

**VARROC**  
**Financial Results**  
**Q1 FY21**

::14<sup>th</sup> August 2020::

# Disclaimers

---

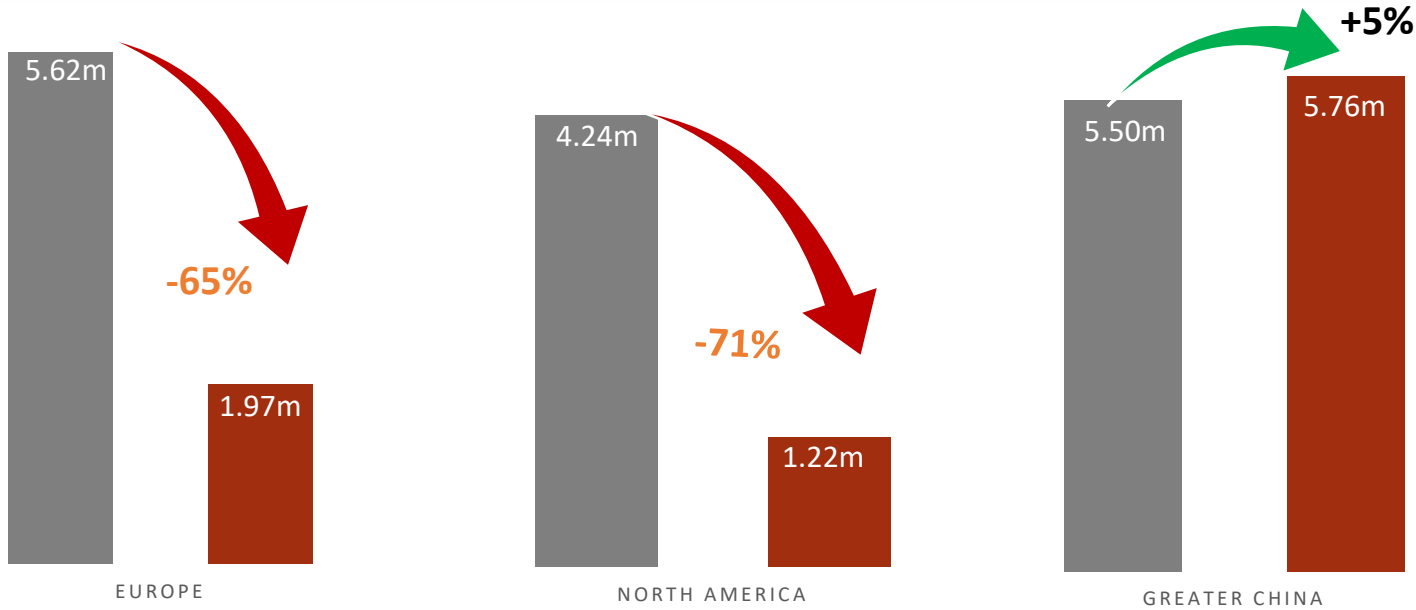
This presentation may include statements which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial 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.

