; Both the time periods are post Ind AS 115

Highlights of Major Order Wins and Near Term Potential

| Business New Business wins: VLS / Recent orders: India | | Near term potentials |
|--|---|---|
| VLS In FY20 | <p><u>Overall Net Business Wins of Eur 369 Mn (96% of target for FY20)</u></p> <ul style="list-style-type: none"> - New Business wins - Eur 259 Mn - Re-wins (net) - Eur 160 Mn and losses/giveback 50 Mn | <p>Main business wins came from Americas 156 Mn , 80 Mn in Europe and 73 Mn in Turkey</p> <p>FY20 target was a strong growth in North America and will help us to utilize our capacity</p> |
| India Business (FY20 & Q4) | <p>In the FY20, we received new orders of ~INR 10 billion</p> <ul style="list-style-type: none"> -Bajaj contributed about INR 4.5 billion, -Royal Enfield 1 billion, -PSA INR 1 billion, -Honda INR 700 million, -Yamaha INR 610 million, -VW group INR590 million -Others INR 1.6 billion <p><u>In the Q4 Some of the large orders were -</u></p> <p>Bajaj: Order of INR 2290 million for Electrical and Electronics products including traction motor and Polymer products for 336 million</p> <p>Royal Enfield: J1 Project transmission shafts and gears assembly; potential INR 530 million</p> <p>Yamaha: Body parts & Seat Assly business for INR 231 million potential</p> | <p>In discussion with major customers for Electrical products, Traction Motor and Controller, Telematics, lighting, Catalytic Convertor and Polymer products.</p> <p>Active engagement with new customers for couple of more product categories for BSVI engine</p> |



Updates for FY21 – Current Situation (Q1) and Outlook (rest of the year)

Current Situation – Q1 FY21

- April – almost all facilities closed for most of the month; Czech facilities started in week 3/week 4
- May – European facilities functional; delayed start for Mexico
- June – Encouraging start; some of the facilities doing better than expected
- **Fixed Cost optimization supported by government benefits in the quarter**; major part of fixed costs still uncovered

Outlook post Q1


- **Confident of turning around in H2** as a result of initiatives already rolled out; industry recovery to be an additional advantage
- **Focus on cash conservation and cost optimization in VLS**
 - Recurring SG&A costs reduction by almost 25%
 - Gross PD Spend reduction of more than 15%
 - Reduction in capex to Euro 45 Mn against capex spend of average Euro 90 Mn per year for the last 3 years
 - Working capital improvements, especially inventory, through process and system changes
- **Target of positive PAT and Free Cash Flow in both India and VLS on full year basis, with strong H2 performance**

THANK YOU



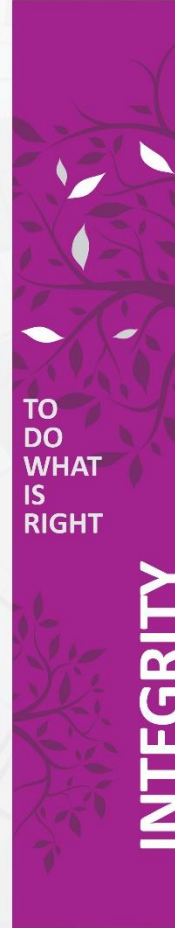
TO SPEAK & ACT FROM THE HEART

SINCERITY



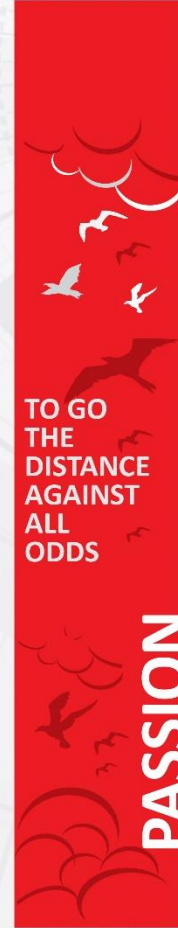
TO WALK WITH EVERYONE

HUMILITY



TO DO WHAT IS RIGHT

INTEGRITY



TO GO THE DISTANCE AGAINST ALL ODDS

PASSION



TO MAKE IT HAPPEN

SELF DISCIPLINE