Varroc Engineering Limited
Regd. & Corp. Office

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

Tel +91 240 6653600
Fax +91 240 2564540

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

VARROC/SE/INT/2018-19/33
November 13, 2018

To,

(1) 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

(2) The Manager - Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

BSE Security Code: 541578
Security ID: VARROC

Dear Sir/Madam,

Sub: Investor Presentation.

Pursuant to the Regulation 30 (read with Part A of Schedule III) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we enclose herewith a presentation on Unaudited Financial Results of the Company for the quarter and half year ended September 30, 2018 shared with Institutional Investors/ Analysts today.

You are requested to take note of the same.

Thanking you,

Yours faithfully,
For Varroc Engineering Limited

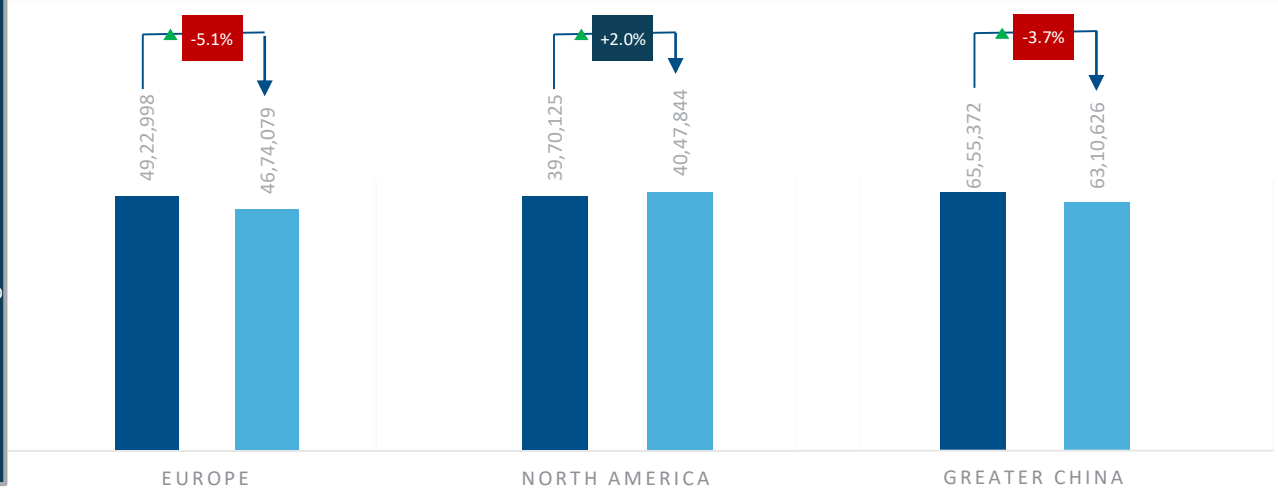
Rakesh Darji
Company Secretary & Compliance Officer

