

Varroc Engineering Limited

Regd. & Corp. Office

L-4, MIDC, Industrial Area
Waluj, Aurangabad 431 136
Maharashtra, India

Tel +91 240 6653600
Fax +91 240 2564540

email: varroc.info@varroc.com
www.varrocgroup.com
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2020-21/14

June 25, 2020

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: Press Release and Investor Presentation - Financial Results Q4/FY 2019-20

Please find enclosed a copy of Press Release and 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 Engineering Limited

L-4, MIDC, Industrial Area Waluj, Aurangabad 431 136 Maharashtra, India
CIN: U28920MH1988PLC047335 | Tel + 91 240 6653700 | www.varroc.com

Press Release

- Consolidated Revenue from operations on a like-for-like basis for Q4 FY20 declined by 13% YoY amidst COVID-19 situation initially impacting China business and then rest of the business.
- EBITDA for Q4 FY20 declined by 71%YoY as a result of sluggish industry conditions, COVID-19 related impact in China, resulting supply chain issues and plant shutdowns in March, major fire at VLS Pune plant and slower than expected ramp-up at new facilities
- Order wins in both the businesses encouraging – VLS new order wins of 369 million Euros and India Business secured various orders both from new customers and for new products such as Traction Motor, BS VI offerings in FY20

Aurangabad, June 25, 2020: Varroc Engineering Ltd. (Varroc), a global tier-I auto component group, today announced its results for the quarter ended March 31, 2020

Summary Consolidated Financials

(Rs million)

	Q4 FY20	Q4 FY19*	% Change	FY20	FY19*	% Change
Revenue from Operations - Reported	27447.5	31534.0	-13%	111218.7	120364.7	-8%
Revenue from Operations : like-for-like	27447.5	31379.0	-13%	111218.7	120282.1	-8%
Other Income - Operating	479.4	226.1		925.7	650.2	
Other Income - non-Operating	7.9	59.8		63.2	257.7	
EBITDA : Reported	1158.3	2855.9	-59%	9133.6	11237.8	-19%
EBITDA : like-for-like	985.2	3030.2	-67%	8478.5	11798.9	-28%
EBITDA %	3.6%	9.7%		7.6%	9.8%	
Depreciation & Amortisation	2066.1	1529.7	35%	7318.6	5656.4	29%
Finance Cost	361.9	258.6	40%	1391.7	968.5	44%
Share of net profits of JVs under equity method	-105.5	50.8		-91.7	314.5	
PBT - Reported	-1367.2	1178.3		394.9	5185.2	-92%
Tax	3.9	-111.0		369.8	898.4	-59%
Tax rate	-0.3%	-9.8%		76.0%	18.4%	
PAT - Reported	-1371.0	1289.3		25.1	4286.8	-99%

*Restated

Consolidated Financial Performance for the quarter

- Revenue from operations for the quarter was Rs 27,447 million, a decline of 13% over Q4 FY19 on a like-for-like basis mainly due to industry sluggishness and the plant shutdowns during the COVID-19 situation. The Global Lighting Business (VLS) revenue decreased by 10% in Euro terms, amidst declining volumes in global passenger vehicle industry. The India Business revenue declined by 16% YoY.
- The reported EBITDA for the quarter was Rs 1,158 million, a decline of 59% YoY. The like-for-like EBITDA was at 985 million, a decline of 67% YoY. The like-for-like EBITDA for India business was at Rs 672 million. The EBITDA margin was at 7.9%. On a like-for-like basis, the VLS EBITDA was at 304 million, a decline of 86% YoY.

The PAT loss for the quarter was at Rs 1,371 million, as compared to a profit of Rs 1,289 million for Q4 FY19.

Depreciation and amortisation

- Depreciation and Amortisation expenses were higher, largely driven by the adoption of Ind AS116, and capitalisation of new facilities.

Finance Costs

- Finance costs were higher due to adoption of Ind AS116 as well as higher average borrowings during the period.

Tax

- The tax incidence during the quarter was higher due to lower tax credit availed as well as non-availment of deferred tax benefits on losses at the new facilities.

China JV

- Reduction in the revenue by 15% YoY in Q4FY20 because of the shutdown of china plant for nearly two months during of the quarter due to onset of COVID-19 situation, resulting into loss.

Mr. Tarang Jain, MD, Varroc Engineering Ltd. commented,

“COVID-19 pandemic has severe negative consequences for the global passenger vehicle and Indian 2W/passenger vehicle industry. While the first two months of the new financial year were characterised by full or partial shutdowns, the schedules for June are encouraging. We will be monitoring development for the next few months closely and will endeavour to adjust our cost base accordingly, wherever possible.

