



Q1 FY20 Results Presentation





Disclaimer

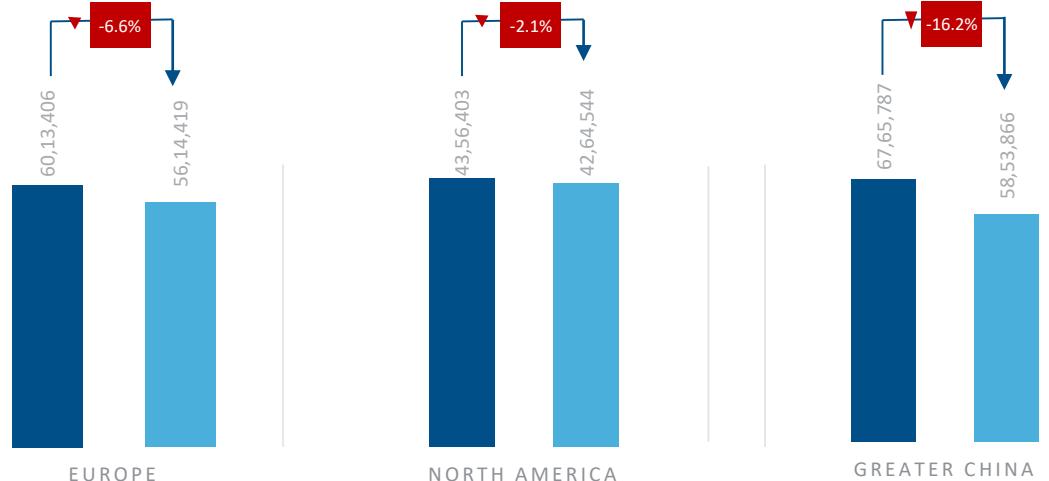
This presentation may include statements which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial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

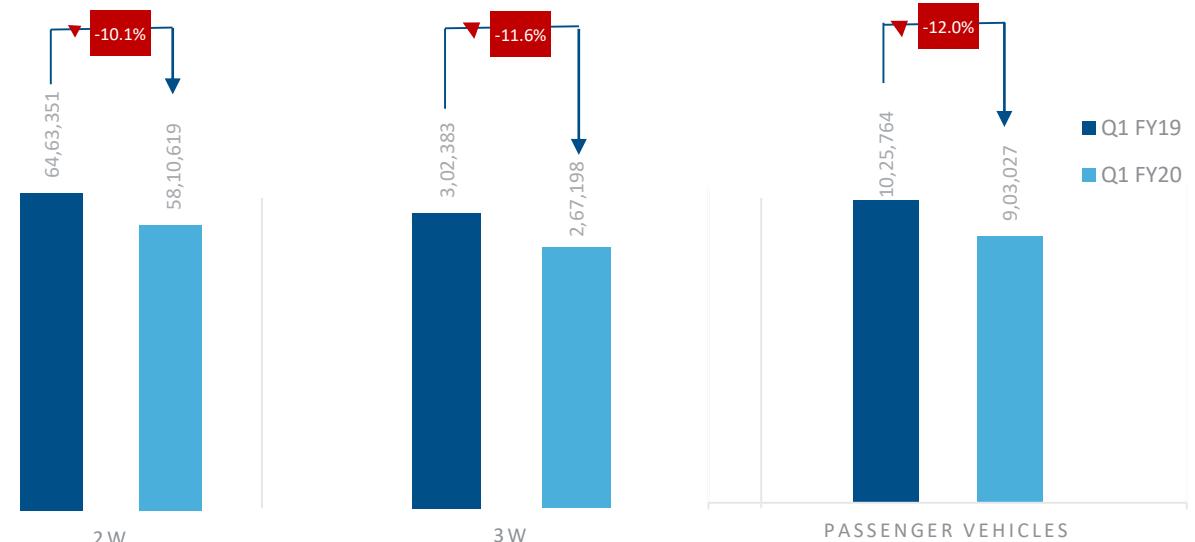
Industry Trends in Q1 FY20

Global Passenger Cars Market Production



- All major Passenger Vehicle markets declined YoY in Q1 FY20
- The decline in China accelerated from FY19 due to slowing economic growth and lack of govt. support.

India Industry Trend : Production YoY



- Domestic Volumes in Q1 declined significantly over Q1 FY19; 2W declining (-11.7%). PV by -18.4% and 3W by -7.3%
- Exports for PVs showed a 3.6% YoY growth; 2W exports continued to grow but at a slower pace than last year (+3.1%). 3W exports declined by 13%YoY.

