

Varroc Engineering Ltd.

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VARROC/SE/INT/2020-21/47

November 10, 2020

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

Sub: Investor Presentation - Financial Results Q2 FY 2020-21 - Revised

Dear Sir/ Ma'am,

Please find enclosed a copy of Revised Investor Presentation on the Unaudited Financial results (Consolidated & Standalone) for the quarter and half year ended on September 30, 2020.

Kindly take the same on record and note the compliance.

Yours faithfully,

For Varroc Engineering Limited

Ajay Sharma

Group General Counsel and Company Secretary

Encl: a/a

Varroc Engineering Limited

Financial Results

Q2 FY21

::10th November 2020::

Disclaimers

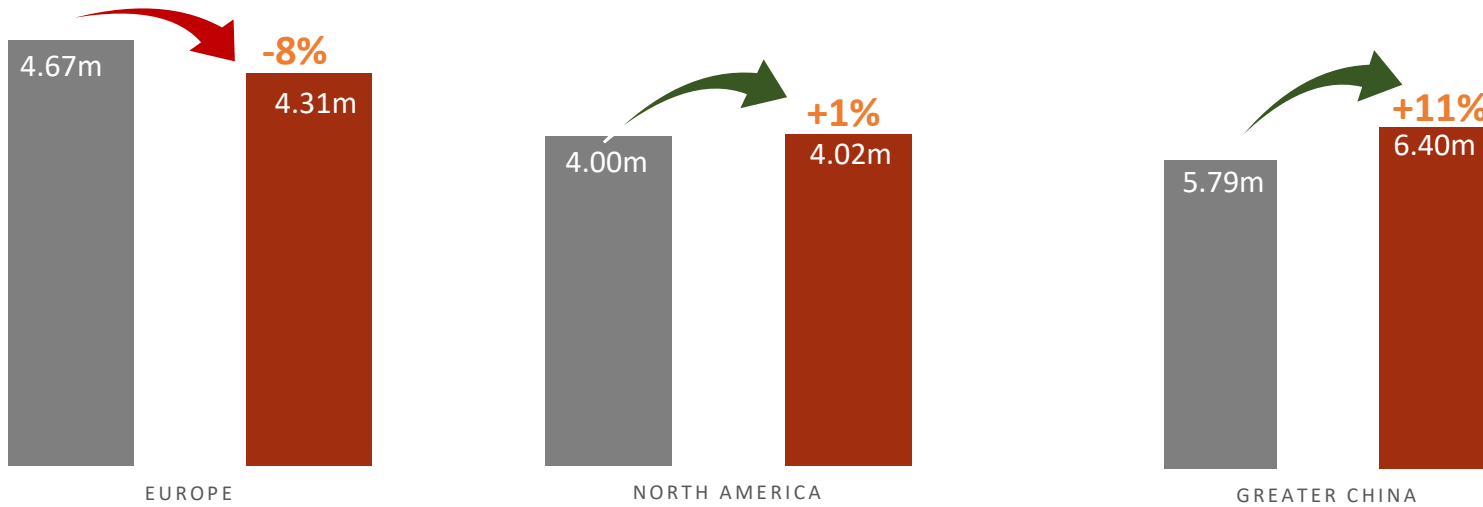
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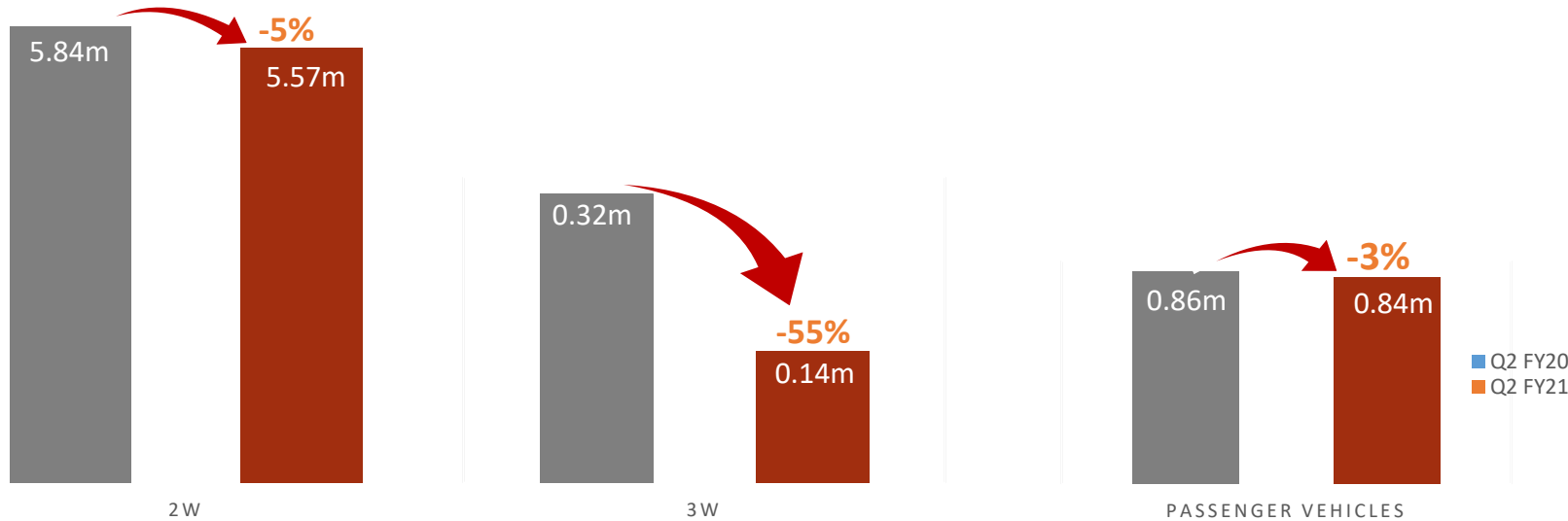
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Industry Trends in Q2 FY21