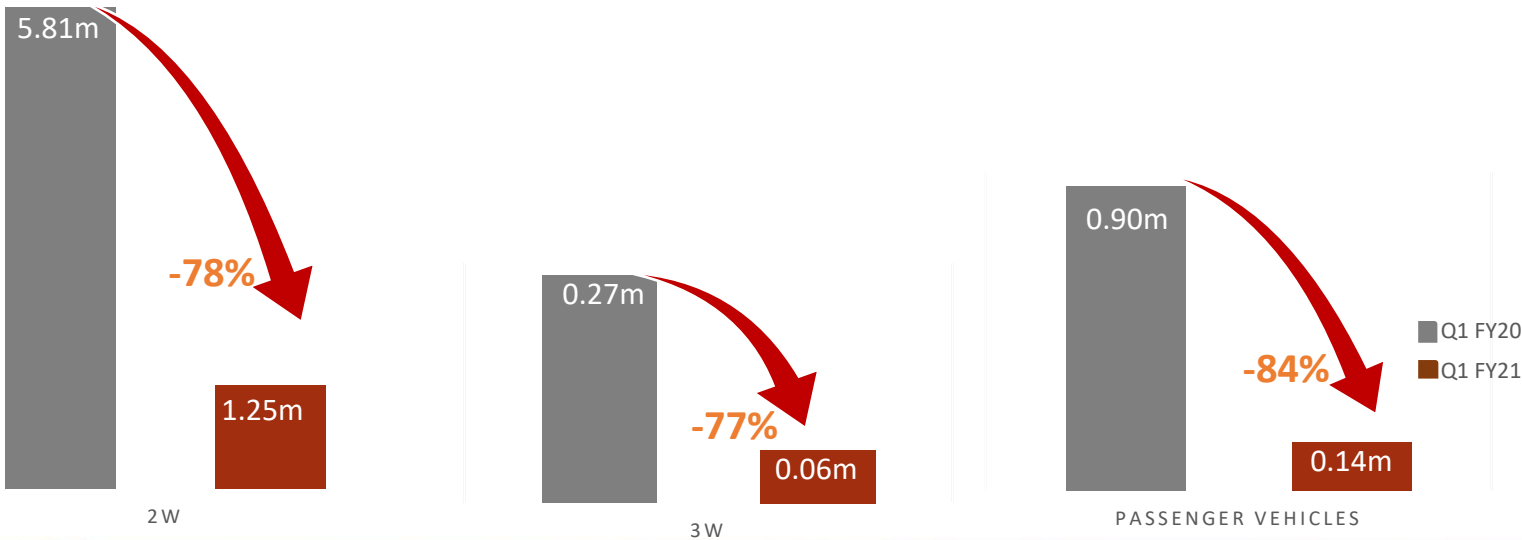
This presentation does not constitute or form part of any offer or invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of Varroc Engineering Limited (the "Company"), nor shall it or any part of it or the fact of its distribution form 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.

# Industry Trends in Q1 FY21 YOY

## Global Passenger Vehicle Market Production



## India Industry Trend : Production YoY



- Passenger Vehicle volumes in Q1 FY21 declined drastically significantly across all regions (except China) as lockdowns in place globally for a major part of the quarter
- China PV volumes recovered quickly as the Novel Coronavirus impact gradually subsided and lockdowns were lifted.
- Domestic sales volumes declined drastically; 2W volume declined 74%, PV by 78% and 3W volumes were down by 91% YoY
- Exports for 2Ws showed YoY decline of 62%YoY. PV and 3W exports declined by 75% & 60% YoY, respectively.

## Business Highlights: Q1 FY21

---

- **All of the Global and Indian plants were closed in April and most of May. Volumes ramped up gradually post re-opening. June 20 revenues were 80% of June 19 revenues**
- **Reported Revenue from Operations for the quarter declined by 55.6% YoY**
- **Consolidated EBITDA loss for the quarter was Rs 1.8 Bn**
- **India Business:** Revenue declined by 71.3%; EBITDA loss at Rs 251 Mn
- **VLS:** Revenue declined by 50.4% YoY in Euro terms; EBITDA loss at Rs 1.5 Bn
- **China JV performance strong as revenue grew by 30.5% YoY and EBITDA margin was (+)16.5% for the quarter as against (+)6.3% in Q1 FY20**
- **Several cost rationalization initiatives rolled out to reduce fixed cost base by ~20%; full benefits to be seen in the second half of FY21**
- **Increase in net-debt levels due to disruption in working capital cycle, continuing fixed costs, capex payments and adverse currency movement;** cash drawn down in March 20 helped in meeting the liquidity requirements
- **Positive cash flows expected in rest of FY21 due to resumption of the regular working capital cycle, improved profitability and lower capex;** target to end FY21 debt closer to FY20 levels
- **Both cashflow and profitability have turned positive in July. Expect to sustain the same going forward**

