

Varroc Engineering Limited

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www.varrocgroup.com
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2019-20/21

May 28, 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.

Further to our letter bearing no. VARROC/SE/INT/2019-20/20 dated May 27, 2019, please find enclosed herewith revised 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⁾**



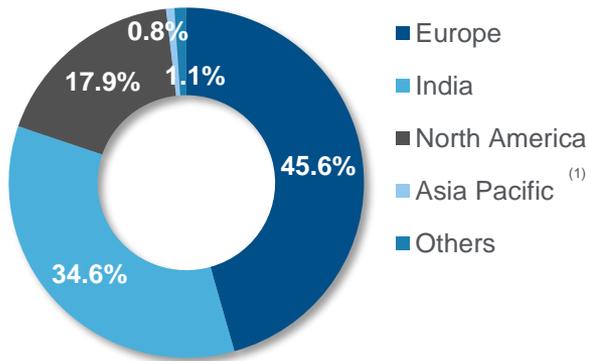
Well Diversified Auto Component Business Across Geographies, Product Groups, Customers and Segments



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

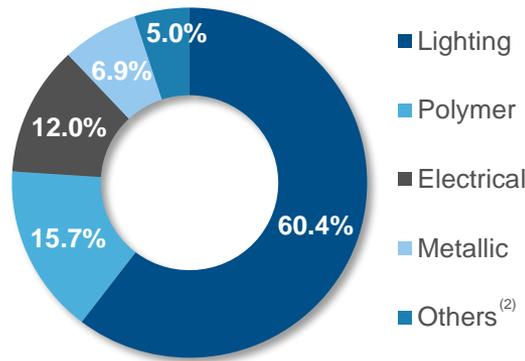
Revenue Split by Geography

FY19, %



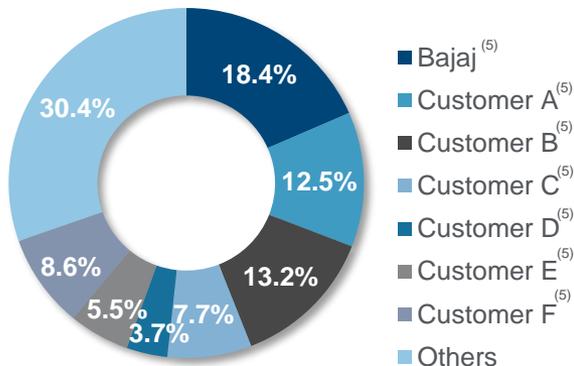
Revenue Split by Products⁽³⁾

FY19, %



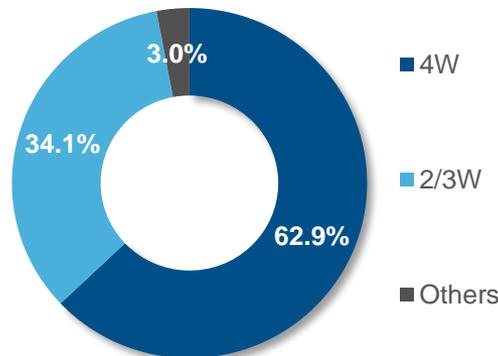
Consolidated Revenue Amount Split by Customer⁽³⁾

