

Varroc Engineering Limited

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VARROC/SE/INT/2019-20/23

May 29, 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.

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

NSE Symbol: VARROC

BSE Security Code: 541578
Security ID: VARROC

Dear Sir/ Madam,

Sub.: Intimation of participation in Investor Conference.

Ref.: Disclosure under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30(4)(i)(c) of the SEBI (LODR) Regulations, 2015, this is to inform you that, the Company is participating in the following Investor Conference:

Sr.	Date*	Investor Conference Organizer	Venue
1	June 03, 2019	Citi Group	Trident, BKC, Mumbai

**Meeting schedule may change due to exigencies.*

The attached presentation will be presented at the said Conference.

Kindly take note of the above.

Thanking you,

Yours faithfully,
For Varroc Engineering Limited

Rakesh Darji
Company Secretary & Compliance Officer



Encls.: Investors Presentation.



Q4 & FY19 Results Presentation



Disclaimer



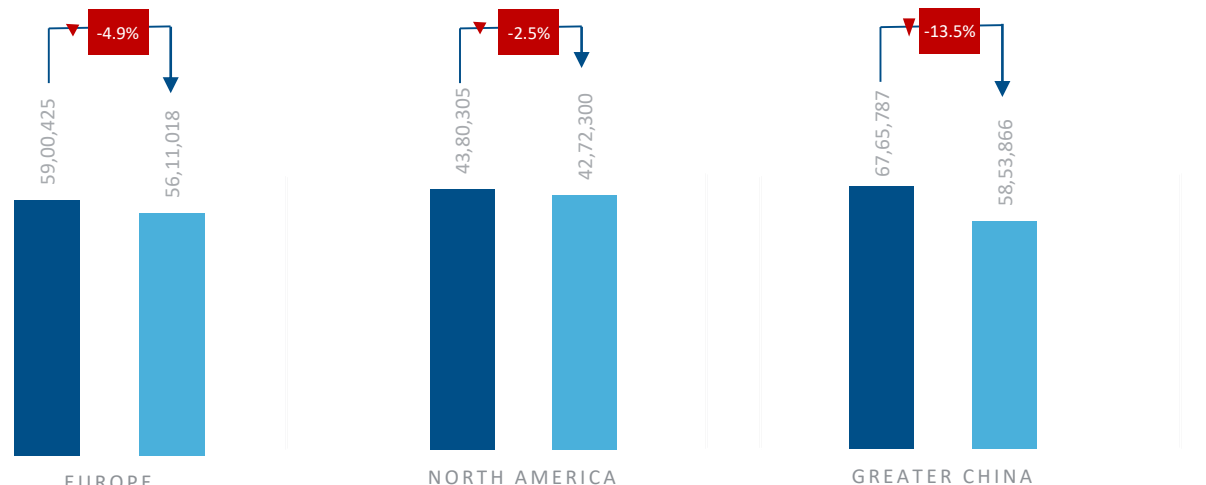
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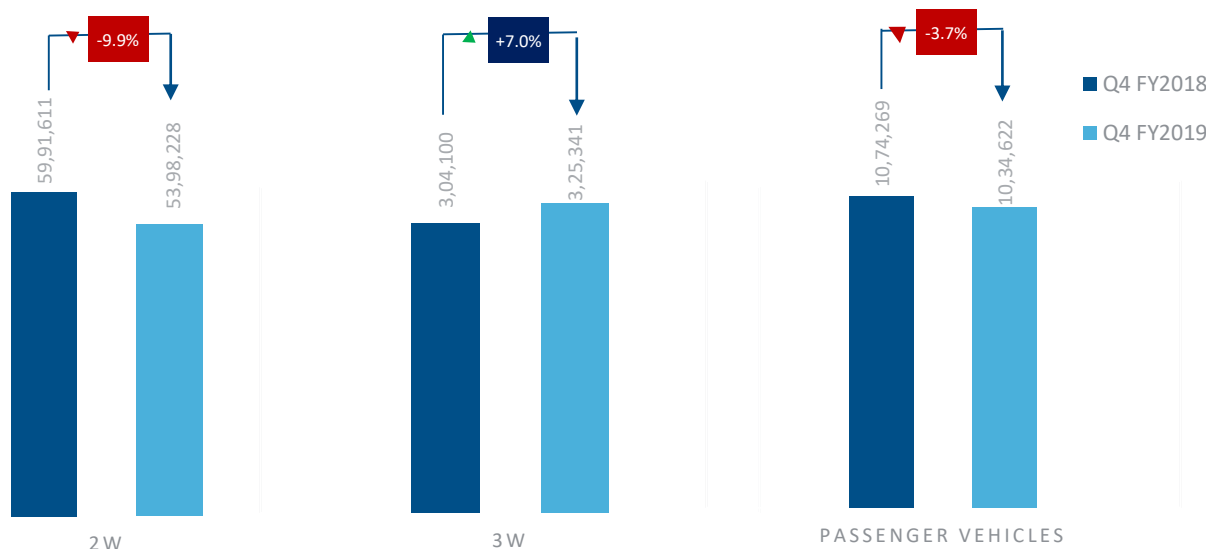
Industry Trends in Q4 FY19