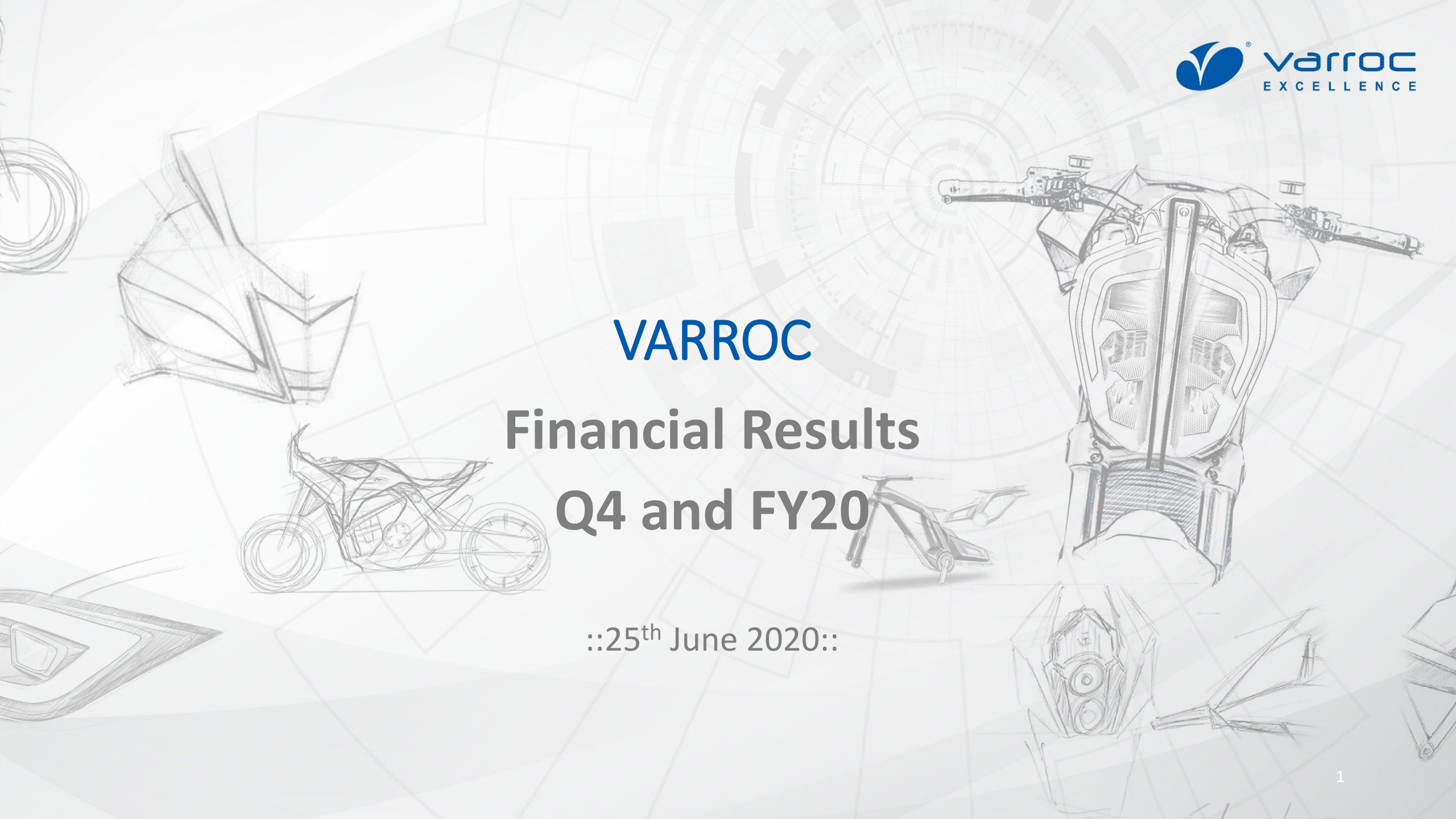
This pandemic has forced us to review and identify opportunities to optimize the cost structure and improve the efficiencies at Varroc. We have been able to identify substantial cost optimisation opportunities and I am confident that this should help us deliver strong performance starting second half of this financial year.

Going forward, our key areas of focus would be optimisation of cost structure, maximising capacity utilisation of investments made and cash flow generation.”

About Varroc Engineering Ltd.

