

Varroc Engineering Ltd.

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2020-21/47

November 10, 2020

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-400051.

NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation
Department,
**Bombay Stock Exchange
Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

BSE Security Code: 541578

Sub: Investor Presentation - Financial Results Q2 FY 2020-21 - Revised

Dear Sir/ Ma'am,

Please find enclosed a copy of Revised Investor Presentation on the Unaudited Financial results (Consolidated & Standalone) for the quarter and half year ended on September 30, 2020.

Kindly take the same on record and note the compliance.

Yours faithfully,
For Varroc Engineering Limited

A handwritten signature in blue ink, appearing to read 'Ajay Sharma'.

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a

Varroc Engineering Limited

Financial Results

Q2 FY21

::10th November 2020::

Disclaimers

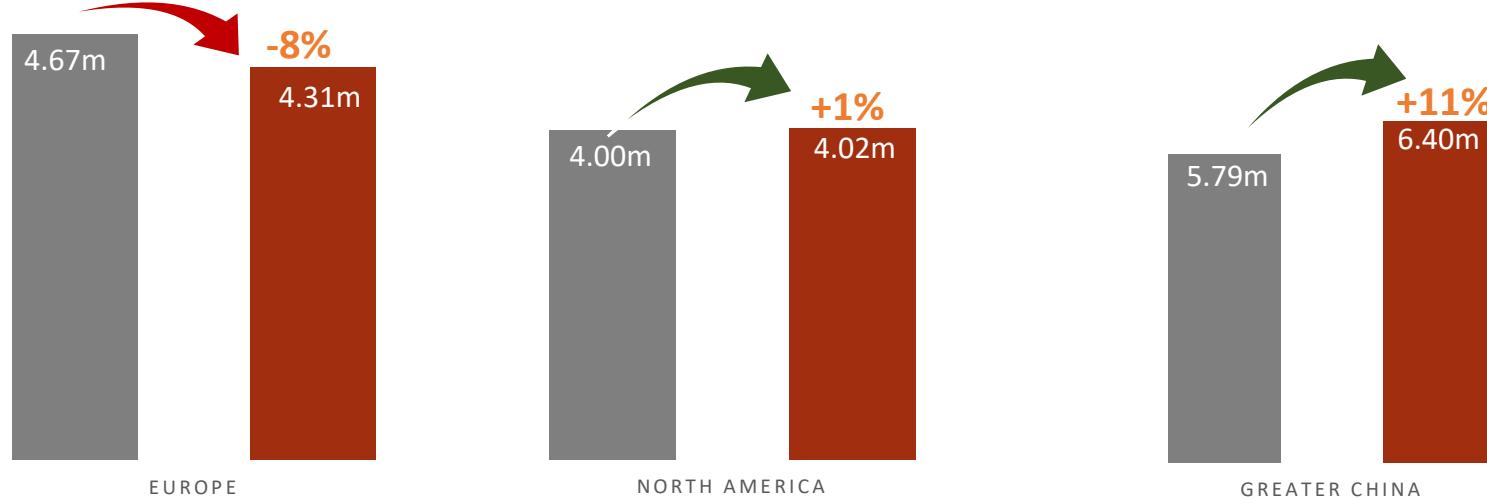
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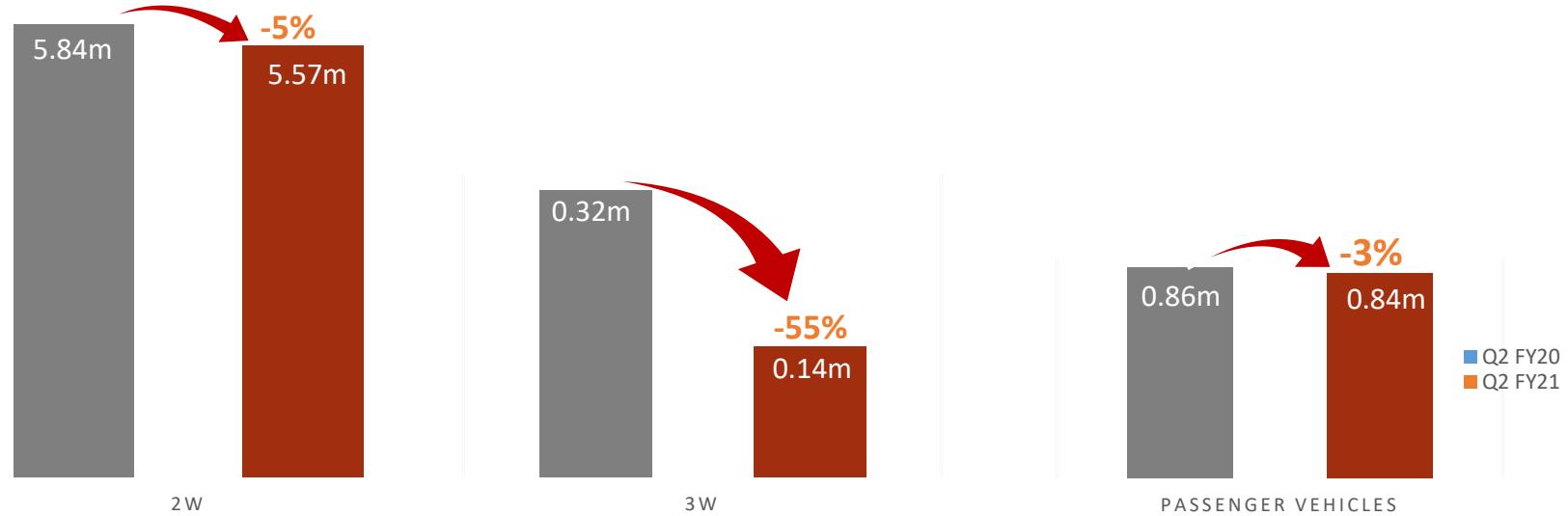
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Industry Trends in Q2 FY21