# Varroc Group: Financial Performance

Particulars	Q1 FY21	Q1 FY20	Growth (Y-o-Y)
Revenue from Operations - Reported	12,747	28,701	-56%
Other income - Operating	110	280	
Other income - Non operating	390	11	
EBITDA - Reported *	(1,794)	2,970	-160%
EBITDA Margins (%)	-14.1%	11.0%	
Share of net profits of JVs under equity method	110	(1)	
PBT - reported	(3,795)	1,021	
PAT - reported	(3,086)	875	

## Debt movement since last quarter

Particulars	Q1 FY21	Q4 FY20
Net Debt	34,121	24,737
Net Debt to Equity (Excl. Impact of Leases: Ind AS 116)	1.2	0.7

\*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 Q1 FY21

SBU	Q1 FY21			Q1 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
India Business	2,977	(251)	-8.4%	10,359	1,066	10.3%	-71.3%
VLS (Incl TRIOM)	9,463	(1,547)	-16.3%	17,840	1,859	10.4%	-47.0%
Others (IMES)	402	(11)	-2.7%	577	33	5.7%	-30.3%
Elimination	(95)	14		(76)	12		
<b>Total</b>	<b>12,747</b>	<b>(1,794)</b>	<b>-14.1%</b>	<b>28,701</b>	<b>2,970</b>	<b>10.3%</b>	<b>-55.6%</b>
China JV - 50%	1,317	217	16.5%	1,009	64	6.3%	30.5%

## Euro Performance for VLS

SBU	Q1 FY21			Q1 FY20			Revenue Change YoY
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA	
VLS -Euro	113	(18.5)	-16.3%	228	23.8	10.4%	-50.4%

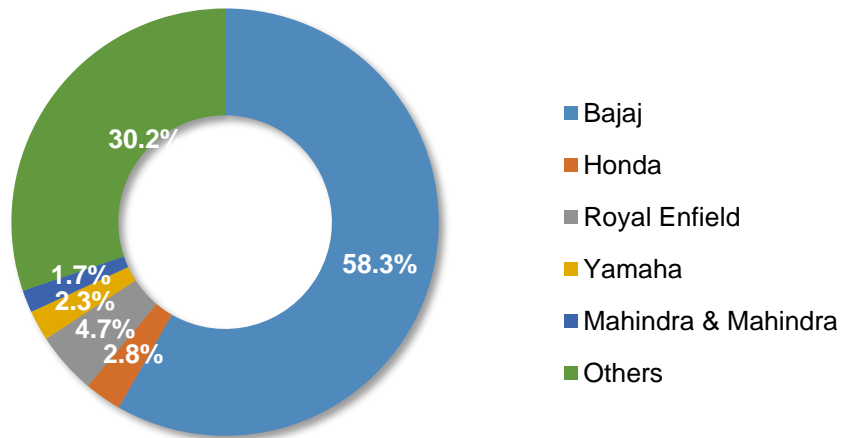
Exchange rates : INR/Euro Average for Q1 FY21 = 83.67; INR/Euro Average for Q1 FY20 = 78.20



# Revenue by Customers and Order Wins

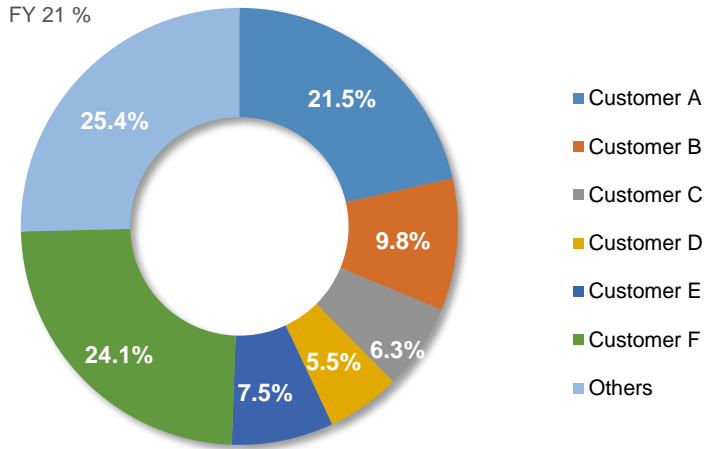
## India Revenue Split by Customer<sup>(1)</sup>

