

Varroc Engineering Limited

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Maharashtra, India

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www.varroc.com
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2024-25/53

August 7, 2024

To,

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-400 051.
NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001.
BSE Security Code: 541578
[Debt: 975062]

Dear Sir/Madam,

Sub: Press Release & Investor Presentation - Financial Results Q1/FY 2024-25

Please find enclosed a copy of Press Release and Investor Presentation on the Un-audited Financial Results (Consolidated & Standalone) for the quarter ended June 30, 2024.

Kindly take the same on record and note the compliance.

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Membership No. A-9127

Encl: a/a

Press Release

Varroc Engineering continues to strengthen its balance sheet

- Consolidated revenue from operations was ₹18,989 million in Q1 FY25
- Net Debt reduces by 668 million and Net Debt/Equity improves to 0.59 in Q1 FY24

Pune, August 7, 2024: Varroc Engineering Ltd. (Varroc), a global tier-I auto components group, today announced its results for the financial year ended June 30, 2024. Mr. Tarang Jain, CMD commented,

“The Indian economy continues to perform well and the latest GDP growth for Q4 of FY 24 was robust at 7.8% for the quarter. This result confirms that India is the world’s fastest growing economy. The global economy continues to remain uncertain due to geo-political issues in Europe and Asia and recession fears in the US.

In Q1 FY25 strong domestic macro factors resulted in most of the automobile segments growing on YoY basis other than the CV segment. 2W grew by 19.6%, 3W grew by 9.4%, PV grew by 5.8%, CV de-grew by 1.4%

However, on QoQ basis, we saw de-growth in almost all segment other than 2W, primarily due to cyclical nature of the industry. 2W grew by 6.1%, 3W de-grew by 1.4%, PV de-grew by 10.3%, CV de-grew by 13.4%

The overseas markets, especially the US & European market also showed negative growth for 2W. In the Asean region, the growth was largely driven by low-end segments and the premium segment continues to struggle for growth in this region.

During Q1 FY25 the Company registered revenue of Rs.18,989 million with a 5.2% YoY growth. The Indian business reported a growth of 11.3%. As a company we registered a PBT of 2.9% during Q1 FY25.

We remain committed to improving FCF generation and strengthening the balance sheet. In past two years we have seen our efforts resulting in strong FCF generation and debt reduction, thereby strengthening our balance sheet. This improvement has resulted in an upgrade to the credit rating of the Company by one notch to AA- for long term and our short-term rating is at the top notch which is A1+. We also continue to remain prudent in our capital allocation and exercise tight control on working capital and capex. This has resulted in net debt reducing by further 668 million in Q1 FY25 and our Net Debt to Equity has improved to 0.59. Further, we continue to work across initiatives to achieve cost reductions across several categories of cost. We are also implementing various initiatives in the overseas markets also to reduce input costs and fixed costs.



Press Release

In Q1FY25, our lifetime new business win was over Rs. 7959 million. The cumulative order wins are expected to result in annual peak revenue levels of around Rs.1416 million. Nearly 48% of our business win in the quarter has come from EV players. Our Revenue from supplying to EV players in Q1 FY25 was approx. ~8% of our overall revenue.

Finally, we continue to demonstrate our commitment to sustainability, the first phase of our renewable energy sourcing initiative is expected to result in 36.6 MWp of sourcing from solar power starting from Q2 of this year highlighting our commitment to sustainability. The board has further approved phase 2 to source another 14.00 MWp in this financial year.”

About Varroc Engineering Ltd.

Varroc Engineering Ltd is a global tier-1 automotive component group. It was incorporated in 1988. The group manufactures and supplies electricals-electronics, polymers, metallics and exterior lighting systems to leading OEM's with end-to-end capabilities across design, development and manufacturing for two-wheeler, three-wheeler, passenger vehicles, commercial vehicle, and off-highway vehicle worldwide. The group income was ₹ 75,795 million from continued operations in FY23. The group employs more than 7,000 employees (750 + R&D Engineers), has 36 global operating manufacturing facilities supported by 7 R&D Centres, and has more than 100 patents.