FY19, %



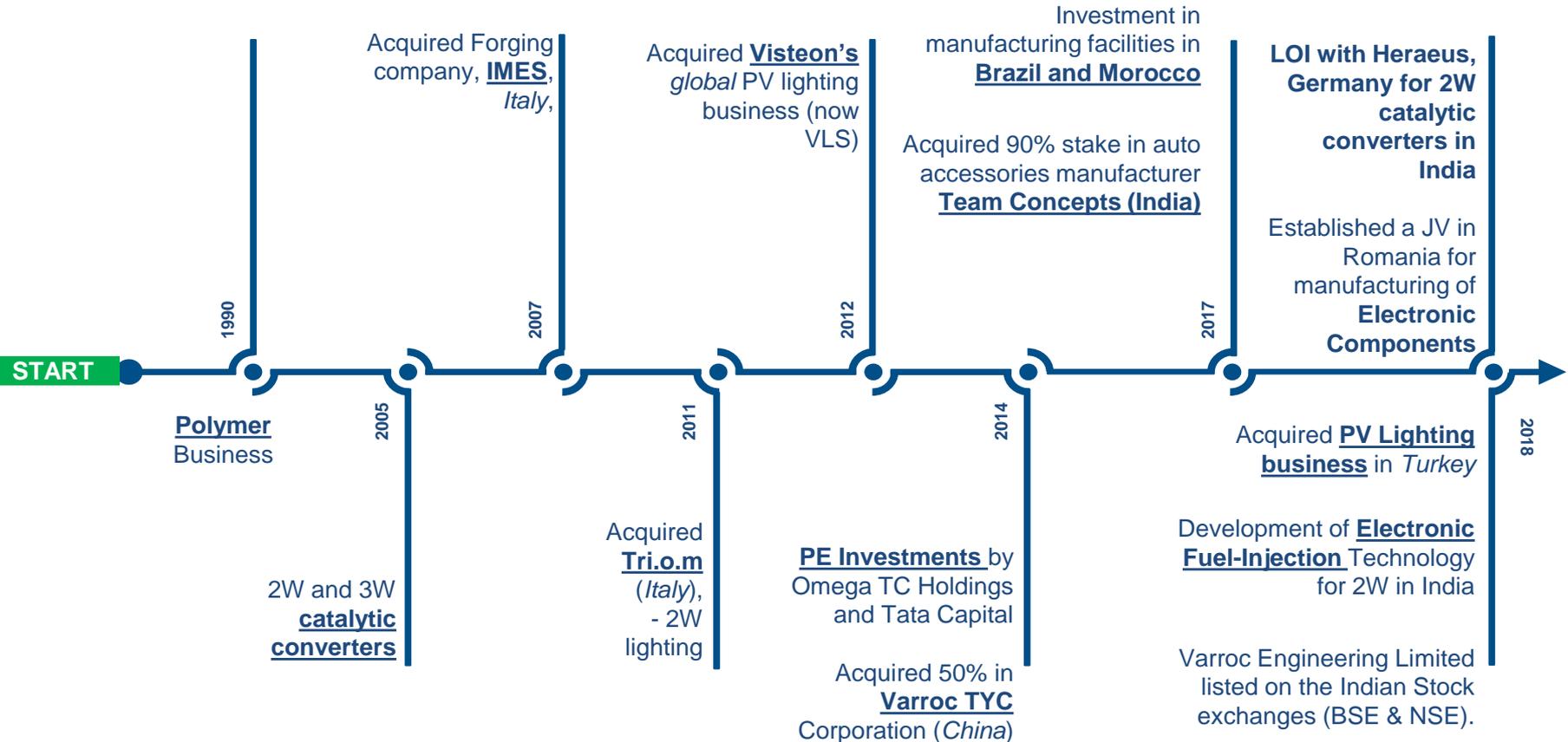
Revenue Split by Segment⁽⁴⁾

%



- 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