Global Passenger Cars Market Production



- Global Passenger Vehicle production trend continued its declining trend in Q4 FY19
- North American market, which had shown a positive growth in the first 9 months of FY19, also declined in Q4

India Industry Trend : Production YoY



- Domestic Production in Q4 was very weak with 2W declining (-9.9%). Passenger Vehicles continued weak trend (-3.7%)
- Exports for PVs showed a 13.1% YoY decline; 2W exports continued to grow but at a slower pace than in 9M (+2.9%). 3W exports grew by +42%YoY

Business Highlights: Q4

- Revenue from Operations for Q4 FY19 up by 5.4% YoY[#]; FY19 Revenue +18.8%YoY[#]
- EBITDA on a like-for-like basis at INR 2,625 Mn^{*}; FY19 EBITDA growth +17.7% YoY^{*}
- PAT for Q4 at INR 1,500 Mn increase of 5.1% YoY; Full year PAT at INR 4,498 Mn, almost same as last year
- VLS: Strong Q4 Performance in challenging market conditions; margin improved by 90bps YoY to 8.3% on like-for like basis. Normalised EBITDA margin after Ind AS 115 at 10.3%
- India Business: Revenue growth of 4.7% as against 2W industry decline of 10%; EBITDA margin impacted by slower growth
- VLS: China revenue decline of 32% YoY; share of profit at INR 48 Mn for Q4 as against INR 152 Mn in Q4 FY18
- VLS new business wins of Euro 462 Mn in FY19 at highest ever level; providing strong visibility for next 3 to 4 years. Significant wins from a few leading OEMs
- India Business :
 - TVS : First ever order from TVS; in discussion for multiple product categories
 - Significant wins from existing customers for new categories including EFI, Catalytic Convertors, Metallic and Polymer products.

Varroc Group: Summary Key Financials

Q4 & FY19



(INR Mn)

Particulars	Q4 FY 19	Q4 FY18	Growth (Y-o-Y)		FY 19	FY18	Growth (Y-o-Y)
Revenue from Operations - Reported	31,534	29,846	5.7%		1,20,365	1,03,785	16.0%
Revenue from operations : like-for-like	31,387	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 *	3,157	2,639	19.6%		11,539	9,179	25.7%
EBITDA : like-for-like \$	2,625	2,633	-0.3%		10,260	8,715	17.7%
EBITDA Margins (%) \$	8.4%	8.8%			8.6%	8.7%	
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%
PAT - reported	1,500	1,428	5.1%		4,498	4,508	-0.2%
Net Debt to Equity	0.7	0.3			0.7	0.3	

Varroc Group: Business Wise Performance

Q4 FY19



(INR Mn)

SBU	Q4 FY19					Q4 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	10,249	10,249	889	889	8.7%	9,784	9,786	1,104	1,104	11.3%	4.7%
VLS	20,026	19,878	2,175	1,643	8.3%	18,824	18,749	1,396	1,390	7.4%	6.0%
Others*	1,498	1,498	117	117	7.8%	1,297	1,297	123	123	9.5%	15.6%
Elimination	(239)	(239)	(24)	(24)		(60)	(60)	17	17		
Total	31,534	31,387	3,157	2,625	8.4%	29,846	29,772	2,639	2,633	8.8%	5.4%
China JV - 50%	980	980	117	117	11.9%	1,438	1,438	239	239	16.6%	-31.9%

Euro Performance for VLS

SBU	Q4 FY19					Q4 FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	249	247	27.1	20.4	8.3%	240	239	17.8	17.7	7.4%	3.5%

