

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/2019-20/20

May 27, 2019

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 – Audited Financial Results for FY 2018-19.

Please find enclosed herewith Investor Presentation on Audited Standalone and Consolidated Financial Results of the Company for the quarter and year ended on March 31, 2019.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Varroc Engineering Limited



Rakesh Darji

Company Secretary & Compliance Officer

Encls.: Investors Presentation.



varroc

Investor Presentation



Varroc is the 2nd Largest Indian Auto Component Group⁽¹⁾ with a Global Footprint



- **Founded in 1988** in Aurangabad, India by the Jain family
- Successful listing on the Indian Stock Exchanges in July 2018

Two primary business lines:

1. **Varroc Lighting Systems (“VLS”)**: global supplier of exterior lighting systems to passenger car OEMs
2. **Varroc India Business**: manufacturer and supplier of diverse range of auto components primarily to 2W, 3W and 4W OEMs

- **Strong, long-lasting, growing customer relationships** with marquee auto OEMs globally and in India
- **Well-diversified global auto component business** across geographies, products and customers

- **Low cost, strategically located global** manufacturing footprint
- **41 Operating plus 2 Upcoming Manufacturing Facilities and 16 R&D Centres across 5 continents**

- **In-house R&D capabilities** in India, Czech Republic, China⁽⁵⁾, USA, Mexico, Germany, Italy, Romania and Poland
- **~1,400 R&D engineers⁽⁶⁾; 185 patents granted globally⁽⁶⁾**

- **Experienced management team supported by reputed Board**
- **~13,800 employees** across the globe⁽⁶⁾

Leading

tier-1 manufacturer and supplier to the Indian 2W and 3W OEMs⁽⁴⁾

6th

Largest⁽²⁾, fastest growing among top six global exterior auto lighting suppliers

**INR 125bn
FY19 revenue⁽³⁾**



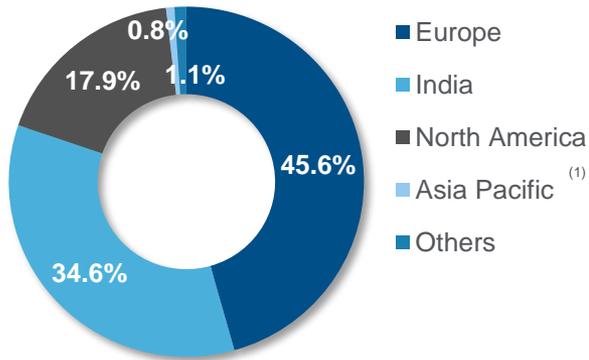
Well Diversified Auto Component Business Across Geographies, Product Groups, Customers and Segments



FY19 Consolidated Revenue: INR 120 bn
100% China JV FY18 Revenue: INR 10 bn⁽¹⁾

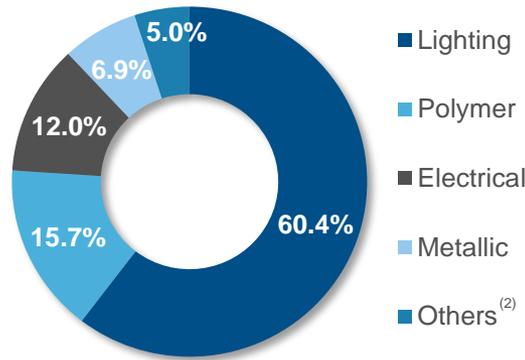
Revenue Split by Geography

FY19, %



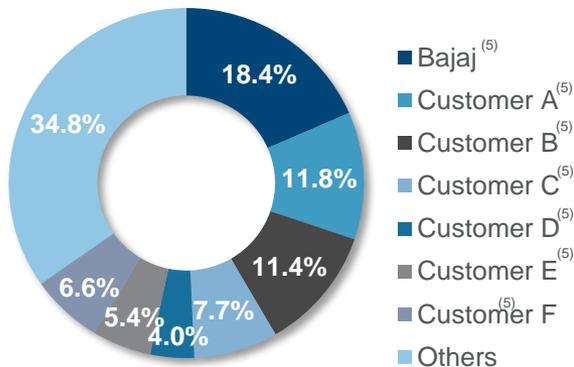
Revenue Split by Products⁽³⁾

FY19, %



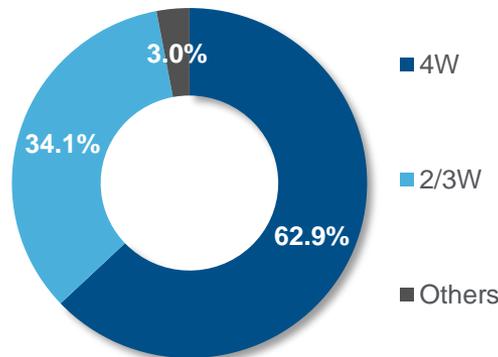
Consolidated Revenue Amount Split by Customer⁽³⁾