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

For further information on Varroc Engineering Limited please visit www.varroc.com

Contact Details

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Safe Harbor

This release contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Varroc Engineering Limited future business developments and economic performance. While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, several risks, uncertainties, and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. Varroc Engineering Limited undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.

Presentation to Investors - Q1 FY25

7th August 2024



Disclaimer



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.

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About Us



Varroc is a leading global auto technology company with a product portfolio covering a wide range of electrical, electronics, lighting, polymer, metallic, adas, after-market and advanced safety solutions



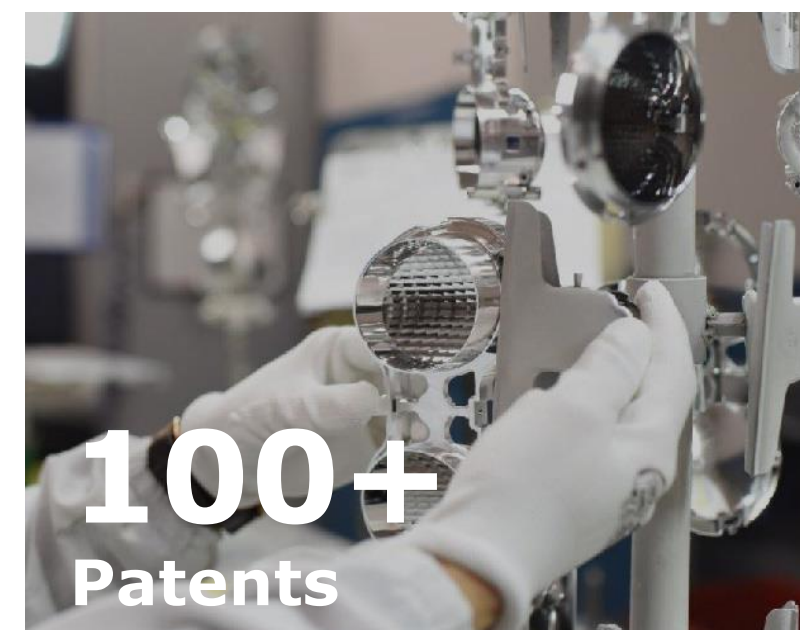
REVENUE USD 910 MILLION

BUSINESS CONTRIBUTION BY REGION

INDIA 87%

GLOBAL 13%

*Updated as per financial year 2024 and excludes the revenue from the JV.





Update on Q1 FY 25 Performance

7th August 2024

Highlights for Q1 FY25



1. Revenue for Q1 FY25 at 18,989 mn with a growth of 5.2% YoY driven by India business growth of 11.3% .

2. Profitability for Q1 FY25 Q1 FY25 PBT at 2.9% vs. 3.6% in Q1FY 24
Q1 FY25 EBITDA at 9.1% vs. 10.0% in Q1 FY 24

Net debt reduced by further Rs.666 million in Q1 FY25 and is Rs. 9,160 million.