Global Passenger Vehicle Market Production



India Industry Trend : Production YoY



- Passenger Vehicle volumes in Q2 FY21 declined in Europe while were flat in North America
- China PV volumes saw a YoY growth as the industry recovery post Covid continued
- 2W Domestic sales volumes were flat YoY on a quarterly basis as a result of robust YoY growth in September; PV sales volumes grew YoY by 17% however 3W volumes were very weak - down by 75% YoY
- Exports for 2Ws showed YoY growth of 9%. PV and 3W exports declined by 18% & 20% YoY, respectively.

Business Highlights: Q2 FY21

- **Revenue from Operations for the quarter increased by 7.9% YoY**
- **Consolidated EBITDA for the quarter at ₹ 2661 Million; EBITDA margins increased by 60 bps YoY to 9.1%**
- **India Business:** Revenue declined by 7.2% YoY due to weak industry volumes at the beginning of the quarter; EBITDA margin improved 280bps YoY to 13.5%, partly due to temporary cost saving measures in place
- **VLS:** Revenue growth 20.9% YoY (+8.9% in Euro terms) mainly due to strong growth in September and revenue from new facilities; EBITDA margin flat YoY at 7.6%. Cost rationalisation initiatives started to show positive impact
- **VLS:** China JV continue to perform well with EBITDA margin at 16.8% as against margin of 0.3% in Q2 FY20; Electronics unit in Romania started production in Q3
- **The free cashflow for the quarter of ~₹ 4 billion resulted into net debt reduction to ₹ 30.6 billion; on track to reach target net debt of ₹ 26 billion by March 2021**
- **Business wins encouraging; VLS net business wins YTD €74 Million and India business wins at ₹5 Billion in FY21 so far.**
- **Operations on track to deliver strong YoY growth in H2; Plants continue to operate during the second lockdown across key European markets.**



Varroc Group: Financial Performance

₹ million

Particulars	Q2 FY21	Q2 FY20	Growth (Y-o-Y)	H1 FY21	H1 FY20	Growth (Y-o-Y)
Revenue from Operations - Reported	29,161	27,032	8%	41,908	55,733	-25%
Other income - Operating	228	88		338	368	
Other income - Non operating	4	26		394	37	
EBITDA - Reported *	2,661	2,311	15%	866	5,282	-84%
EBITDA Margins (%) \$	9.1%	8.5%		1.9%	9.5%	
Share of net profits of JVs under equity method	90	(66)	-237%	200	(67)	-397%
Depreciation	2270	1666	36%	4339	3312	31%
Finance Cost	443	351	26%	874	664	32%
PBT - reported	41	254		(3,754)	1,276	-394%
PAT - reported	(388)	228		(3,474)	1,103	-415%

Particulars	Q2 FY21	Q1 FY21	Change
Net Debt	30,644	34,121	(3,477)
Net Debt to Equity (Excl. Impact of Leases: Ind AS 116)	1.1	1.2	

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



Varroc Group: Business Wise Performance Q2 FY21

₹ million

SBU	Q2 FY21			Q2 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
India Business	9,329	1,257	13.5%	10,058	1,076	10.7%	-7.2%
VLS	19,788	1,502	7.6%	16,373	1,239	7.6%	20.9%
Others (IMES)	421	(84)	-19.8%	620	11	1.8%	-32.1%
Elimination	(377)	(15)		(19)	(15)		
Total	29,161	2,661	9.1%	27,032	2,311	8.5%	7.9%
China JV - 50%	1,228	206	16.8%	1,109	4	0.3%	10.7%