FY19, %



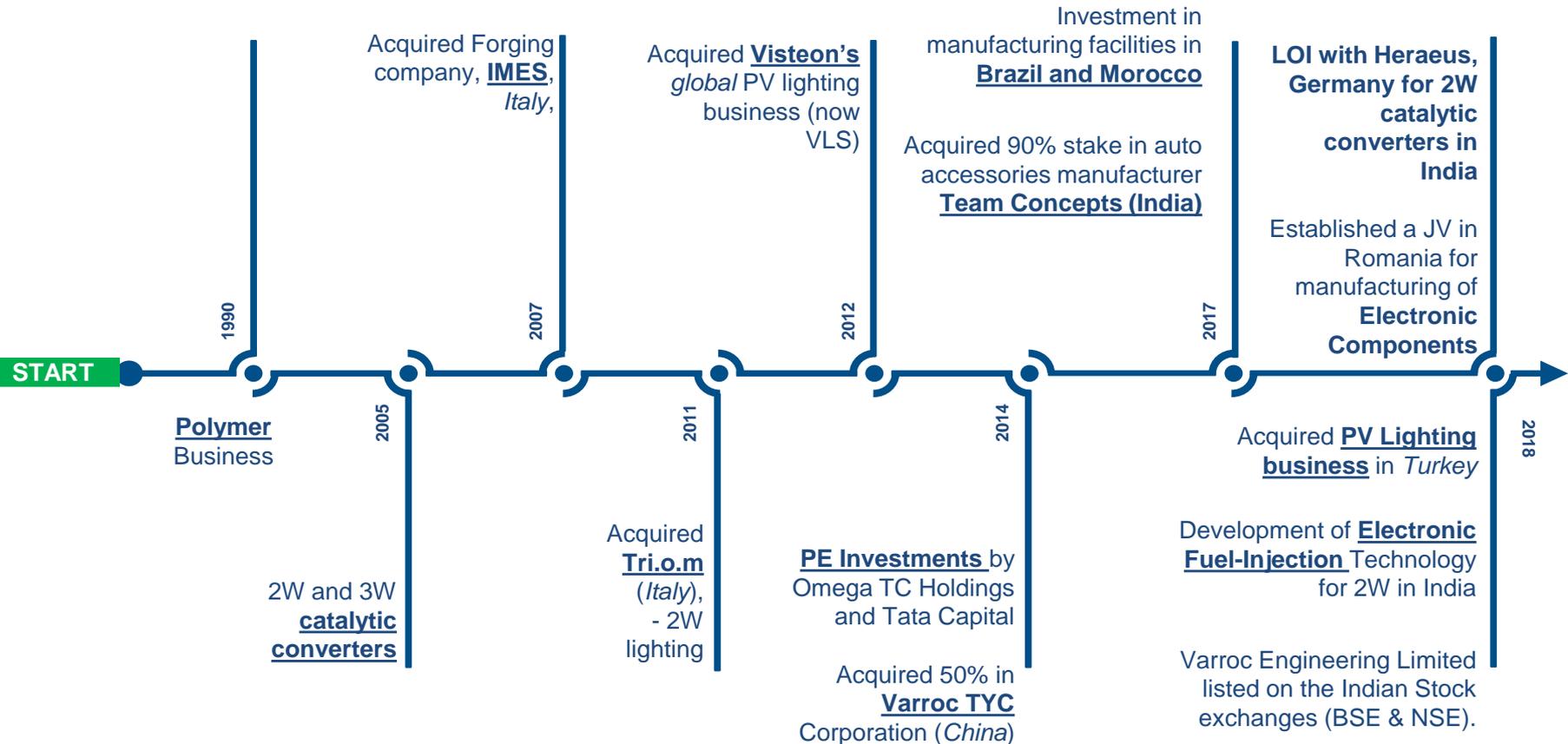
Revenue Split by Segment⁽⁴⁾

%



- Diversified business in developed and emerging markets with strong India presence
- Comprehensive range of engine agnostic products
- Diversified customer relationships; no customer has >20% share
- Presence in fast growing India 2W and Global PV lighting segments

Varroc – The Transformation into a Global Auto Component Group



Vision, Mission and Values

Vision : To be a Rs 200 billion supplier of innovative solutions for transportation and allied industry in 2020

- Core business sectors will be exterior lighting and two-wheelers mobility
- Be a partner of choice for vision, mobility and emission technologies
- Be the fastest growing player in our core sectors
- Be among the Top 3 players in the global lighting business

Mission

Bring leading edge technologies to the mainstream markets with high quality, cost competitive solutions

By delivering customized solutions with superior service with speed, agility, creativity and,

Fostering an environment that empowers employees and encourages the pursuit of excellence

Values

We consider our core values of **Sincerity, Humility, Integrity, Passion** and **Self-discipline (SHIPS)** as essential to continue to grow our business

Varroc — Key Strengths

Comprehensive Solution Provider to OEMs

- End-to-end services across design, development and delivery
- Wide range of products across polymer, metallic and electrical segments
- Ability to cross-sell to meet customer requirements

5

Global Footprint Servicing key Auto Markets

- India Business has Pan-India presence enabling proximity to customers. Plants located in all major auto hubs
- VLS business has Strategically-located manufacturing in low cost locations. Footprint covers major PV markets

1

Long Standing, Growing Customer Relationships

- Strong long-standing relationships with marquee OEMs across high-end and mass market segments
- Expansion of business with key customers

4

Wide Range of Product Offerings

- Diversified product portfolio covering a wide range of technologies
- Cost effective, cutting edge technology products to premium and mass market PV OEMs