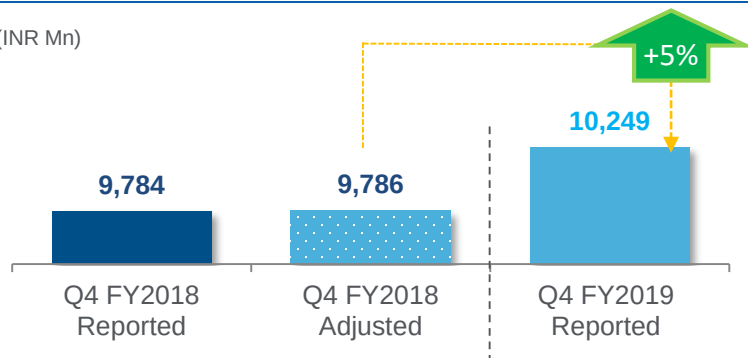
Exchange rates : INR/Euro Average for Q4 FY19 = 80.08; INR/Euro Average for Q4 FY18 = 79.11

- 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

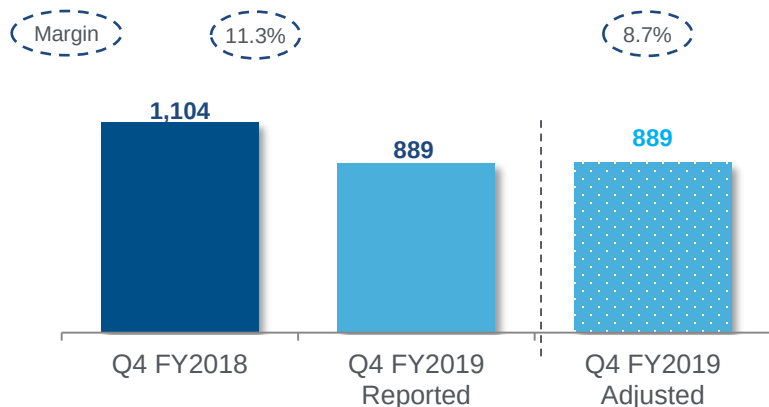
(INR Mn)



Strong growth across divisions and customers

EBITDA

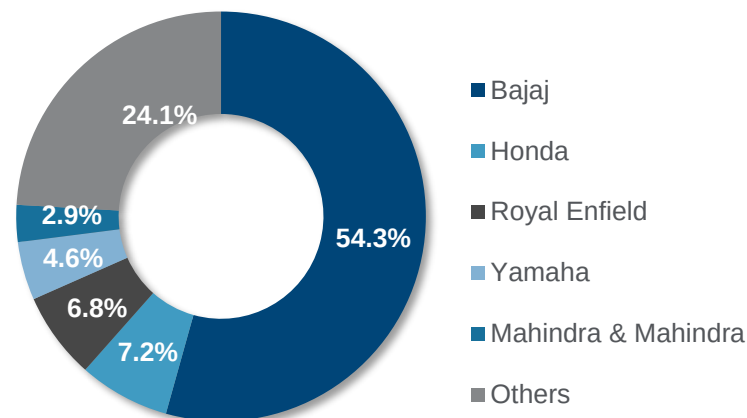
(INR Mn)



EBITDA margins declined by 260 bps YoY

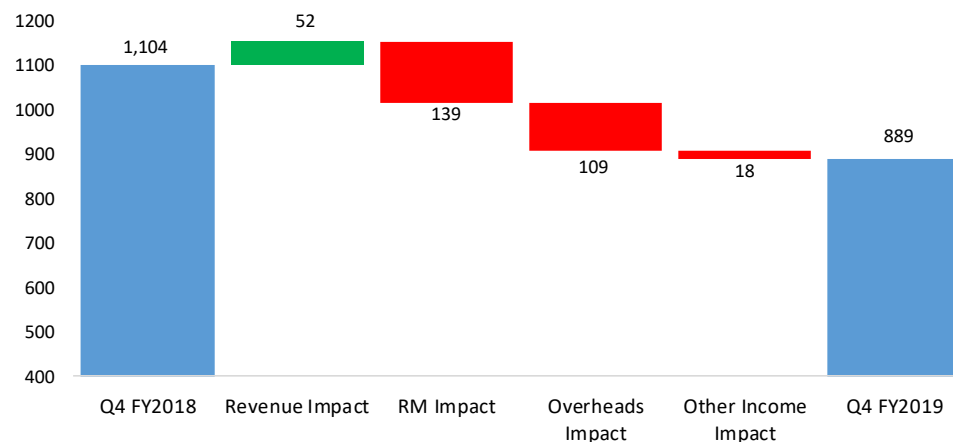
India Revenue Split by Customer⁽¹⁾

Q4 FY 2019, %



EBITDA variation analysis

Q4 FY 18 Vs Q4 FY19



EBITDA margin impacted due to industry decline & time lag in RM cost increase pass through