Q1 FY21 %



## VLS Revenue Split by Customer<sup>(2)</sup>

Q1 FY 21 %



Revenue in Europe declined by 46% YoY

Revenue in Americas declined by 55% YoY

Revenue in China increased by +31%YoY as lockdowns were lifted by the Govt.

## Highlights of major order wins and near-term potentials (Order value in terms of average annual revenue) – till July 20

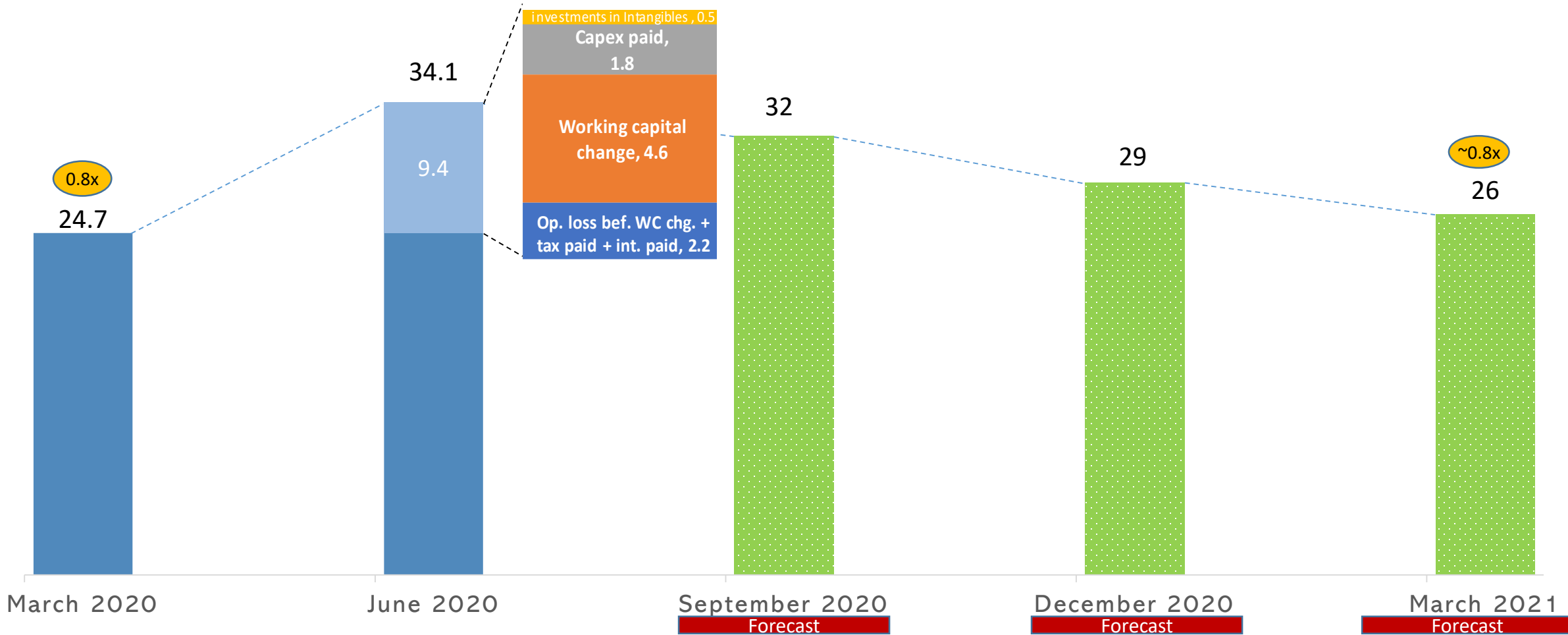
Business	New wins: VLS / Recent orders: India	Near term potentials
VLS	<p><b>Overall net business wins of ~Eur 14 Mn; pipeline of &gt;Eur 100 Mn</b></p> <ul style="list-style-type: none"> <li>- New Business wins - Eur 22 Mn including EV programs in China and further wins in Americas</li> <li>- Re-wins - Eur 28 Mn and losses Eur 36 Mn</li> </ul>	<p>Some of the key orders out of the pipeline of &gt;Eur100 million, if won, will likely provide further boost to our new facilities</p>
India Business	<p><b>Overall net business wins of ~Rs 1.6 Bn</b></p> <ul style="list-style-type: none"> <li><b>Bajaj:</b> Order of Rs 667 million for various products including EV products</li> <li><b>HMCL:</b> Various orders for polymer and electrical products for Rs 192 million</li> <li><b>MG Motors:</b> Order for polymer products for Rs 220 million</li> <li><b>VW:</b> Various orders for polymer products for Rs 108 million</li> <li><b>Mahindra:</b> Various orders for polymer products for Rs 100 million</li> <li><b>HMSI:</b> Various orders for polymer products for Rs 82 million</li> <li><b>Other Customers:</b> Various orders for Rs 258 million in annual revenue potential</li> </ul>	<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</p>