2



3

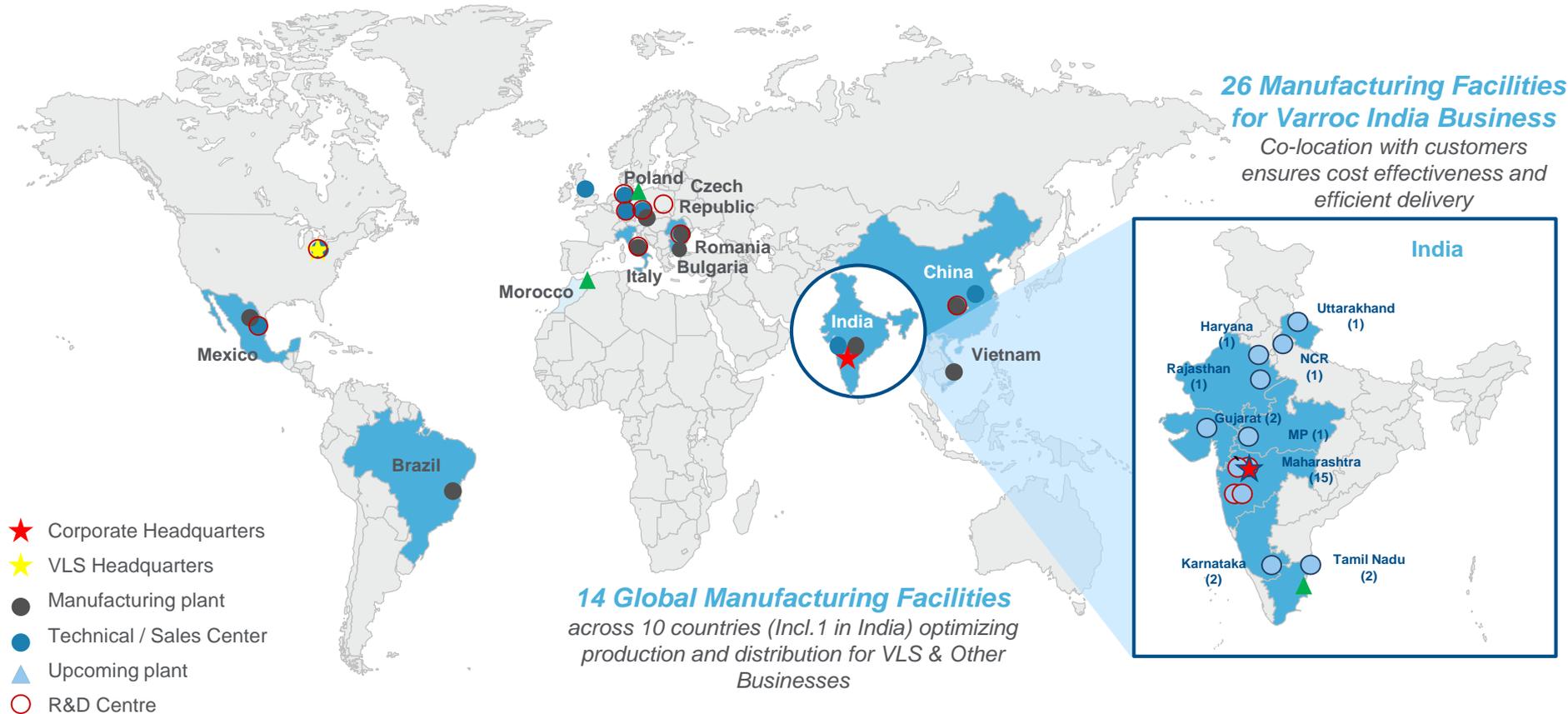
Robust in-house Technology, Innovation & R&D Capabilities

- Nimbleness, flexibility and cost consciousness enables developing products with shorter turn-around time.
- Developing proprietary products with continuous focus on innovative, cost competitive designs
- Well-positioned to benefit from key trends such as electrification, shared mobility and emission reduction

Low Cost, Strategically Located Global Manufacturing Footprint



40 Operating plus 3 Upcoming Manufacturing Facilities and 16 R&D Centers Across Asia, Europe, Africa, North and South America



• Manufacturing and R&D footprint spread across low cost countries

• Proximity to OEMs leading to cost effectiveness and quicker turn-around times

• Pan-India presence enabling proximity to customers across key automotive hubs

Note: MP: Madhya Pradesh; NCR: National Capital Region

Auto Component Business with Diversified Product Lines



| | VLS | | Varroc's India Business | | | | Other | | |
|----------------------------------|--|---|--|---|---|---|--|---|--|
| | PV Lighting | | Polymer | Electrical | Metallic | | IMES | Triom | |
| Description | <ul style="list-style-type: none"> Leading global supplier of exterior automotive lighting systems for PV | | <ul style="list-style-type: none"> One of the largest polymer solution providers to the 2W OEMs with a Pan-India presence | <ul style="list-style-type: none"> Offers comprehensive solutions in electrical-electronics components, assemblies for automotive applications and lighting products | <ul style="list-style-type: none"> Supplies precision forged & machined parts for engines and transmissions Supplies engines valves in domestic and international markets | | <ul style="list-style-type: none"> Manufactures hot steel forged parts for the construction and oil & gas industries | <ul style="list-style-type: none"> High end lighting systems for the global 2W industry | |
| Select Product Portfolio |  Xenon  LED  Matrix |  LED  Other Lights |  Air Filter Assemblies  Mirror Assemblies  Seat Assemblies  Trims (Interior & Door) |  Digital Instrument Cluster  Motor (Starter & Wiper) |  CDI  Magneto |  Transmission Assembly  Connecting Rod |  Crankshaft  Engine Valves  Gears |  Undercarriage Links  Undercarriage Segments |  Drill bit cones & heads  Tail + Blinker  Headlight  Tail Light |
| Manufacturing Facilities | 8 Facilities – Czech Republic (2), China (2), Turkey (2) Mexico & India 2 upcoming Facilities – Brazil & Morocco | | 15 Facilities – India ⁽¹⁾ | 7 Facilities – India ⁽¹⁾ 2 upcoming Facilities – India | 5 Facilities – India ⁽¹⁾ | | 2 Facilities – Italy | 3 Facilities - Italy, Romania and Vietnam | |
| Revenue Mix⁽²⁾ | 60.8% | | 16.0% | 10.2% | 6.3% | | 4.1% ⁽³⁾ | | |
| Customer Segment | PV | | 2W, 3W, PV & CV | 2W, 3W, PV & CV | 2W, 3W, PV, CV & OHV | | Earth-moving & Oil-drilling | 2W | |