Varroc Engineering Ltd is a global tier-1 automotive component group, ranked 124th in the 2019 Fortune India 500 list. It was incorporated in 1988. The group designs, manufactures and supplies exterior lighting systems, plastic and polymer components, electricals-electronics components, and precision metallic components to passenger car, commercial vehicle, two-wheeler, three-wheeler and off-highway vehicle OEMs directly worldwide. The group revenue was close to Rs 11,200 crore (USD 1.5 Billion) in FY20. The group employs more than 13,500+ employees, has 41 global manufacturing facilities and has 185 patents.

Varroc Engineering Limited's shares are listed on the National Stock Exchange (VARROC) and the Bombay Stock Exchange (541578).



VARROC
Financial Results
Q4 and FY20

::25th June 2020::

Disclaimers

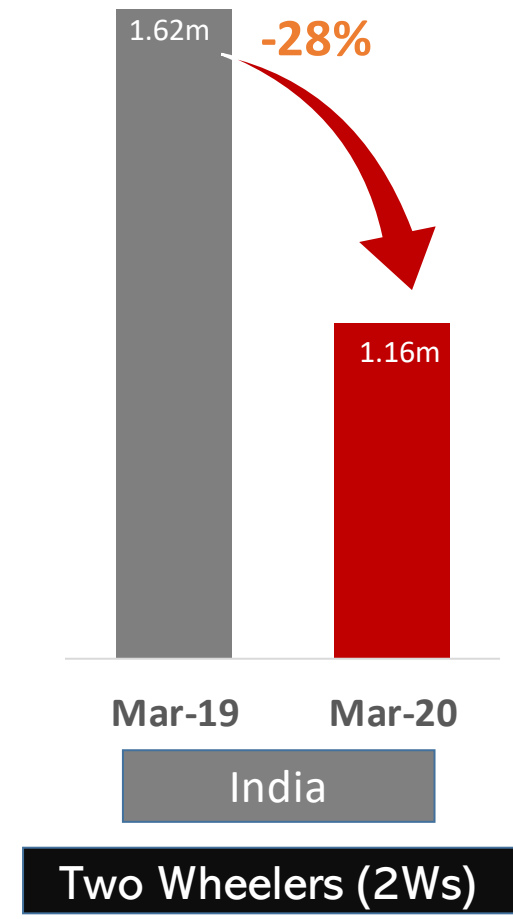
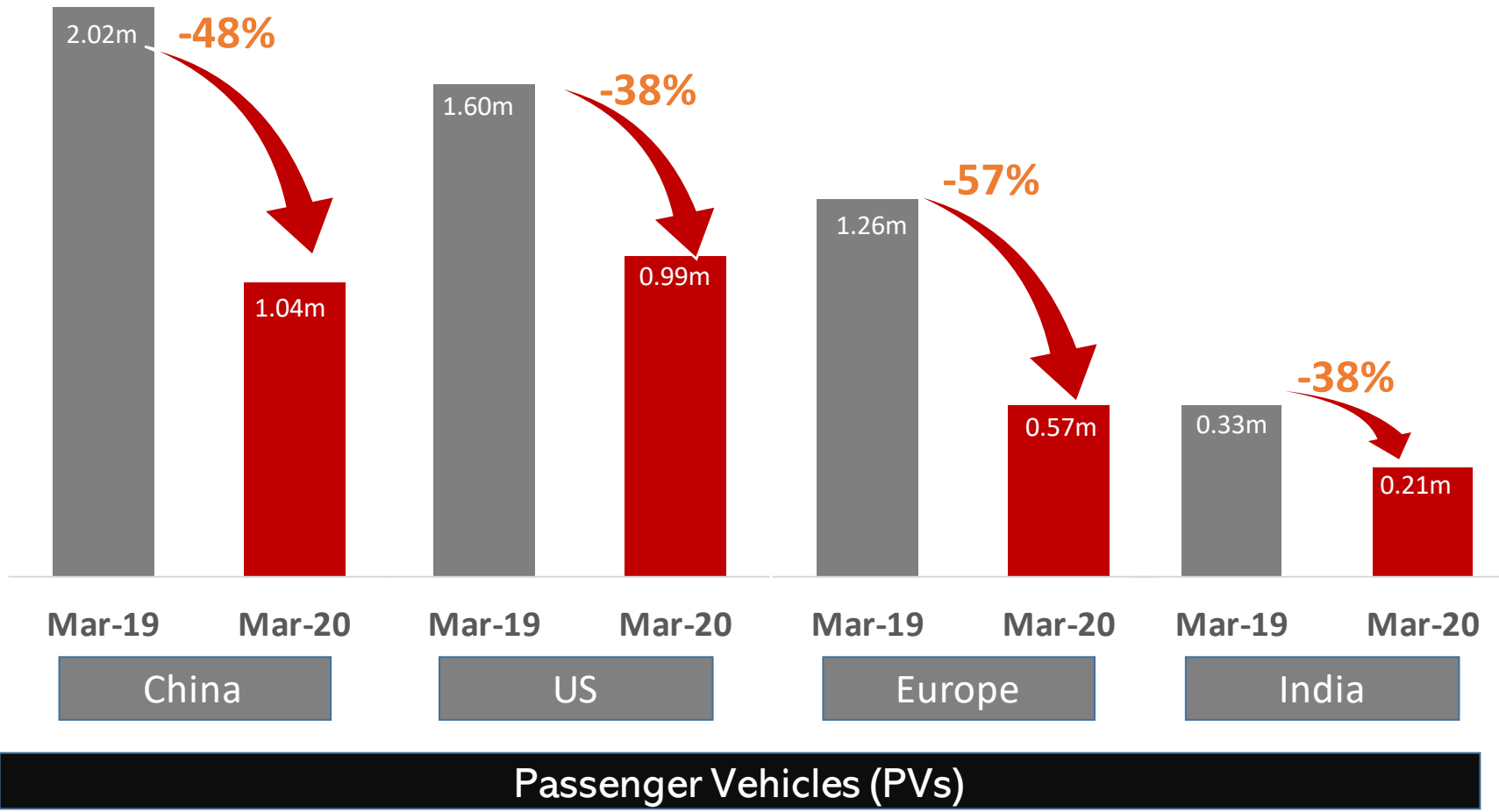
This presentation may include statements which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial 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.

