Varroc Engineering Limited
Regd. & Corp. Office

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CIN: L28920MH1988PLC047335

VARROC/SE/INT/2018-19/34
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: Press Release- Financial Results.

Please find enclosed herewith a copy of press release with respect to the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended 30th September 2018.

Kindly take the same on record and note the compliance.

Thanking you,

Yours faithfully,
For Varroc Engineering Limited

Rakesh Darji
Company Secretary & Compliance Officer

Encl: Press release of Unaudited Financial Results for the quarter and half year ended September 2018.

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Press Release

- **Revenue from operations for Q2 FY19 increased by 26.5% YoY to Rs 29,744 million on comparable basis**
- **EBITDA on a like-for-like basis increased by 21.7% YoY to Rs 2,545 million**
- **Reported PAT for the quarter at Rs 1,009 million; an increase of 9.0% YoY**
- **Turkey integration making good progress; to leverage synergies with TRIOM**
- **Agreement signed with ELBA SA, Romania for setting up a JV for Electronics manufacturing**

Mumbai, November 13, 2018: Varroc Engineering Ltd. (Varroc), a global tier-I auto component group, today announced its results for the second quarter and half year ended September 30, 2018 (Q2 & H1 FY19).

Summary Consolidated Financials

(Rs million)

	Q2 FY 19	Q2 FY18	% Change	H1 FY 19	H1 FY18	% Change
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%
Other Income - Operating	163	47		329	131	
Other Income - non-Operating	20	3		116	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 %	*8.6%*	*8.9%*		*8.7%*	*8.9%*	
Depreciation	1,643	951	72.7%	2,707	1,859	45.6%
Interest	208	222	-6.3%	437	438	-0.2%
Share of net profits of JVs under equity method	73	147	-50.1%	202	254	-20.7%
PBT - Reported	**1,444**	**1,216**	**18.8%**	**2,787**	**2,414**	**15.5%**
Tax	435	290	50.1%	774	504	53.7%
PAT - Reported	**1,009**	**926**	**9.0%**	**2,013**	**1,910**	**5.4%**

Consolidated Financial Performance

- Reported revenue from operations for the quarter was Rs 30,011 million, an increase of 24.1% over Q2 FY18. Revenue growth, on a like-for-like basis, excluding the impact of Ind AS 115, the Interior Plastics Business in North America (phased out during FY18) and Excise Duty, was at 26.5% YoY.

  The India Business revenue increased by 27.4%, the Global Lighting Business (VLS) by 24.1% and Others by 47.4% over Q2 FY18, on a like-for-like basis.

- The reported EBITDA for Q2FY19 was Rs 3,202 million, an increase of 43.0% YoY. EBITDA on a like-for-like basis was up by 21.7% YoY and the EBITDA margin on like-for-like basis for the quarter was at 8.6% as against 8.9% in the same quarter last year.

  The EBITDA for India Business, at Rs 1,393 million, increased by 40 bps YoY to 12.1%.

  The reported EBITDA of VLS was at Rs 1,640 million. On a like-for-like basis, the VLS EBITDA margin contracted to 5.8% from 7.1% in Q2 FY18, mainly due to the additional costs of rapid volume ramp-up.

- The PAT for the quarter was at Rs 1,009 million as compared to Rs 926 million for Q2 FY18.
  The profitability for the quarter was impacted by:
  - reduction in our share of China JV profit to Rs 73 million due to drop in revenue, caused by lower volumes of our key customers as well as decline in the overall market
  - higher effective tax rate in Q2 FY19 due to higher share of profits from India business and the additional tax credits availed in Czech Republic in Q2 FY18
  - on a net basis, Ind AS 115 adoption has a positive impact of Rs 109 million on the PAT for the quarter.

<u>China JV</u>

- Our share of Revenue from China JV declined by 34.4% YoY to Rs 1,122 million and EBITDA on a like-for-like basis declined by 49.3% to Rs 113 million.

<u>Other Updates</u>

- In our VLS Business, the Bulgaria plant (part of Turkey acquisition) is expected to start production in this month. For our under-construction Morocco plant, first SOP date is now advanced from April 2019 to February 2019.
- In our India Business, the construction of the Halol, Gujarat plant is now complete and production is expected to start later this month.
- On 18th September 2018, VLS signed an agreement with ELBA SA, Romania to establish a JV. The main objective of the JV is to manufacture electronic components for VLS business at a competitive cost.

Mr. Tarang Jain, MD, Varroc Engineering Ltd. commented, "*During the quarter we faced a challenging macro-economic environment caused by Brexit uncertainty, US-China trade sanctions, increase in fuel costs and regulatory changes in Europe and India. This impacted industry growth in India and abroad. Against this background, we have manged to maintain our growth momentum and deliver satisfactory results for the quarter.*

We are focused on improving operational efficiencies in the VLS business, the results of which should be visible in the later part of the year."

<u>About Varroc Engineering Ltd.</u>

Varroc Engineering Ltd is a global tier-1 automotive component group and it was incorporated in 1988. We design, manufacture and supply exterior lighting systems, plastic and polymer components, electricals-electronics components, and precision metallic components to passenger car, commercial vehicle, two-wheeler, three-wheeler and off-highway vehicle OEMs directly worldwide. The group revenue was close to Rs 11,000 crore (USD 1.7 Billion) in FY18, including the share of revenues from the China JV. The group employs more than 14,200 employees and has 37 global manufacturing facilities.

Varroc Engineering Limited's shares are listed on the National Stock Exchange *(VARROC)* and the Bombay Stock Exchange *(541578).*