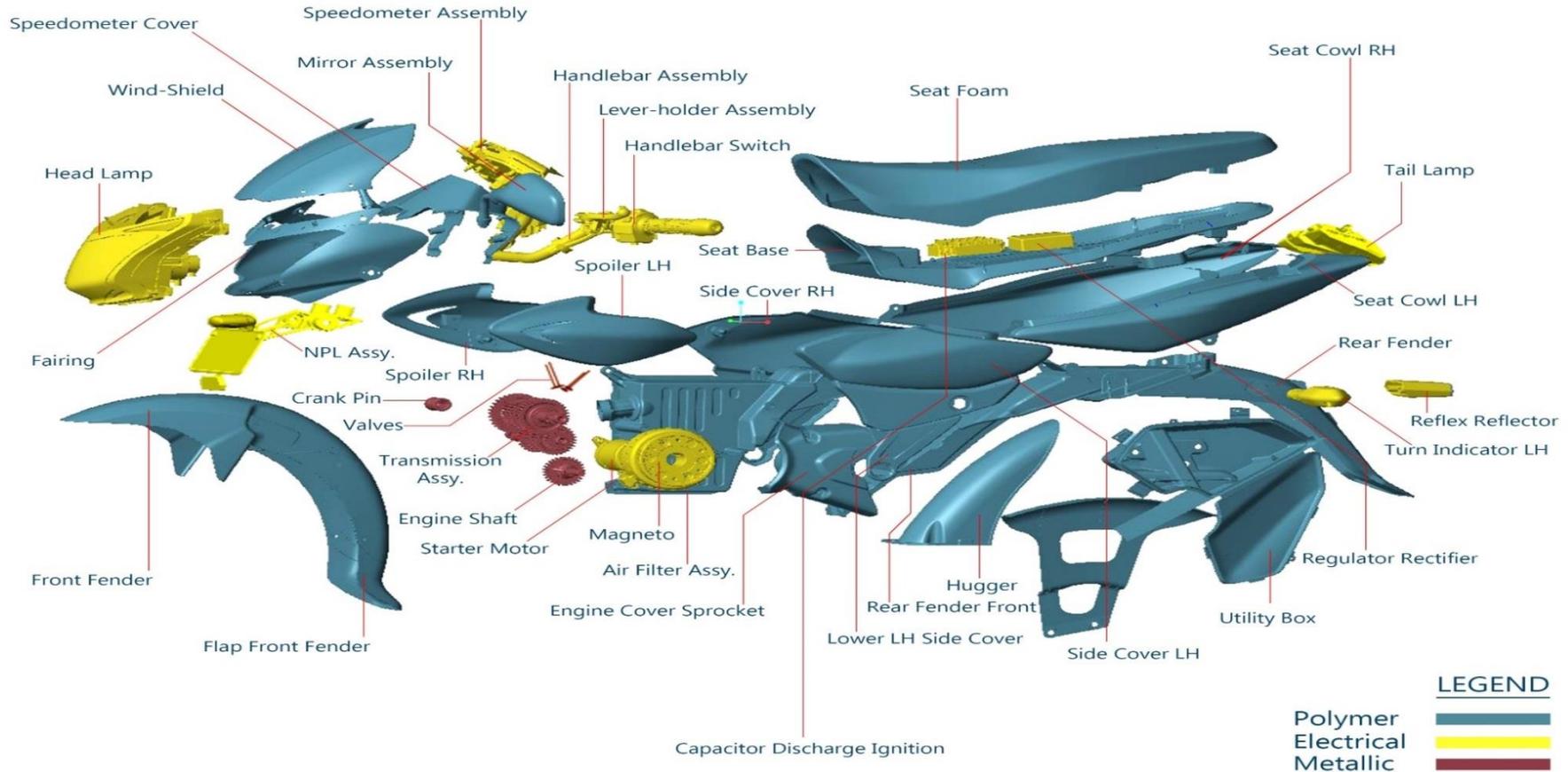
A diversified product portfolio catering to 2W, 3W, PV, CV & OHV Segments
Low-cost strategically located global manufacturing facilities; pan-India presence near major auto hubs

Note: (1) Varroc's India Business has 25 manufacturing facilities; Pantnagar facility caters to all 3 verticals of Indian business. (2) For FY18. (3) Represents revenue contribution of IMES and Triom only; total contribution of other businesses is 6.7% which includes revenue from IMES, Triom and other India businesses

India Business: Comprehensive Solution Provider to 2W OEMs in India



Diversified Portfolio Catering to 2W and 3W Segments



Wide range of products across Polymer, Electrical and Metallic segments; One-Stop Shop for customers enabling cross-selling

VLS: Wide Range of Lighting Product and Technology Offerings



Broad Portfolio of Lighting Technologies for PV OEMs Globally

Headlamps



Xenon



LED



Matrix



Rear Lamps



LED



Other Lights

Electronics



LED Module



Headlamp Control Modules



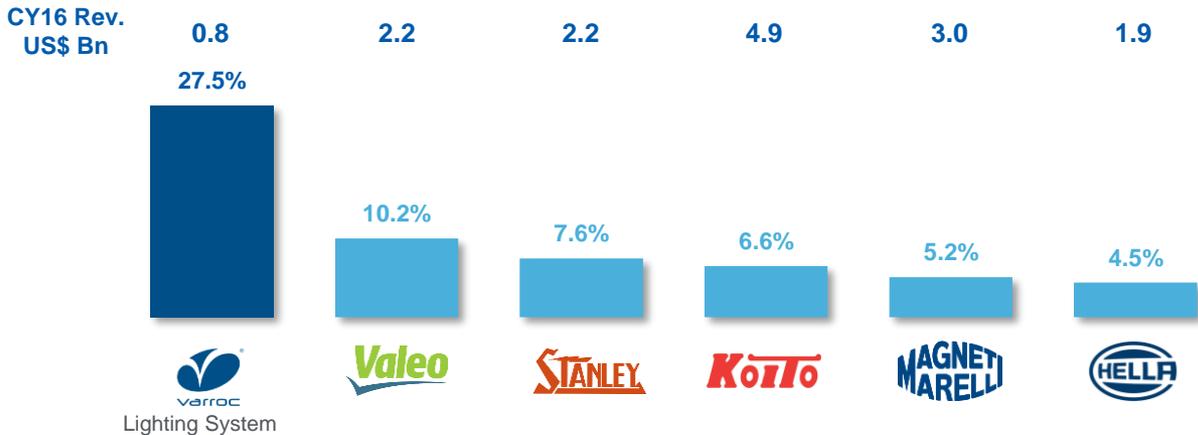
Projector

- Full portfolio of head lamp and rear lamp providing a wide range of products
- Established presence in key emerging technologies such as LED, OLED Laser, Matrix
- Quick adoption of new technology to grow product portfolio
- Customized products for OEMs with long standing relationships
- Providing cost effective, cutting edge technology products