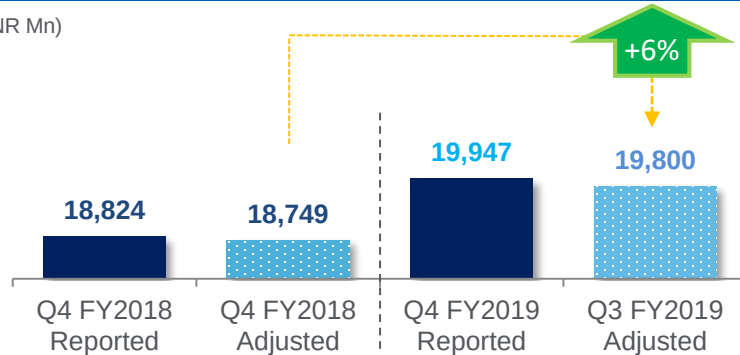
Global Lighting Business (VLS): Financial Performance



Revenue (1)

50% China Joint Venture:
Q4 FY 18 Revenue: 1438 Mn INR
Q4 FY 19 Revenue: 980 Mn INR

(INR Mn)



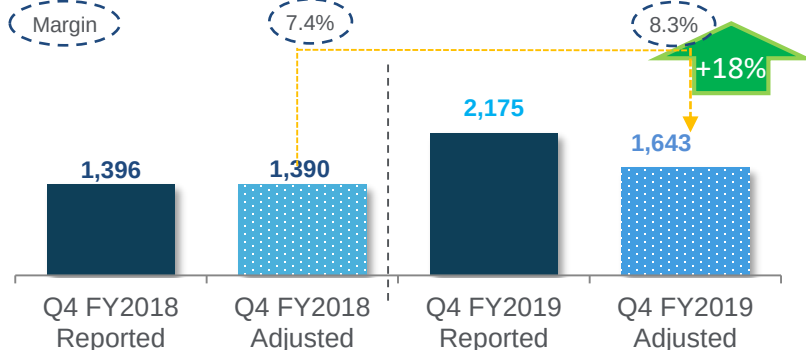
3.5% YoY revenue growth in Euro terms

EBITDA (1) & Adjusted EBITDA (3)

(INR Mn)

50% China Joint Venture:
Q4 FY 18 EBITDA / Margin: INR 239 Mn / 16.6%
Q4 FY 19 EBITDA / Margin: INR 117 Mn(3) / 11.9%

Margin

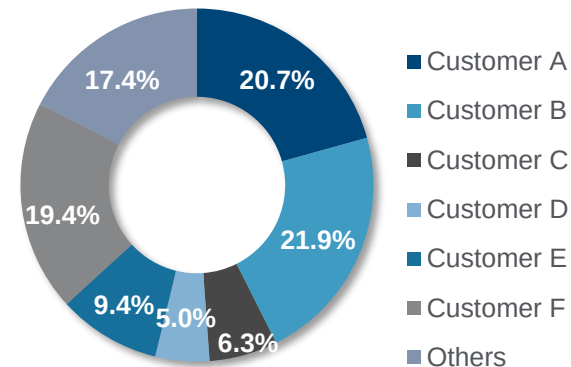


Eur Mn	17.8	17.7	27.1	20.4
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15.4%YoY EBITDA growth in Euro terms

VLS Revenue Split by Customer(2)