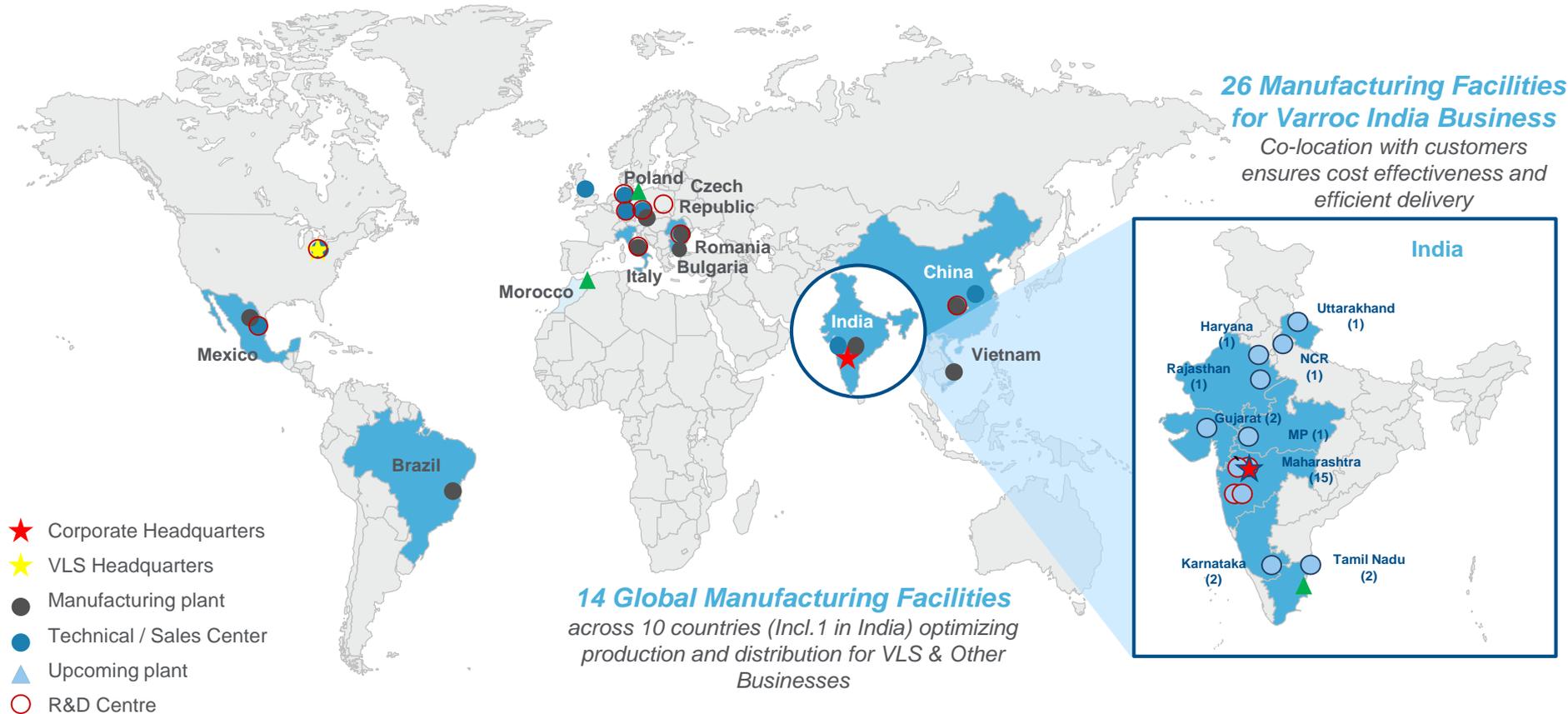
Robust in-house Technology, Innovation & R&D Capabilities