Varroc is 6th Largest Global Auto Lighting & 2nd Largest Indian Auto Component Supplier

Fastest Growing Among the Top Six Global Exterior Auto Lighting Suppliers⁽¹⁾

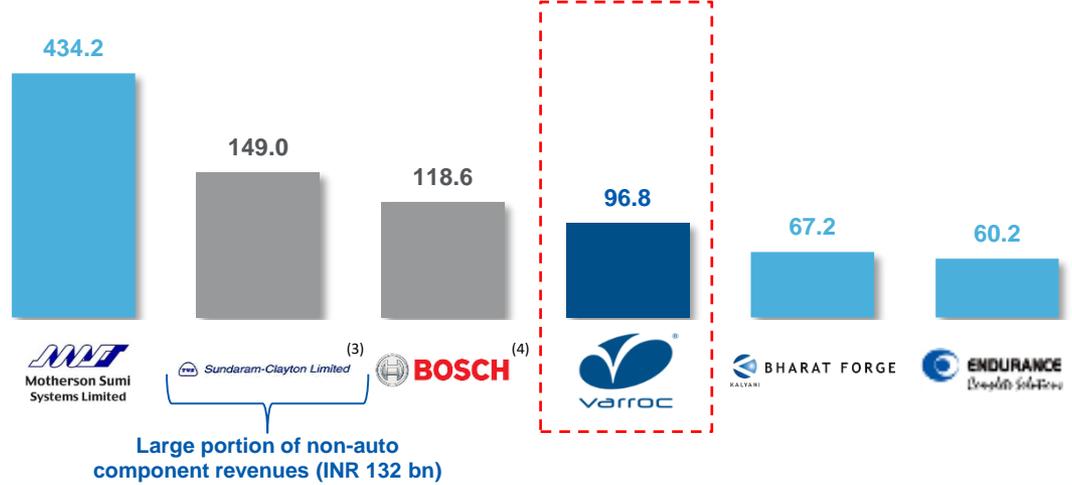
Exterior Lighting Revenue CAGR (CY14- CY16)



Automotive Exterior Lighting Market of US\$17.8bn in 2016

2nd Largest Indian Auto Component Group⁽¹⁾

Consolidated Revenue (FY17, INR bn)



- Concentrated market – top 8 players account for >90% of over-all market
- Long-standing, growing customer relationships with marquee OEMs
- Low cost, diversified global manufacturing and R&D footprint
- Providing cost effective, cutting edge technology products
- India is one of the largest 2W market globally⁽²⁾; expected to grow at 8-10% CAGR from FY17-20
- Supplier to 2W OEMs who cover ~85% of total domestic 2W sales
- One-stop shop for 2W OEMs allowing cross selling

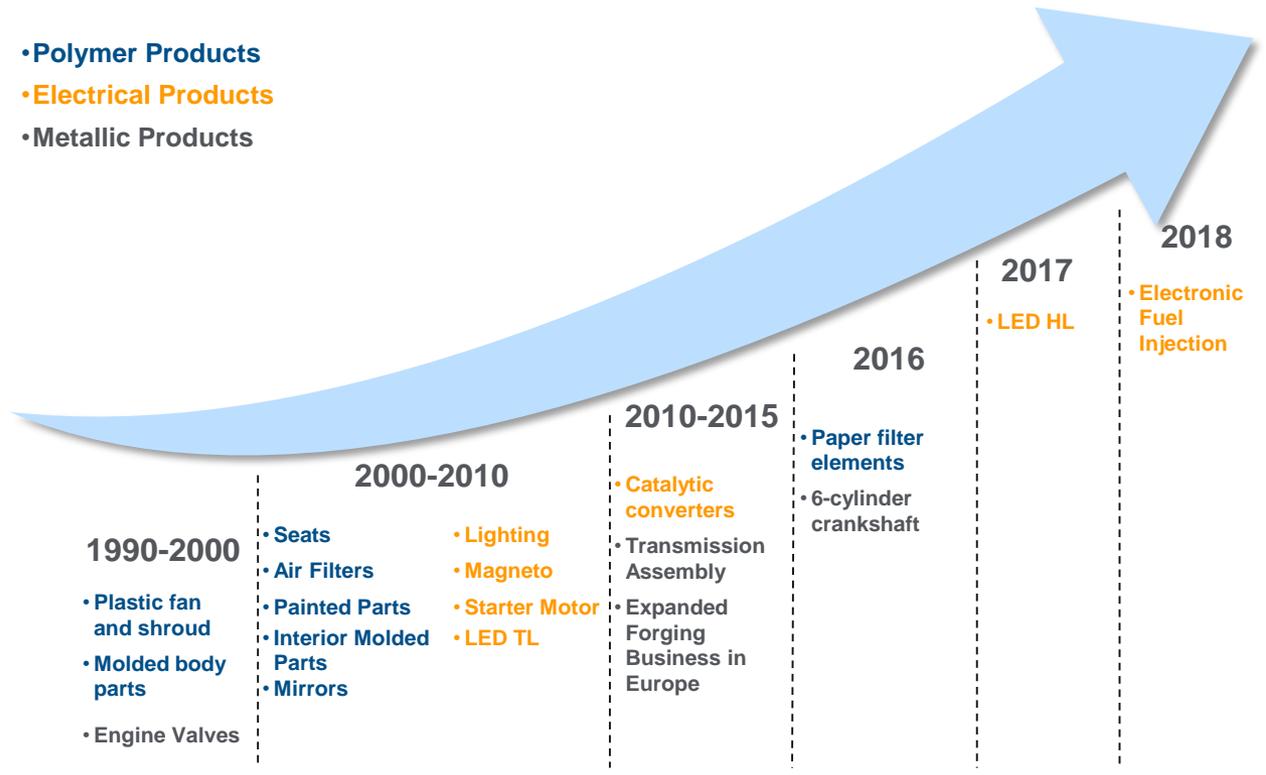
Note: (1) Based on Yole Report for VLS and CRISIL Report. For India (2) In terms of domestic sales. (3) Sundaram Clayton is the holding company of TVS Motors Ltd. which is into sales of two and three wheelers having a revenue of INR 132 bn. Remaining revenue is largely from the auto component space. (4) Bosch Ltd is a subsidiary of Robert Bosch GmbH (Germany).

