

# Varroc Engineering Limited

Regd. & Corp. Office

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

Tel + 91 240 6653700  
Fax + 91 240 2564540

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



VARROC/SE/INT/2022-23/80

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

October 7, 2022

The Manager – Listing  
The Corporate Relation  
Department,  
**Bombay Stock Exchange  
Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai-400 001.

BSE Security Code: 541578  
[Debt: 973454 & 973455]

Dear Sir/ Madam,

## **Sub.: Investor Call Presentation**

This is with respect to our communication dated October 7, 2022 relating to schedule of conference call / meeting with Analyst / Institutional Investors. Please find enclosed the Investor Presentation.

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**

**Ajay Sharma  
Group General Counsel and Company Secretary**

Encl: A/a

# Varroc Engineering Ltd



7<sup>th</sup> October 2022



# 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.



## Initial Divestment Proposal - Overview

## Divestment Completed- with Changes



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 Europe, Americas and North Africa along with acquisition of the global R&D operations in India (Pune)



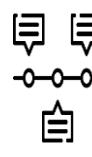
**Enterprise value revised to EUR 520 million considering the current recessionary trends in Europe. Out of Court settlement for patents infringement disputes reached for Euro 51 million just for concluding the deal.**



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



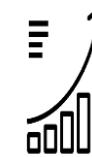
**Net Cash Accretion** to Varroc India, post-tax and net of escrow, estimated to be approx. **Euro 5-9 million** ; escrow revised downwards to Euro 28 million from 35 million



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



**Deal Completed on 6<sup>th</sup> October 2022 and debt & debt like adjustments of approx. Euro 400 million settled.**



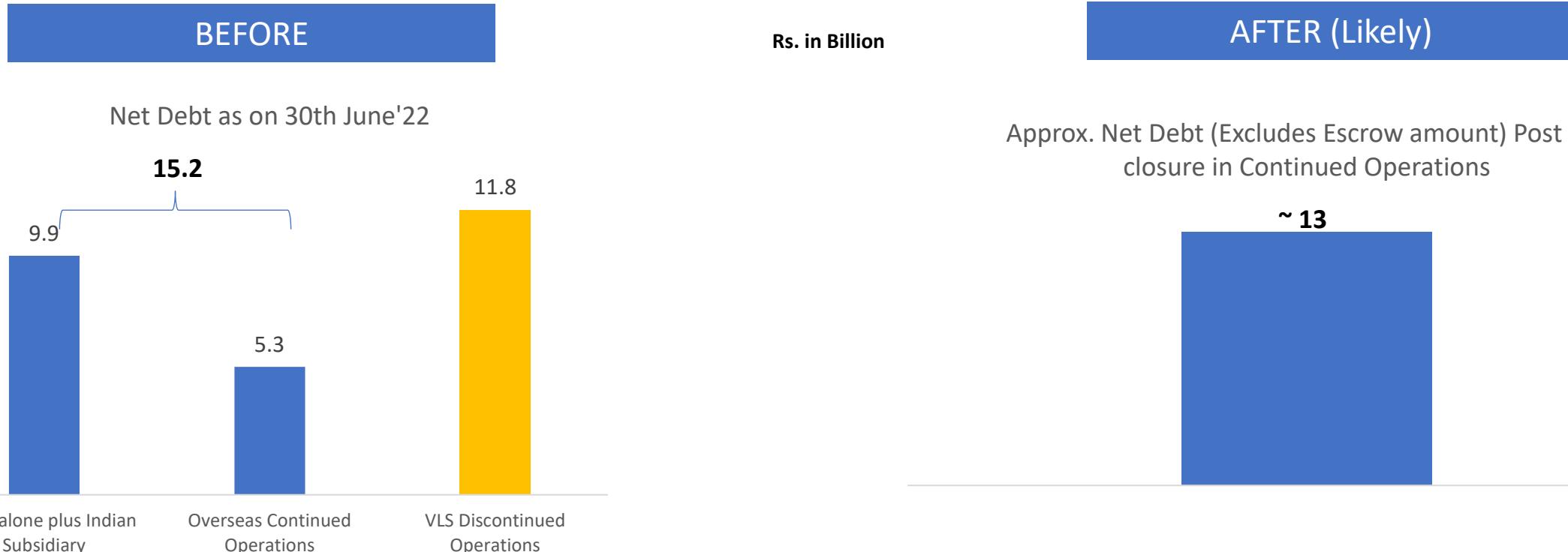
Transaction strengthens Varroc's balance sheet, enabling the company focus on high-growth Indian market, and emerging high-growth segments such as EV components, electronics, connectivity and global 2-wheeler lighting

## Changes to the Bridge between EV and Equity value

In EURO Million (Approx.)	Start of Divestment	Likely Closure of Divestment	Difference	Reasons
Enterprise Value	600	520	(80)	Higher raw material inflation (6% vs. estimates) and lower demand caused by Ukraine war and other geo-political issues resulted in –ve EBITDA for VLS 4W lighting operations YTD and weakened the financial outlook for the businesses. The EV had to be amended to take care of buyer's concern about the future profitability of the business due to recessionary concern.
Patent Infringement Settlement		51	(51)	Out-of-court settlement of all patent Infringement cases with Valeo, only for concluding the deal.
Debt & Debt Like items in Divested Business & Others	342-346	399-403	(57)	Lease liabilities, license cost, working capital and other adjustments in additional to higher cash burn in last 6 months
<b>Equity Value</b>	<b>254-258</b>	<b>66-70</b>	<b>(188)</b>	
Escrow	35	28	7	
<b>Debt repayment for continued VLS overseas business</b>	<b>62</b>	<b>33</b>	<b>29</b>	<b>This will reduce the debt burden in the Continued Overseas Operations</b>
<b>Net Cash Accretion to Varroc</b>	<b>157-161</b>	<b>5-9</b>	<b>(152)</b>	

- Impact of Impairment of investment in VCHBV due to lower equity realization is expected and it is under assessment

## Net Debt before and after the divestment (likely)



## Varroc Continued Operations– Way Forward

**Despite the recovery in 2W & 3W being sluggish, we improved our profitability in Q1. Highest ever Revenue\* in Aug'22 (~ 4,800 million INR) & Sep'22 (~ 5,200 million INR) for Indian Operations.**

**Have added 3 new customers in last 6 Months in Electric Vehicle. Ramping up of various EV components for our Anchor customers on track.**

**Strong New Order wins to drive future growth (lifetime value of ~ Rs.15,000 million INR won in Q1 FY23). Aftermarket continues to grow at 20%**

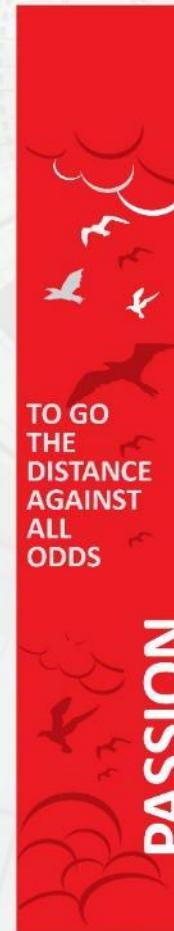
**Focus on Free Cash flow and ROCE Improvements across businesses**

**“One VARROC” - Integration of the remaining VLS business with India Operations**

\* Unaudited



THANK YOU



Our Core Values