The information contained in these materials has not been independently verified. None of the Company, its Directors, Promoter or affiliates, nor any of its or their respective employees, advisers or representatives or any other person accepts any responsibility or liability whatsoever, whether arising in tort, contract or otherwise, for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred howsoever arising, directly or indirectly, from any use of this document or its contents or otherwise in connection with this document, and makes no representation or warranty, express or implied, for the contents of this document including its accuracy, fairness, completeness or verification or for any other statement made or purported to be made by any of them, or on behalf of them, and nothing in this document or at this presentation shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The information and opinions contained in this presentation are current, and if not stated otherwise, as of the date of this presentation. The Company relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. The Company undertake no obligation to update or revise any information or the opinions expressed in this presentation as a result of new information, future events or otherwise. Any opinions or information expressed in this presentation are subject to change without notice.

This presentation does not constitute or form part of any offer or invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of Varroc Engineering Limited (the "Company"), nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or to be relied in connection with an investment decision in relation to the securities of the Company therefore any person/ party intending to provide finance / invest in the shares/businesses of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedure to ensure that they are making an informed decision. Neither the delivery of this document nor any further discussions by the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since that date. This presentation is strictly confidential, unless distributed via a public forum, and may not be copied or disseminated, in whole or in part, and in any manner or for any purpose. No person is authorized to give any information or to make any representation not contained in or inconsistent with this presentation and if given or made, such information or representation must not be relied upon as having been authorized by any person. Failure to comply with this restriction may constitute a violation of the applicable securities laws. The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions. By participating in this presentation or by accepting any copy of the slides presented, you agree to be bound by the foregoing limitations.

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)