India Business : Continuous Focus on R&D Capabilities; Enhancing Product Portfolio



Additions to Product Portfolio Over the Years

- Polymer Products
- **Electrical Products**
- Metallic Products

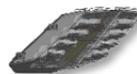


- Proprietary products with continuous focus on innovative, cost competitive designs
- Continuous focus on R&D and product development
- New technology tie ups for development of catalytic converter and electronic fuel injection systems
- Govt's DSIR approved R&D centers
- 450+ engineers located in 5 R&D centers

Select Offerings



Engine Valves



LED TL



Digital clusters



Paper filter elements



LED HL

R&D Efforts Seek to Capitalize on Emerging Trends



Regulation change creates potential for suppliers with robust operational systems to cross sell product lines; core auto themes like light-weighting and affordability will continue to guide OEM decision making

Experienced Management Team Supported by Reputed Board



Founder & MD



Tarang Jain*^
Managing Director

- Co-founded Varroc in 1988
- Nearly 30 years experience in the automotive industry

- Experienced management team
- Independent directors with experience across industries & practices
- Strong governance: Big-4 statutory and internal auditors; independent board committees

Senior Management



Ashwani Maheshwari^
Chief Executive Officer and Whole-time Director

- Previously worked as President at Birla Tyres at Kesoram Industries Limited, Senior Vice President – India Business division in ITC Infotech India Ltd



Stephane Védie
President and CEO – VLS

- Total Experience: 13 years in Automotive Lighting
- Previously associated with Magnetti Marelli



T. R. Srinivasan
Group Chief Financial Officer

- Total Experience: ~29 years
- Previously associated with Hindustan Lever Ltd, ATC Tires Private Ltd



Arjun Jain*
Business Head – Electrical – Electronics Division and Whole-time Director

- Previously associated with Bain & Co India Pvt. Ltd.



Sethumadhavan D.
Business Head - Polymer

- Total Experience: ~22 years
- Previously associated with Assa Abloy, Stanley Black & Decker, Schneider Electric, General Electric and Lucas TVS

Board of Directors



Naresh Chandra*
Chairman and Non-Executive Director

- Total Experience: 35+ years in the automobile industry
- Previously associated with Kaycee Industries



Marc Szulewicz
Independent Director

- Ex-General Manager, Foreign equipment division, Plastic Omnium Management



Vijaya Sampath
Independent Director

- Lawyer, ex-Group General Counsel for Bharti Airtel Ltd



Gautam Khandelwal
Independent Director

- Executive Chairman, Nagpur Power and Industries Ltd



Vinish Kathuria
Independent Director

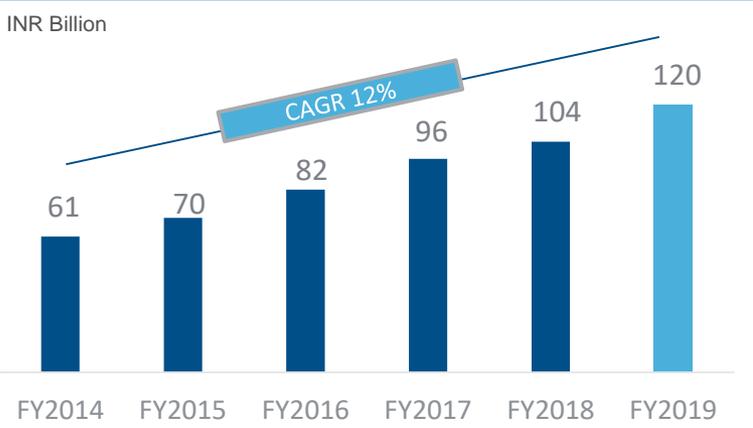
- Co-Founder and President of Rank software Inc.