varroc®

Q2 & H1 FY19 Results Presentation

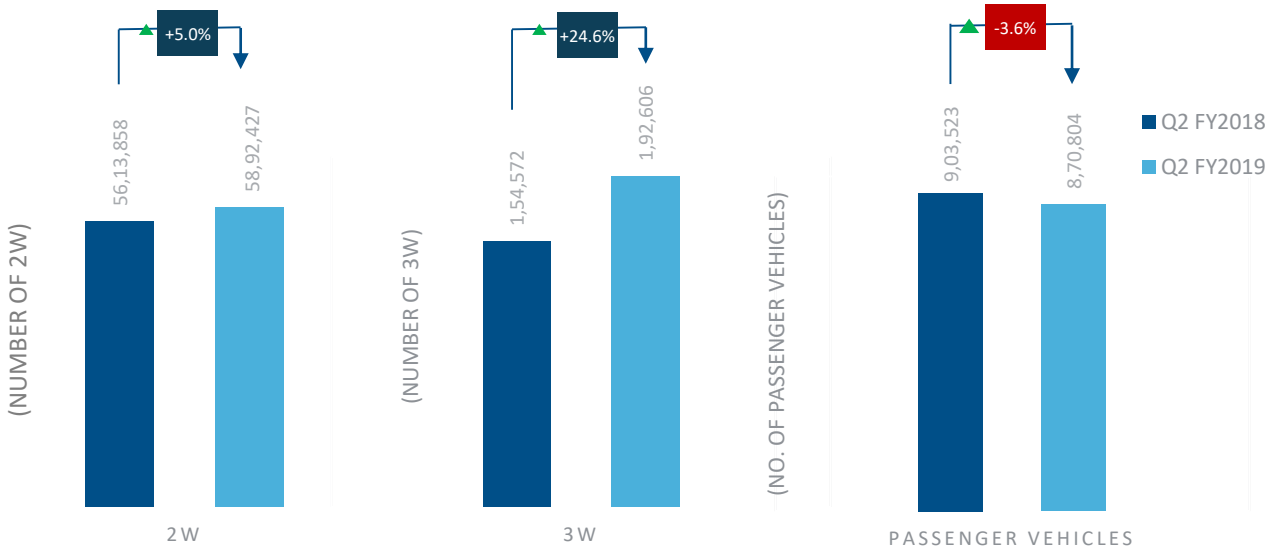
Industry Trends in Q2 FY19

Global Passenger Cars Market Production



- **Global Passenger Vehicle production declined in Q2 FY19**
- **Decline in Europe and China due to Brexit uncertainty, EU diesel regulations and US - China trade sanctions**

India Industry Trend : Domestic Sales YoY



- **Industry growth in Q2 was subdued with Passenger Vehicles declining YoY and 2W & 3W growth slowing as compared to Q1**
- **Exports continued to grow strongly both in 2W (+23% YoY) and 3W (+51%YoY)**

Source: SIAM, IHS

Business Highlights : Q2 FY19

- Revenue from Operations for Q2 FY19 up by 26.5% YoY#
- EBITDA increased by 21.7% YoY*
- Reported PAT for the quarter at Rs 1,009 Million; up by +9.0% YoY
- India Business: strong performance with 27.4% Revenue growth and 40 bps EBITDA margin improvement
- VLS: strong Revenue growth of 14.4% in Euro terms in spite of decline in Europe and China markets; margins impacted by additional costs of rapid volume ramp-up in Czech operations
- Bulgaria plant, part of Turkey acquisition, to start production this month
- Morocco plant SOP advanced from Apr 2019 to Feb 2019

Excl. Ind AS 115 impact, revenue from the North America Interior Plastics Business and Excise duty in previous year
*on a like-for-like basis, explained in later slides

Varroc Group: Summary Key Financials Q2 & H1 FY19

(INR Mn)

Particulars	Q2 FY 19	Q2 FY18	Growth (Y-o-Y)	H1 FY19	H1 FY18	Growth (Y-o-Y)
Revenue from operations – Reported	30,011	24,192	24.1%	59,281	48,534	22.1%
Revenue from operations - like-for-like $	29,744	23,511	26.5%	58,931	46,158	27.7%
EBITDA - Reported *	3,202	2,239	43.0%	5,613	4,449	26.2%
EBITDA : like-for-like $	2,545	2,090	21.7%	5,118	4,118	24.3%
EBITDA Margins (%) $	8.6%	8.9%		8.7%	8.9%	
PBT - reported	1,444	1,216	18.8%	2,787	2,414	15.5%
PAT - reported	1,009	926	9.0%	2,013	1,910	5.4%
Net Debt	21,009	15,740	33.5%	21,009	15,740	33.5%
Net Debt to Equity	0.71	0.62		0.71	0.62	

***EBITDA = Profit before share of net profits of investments *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 115 and other items as explained in slide no 9

Varroc Group: Business Wise Performance Q2 FY19

(INR Mn)

SBU	Q2 FY19					Q2 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	11,497	11,497	1,393	1,393	12.1%	8,953	9,024	1,055	1,055	11.7%	27.4%
VLS	17,206	16,939	1,640	983	5.8%	14,399	13,647	1,126	978	7.1%	24.1%
Others @	1,320	1,320	145	145	11.0%	895	895	45	45	5.0%	47.4%
Elimination	(13)	(13)	23	23		(55)	(55)	13	13		
Total	**30,011**	**29,744**	**3,202**	**2,545**	**8.6%**	**24,192**	**23,511**	**2,239**	**2,090**	**8.9%**	**26.5%**
China JV - 50%	1,122	1,122	150	113	10.1%	1,710	1,710	223	223	13.0%	-34.4%