- 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	

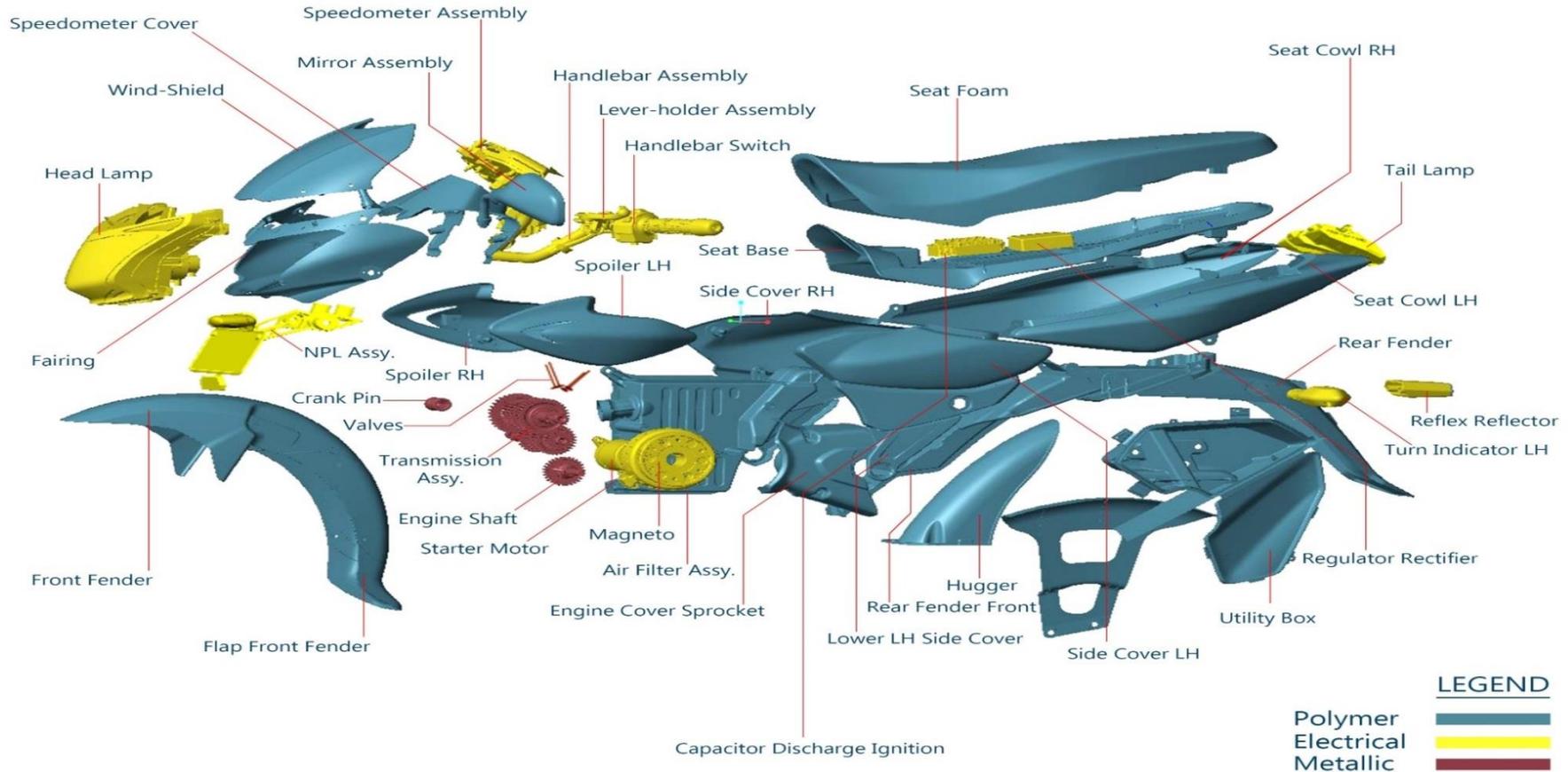
A diversified product portfolio catering to 2W, 3W, PV, CV & OHV Segments
Low-cost strategically located global manufacturing facilities; pan-India presence near major auto hubs