Euro Performance for VLS

SBU	Q2 FY21			Q2 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
VLS -Euro	228	17	7.6%	209	16	7.6%	8.9%

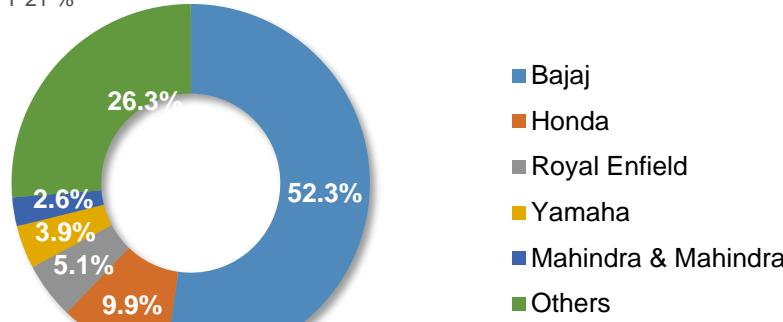
Exchange rates : ₹/ € Average for Q2 FY21 = 86.94; ₹/ € Average for Q2 FY20 = 78.34



Revenue by Customers and Order Wins

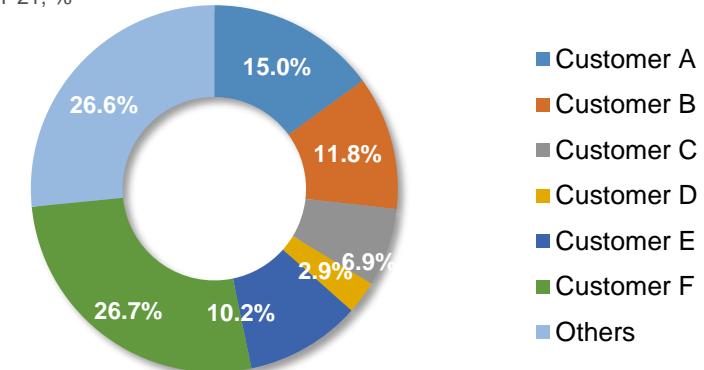
India Revenue Split by Customer⁽¹⁾

Q2 FY 21 %



VLS Revenue Split by Customer⁽²⁾

Q2 FY 21, %



Revenue in Europe increased by 12% YoY

Revenue in Americas increased by 9% YoY

Revenue in India increased by 70% YoY

Business New Business wins: VLS / Recent orders: India

Near term potentials

VLS (YTD)	<p>Overall Net Business Wins of € 74 Mn;</p> <ul style="list-style-type: none"> - New Business wins - € 44 Million net of losses/giveback - Re-wins - € 30 Million 	<p>Pipeline ~€120 million</p> <p>Ordering activity is picking-up gradually and some of the potential orders will add to the already strong visibility for the VLS business</p>
India Business (YTD)	<p>Overall Net Business Wins of ₹ 5 billion</p> <p>Bajaj: Business of ₹ 2 billion for various products across businesses HMSI: Various Polymer and Metallic product orders of ₹ 1 billion HMCL: Various Electrical and Electronic and Polymer product orders of ₹ 780 million Small orders from various customers (VW, Yamaha, MG Motors, Royal Enfield and Mahindra & Mahindra etc.) for ₹ 1.3 billion</p> <p>Ordering activity in the month of Sept/Oct slowed as customers focused more on meeting the current demand.</p>	<p>In discussion with major customers for Electrical products, Traction Motor and Controller, Telematics, lighting, Catalytic Convertor and Polymer products.</p> <p>Active engagement with new customers for couple of more product categories for BSVI engine and EV products</p>

Note: (1) Note: (1) Based on management information system database

(2) Total Revenue by break-up in Euro excl VTYC, Customer A is an American multinational car manufacturer, Customer B is a large British car manufacturer, Customer C is an American electric car manufacturer, Customer D is an international automotive manufacturer, Customer E is a large European car manufacturer & customer F is a global automotive manufacturer headquartered in Europe.