Business Highlights: Q1 FY20

- Revenue from Operations for Q1 FY20 declined by 2.0% YoY*
- EBITDA for Q1 FY20 at INR 2,788 Mn*; +20bps YoY
- VLS: Revenue increased 1% in Euro terms; margin improved by 40bps YoY to 9.5%*
- India Business: Revenue was almost flat against double digit decline in industry volumes; EBITDA margin maintained at 10.1%
- PAT for Q1 at INR 875 Mn a decline of 12.9% YoY as a result of:
 - China JV incurred a small loss due to significant decline in revenue (-37.1% YoY)
 - Higher depreciation and finance cost largely driven by adoption of Ind AS115 and Ind AS116 partially offset by higher tax credits in Q1 FY 20
- VLS business wins of Euro 93 Mn in first 4 months of FY20
- India Business focus on technology driven futuristic products; gaining traction with key OEMs

Starting this financial year, erstwhile TRIOM business which is into international lighting products for 2Ws, has been integrated with VLS. Financial numbers for both the periods are accordingly adjusted to include TRIOM.

Varroc Group: Summary Key Financials

Q1 FY20



(INR Mn)

Particulars	Q1 FY 20	Q1 FY19	Growth (Y-o-Y)
Revenue from Operations - Reported	28,701	29,270	-1.9%
Revenue from operations : like-for-like	28,701	29,273	-2.0%
Other income - Operating	280	165	
Other income - Non operating	11	96	
EBITDA - Reported *	2,970	2,412	23.2%
EBITDA : like-for-like \$	2,788	2,786	0.0%
<i>EBITDA Margins (%) \$</i>	<i>9.7%</i>	<i>9.5%</i>	
Share of net profits of JVs under equity method	(1)	129	-101.1%
PBT - reported	1,021	1,343	-24.0%
PAT - reported	875	1,004	-12.9%
Net Debt to Equity (Excl. Impact of Leases: Ind AS 116)	0.73	0.55	

Ind AS 116 impact on EBITDA and PAT for the quarter on consolidated basis at (+)INR 87 million and (-)INR 10 million, respectively.

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

\$ like-for-like excludes impact of Interior Plastics business closure in North America, Ind AS 116, Start-up costs and other items as explained in later part of this presentation

Varroc Group: Business Wise Performance

Q1 FY20



(INR Mn)

SBU	Q1 FY20					Q1 FY19					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	10,359	10,359	1,066	1,050	10.1%	10,431	10,431	1,051	1,051	10.1%	-0.7%
VLS (Incl TRIOM)	17,840	17,840	1,859	1,692	9.5%	18,046	18,050	1,264	1,639	9.1%	-1.2%
Others (IMES)	578	578	33	33	5.7%	836	836	98	98	11.7%	-30.9%
Elimination	(76)	(76)	12	12		(43)	(43)	(1)	(1)		
Total	28,701	28,701	2,970	2,788	9.7%	29,270	29,273	2,412	2,786	9.5%	-2.0%
China JV - 50%	1,009	1,009	64	64	6.3%	1,605	1,605	214	214	13.3%	-37.1%

Euro Performance for VLS

SBU	Q1 FY20					Q1 FY19					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	228	228	23.8	21.6	9.5%	226	226	15.6	20.5	9.1%	1.0%

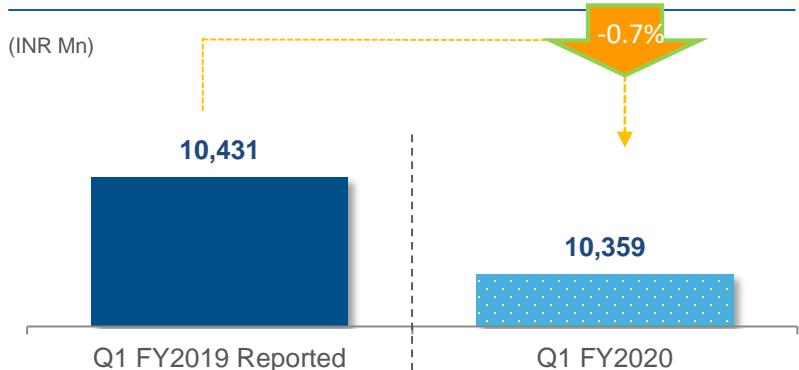
Exchange rates : INR/Euro Average for Q1 FY20 = 78.120; INR/Euro Average for Q1 FY19 = 79.871