Euro Performance for VLS

SBU	Q2 FY19					Q2 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	211	208	20.2	12.1	5.8%	192	182	14.8	12.8	7.1%	14.4%

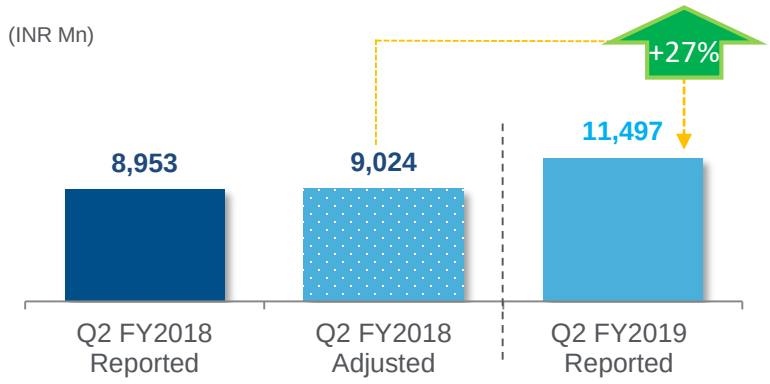
Exchange rates : INR/Euro Average for Q2 FY19 = 81.49 ; INR/Euro Average for Q2 FY18 = 75.16

- *Excludes Excise Duty, Interiors Business and impact of Ind AS 115*
- **#EBITDA : like-for-like is for continuing operations and excludes impact of interiors business closure in North America and other items as explained in slide no 8**

India Business : Financial Performance

Revenue

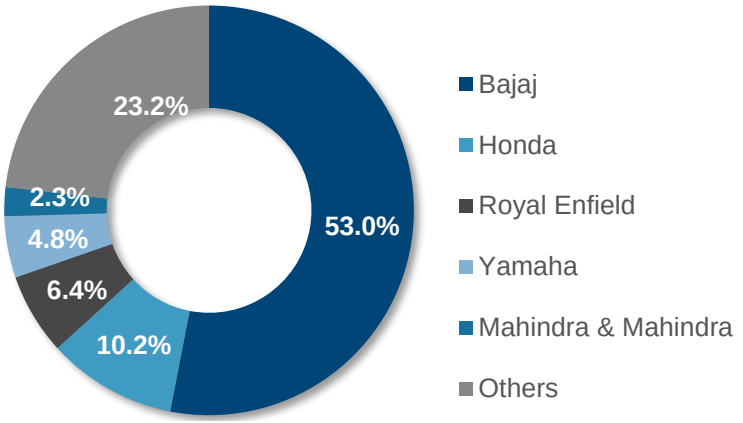
(INR Mn)



Strong growth across divisions and customers

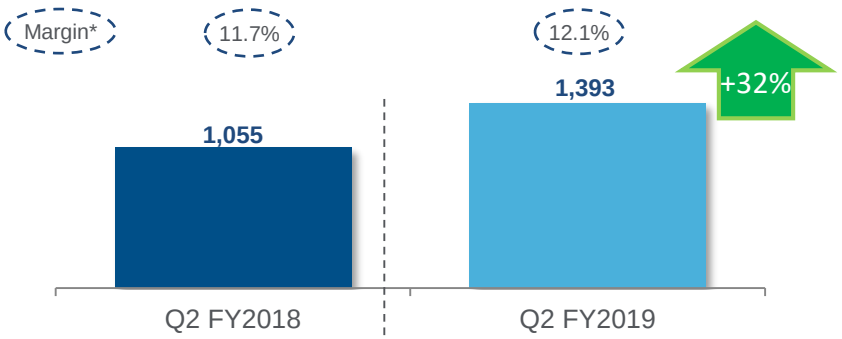
India Revenue Split by Customer[1]

