

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2022-23/20

May 02, 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-400 051.

The Manager – Listing
The Corporate Relation
Department,
**Bombay Stock Exchange
Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001.

NSE Symbol: VARROC

BSE Security Code: 541578

Dear Sir/ Madam,

Sub.: Investor Call Presentation

Please find enclosed a copy of Investor Presentation on “Divestment of the 4-Wheeler Lighting business in the Americas and Europe”.

Kindly take the same on record.

The aforesaid information is also being placed on the website of the Company at www.varroc.com.

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Encl: A/a



Varroc Engineering Limited

Investor update

May 2022

**Divestment of the 4-Wheeler Lighting business
in the Americas and Europe**

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Proposed Divestment - Overview



Varroc Engineering Limited (**Varroc**) has entered into a definitive agreement with **Compagnie Plastic Omnium SE, France (PO)** to divest its 4-Wheeler lighting business in the Americas and Europe



Enterprise value of EUR 600M for 100% of the entities located in the Americas and Europe along with acquisition of the global R&D operations in India (Pune)



Net Cash Accretion to Varroc, post-tax and net of escrow, estimated to be between **Euro 160-175M** subject to closing adjustments ; escrow of 35M to be released over 2-3 years



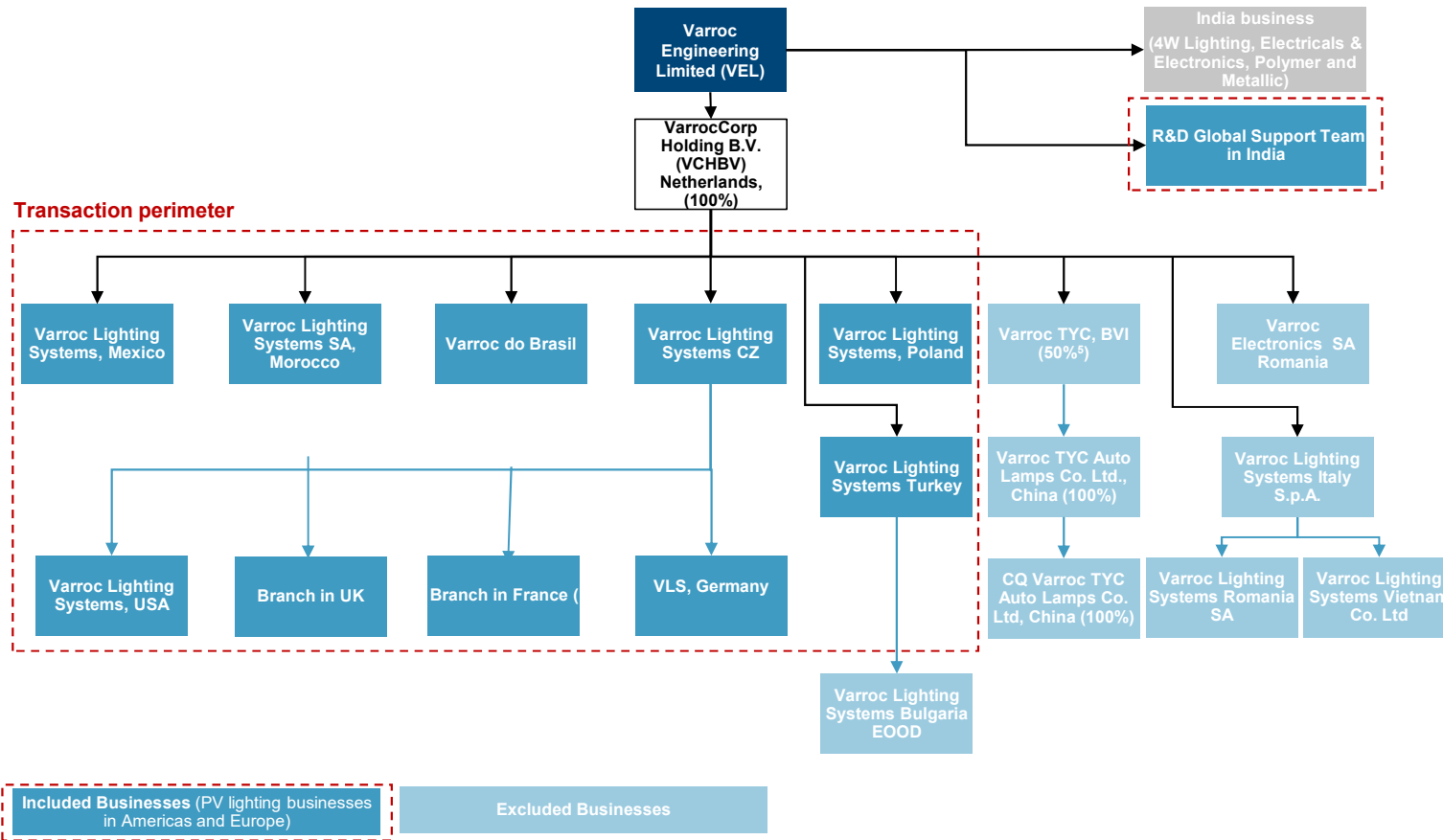
Q2 FY2023 (expected time for the deal to close, subject to customary closing conditions and regulatory approvals in Mexico, UK and EU)