*For Q1 FY19 it includes impact of Ind AS 115 and excludes Interiors Business to make results comparable

#EBITDA : like-for-like is as explained in next few slides

India Business : Financial Performance

Revenue



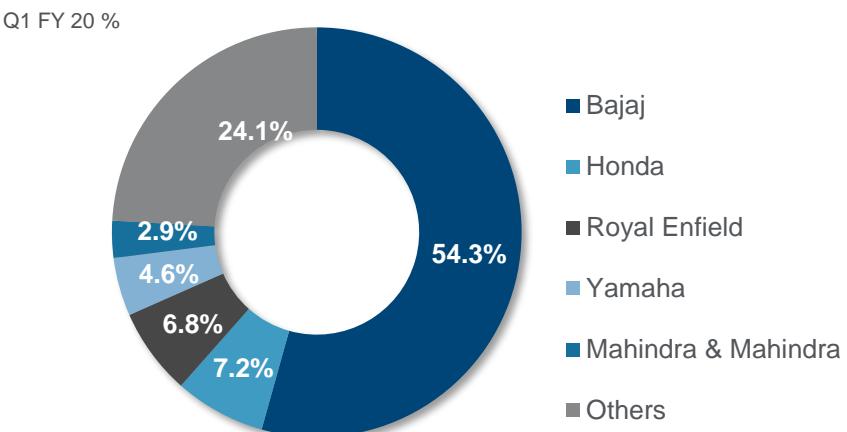
Revenue nearly flat in a tough external environment