Q2 FY 2019, %



EBITDA

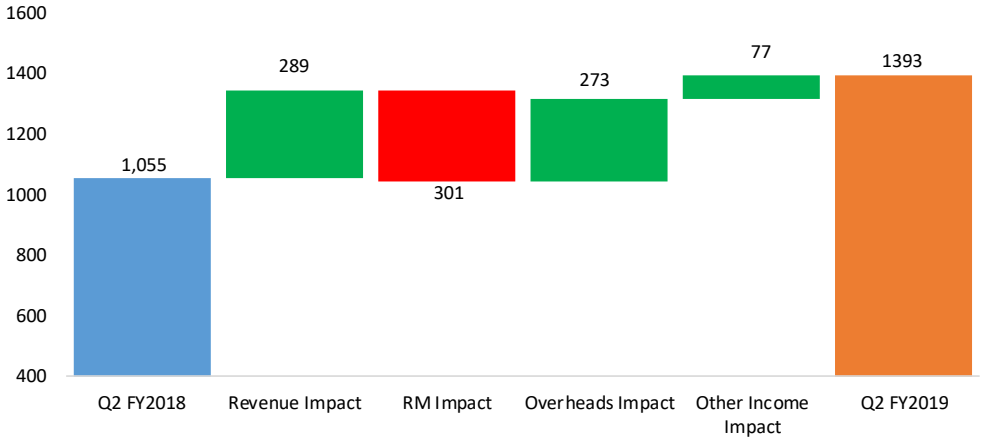
(INR Mn)



EBITDA margins increased by 40 bps YoY

EBITDA variation analysis

Q2 FY 18 Vs Q2 FY19



RM cost variance impact mainly due to time lag in pass through for cost escalations

*** On Revenue excl. Excise Duty**

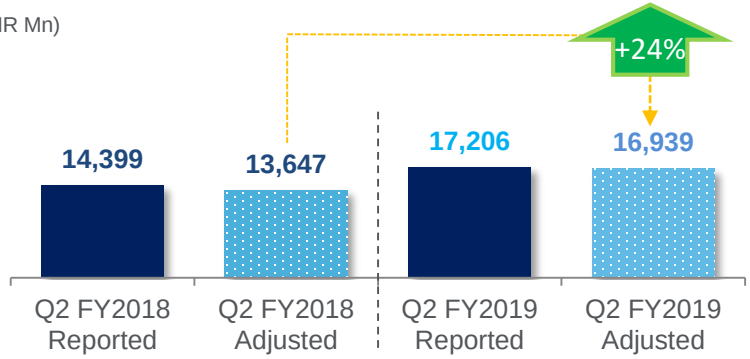
Note: (1) Based on management information system database
Non-operating portion of other income not considered while calculating EBITDA

Global Lighting Business (VLS): Financial Performance

Revenue (1)

50% China Joint Venture:
Q2 FY 18 Revenue: 1710 Mn INR
Q2 FY 19 Revenue: 1122 Mn INR

(INR Mn)

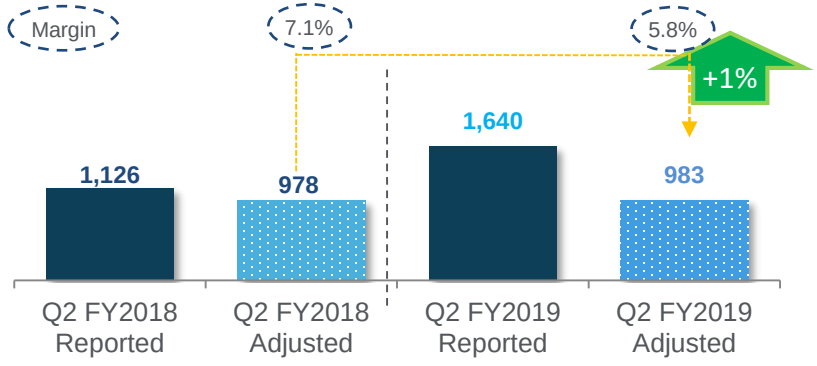


14.4% YoY revenue growth in Euro terms

EBITDA (1) & Adjusted EBITDA (3)

50% China Joint Venture:
Q2 FY 18 EBITDA / Margin: INR 223 Mn / 13.0%
Q2 FY 19 EBITDA / Margin: INR 113 Mn / 10.1%

(INR Mn)

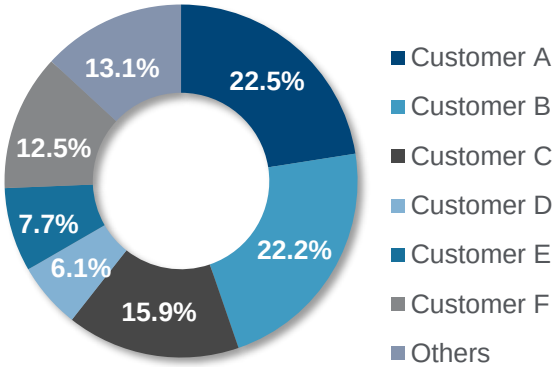


Eur Mn	14.8	12.8	20.2	12.1

5.6%YoY EBITDA de-growth in Euro terms

VLS Revenue Split by Customer(2)