Transaction **strengthens Varroc's balance sheet**, enabling the company focus on high-growth Indian market, and emerging high-growth segments such as EV components, electronics, connectivity and global 2-wheeler lighting



Scope of Divestment



- **Included Businesses to be divested - 4W lighting businesses in Americas and Europe, and global R&D support team in India**
- **VEL to continue operating Excluded Businesses abroad i.e. China JV, Electronics business (Poland & Romania) and Global 2W lighting business (Italy, Romania and Vietnam)**
- **Varroc will also retain the 4-wheeler lighting business in India**

Rationale for the Divestment



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



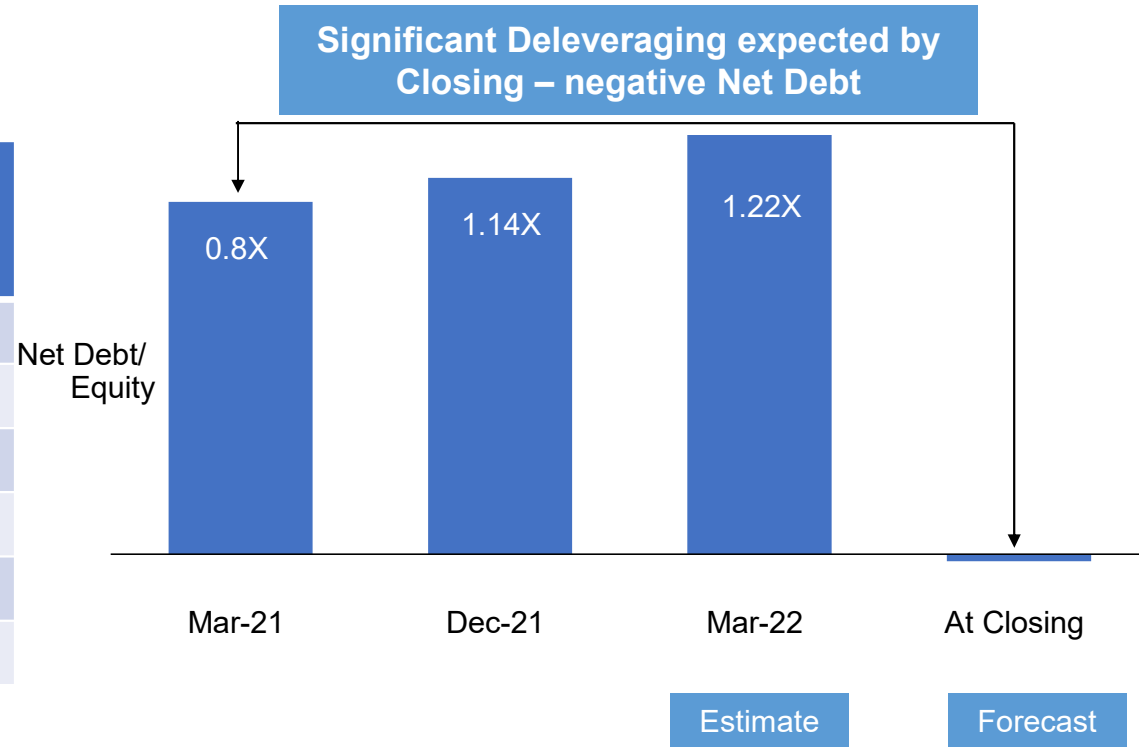
Proposed divestment will enable Varroc to deleverage its balance sheet while enabling VLS to get required support as part of a large global auto-component player



Proforma impact of divestment on Key Financial Indicators

YTD Dec'21 Financials (excluding Q1*)

Particulars	Pre Divestment (Reported)	Post Divestment (Proforma)
Revenue (Cr)	6,168	2,997
EBITDA (Cr)	50	208
EBITDA %	0.8%	7.0%
PAT (Cr)	(562)	(32)
PAT %	-9.1%	-1.1%
ROCE %	-11.9%	5.2%