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



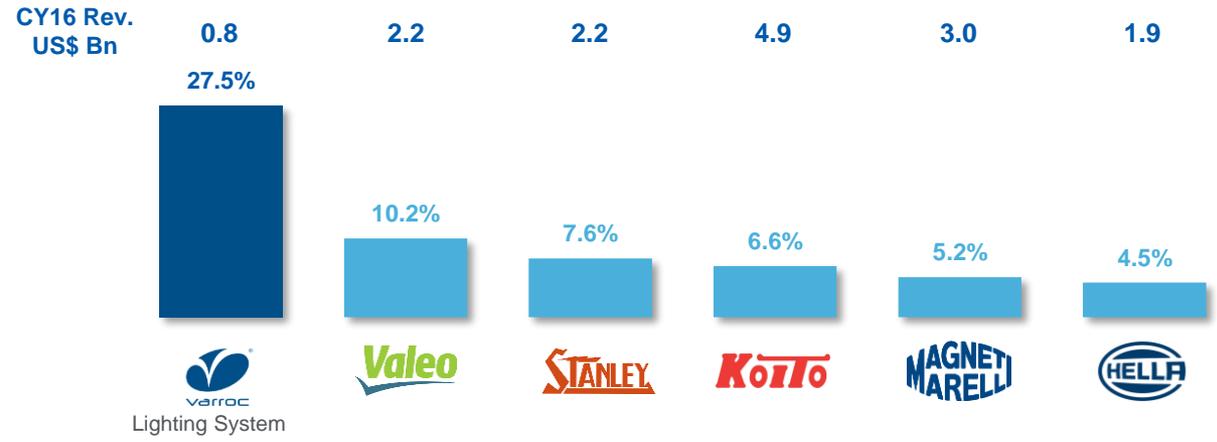
Projector

- 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⁾

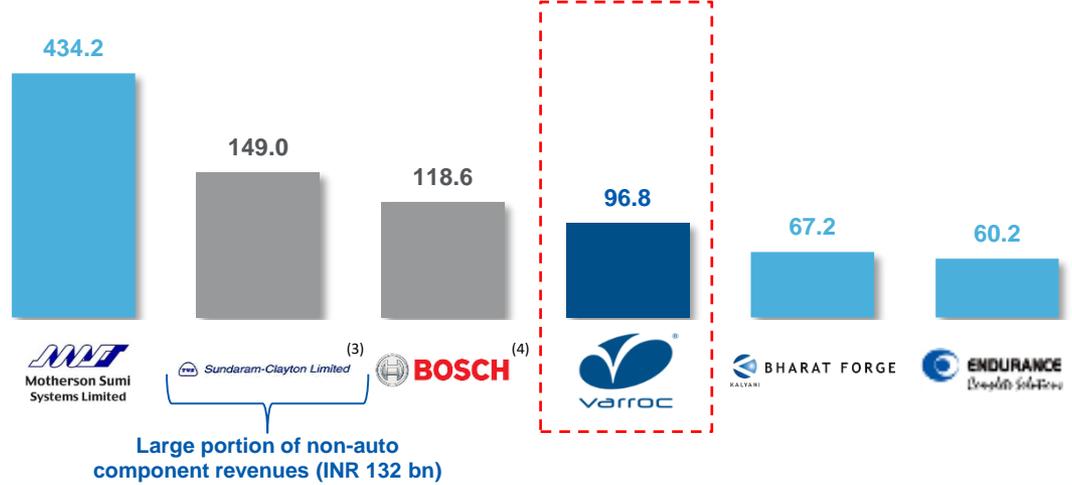
Exterior Lighting Revenue CAGR (CY14- CY16)



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

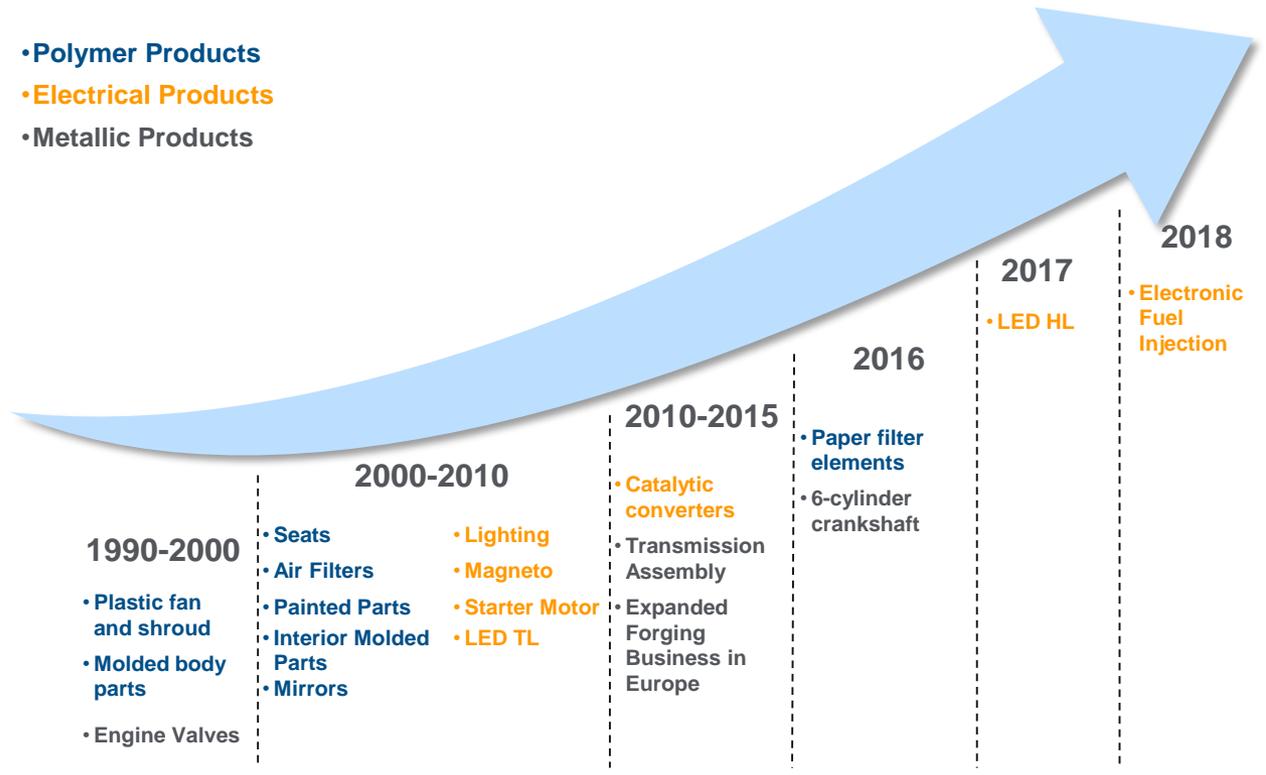
Note: (1) Based on Yole Report for VLS and CRISIL Report. For India (2) In terms of domestic sales. (3) Sundaram Clayton is the holding company of TVS Motors Ltd. which is into sales of two and three wheelers having a revenue of INR 132 bn. Remaining revenue is largely from the auto component space.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