Note: (1) Based on management information system database

(2) Total Revenue 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.

# Debt Situation Update and Outlook for FY21

Billion Rs



D/E

## Debt Reduction by March 21 to happen through -

- Restoration of normal working capital cycle
- Improved profitability
- Significant reduction in Capex and other initiatives



# Updates for FY21 – Current Situation (Q2) and Outlook (rest of the year)

---

## Current Situation – Q2 FY21

- **Substantial improvement in performance as compared to Q1**
  - July – Good ramp-up in volumes from June levels; Revenue at 92% of July 19 levels. Profitability and cashflows turned positive.
  - August and September – strong supply schedules from all key customers both in India and VLS

## Outlook for H2

- **Confident of building on the turn around in Q2** as a result of various initiatives already rolled out in Q1
- **Focus on cash conservation and cost optimization in VLS**
  - Recurring SG&A and Engineering costs reduction measures completed; savings visible in monthly run-rate
  - Reduction in full year capex
  - Working capital improvements, especially inventory, through process and system changes
  - Reiterate target of positive Free Cash Flow on full year basis

# THANK YOU



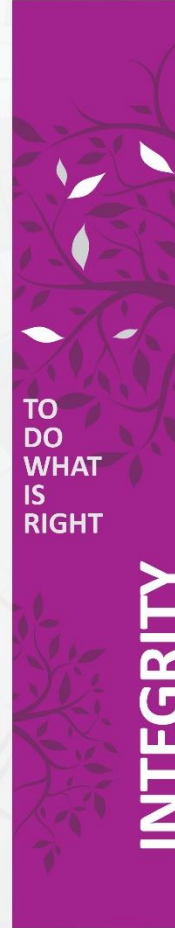
TO SPEAK & ACT FROM THE HEART

**SINCERITY**



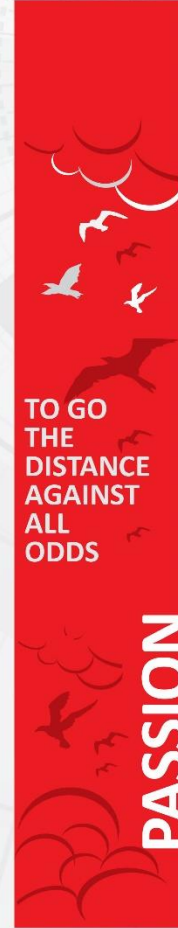
TO WALK WITH EVERYONE

**HUMILITY**



TO DO WHAT IS RIGHT

**INTEGRITY**



TO GO THE DISTANCE AGAINST ALL ODDS

**PASSION**



TO MAKE IT HAPPEN

**SELF DISCIPLINE**