* Q1 impacted by Covid 2nd wave

Varroc – Way Forward

Varroc to focus on EV Components, Electronics, Connectivity solutions and the global 2-wheeler lighting segment, in addition to the current India business



The stable India business provides a strong platform to drive growth going forward; potential to drive further margin improvement through better capacity utilisation once market growth in 2W and 3W segments resume



Key segments identified to be future-ready and exploit potential growth opportunities are EV Components, Electronics and Connectivity Solutions



Focus on maintaining leadership position in the Polymer, Electrical-Electronics and Metallic businesses in India, and drive growth and profitability through increasing wallet share with OEMs and better capacity utilisation



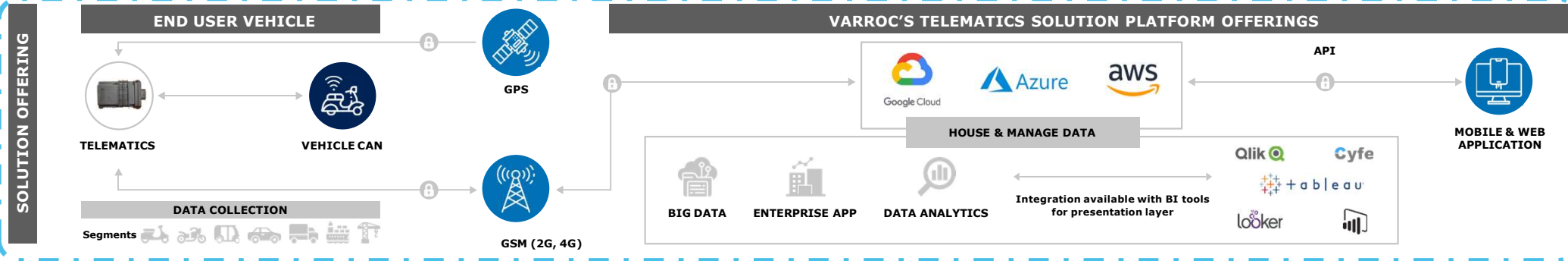
2030 Strategy Roadmap exercise initiated and is expected to be finalised in the next 2-3 months; a separate Investor Day for strategy update to be planned after the Closing of the proposed divestment

EV Product Offerings

WE OFFER WIDE RANGE OF PRODUCTS FOR ELECTRIC VEHICLE WITH LOCALISED DESIGN, DEVELOPMENT & MANUFACTURING



(Localized manufacturing for OBC & BMS)



Note: [1] Varrac & Li-BAL signed an MOU for localized manufacturing of BMS in India
 [2] Varrac & Delta Q signed an MOU for localised manufacturing of on-board charger

High Technology Electronics

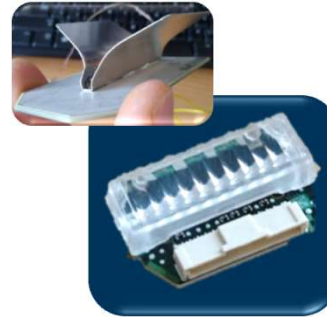
PRODUCT LINES



EFI System



Light Control Modules



Light Engines



ADAS enablement cameras

DETAILS



- 50:50 JV between **VEL & Dello'rtto Italy** for EFI System Supply to OEMs

- **Scalable Entry to High LCUs**
- **Rear lamp CUs** including animation
- LCU for HD microLED Light Engines

- **Economy and Matrix Light Engines**

- **Driver Monitoring Capabilities**
- **Driver warning with vehicle intervention capability**
- **Fusion of light control with front ADAS camera** for improved safety and faster response

THANK YOU



TO SPEAK & ACT FROM THE HEART

SINCERITY



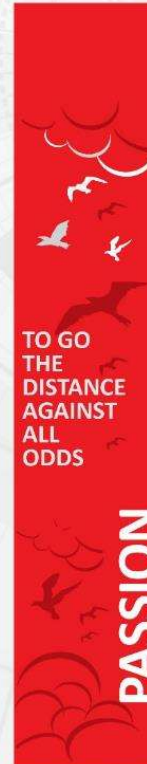
TO WALK WITH EVERYONE

HUMILITY



TO DO WHAT IS RIGHT

INTEGRITY



TO GO THE DISTANCE AGAINST ALL ODDS

PASSION



TO MAKE IT HAPPEN

SELF DISCIPLINE

Our Core Values