Varroc Group: Business Wise Performance H1 FY21

₹ million

SBU	H1 FY21			H1 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
India Business	12,306	1,004	8.2%	20,417	2,142	10.5%	-39.7%
VLS	29,251	(43)	-0.1%	34,214	3,098	9.1%	-14.5%
Others (IMES)	823	(94)	-11.5%	1,197	45	3.7%	-31.2%
Elimination	(473)	(0)		(95)	(3)		
Total	41,908	866	2.1%	55,733	5,282	9.5%	-24.8%
China JV - 50%	2,545	423	16.6%	2,045	66	3.2%	24.4%

Euro Performance for VLS

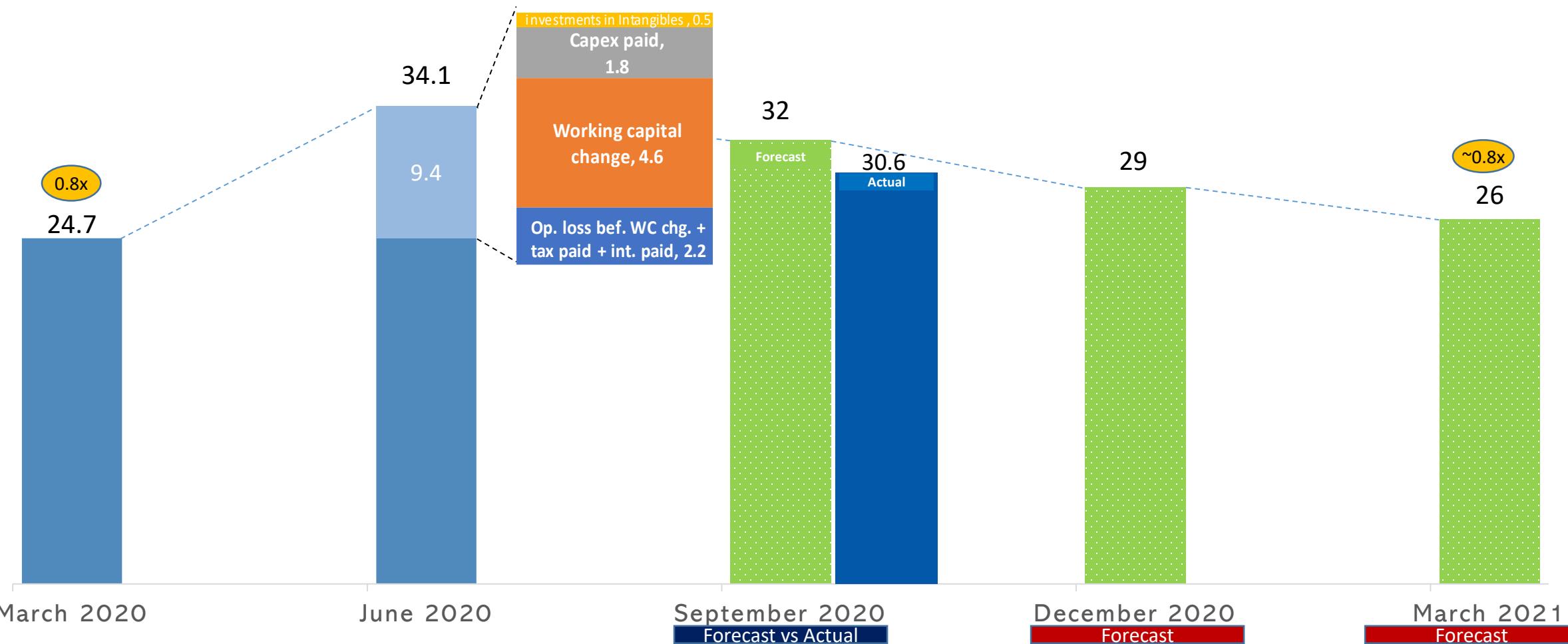
SBU	H1 FY21			H1 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
VLS -Euro	343	-1	-0.3%	437	40	9.1%	-21.6%

Exchange rates : ₹/ € Average for H1 FY21 = 85.30; ₹/€ Average for H1 FY20 = 78.27



Debt Situation Status Update and Outlook for FY21

₹ Billion



Debt Reduction by March 21 to happen through -

- Restoration of normal working capital cycle which has partially happened in Q2
- Positive operating cashflow generation which started in Q2 itself and likely to continue
- Significant reduction in Capex intensity and other initiatives

Updates for FY21 – Current Situation and Outlook for rest of the year

- **Current Situation – Q2 FY21**
 - October/November – Strong volume growth across locations in India as well as in VLS
 - Lockdowns announced in some markets in Europe not impacting industry manufacturing operations so far
- **Outlook post Q3**
 - **Revenue growth expected to continue in Q3; end customer demand will be key for sustainability of growth**
 - **Focus on cost optimization, positive free cashflow and debt reduction to continue**
 - Recurring SG&A reduction measures completed
 - Reduction in Capex target; VLS capex at € 45 million* - to be 47% lower than FY20
 - Working capital cycle normalisation in progress
 - All vendor payments brought to current
 - Focus on realisation of tooling dues linked to milestones
 - **Reiterate target of debt reduction from ₹ 34 billion end of June to ₹ 26 billion by year end**

*net of global lighting business plant being built in Chakan out of insurance proceeds realized against our plant which was burnt in fire in February 2020

THANK YOU