Global Passenger Vehicle Market Production



India Industry Trend : Production YoY



- Passenger Vehicle volumes in Q2 FY21 declined in Europe while were flat in North America
- China PV volumes saw a YoY growth as the industry recovery post Covid continued
- 2W Domestic sales volumes were flat YoY on a quarterly basis as a result of robust YoY growth in September; PV sales volumes grew YoY by 17% however 3W volumes were very weak - down by 75% YoY
- Exports for 2Ws showed YoY growth of 9%. PV and 3W exports declined by 18% & 20% YoY, respectively.

Business Highlights: Q2 FY21

- **Revenue from Operations for the quarter increased by 7.9% YoY**
- **Consolidated EBITDA for the quarter at ₹ 2661 Million; EBITDA margins increased by 60 bps YoY to 9.1%**
- **India Business:** Revenue declined by 7.2% YoY due to weak industry volumes at the beginning of the quarter; EBITDA margin improved 280bps YoY to 13.5%, partly due to temporary cost saving measures in place
- **VLS:** Revenue growth 20.9% YoY (+8.9% in Euro terms) mainly due to strong growth in September and revenue from new facilities; EBITDA margin flat YoY at 7.6%. Cost rationalisation initiatives started to show positive impact
- **VLS:** China JV continue to perform well with EBITDA margin at 16.8% as against margin of 0.3% in Q2 FY20; Electronics unit in Romania started production in Q3
- **The free cashflow for the quarter of ~₹ 4 billion resulted into net debt reduction to ₹ 30.6 billion; on track to reach target net debt of ₹ 26 billion by March 2021**
- **Business wins encouraging; VLS net business wins YTD €74 Million and India business wins at ₹5 Billion in FY21 so far.**
- **Operations on track to deliver strong YoY growth in H2; Plants continue to operate during the second lockdown across key European markets.**