3. India Ratings upgraded the long-term rating to 'IND AA-'/Stable and short-term rating to 'IND A1+'

4. Lifetime business won in Q1 FY25

 New lifetime orders in Q1 FY25 of Rs.7.96 billion

 More than 48% business win is from supplying to EV vehicles

5. Revenue from supplying to EV customers in Q1 FY 25 was around 7.8% of Revenue

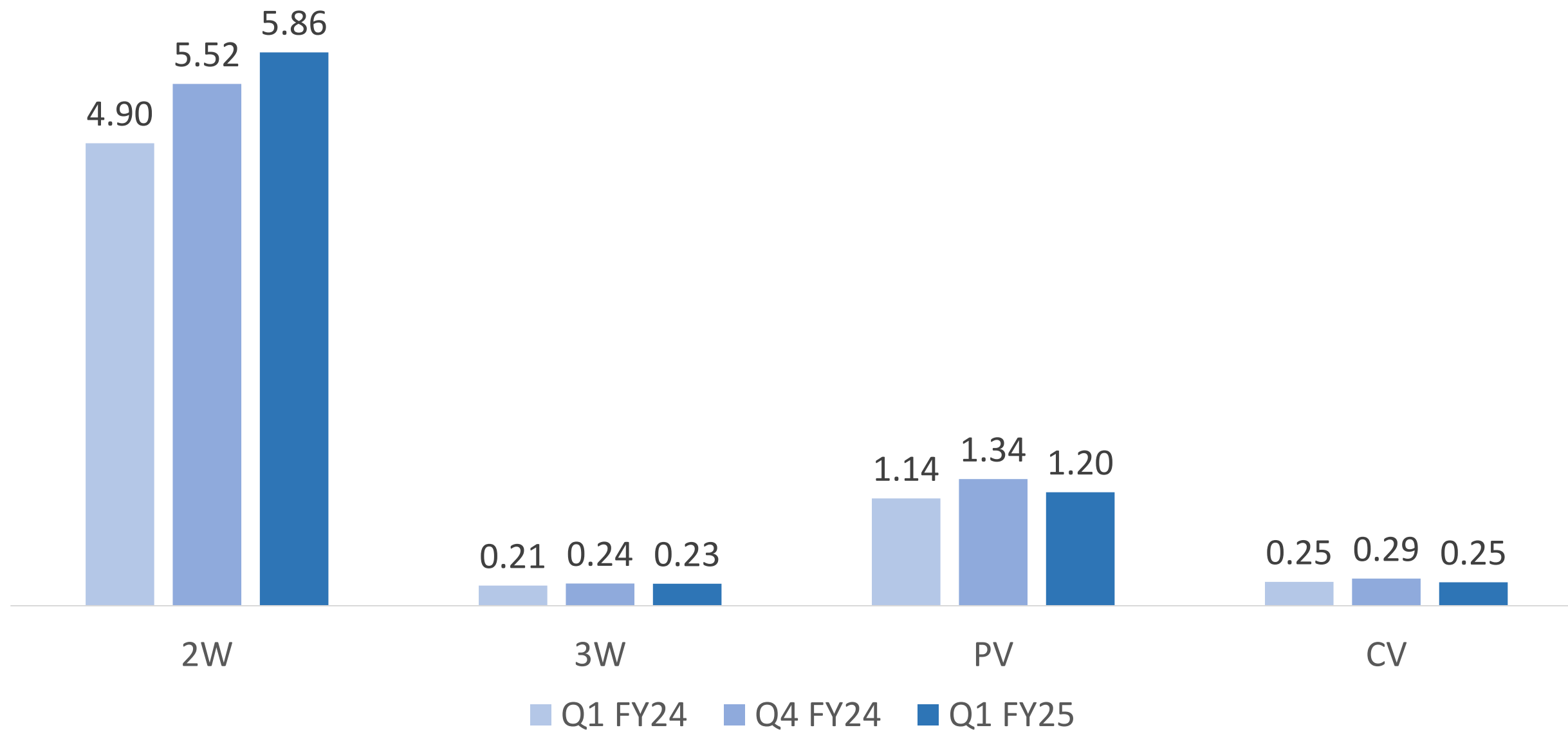
6. Board approves phase-II investment around 14.00 MWp through renewable energy.

Phase-I: 36.6 MWp getting commercialised in Q2 FY25; Rs.200 million of annual recurring saving and CO2 emission reduced by 45,384 ton.