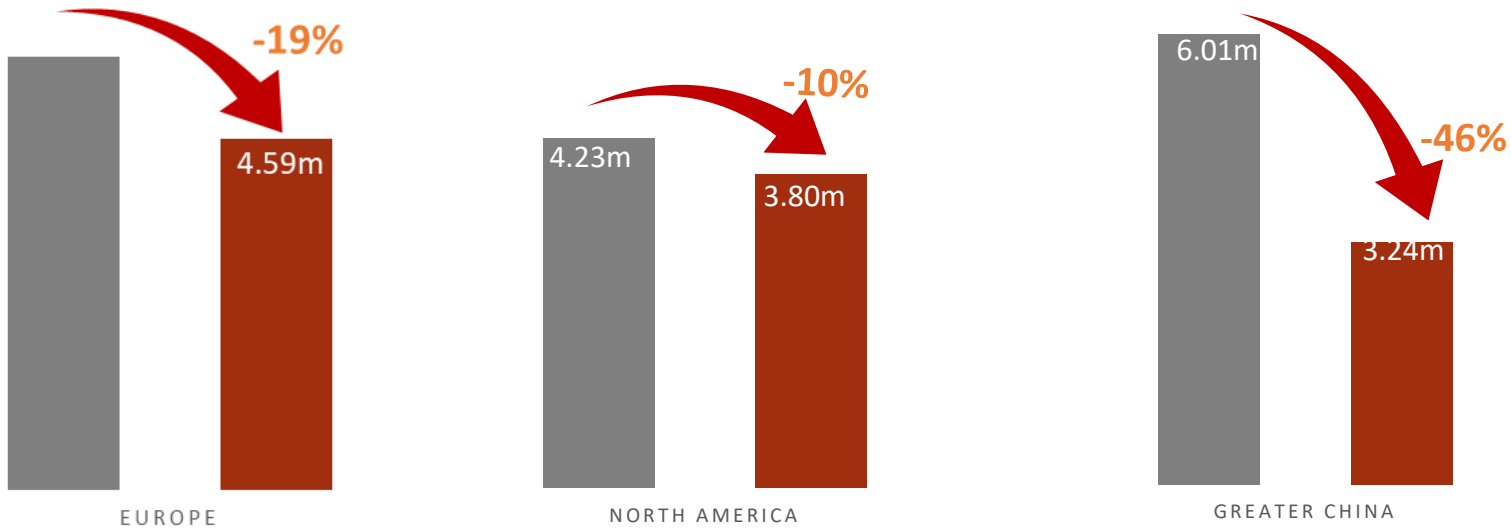
Significant Reduction in Volumes



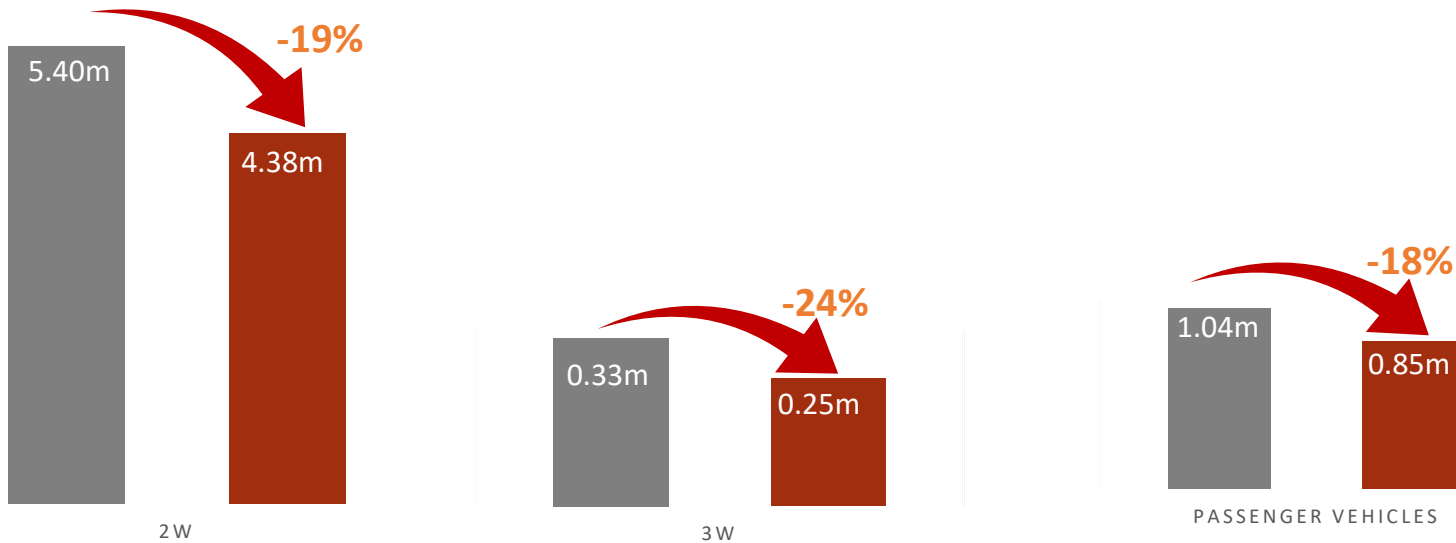
Sources: China Association of Automobile Manufacturers, Bureau of Economic Analysis, European Automobile Manufacturers Association and SIAM
*Sales volume of passenger cars in China, Sale of lite vehicles in the US, Car registration data in the Europe and production data for PVs and 2Ws in India

