



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

- Revenue from Operations for the quarter improved 4% YoY mainly in India (+36% YoY); VLS revenue declined 13% YoY as a result of industry wide semiconductor shortages. Capacity utilisation levels were significantly lower than expected as key customer OEMs shut plants/ reduced volumes
- Consolidated EBITDA for the quarter severely impacted by the lower revenue/ capacity utilization as well as increase in raw material costs.
- Net Debt increased to ₹30 billion as a result of weaker operating performance, capex and disruption to working capital cycle
- Order wins: ₹1.2 billion inflows in Q2 in India Business and € 46 million in VLS Business over past three months

Pune, November 11, 2021: Varroc Engineering Ltd. (Varroc), a global tier-I auto component group, today announced its results for the quarter ended September 30, 2021

Summary Consolidated Financials

(₹ million)

	Q2 FY22	Q2 FY21	YoY % Change	H1 FY22	H1 FY21	% Change
Revenue from Operations - Reported	30325.6	29161.5	4%	59741.6	41908.4	43%
Other Income - Operating	87.2	227.9		233.3	337.9	
Other Income - non-Operating	12.0	3.6		19.5	393.6	
EBITDA: Reported	-60.0	2660.8	na	116.4	866.4	-87%
EBITDA %	-0.2%	9.1%		0.2%	2.1%	
Depreciation & Amortisation	2373.7	2270.3	5%	4565.8	4339.3	5%
Finance Cost	440.3	442.8	-1%	826.1	874.3	-6%
Share of net profits of JVs under equity method	11.5	90.2		-14.0	199.9	
PBT - Reported	-2850.5	41.5		-5270.0	-3753.6	
Tax	121.7	429.2		-5.0	-280.0	
PAT	-2972.2	-387.7		-5265.0	-3473.6	

Consolidated Financial Performance for the quarter

- Revenue from operations for the quarter was ₹ 30,326 million, an increase of 4% over Q2 FY21
- India Business revenue grew by 36% YoY on a lower base in Q2 FY21, and VLS revenue declined by 13% YoY (in Euro) as a result of semiconductor shortages and key customer OEMs shutting plants/ reducing volumes
- The VLS revenue decline was severe at the established plants as key customer OEMs shut plants/ reduced volumes while the newer plants improved YoY but the utilisation levels are lower than expected
- The consolidated EBITDA for the quarter was at (-) ₹ 60 million (excluding China)
The EBITDA for India business was at ₹ 1,250 million (EBITDA margin 9.9%, impacted negatively by high raw material costs); while VLS reported EBITDA loss of (-) ₹ 1,258 million

China JV

- China JV Revenue improved by 44% QoQ. Our share of the China JV EBITDA was at ₹ 102 Million (margin +5.9%) as higher raw material prices impacted the margins negatively.

Depreciation and Amortisation

- Depreciation and Amortisation expenses were at ₹ 2,374 million.

Finance Cost

- Finance cost was at ₹ 440 million, increased QoQ as the gross debt increased during the quarter.

Project RACE

- Project RACE (Rapid Achievement of Competitive Edge) to bring VLS EBIT level in line with industry benchmarks is progressing well. In the initial phase, we have identified the improvement opportunities. The implementation of actions on quick wins has been initiated and the impact of € 75 million approximately p.a. is expected to be visible in the coming quarters.

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

“The challenging situation for the global auto sector is continuing. The severe semiconductor shortages globally have significantly reduced the Passenger Vehicle industry volumes.

While the situation is expected to persist for the next few months, we have started actions to reduce our fixed costs and implement industry best operational practices under the umbrella of Project RACE. We expect the benefits from project RACE to start showing impact in the second half of FY22. Sizable portion of the benefits will be visible FY23 onwards.

We remain confident of both of our businesses.”

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 12,966 employees, has 43 global operating manufacturing facilities and has 173 patents.

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