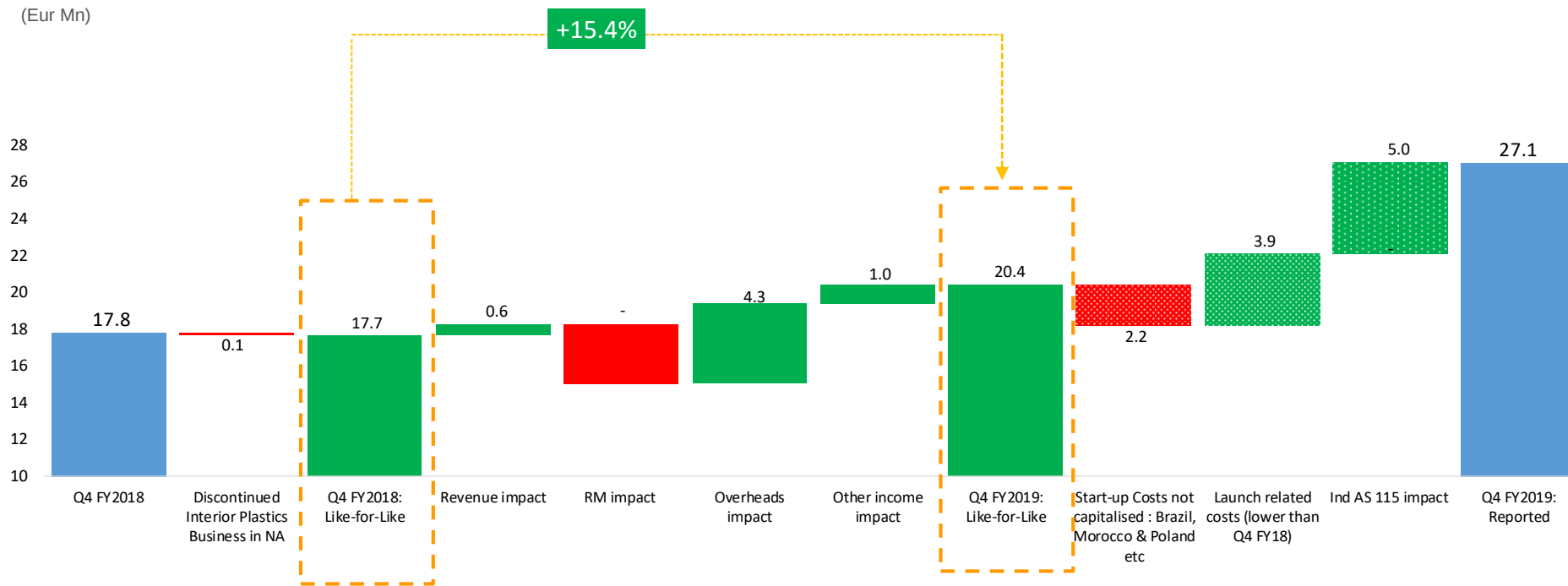
Q4 FY 2019, %



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 Q4 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



- Overhead costs contained in spite of higher revenue as a result of ongoing operational efficiency initiatives
- Launch activity during the quarter was lower as compared to Q4 FY18 and as a result, launch costs were lower by Eur 3.9mn on a comparable basis

Varroc Group: Business Wise Performance

FY19



(INR Mn)

SBU	FY19					FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
India Business	42,744	42,744	4,623	4,623	10.8%	36,508	35,555	3,872	3,872	10.9%	20.2%
VLS	72,668	71,837	6,385	5,106	7.1%	63,211	61,017	4,911	4,447	7.3%	17.7%
Others	5,485	5,485	604	604	11.0%	4,278	4,278	399	399	9.3%	28.2%
Elimination	(533)	(533)	(72)	(72)		(212)	(212)	(3)	(3)		
Total	1,20,365	1,19,533	11,539	10,260	8.6%	1,03,785	1,00,637	9,179	8,715	8.7%	18.8%
China JV - 50%	4,735	4,735	579	539	11.4%	6,144	6,144	958	958	15.6%	-22.9%

Euro Performance for VLS

SBU	FY19					FY18					Revenue Growth YoY
	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	Revenue	Revenue Adjusted*	EBITDA	EBITDA # Like-for-like	% EBITDA	
VLS	897	887	79	63	7.1%	838	809	65	59	7.3%	9.6%

Exchange rates : INR/Euro Average for FY19 = 80.94; INR/Euro Average for FY18 = 75.45