Financials & Share Details

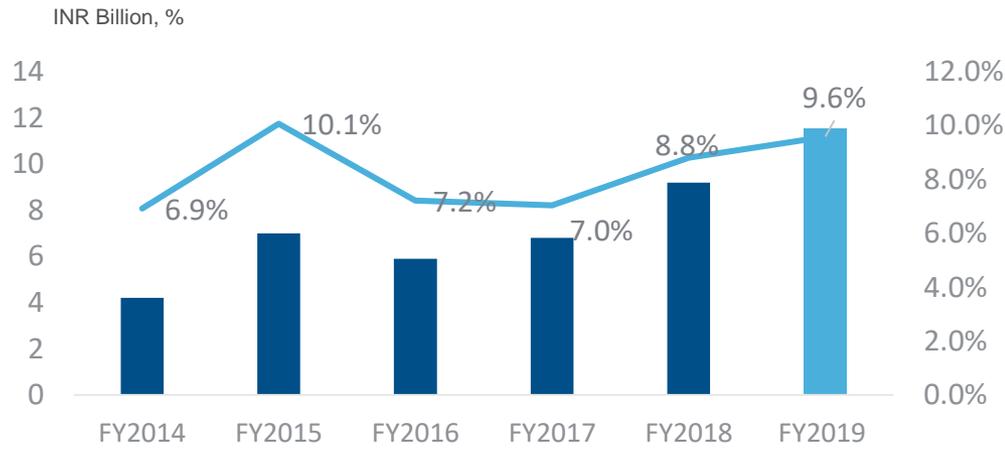


Financial Summary : Key Performance Indicators

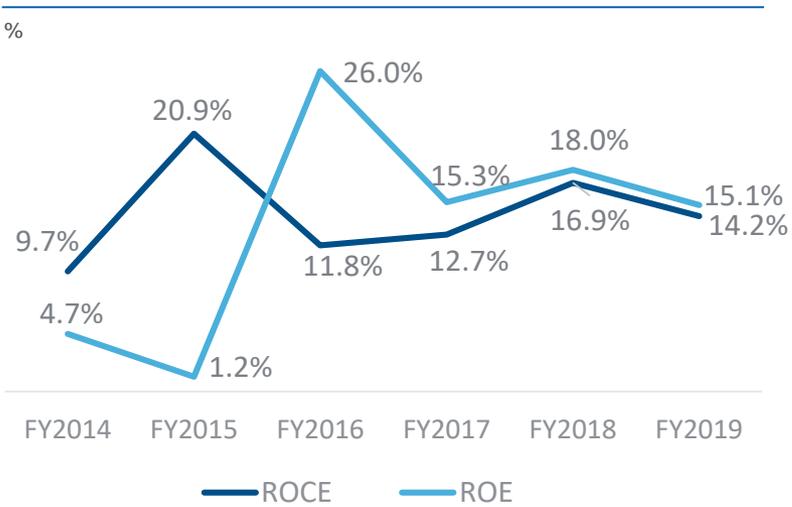
Revenue Trend last 6 years



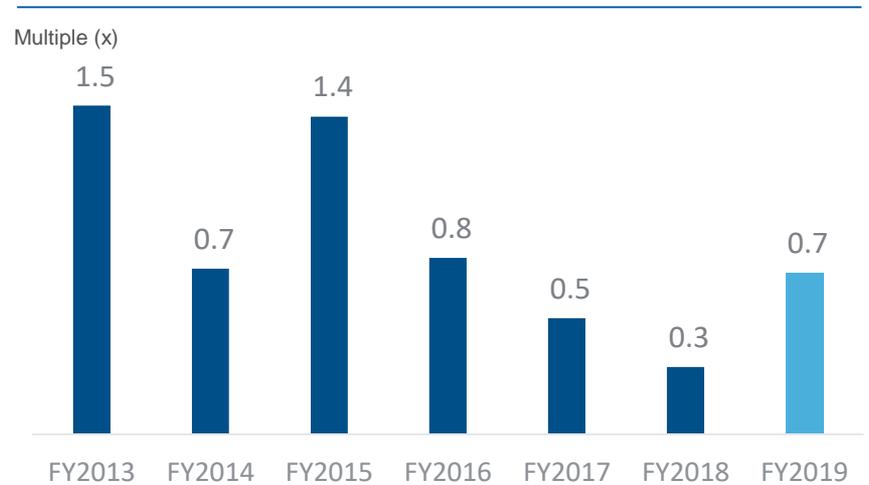
EBITDA and EBITDA margin



ROCE & ROE trend*



Debt to Equity



*Calculated using reported numbers on a trailing twelve month basis; Return on Equity calculated after considering imputed interest cost & liability portion of CCPS; FY15 and FY16 the ROE fluctuation is due to significant change in imputed finance cost on CCPS
 # Historical EBITDA margin is as reported / FY19 EBITDA margin is excluding non-operating other income

Financial Summary: Income Statement Q4 & FY19



(INR million)

| | Q4 FY 19 | Q4 FY18 | % Change | FY 19 | FY18 | % Change |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue from Operations - Reported | 31534 | 29846 | 5.7% | 1,20,365 | 1,03,785 | 16.0% |
| Revenue from Operations : like-for-like | 31387 | 29,772 | 5.4% | 1,19,533 | 1,00,637 | 18.8% |
| Other Income - Operating | 226 | 164 | | 650 | 371 | |
| Other Income - non-Operating | 60 | 7 | | 258 | 15 | |
| | | | | | | |
| EBITDA : Reported | 3157 | 2639 | 19.6% | 11,539 | 9,179 | 25.7% |
| EBITDA : like-for-like | 2625 | 2,633 | -0.3% | 10,260 | 8,715 | 17.7% |
| <i>EBITDA like-for-like%</i> | <i>8.4%</i> | <i>8.8%</i> | | <i>8.6%</i> | <i>8.7%</i> | |
| | | | | | | |
| Depreciation | 1530 | 1072 | 42.7% | 5,656 | 3,865 | 46.4% |
| Interest | 259 | 247 | 4.8% | 968 | 862 | 12.4% |
| Share of net profits of JVs under equity method | 51 | 158 | -67.9% | 315 | 690 | -54.4% |
| PBT - Reported | 1,480 | 1,486 | -0.4% | 5,487 | 5,158 | 6.4% |
| Tax | -21 | 58 | | 989 | 651 | 52.0% |
| <i>Tax rate</i> | <i>-1%</i> | <i>4%</i> | | <i>19%</i> | <i>15%</i> | |
| PAT - Reported | 1,500 | 1,428 | 5.1% | 4,498 | 4,508 | -0.2% |

*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 and adjusted for comparative launch costs