Q2 FY 2019, %

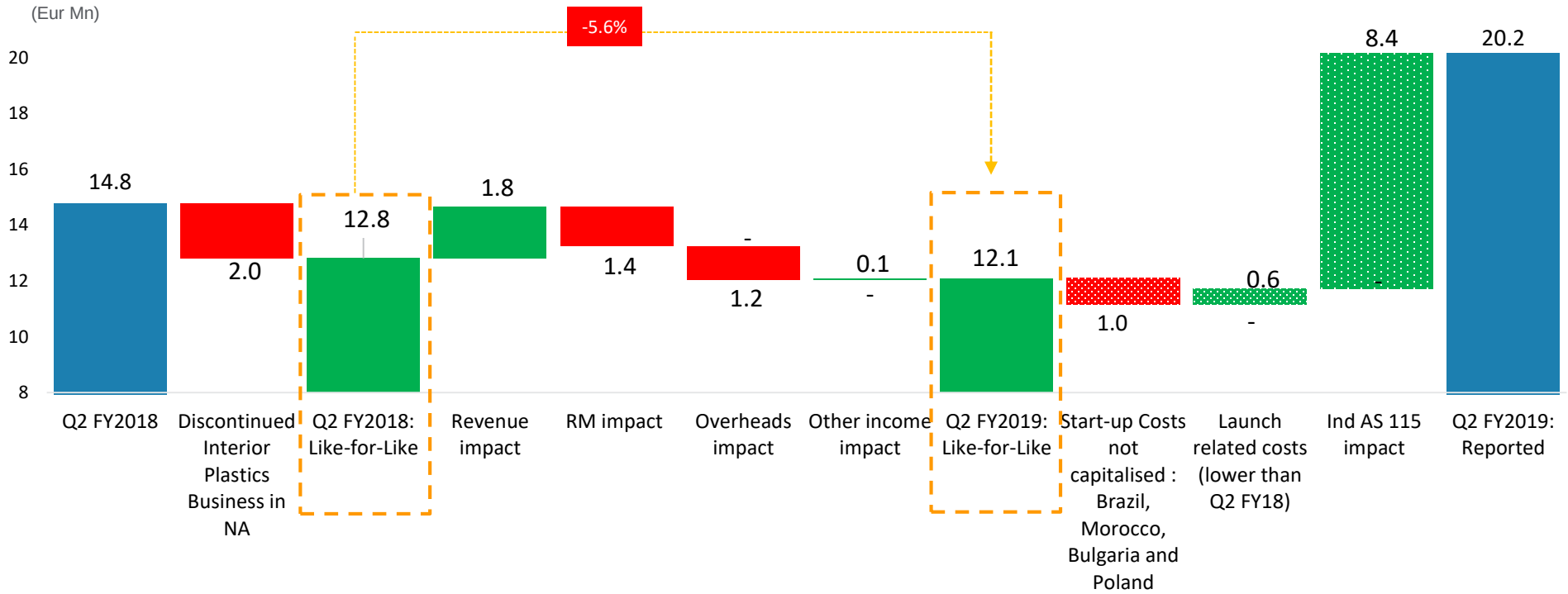


Top six customer revenue grew by 14.5% YoY (in Euros)

VLS EBITDA margin variation explanation on the next page

Note: (1) China JV revenue and EBITDA not included in the reported numbers; (2) Total Revenue break-up in Euro for Q2 FY19 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 (3) Adjusted for closure of Interiors Business in North America, Ind AS 115 impact removed & Excise Duty impact adjusted for VLS India

Global Lighting Business (VLS): EBITDA variation analysis



- Some recently launched, high technology programs have a higher RM component
- Higher logistics, scrap and other costs due to volume ramp-up in Czech plants
- Launch costs during the quarter lower as compared to Q2 FY18

Global Lighting Business: IND AS 115 impact Analysis

Change in accounting for pre-production engineering service activities viz Engineering Design and Development (ED&D)

Earlier:

ED&D revenue was recognized at the time of invoicing as a lumpsum to customer, on receiving approval for the design before start of production (SOP)

Now :

ED&D relates to design development and testing of the lamps before start of the commercial production and hence benefit of these activities is derived over the life of the program. Thus, related revenues and costs are recognized on per piece basis over the estimated life of the programs.