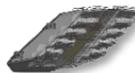


- Proprietary products with continuous focus on innovative, cost competitive designs
- Continuous focus on R&D and product development
- New technology tie ups for development of catalytic converter and electronic fuel injection systems
- Govt's DSIR approved R&D centers
- 450+ engineers located in 5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

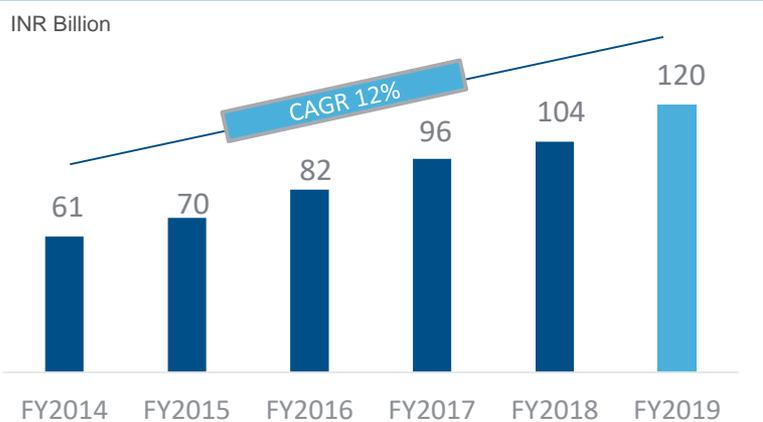
- Co-Founder and President of Rank software Inc.