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%

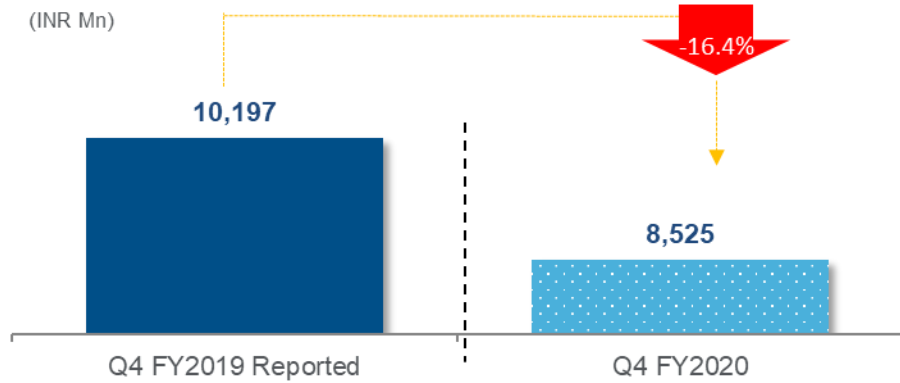
Exchange rates : INR/Euro Average for Q4 FY20 = 79.95; INR/Euro Average for Q4 FY19 = 80.09

* #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

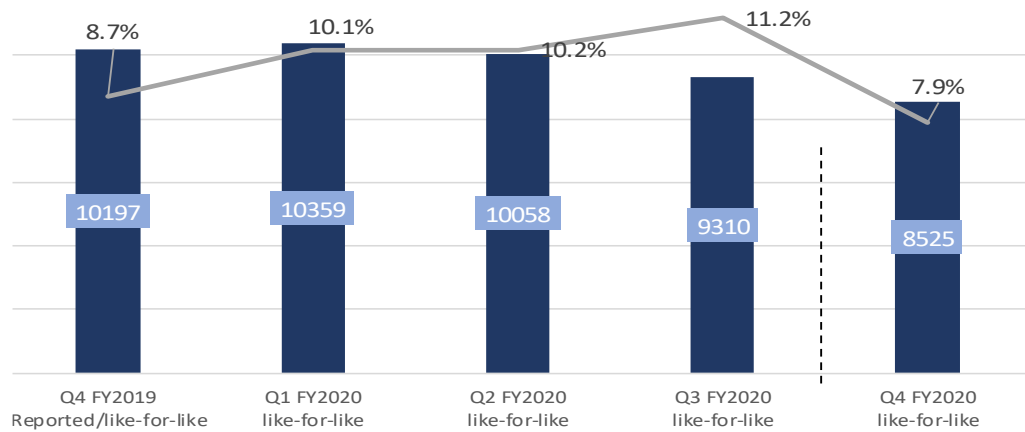
(INR Mn)



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

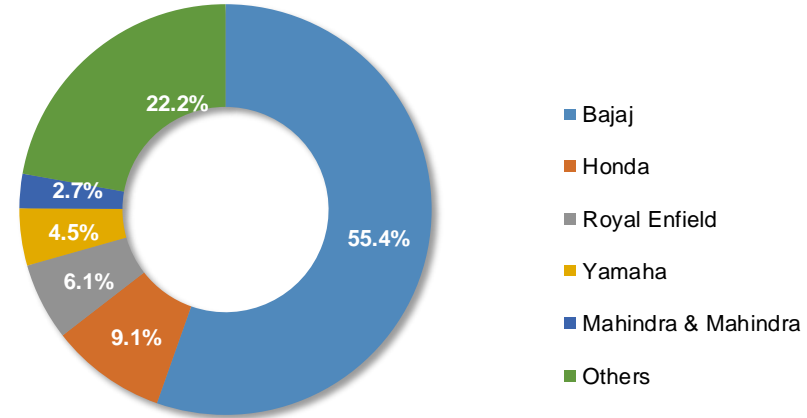
(INR Mn)