Varroc Group: Financial Performance

₹ million

Particulars	Q2 FY21	Q2 FY20	Growth (Y-o-Y)	H1 FY21	H1 FY20	Growth (Y-o-Y)
Revenue from Operations - Reported	29,161	27,032	8%	41,908	55,733	-25%
Other income - Operating	228	88		338	368	
Other income - Non operating	4	26		394	37	
EBITDA - Reported *	2,661	2,311	15%	866	5,282	-84%
EBITDA Margins (%) \$	9.1%	8.5%		1.9%	9.5%	
Share of net profits of JVs under equity method	90	(66)	-237%	200	(67)	-397%
Depreciation	2270	1666	36%	4339	3312	31%
Finance Cost	443	351	26%	874	664	32%
PBT - reported	41	254		(3,754)	1,276	-394%
PAT - reported	(388)	228		(3,474)	1,103	-415%

Particulars	Q2 FY21	Q1 FY21	Change
Net Debt	30,644	34,121	(3,477)
Net Debt to Equity (Excl. Impact of Leases: Ind AS 116)	1.1	1.2	

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

Varroc Group: Business Wise Performance Q2 FY21

₹ million

SBU	Q2 FY21			Q2 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
India Business	9,329	1,257	13.5%	10,058	1,076	10.7%	-7.2%
VLS	19,788	1,502	7.6%	16,373	1,239	7.6%	20.9%
Others (IMES)	421	(84)	-19.8%	620	11	1.8%	-32.1%
Elimination	(377)	(15)		(19)	(15)		
Total	29,161	2,661	9.1%	27,032	2,311	8.5%	7.9%
China JV - 50%	1,228	206	16.8%	1,109	4	0.3%	10.7%

Euro Performance for VLS

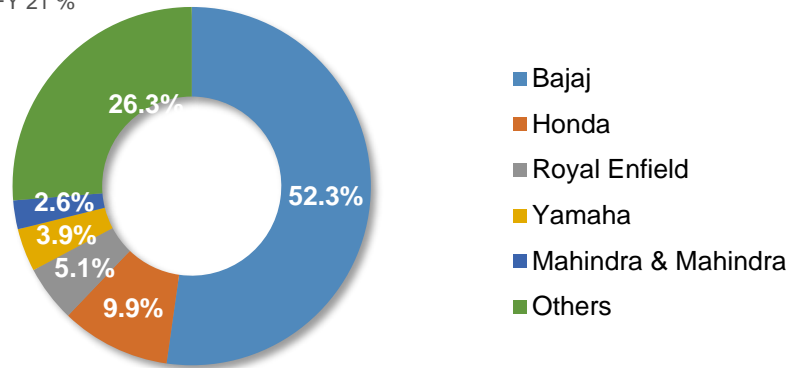
SBU	Q2 FY21			Q2 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
VLS -Euro	228	17	7.6%	209	16	7.6%	8.9%

Exchange rates : ₹/ € Average for Q2 FY21 = 86.94; ₹/ € Average for Q2 FY20 = 78.34