Automotive Production in India



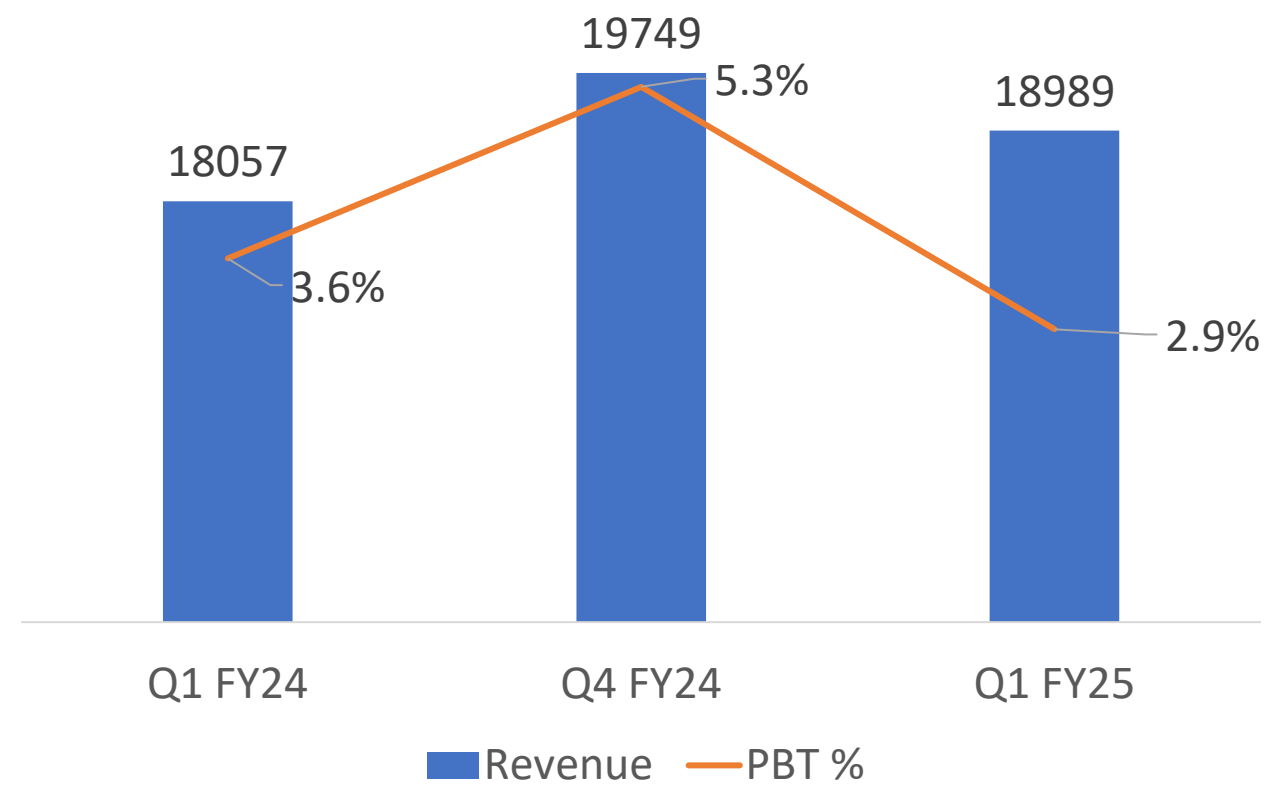
Units in million



- In Q1 FY25 strong domestic macro factors resulted most of the segment to grow on YoY basis other than CV segment.
 - 2W grew by 19.6%
 - 3W grew by 9.4%
 - PV grew by 5.8%
 - CV de-grew by 1.4%
- Due to cyclicality, on QoQ basis, we saw de-growth in almost all segment other than 2W:
 - 2W grew by 6.1%
 - 3W de-grew by 1.4%
 - PV de-grew by 10.3%
 - CV de-grew by 13.4%
- EV 2W volume on QoQ basis grew by 6.4%
- More than 72% of the 2W volume growth has come from vehicle which are below 125 CC and ICE Scooters

Source: SIAM

Consolidated Financials of Q1 FY25



Rs. In Million	Q1 FY25	Q1 FY24	YoY	Q4 FY24	QoQ
Revenue	18,989	18,057	5.2%	19,749	-3.8%
EBITDA	1,724	1,802	-4.3%	2,187	-21.2%
EBITDA %	9.1%	10.0%	-90 bps	11.1%	-200 bps
PBT	560	652	-14.2%	1,050	-46.7%
PBT %	2.9%	3.6%	-70 bps	5.3%	-240 bps