EBITDA margin impacted negatively due to COVID and lower revenue base

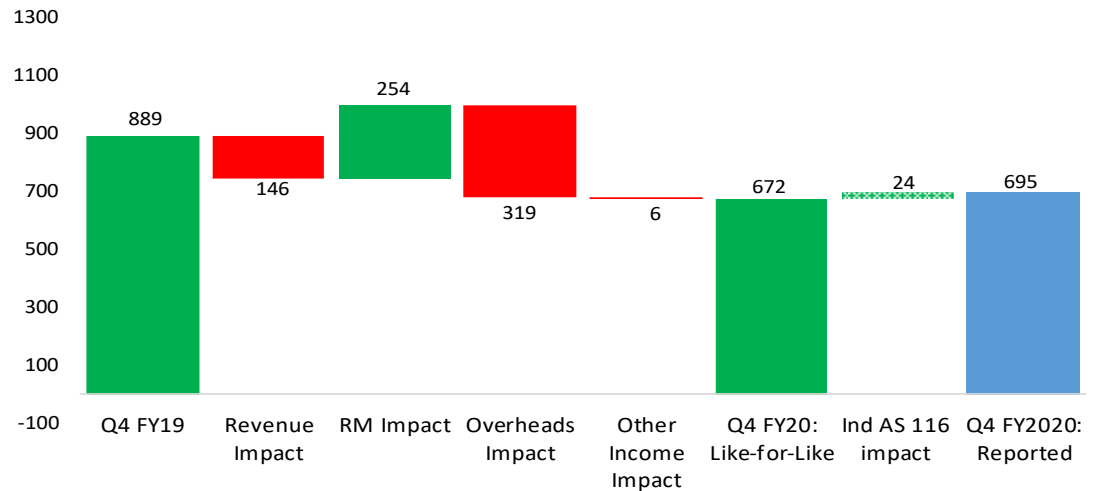
India Revenue Split by Customer⁽¹⁾

Q4 FY 20 %



EBITDA variation analysis

Q4 FY 19 Vs Q4 FY20



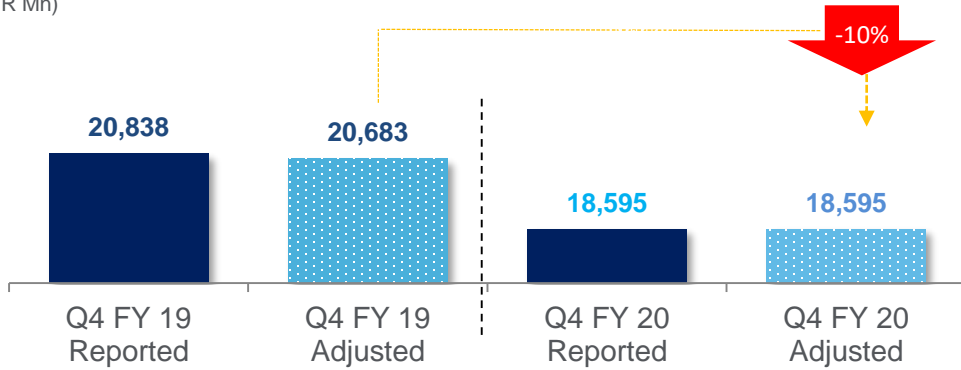
Note: (1) Based on management information system database
Non operating portion of other income not considered while calculating EBITDA

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)