Revenue by Customers and Order Wins

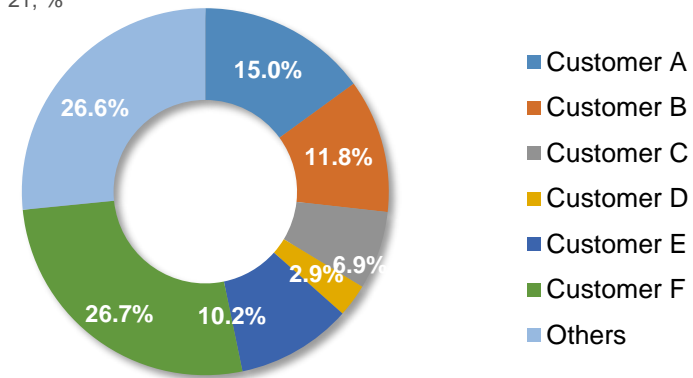
India Revenue Split by Customer⁽¹⁾

Q2 FY 21 %



VLS Revenue Split by Customer⁽²⁾

Q2 FY 21, %



Revenue in Europe increased by 12% YoY

Revenue in Americas increased by 9% YoY

Revenue in India increased by 70% YoY

Business	New Business wins: VLS / Recent orders: India	Near term potentials
VLS (YTD)	<p>Overall Net Business Wins of € 74 Mn;</p> <ul style="list-style-type: none"> - New Business wins - € 44 Million net of losses/giveback - Re-wins - € 30 Million 	<p>Pipeline ~€120 million</p> <p>Ordering activity is picking-up gradually and some of the potential orders will add to the already strong visibility for the VLS business</p>
India Business (YTD)	<p>Overall Net Business Wins of ₹ 5 billion</p> <p>Bajaj: Business of ₹ 2 billion for various products across businesses</p> <p>HMSI: Various Polymer and Metallic product orders of ₹ 1 billion</p> <p>HMCL: Various Electrical and Electronic and Polymer product orders of ₹ 780 million</p> <p>Small orders from various customers (VW, Yamaha, MG Motors, Royal Enfield and Mahindra & Mahindra etc.) for ₹ 1.3 billion</p> <p>Ordering activity in the month of Sept/Oct slowed as customers focused more on meeting the current demand.</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 and EV products</p>

Note: (1) Note: (1) Based on management information system database

(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.

Varroc Group: Business Wise Performance H1 FY21

₹ million

SBU	H1 FY21			H1 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
India Business	12,306	1,004	8.2%	20,417	2,142	10.5%	-39.7%
VLS	29,251	(43)	-0.1%	34,214	3,098	9.1%	-14.5%
Others (IMES)	823	(94)	-11.5%	1,197	45	3.7%	-31.2%
Elimination	(473)	(0)		(95)	(3)		
Total	41,908	866	2.1%	55,733	5,282	9.5%	-24.8%
China JV - 50%	2,545	423	16.6%	2,045	66	3.2%	24.4%