Financials & Share Details

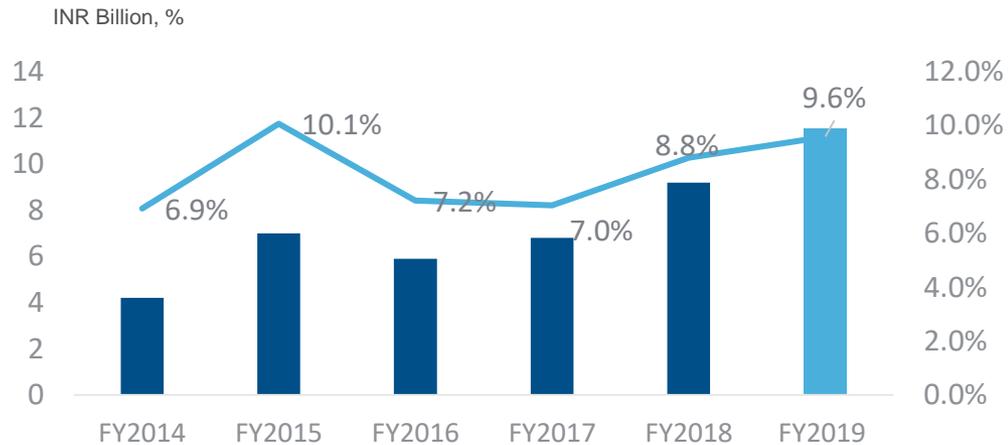


Financial Summary : Key Performance Indicators

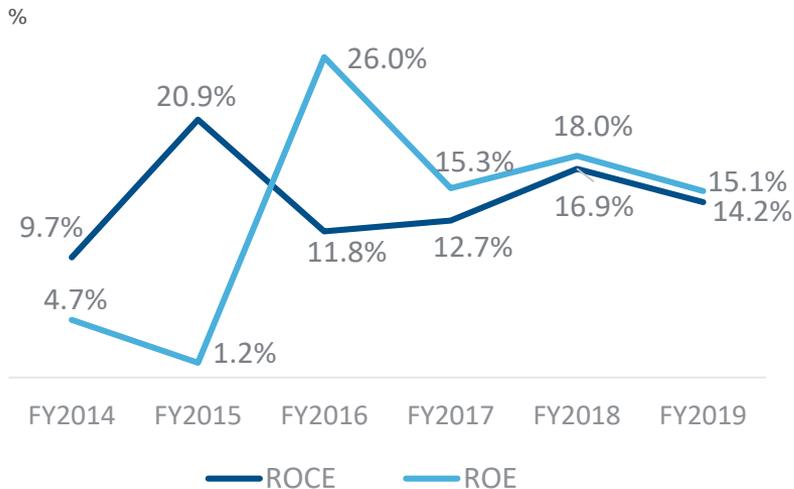
Revenue Trend last 6 years



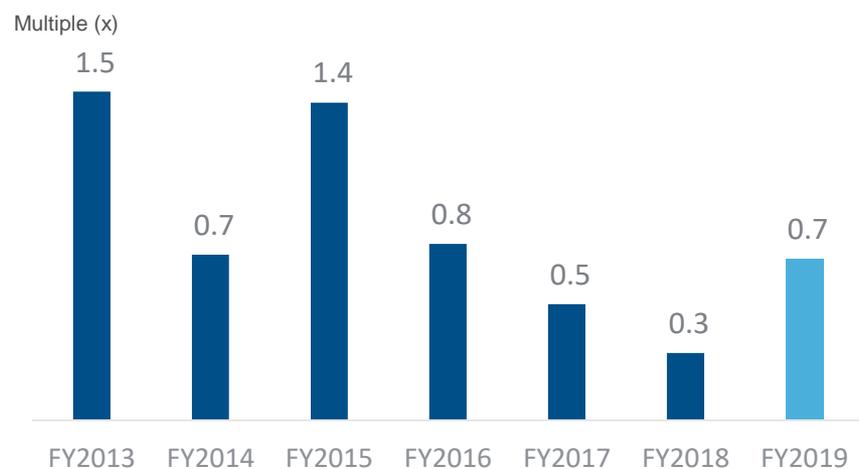
EBITDA and EBITDA margin



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,*

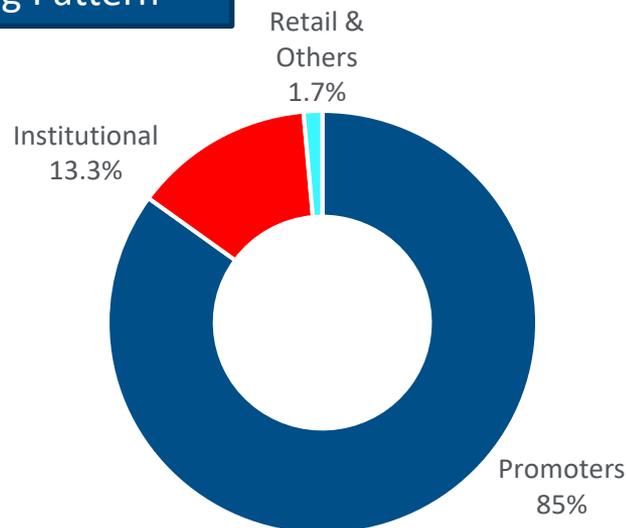
(INR million)	FY16		FY17		FY18		FY19 (like-for-like)	
		%		%		%		%
Revenue								
Global Lighting Business	48,198	58.6%	61,242	63.7%	63,211	60.9%	72,668	60.4%
India Business	30,807	37.5%	31,681	33.0%	36,508	35.2%	42,744	35.5%
Other Businesses	3,185	3.9%	3,163	3.3%	4,278	4.1%	5,485	4.6%
Eliminations					(212)		(533)	
Total	82,189		96,085		1,03,785		1,20,365	
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