(Eur Mn)

Q2 & H1 Financials	Impact	VLS
Revenue	Increase	3.3
Raw Material	Decrease	0.9
Salary Expenses	Decrease	3.6
Amortisation	Decrease	-6.8
Other Expenses	Decrease	0.6
Tax	Increase	-0.4
Net impact on PAT		1.3

EBITDA impact	8.4

Notes:

1. This system of recognising revenue is in line with industry practice
2. The entire impact for implementation of change on YTD basis is reflected in Q2
3. The impact is positive on Profit After Tax for the period; however, it could be negative as well in future periods

Varroc Group: Business Wise Performance H1 FY19

(INR Mn)

SBU	H1 FY19					H1 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	21,928	21,928	2,457	2,457	11.2%	18,035	17,154	1,850	1,850	10.8%	27.8%
VLS	34,700	34,351	2,807	2,312	6.7%	28,619	27,124	2,402	2,087	7.7%	26.6%
Others	2,735	2,735	337	337	12.3%	1,969	1,969	184	184	9.4%	38.9%
Elimination	(83)	(83)	13	13		(89)	(89)	(3)	(3)		
Total	**59,281**	**58,931**	**5,613**	**5,118**	**8.7%**	**48,534**	**46,158**	**4,433**	**4,118**	**8.9%**	**27.7%**
China JV- 50%	2,727	2,727	364	327	12.0%	3,055	3,055	404	404	13.2%	-10.7%

Euro Performance for VLS

SBU	H1 FY19					H1 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	430	426	35.2	29.1	6.8%	392	372	33.0	28.7	7.7%	14.5%

Exchange rates : INR/Euro Average for H1 FY19 = 80.68; INR/Euro Average for H1 FY18 = 72.95

- *Excludes Excise Duty, Interiors Business and impact of Ind AS 115*
- **#EBITDA : like-for-like is for continuing operations and excludes impact of interiors business closure in North America and other items as explained in slide no 8**

Varroc Group: Debt movement H1 FY19

(INR Mn)

Net Debt as on 31 March 2018		**8,701**
(-) EBITDA H1 FY2019		(5,613)
(+/-) Working Capital Changes	6,803	
(+) Capex	6,395	
(+/-) Investments / acquisitions	3,427	
(+) Others	1,296	17,922
Net Debt as on 30 September 2018		**21,009**

- Capex for the year is front loaded to H1
- Working capital at VLS was at an abnormally lower level at FY18-end, primarily due to high tooling collections in March 2018

R & D / Business Updates

Global Lighting Business

- **VISION 2019, Paris conference on automotive lighting:** VLS showcased it's concept car featuring innovative lighting concepts and ADAS features. VLS also demonstrated a test vehicle equipped with OPTI-MATRIX headlamps, which deliver Advanced Driving Beam (ADB) functionality with low cost and power consumption.
- **ADB in USA:** NHTSA published an NPRM (Notice of Proposed Rulemaking) which would allow vehicles to be equipped with ADB headlighting systems in the United States.

Polymer

- Trials successful with a large 2W customer for paint elimination technology for polymer parts. Potential to market it to 4W customers as well.

Electrical

- Traction motor for 2W EVs under development. Prototypes to be ready by Feb 2019.

Metallic

- Zero Liquid Discharge project, to recycle 75% of the industrial effluents generated by the manufacturing operations, successfully implemented.

Construction Status – Halol, Gujarat

Entry Gate

Cooling Towers

Shop floor

Shop floor training

Construction Status – Halol, Gujarat

Assembly line

Base Coat

Metallising Facility

Moulding

Construction Status – Bulgaria

Manufacturing facility

Shop floor

Assembly line

Assembly line

Business Outlook

India Business

- Indian 2W/3W market : festival season demand weaker than expected.
- Overall market growth slowing down due to insurance regulations and fuel prices

VLS Business

- Czech: Focus on improving operational efficiencies at Czech plants
- Turkey: Integration making good progress to leverage synergies with TRIOM
- China: Focus on strengthening presence with top OEMs; recent Government incentives likely to support market recovery

Thank You