- The Company registered growth of 5.2% YoY Revenue in Q1 FY25 due to
 - India operation grew its revenue by 11.3%
 - Impacted by negative growth in overseas operation
- The profitability of the company was also impacted by
 - Negative operating leverage in overseas operation
 - Start-up cost related to two new plants in Maharashtra
- Revenue ramp-up on new order wins expected to support revenue growth for the remaining part of the year
- Company continues to drive cost reduction initiatives with focus on fixed cost

Consolidated Balance Sheet & Return Ratio's



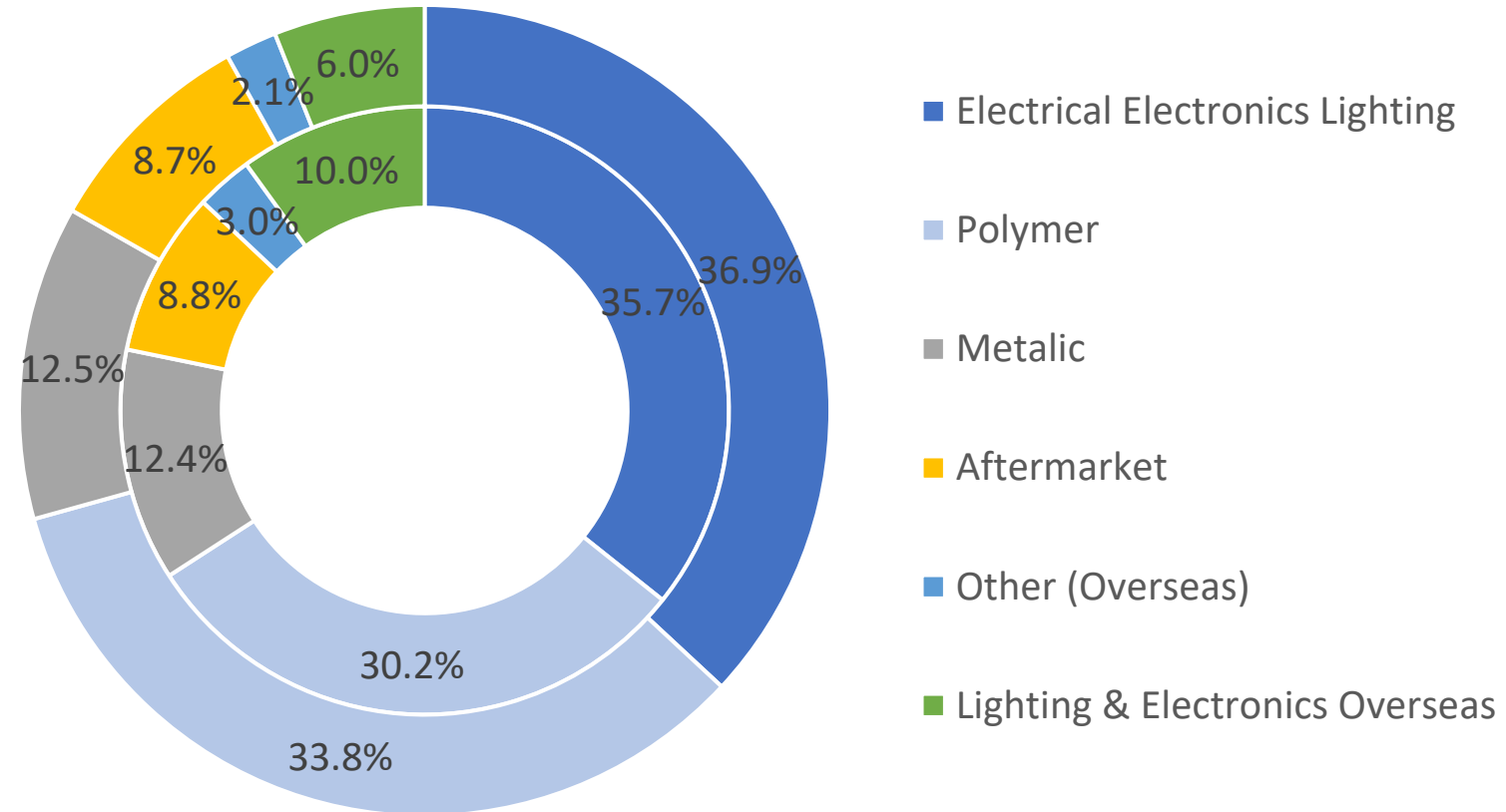
Rs. in Million	30 th June 2024	31 st March 2024	31 st March 2023
Net Debt	9,160	9,828	12,779
Equity	15,518	15,262	10,042
Annualised Adjusted EBITDA	6,896	7,590	5,986
Net Debt/Equity	0.59	0.64	1.27
Net Debt/EBITDA	1.33	1.29	2.13
ROCE (Annualized)	16.3%	20.3%	12.0%

