

Press Release

Varroc Engineering reports improved financial results in Q1 FY23 from Continuing Operations, driven by better margins and stronger growth

- Consolidated Revenue in Q1 FY23 from Continuing Operations increased by 36.3% on YoY basis and came in at ₹16,352 million
- Consolidated EBITDA margins improved by 240 bps YoY for Continuing Operations to 8.2%.
- Operational PBT before JV Results for Continuing Operations turned positive and came in at ₹138.3 million in Q1 FY23 as against negative (₹181.8) million in Q1 FY22
- Lifetime New Order wins in India: ₹14.7 billion for Q1 FY23, including ₹4.8 billion from EV players

Pune, Aug 12, 2022: Varroc Engineering Ltd. (Varroc), a global tier-I auto components group, today announced its results for the quarter ended June 30, 2022. Mr. Tarang Jain, CMD commented,

"Q1 of FY23 has started with stable outlook for Automotive on back of forecast of a normal monsoon. The growth is visible mainly due to low base. Semi-conductor supply continues to impact premium two-wheeler manufacturer whereas passenger vehicle manufacturers are seeing improvement supplies. Geo-political issues have resulted in higher energy cost as well as food inflation which is forcing most of the central bank to hike Interest rate at a pace which has not been seen in last 2 decades. The operating environment for the business remains challenging."

In India, the auto production for all the segments in Q1 FY23 rose on YoY basis due to lower base of last year same quarter. On QoQ basis, we saw 2 wheelers production to grow by 8.4%, as base is turning favourable whereas marginal fall on remaining segment due to cyclicity.

In terms of operations the Revenue from continued operations grew by more than 36.3% to Rs.16,283 million. We continue to improve our profitability on sequential basis as gross margin improved by more than 340 basis point. The EBITDA margin also improved by 210 basis point for continued operations, and it came at 8.2%. The operational PBT before JV for continued operation has become positive in the quarter and it is Rs. 138.3 million. The reported PBT was impacted negatively by Mark to Market on Forex Items of Rs.96.8 million and JV loss of Rs.45 million. Reported PBT is negative of Rs.3.6 million.

We continue to have Strong Order wins for New Business in Q1 FY23 across business units. During Q1 FY23, lifetime revenue from New Order wins is Rs.14,673 million, and out of that, business win from 3 EV customers is Rs.4,837 million.

Profitable business win, Right capital allocation, sweating of assets, Commercialization of our R&D efforts and Control on cost remains the focus of the Company. Mass production of Traction Motors, Controllers & Telematics shows the capability of the team to industrialize first time right a new product. The R&D team also developed EFI for our esteemed Customer in record time and the production has started from June'22.

Our effort remains to move to 12% EBITDA and ROCE above 20% in medium term. Focus on operating leverage, expansion in gross margin as well as sweating of assets across business will help us in achieving the same."

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Summary Consolidated Financials

Rs. In Million	Q1 FY23	Q4 FY22	Q1 FY22
Revenue*	16,352	16,576	12,010
EBITDA	1,347	1009	698
EBITDA Margin	8.2%	6.1%	5.8%
Operational PBT before JV	138.3	-158.8	-181.8
Forex Exchange (Loss)/Gain	-96.8	119.2	1.3
Share of Profit/(loss) from JV	-45.1	-21.2	-25.5
PBT from Continued Operations	-3.6	-60.9	-206.0
PAT from Continued Operations	-38.8	-325.7	-163.6
PAT of Discontinued Operations	-802.7	-2,523.9	-2129.2
Total Profit for the Period	-841.5	-2,849.6	-2,292.8

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 ₹ 11,300 crore (USD 1.5 Billion) in FY21. The group employs more than **13,800** employees, has **43** global operating manufacturing facilities, and has **189** patents.

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

For further information on Varroc Engineering Limited please visit www.varroc.com

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Safe Harbor

This release contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Varroc Engineering Limited future business developments and economic performance. While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, several risks, uncertainties, and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. Varroc Engineering Limited undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.