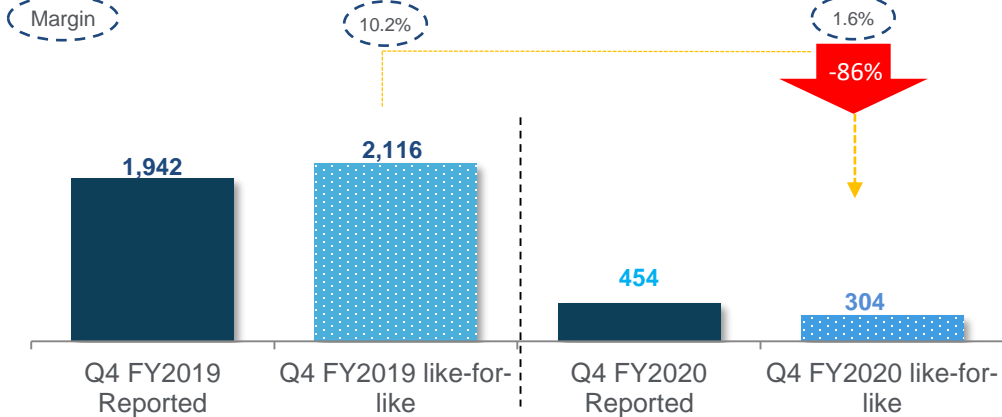
9.8% YoY revenue decline in Euro terms

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

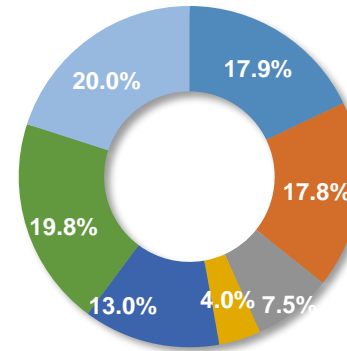


Eur Mn	24.2	26.4	5.7	3.8
--------	------	------	-----	-----

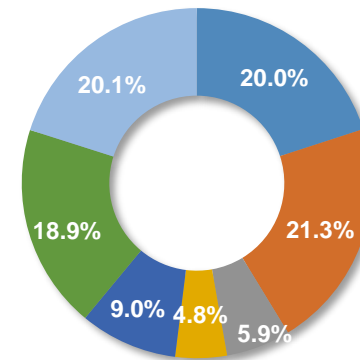
EBITDA declined due to COVID and other issues

VLS Revenue Split by Customer (2)

Q4 FY 20, %



Q4 FY 19, %



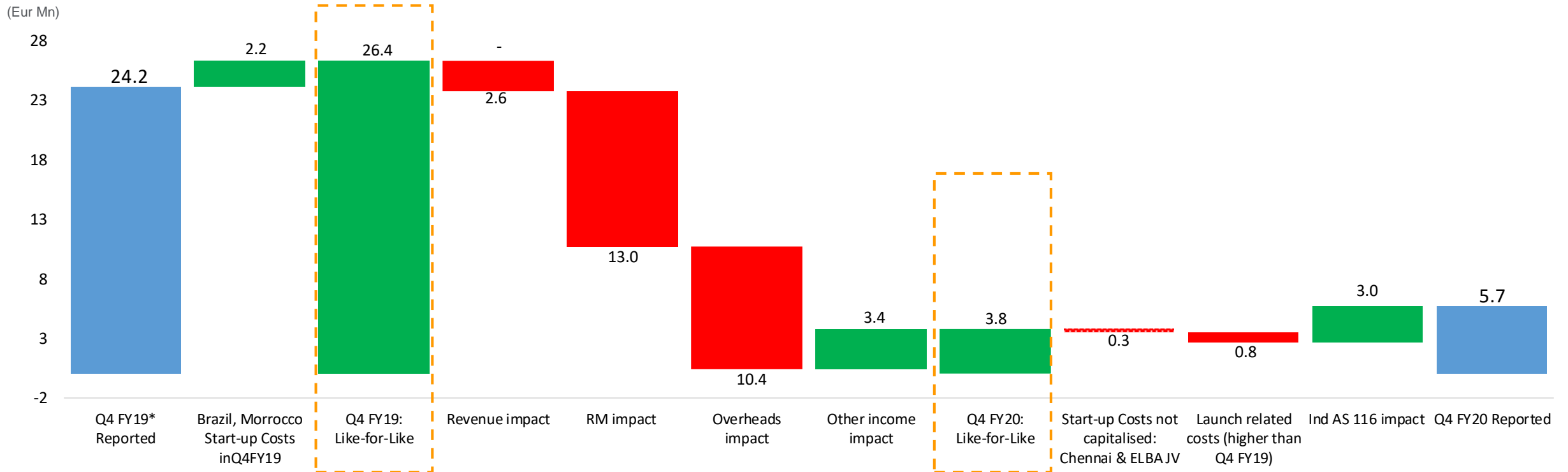
- Customer A
- Customer B
- Customer C
- Customer D
- Customer E
- Customer F
- Others

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%	3,207	3,207	242	242	7.5%	3,756	3,756	462	462	12.3%	-14.6%

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 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 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 Royal Enfield: J1 Project transmission shafts and gears assembly; potential INR 530 million 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



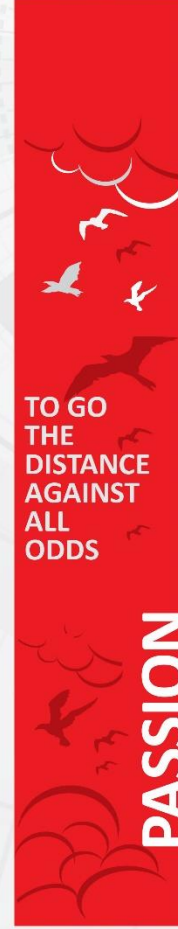
TO WALK WITH EVERYONE

HUMILITY



TO DO WHAT IS RIGHT

INTEGRITY



TO GO THE DISTANCE AGAINST ALL ODDS

PASSION



TO MAKE IT HAPPEN

SELF DISCIPLINE