EBITDA

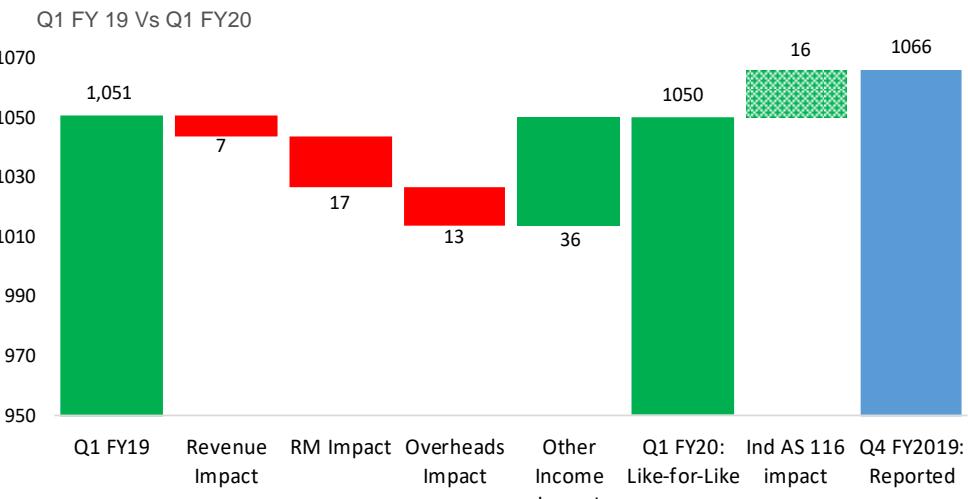


EBITDA margins flat YoY adjusted for impact of Ind AS116

India Revenue Split by Customer⁽¹⁾

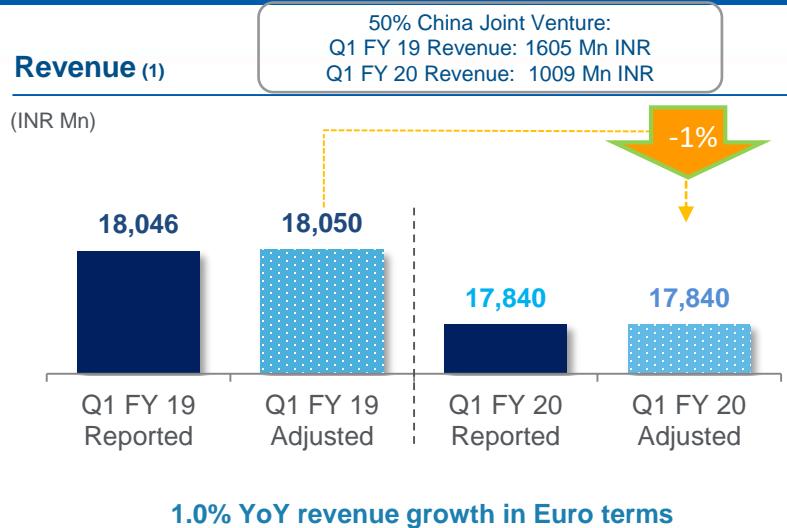


EBITDA variation analysis

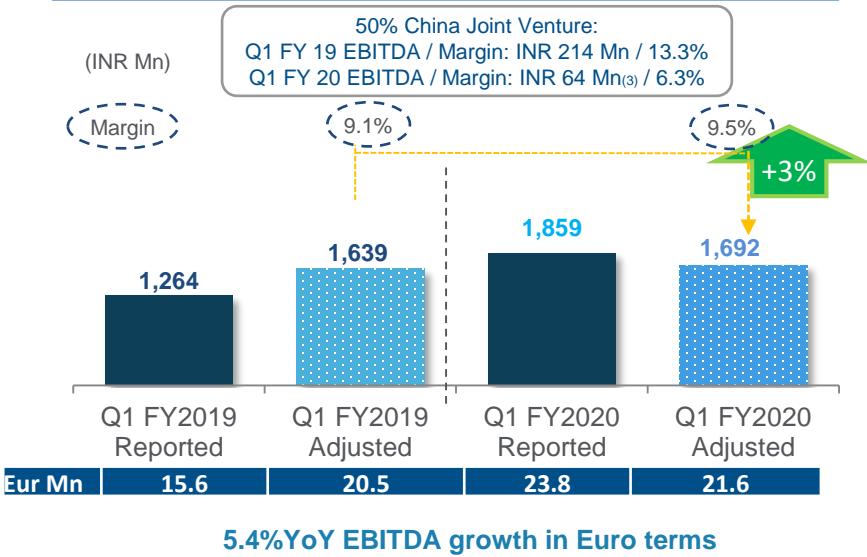


EBITDA margin maintained in a declining industry

Global Lighting Business (VLS): Financial Performance

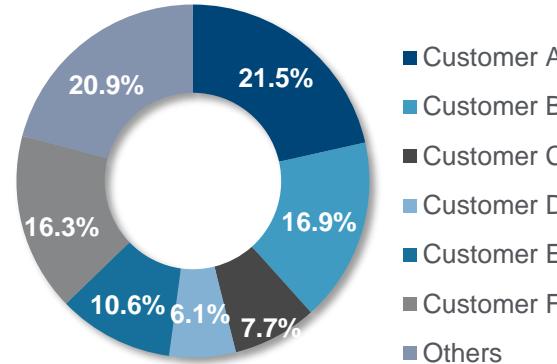


EBITDA (1) & Adjusted EBITDA (3)