Financial Summary : Segmental Break-up

Fiscal year ending March 31,*

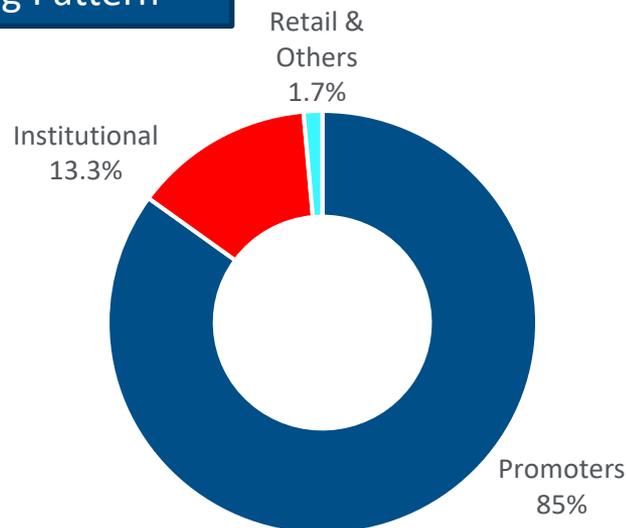
| (INR million) | FY16 | | FY17 | | FY18 | | FY19 (like-for-like) | |
|--------------------------|---------------|-------------|---------------|-------------|-----------------|-------------|----------------------|-------------|
| | | % | | % | | % | | % |
| Revenue | | | | | | | | |
| Global Lighting Business | 48,198 | 58.6% | 61,242 | 63.7% | 63,211 | 60.9% | 72,668 | 60.4% |
| India Business | 30,807 | 37.5% | 31,681 | 33.0% | 36,508 | 35.2% | 42,744 | 35.5% |
| Other Businesses | 3,185 | 3.9% | 3,163 | 3.3% | 4,278 | 4.1% | 5,485 | 4.6% |
| Eliminations | | | | | (212) | | (533) | |
| Total | 82,189 | | 96,085 | | 1,03,785 | | 12,20,365 | |
| China JV – 100% | 12,235 | | 15,339 | | 12,287 | | 9,470 | |
| EBITDA Margin | | | | | | | | |
| Global Lighting Business | | 6.5% | | 6.2% | | 7.3% | | 7.1% |
| India Business | | 8.8% | | 8.8% | | 10.9% | | 10.8% |
| Other Businesses | | 1.5% | | 5.5% | | 9.3% | | 11.0% |
| Total | | 7.2% | | 7.0% | | 8.6% | | 8.6% |
| China JV | | 13.4% | | 15.3% | | 15.6% | | 11.4% |

Financial Summary : Balance Sheet

| (INR mn) | Fiscal Year Ending March 31, | | | |
|--------------------------------------|------------------------------|---------------|---------------|---------------|
| | 2016 | 2017 | FY18 | FY19 |
| Assets | | | | |
| Non-current Assets | | | | |
| Fixed Assets | 24,263 | 26,881 | 31,480 | 45,593 |
| Others - Non-current Assets | 4,508 | 4,538 | 6,439 | 8,266 |
| Total Non-current Assets | 28,771 | 31,419 | 37,920 | 53,859 |
| Current Assets | | | | |
| Current Investments | 119 | 0 | 30 | 186 |
| Cash and Bank Balances | 1,772 | 3,541 | 3,289 | 1,608 |
| Others - Current Assets | 21,697 | 23,644 | 27,285 | 31,877 |
| Total Current Assets | 23,587 | 27,185 | 30,604 | 33,671 |
| Total Assets | 52,459 | 58,604 | 68,524 | 87,530 |
| Equity and Liabilities | | | | |
| Shareholder's Funds | | | | |
| Share Capital | 262 | 135 | 135 | 135 |
| Reserves and Surplus | 17,366 | 21,719 | 28,145 | 30,736 |
| Minority Interest | 203 | 202 | 208 | 241 |
| Total Shareholder's Funds | 17,832 | 22,055 | 28,488 | 31,112 |
| Non-current Liabilities | | | | |
| CCPS | 2,060 | - | - | - |
| Long-term Borrowings | 5,573 | 7,553 | 6,361 | 5,806 |
| Others - Non-current Liabilities | 1,392 | 1,044 | 1,944 | 2,347 |
| Total Non-current Liabilities | 9,026 | 8,597 | 8,306 | 8,152 |
| Current Liabilities | | | | |
| Short-term Borrowings | 6,419 | 7,578 | 5,629 | 12,015 |
| Others - Current Liabilities | 19,182 | 20,374 | 26,102 | 36,251 |
| Total Current Liabilities | 25,601 | 27,951 | 31,730 | 48,266 |
| Total Equity and Liabilities | 52,459 | 58,604 | 68,524 | 87,530 |

Shareholding Details

Shareholding Pattern



Equity Share Information

- Share Price (As on 27th May 2019)* INR 520.25
- Market Capitalization INR 70.1 Bn
- Financial Year April to March
- Listing Details Indian Stock Exchange NSE (VARROC.NS)
BSE (541578)
- Bloomberg Code VARROC:IN

Top Institutional Shareholders *

| | |
|------------------------------------|--------------|
| Axis MF | 2.7% |
| Nomura | 2.1% |
| DSP | 1.8% |
| T Rowe Price | 1.6% |
| L&T MF | 1.2% |
| Capital World | 0.7% |
| IIFL | 0.6% |
| First State | 0.4% |
| I Pru MF | 0.2% |
| Schroders | 0.2% |
| SBI Life | 0.2% |
| Kotak MF | 0.2% |
| Bajaj Allianz Life | 0.1% |
| Edelweiss | 0.1% |
| GSA Capital | 0.1% |
| Others | 1.0% |
| Total Institutional holders | 13.3% |

* As on 24th May, 2019 for top 250 portfolios only. Shareholding under multiple portfolios/ plans clubbed together. Stake rounded off to nearest decimal

THANK YOU