

# Varroc Engineering Limited

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VARROC/SE/INT/2022-23/20  
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.

NSE Symbol: VARROC

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](http://www.varroc.com).

## **For Varroc Engineering Limited**

A handwritten signature in blue ink, appearing to read 'Ajay Sharma', is placed over a blue horizontal line.

**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

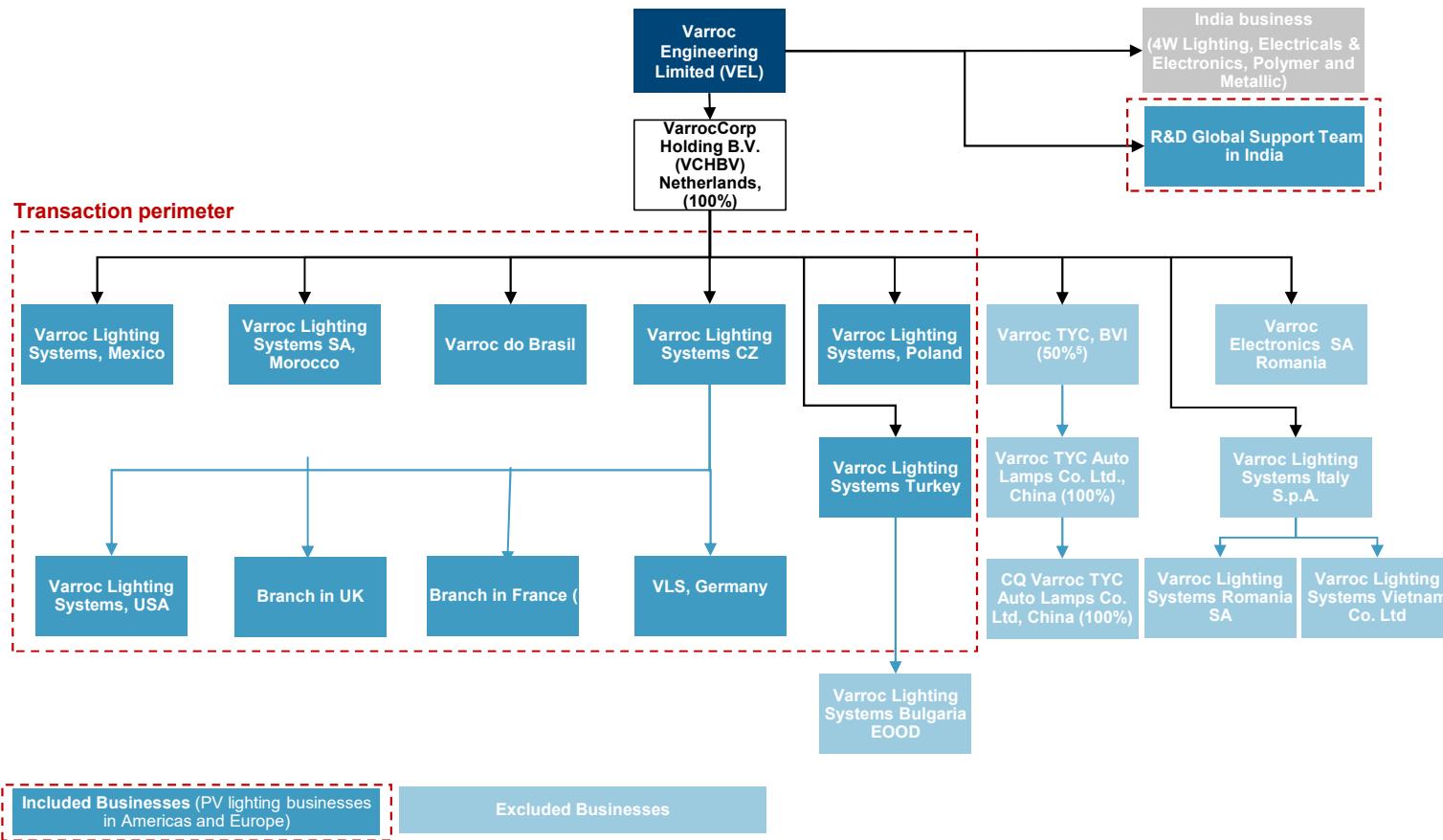


**Q2 FY2023** (expected time for the deal to close, subject to customary closing conditions and regulatory approvals in Mexico, UK and EU)