- 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

Details on Capex for New Facilities and Revenue Potential



Facility	Estimated Capex (Eur Mn)	Full Revenue potential (Eur Mn)	Full potential sales year	Confirmed orders as of March 2019 to meet the peak revenue and other details on capex
Brazil	27	60	FY23	~75% sourced business
Morocco	60	180	FY23/FY24	~70% sourced business
Poland	34	200	FY24	~55% sourced business
Chennai	10	30	FY23/FY24	~60% sourced business
VLS-ELBA JV*	7	50	FY22	This will benefit our procurement / external revenue is a small portion
Czech Capacity Expansion Associated	13			This is a capex towards construction of building
Czech program growth/technology	43	80	FY22	- Capex is towards growth, automation for new programs, Engineering CoE, New building and upgradation of current facilities. - Incremental Revenue of upto 80 mn - Capex already incurred in FY19 - This will also support Poland plant
Bulgaria	5	20	FY23	
Total	199	620		
Capex incurred on these activities in FY19	76			

*The JV revenue will get eliminated during consolidation.

Highlights of Major Order Wins and Near Term Potential



Business FY New Business wins: VLS / Recent orders: India

Near term potentials

VLS	<u>Overall Net Business Wins of Eur 462 Mn</u> - New Business wins - Eur 228 Million - Re-wins (net of lost business) - Eur 234 Mn - China Business wins - Eur 62 Mn (including new business of 50 Mn mainly from VW/Geely) <u>Break-up of Business win by customer</u> -VW - Eur 122 Mn -Ford - 110 Mn -Tesla – 69 Mn -PSA – 33 Mn -GM – 30 Mn -RN – 27 Mn -JLR -11 Mn -Others – 36 Mn	VW is set to become our second largest customer in FY20 & the largest in FY21. Tesla: In discussion for future models GM: Major order confirmed re-opening the door with this key customer for the Americas region Hyundai: Business award with Hyundai in Turkey; potential to increase presence Daimler: Business wins in India China: Focus on locally strong players like Geely, VW-FAW expected to improve performance in near term.
India	TVS : Won orders for Magneto; The order is likely to start in Q3 FY20. FY21 business is ~INR 450 Mn Hero: Won orders for BS VI Crankpin. VECV: Orders of INR580 Mn VW: New business won on Roof rails and 2K injection molding for inline parts 2020 launch Bajaj: New business of INR350 Mn / total wins INR2400 Mn in Q4	In discussion with TVS for more product categories. In addition, significant value LOIs expected for two products from Hero in June Traction Motor & Controller: development in progress. Prototypes ready for 2W & development work is ongoing for 3W; in discussion with a customer Catalytic Convertor: Business confirmation received from two customers; business potential INR 3500 Mn in FY21 post BS VI implementation Polymer products for VW: Working with VW group for few more polymer products

R & D / Business Updates – Q4 FY19

Global Lighting Business

- **Opened new Engineering Centre in Krakow, Poland** *(pictures on page 14)*
 - Workspace for 120 employees; located in city center, with close proximity to two largest technical universities in Poland
 - Office includes space for mechanical, optical and electronic (hardware/software) engineering
 - Electronics laboratory, and ESD protected workstations
 - Office will also be used as focal point for Global Purchasing Team
- **Driving Vision News (DVN) Conference in Shanghai, China**
 - Together with our JV VTYC, VLS actively participated with 2 lectures and a technology demonstration at the DVN Conference in Shanghai, China
 - VLS presented the advantages of cost effective Adaptive Driving Beam (ADB) headlamp technologies, and how they can be best applied in the growing Chinese market.
 - These highly efficient ADB systems, match perfectly with China's accelerated implementation of Electric Vehicles due to their lower power consumption, without sacrificing safety and performance.

R & D / Business Updates – Q4 FY19

Polymer

- Consistently improving our FSS capability and strengthening team - we will be developing majority of interior parts (Door trims / console /pillars etc) for a major OEM launch in 2020
- Commissioned the only 3500T molding machine in central India for front fascia of Trucks

Electrical

- Integrated Starter Generator (ISG) ready for customer evaluation
- TFT cluster program prototype to be ready by July 2019
- Instrument Cluster – 4 Wheeler – Readiness with Proto Sample by Q2
- Instrument Cluster – 2 wheeler with Turn by Turn Indication – Readiness with Proto Sample by Q4

New R&D Facility – Krakow, Poland

Facility picture



Office Opening function



Office Area



Office Building



Poland Manufacturing Plant : Const. Status

Roof insulation and proofing, skylights



Side Wall – Manufacturing Area



Manufacturing Area – inside view 1



Manufacturing Area – inside view 2



Thank You