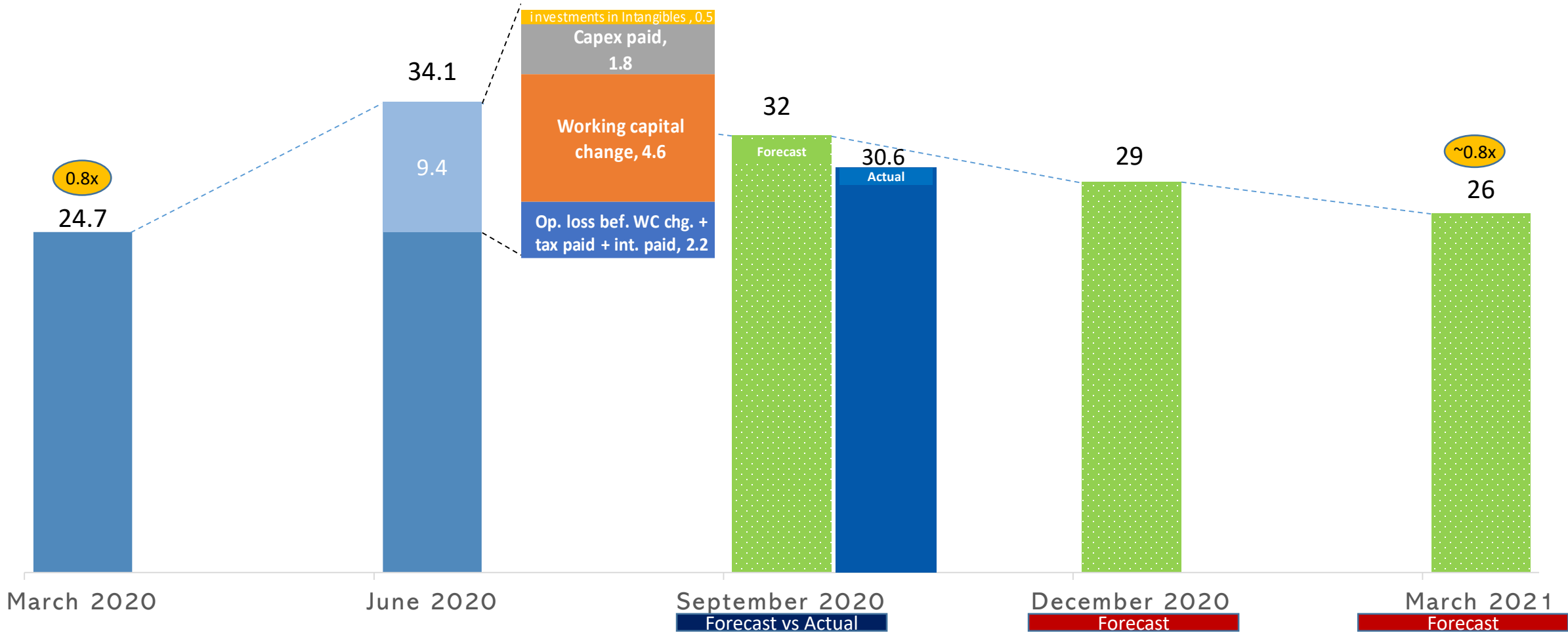
Euro Performance for VLS

SBU	H1 FY21			H1 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
VLS -Euro	343	-1	-0.3%	437	40	9.1%	-21.6%

Exchange rates : ₹/ € Average for H1 FY21 = 85.30; ₹/€ Average for H1 FY20 = 78.27

Debt Situation Status Update and Outlook for FY21

₹ Billion



D/E

Debt Reduction by March 21 to happen through -

- Restoration of normal working capital cycle which has partially happened in Q2
- Positive operating cashflow generation which started in Q2 itself and likely to continue
- Significant reduction in Capex intensity and other initiatives

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

- **Current Situation – Q2 FY21**
 - October/November – Strong volume growth across locations in India as well as in VLS
 - Lockdowns announced in some markets in Europe not impacting industry manufacturing operations so far
- **Outlook post Q3**
 - **Revenue growth expected to continue in Q3; end customer demand will be key for sustainability of growth**
 - **Focus on cost optimization, positive free cashflow and debt reduction to continue**
 - Recurring SG&A reduction measures completed
 - Reduction in Capex target; VLS capex at € 45 million* - to be 47% lower than FY20
 - Working capital cycle normalisation in progress
 - All vendor payments brought to current
 - Focus on realisation of tooling dues linked to milestones
 - **Reiterate target of debt reduction from ₹ 34 billion end of June to ₹ 26 billion by year end**

THANK YOU



TO SPEAK & ACT FROM THE HEART

SINCERITY



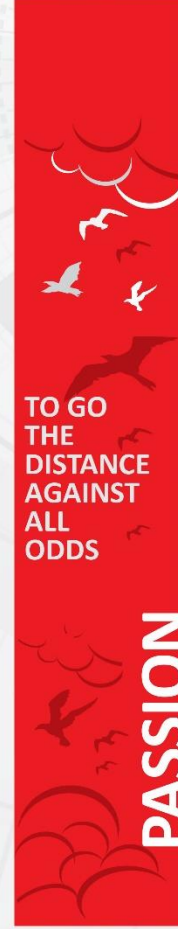
TO WALK WITH EVERYONE

HUMILITY



TO DO WHAT IS RIGHT

INTEGRITY



TO GO THE DISTANCE AGAINST ALL ODDS

PASSION



TO MAKE IT HAPPEN

SELF DISCIPLINE