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**

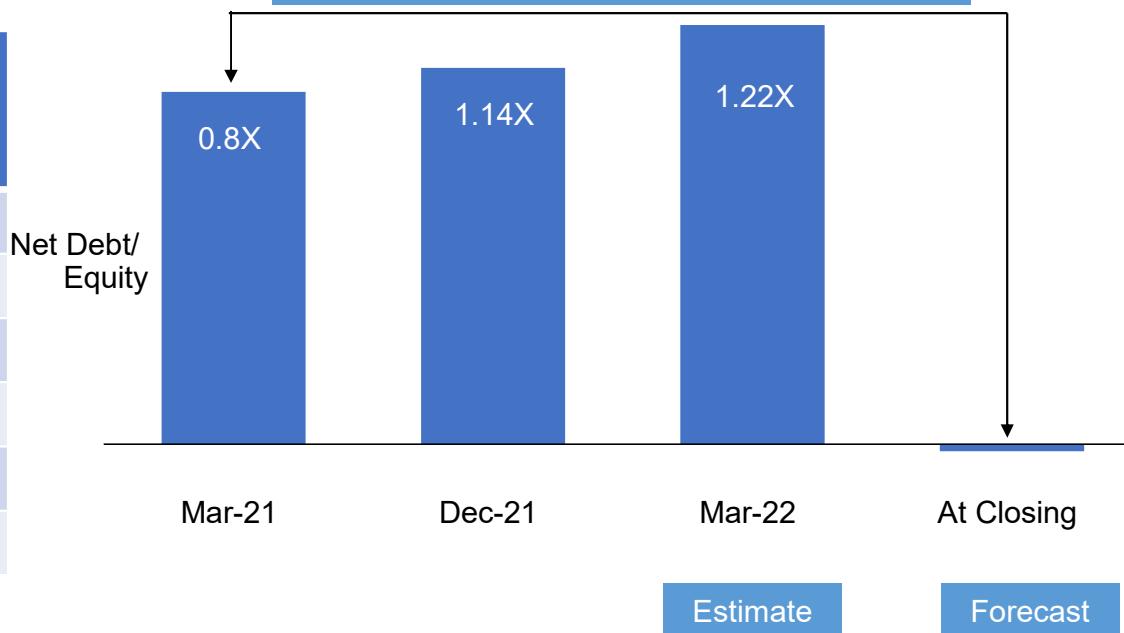
## Proforma impact of divestment on Key Financial Indicators

### 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 2<sup>nd</sup> wave

### Significant Deleveraging expected by Closing – negative Net Debt



## 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**



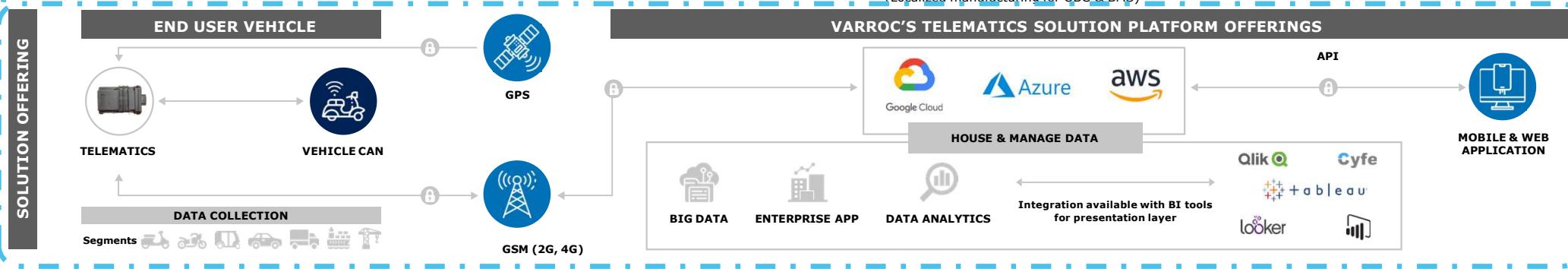
**Focus on maintaining leadership position in the Polymer, Electrical-Electronics and Metallic businesses in India, and drive growth and profitability through increasing wallet share with OEMs and better capacity utilisation**



**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



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

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# High Technology Electronics

PRODUCT LINES	EFI System	Light Control Modules	Light Engines	ADAS enablement cameras
DETAILS	  <ul style="list-style-type: none"><li>• 50:50 JV between VEL &amp; DelloRto Italy for EFI System Supply to OEMs</li></ul>	<ul style="list-style-type: none"><li>• Scalable Entry to High LCUs</li><li>• Rear lamp CUs including animation</li><li>• LCU for HD microLED Light Engines</li></ul>	<ul style="list-style-type: none"><li>• Economy and Matrix Light Engines</li></ul>	<ul style="list-style-type: none"><li>• Driver Monitoring Capabilities</li><li>• Driver warning with vehicle intervention capability</li><li>• Fusion of light control with front ADAS camera for improved safety and faster response</li></ul>

T H A N K   Y O U



Our Core Values