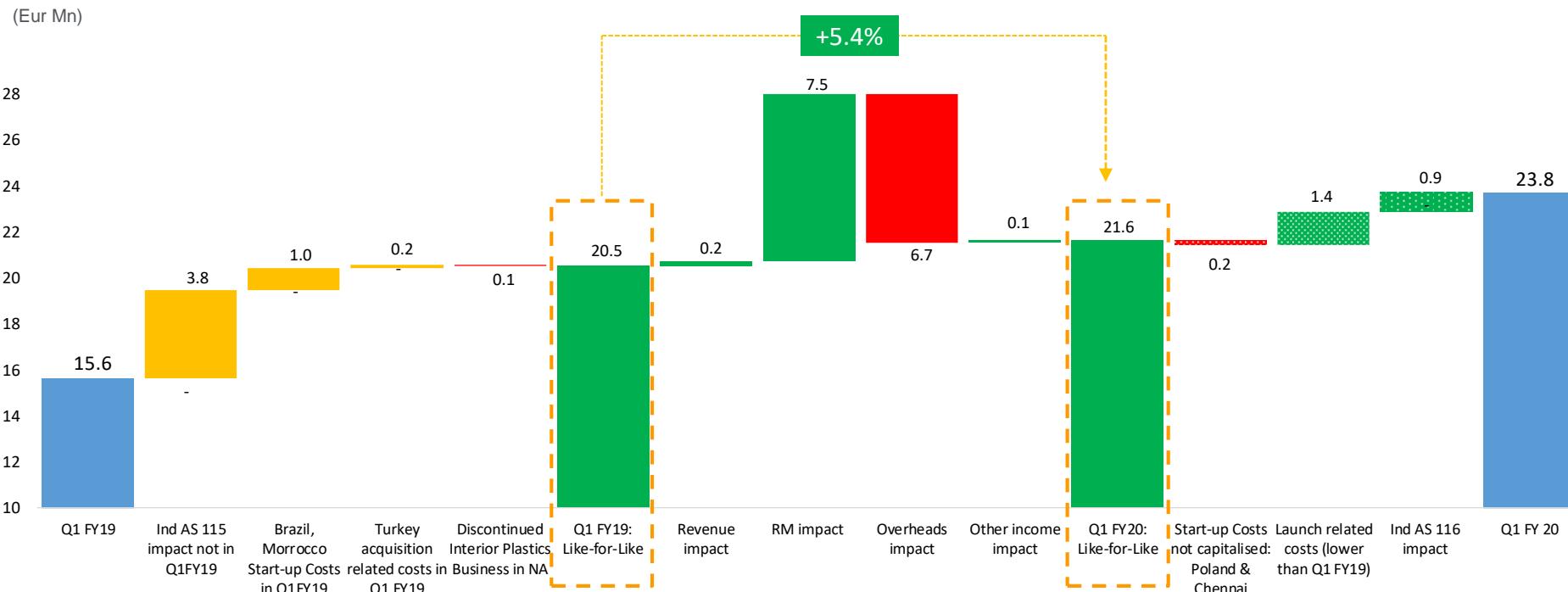
VLS Revenue Split by Customer⁽²⁾

Q1 FY 20, %



VLS EBITDA margin variation explanation on the next page

Global Lighting Business (VLS): EBITDA variation analysis



- RM costs lower due to purchasing efficiencies and customer/product mix change
- Overheads higher due to new locations and infrastructure being built to support future revenue growth
- Launch activity during the quarter was lower as compared to Q1 FY19

Highlights of Major Order Wins and Near Term Potential



Business	New Business wins: VLS / Recent orders: India	Near term potentials
VLS (YTD July)	<p>Overall Net Business Wins of Eur 93 Mn</p> <ul style="list-style-type: none"> - New Business wins - Eur 81 Million - Re-wins (net) - Eur 12 Mn 	<p>VW is set to become our second largest customer in FY20 & the largest in FY21.</p> <p>Ford: In discussion for some programs in and outside of North America</p> <p>China: Focus on locally strong players like Geely, VW-FAW.</p>
India Business (Q1 FY20)	<p>VW: New business won 2k Injection molding technology orders INR 590 Mn – Part business start in FY22</p> <p>Bajaj: New business of INR 290 Mn/ re-wins INR 1160 Mn in Q1 FY20</p> <p>HMSI: INR 640 Mn wins and re-wins for Polymer & Electrical products</p> <p>PSA: Export order for supply of Intake/Exhaust Valve for Euro VII Engine – INR 1040 Mn; SOP to start in FY21</p> <p>M&M: Polymer orders for INR 300 Mn</p> <p>RE: UCE BSVI Magneto replacement order for INR 450Mn; LOI to supply valves to J1 Engine for Jan2020 SOP</p> <p>ThyssenKrupp: BSVI crankshaft replacement INR 450 Mn</p> <p>Yamaha: New order for polymer body parts INR 90 Mn</p>	<p>Traction Motor & Controller: development in progress. Prototypes ready for 2W & development work is ongoing for 3W; in discussion with a few customers</p> <p>ISG: In discussion with customers for near term supply</p> <p>In discussion with RE for more product categories in Metallic and Electrical business.</p> <p>TVS: In discussion for more Electrical products</p> <p>Polymer products for M&M: Working on few products</p>

R & D / Business Updates – Q1 FY20

Global Lighting Business

- **Updates on new locations**
 - Brazil: Industrialization on track to support our 2nd customer launch and ramp up by December. This is full vehicle lighting including our first HL launch in Brazil.
 - Morocco: Seven new projects will be launched in Morocco during FY20. Phase 2 extension is on-track and likely to be ready by November 2019.
 - Poland: Construction activity on track; likely to start SOP in Q4 FY20
 - Romania JV: Building shell ready and SMT machines being ordered.
- **VLS completed a fully functional demonstration vehicle in India, to show new lighting innovations directly targeted to the value conscious India market.**

India Business

- **EBU:** Multiple customer enquiries for exploring supply of traction motor, ISG and telematics devices.
- **Metallic:** Success in securing order for Euro VII valves; exploring opportunities with other customers to supply these products
- **Polymer:** working with a large customer to supply complete body parts for 2W EV. SOP to start later this year.

Poland Manufacturing Plant : Const. Status

Outside view



Roof insulation and proofing



Manufacturing Area – inside view 1



Manufacturing Area – inside view 2



Thank You