The Net Debt of the Company in Q1 FY25 have further reduced by Rs.668 million and now is Rs. 9,160 million

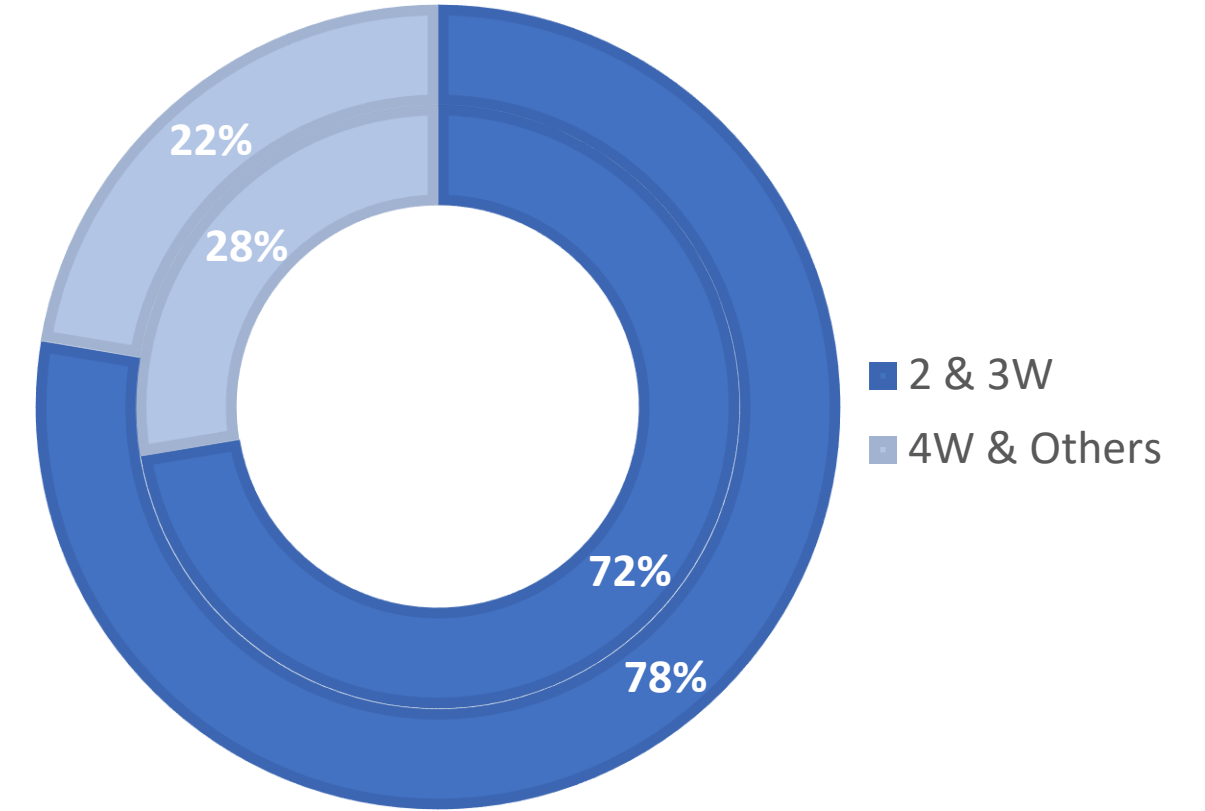
Revenue Breakdown for Q1 FY25



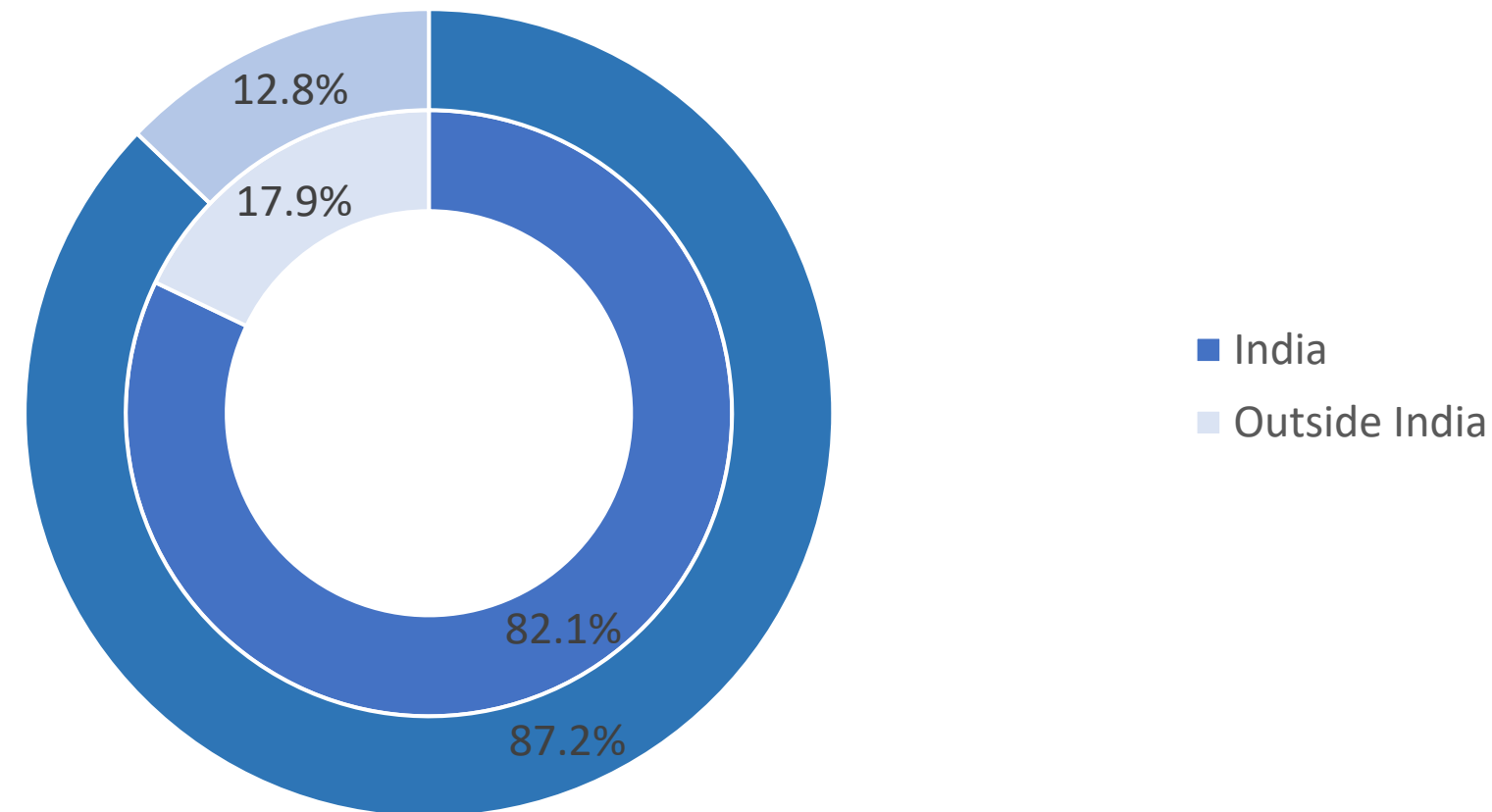
Business Unit



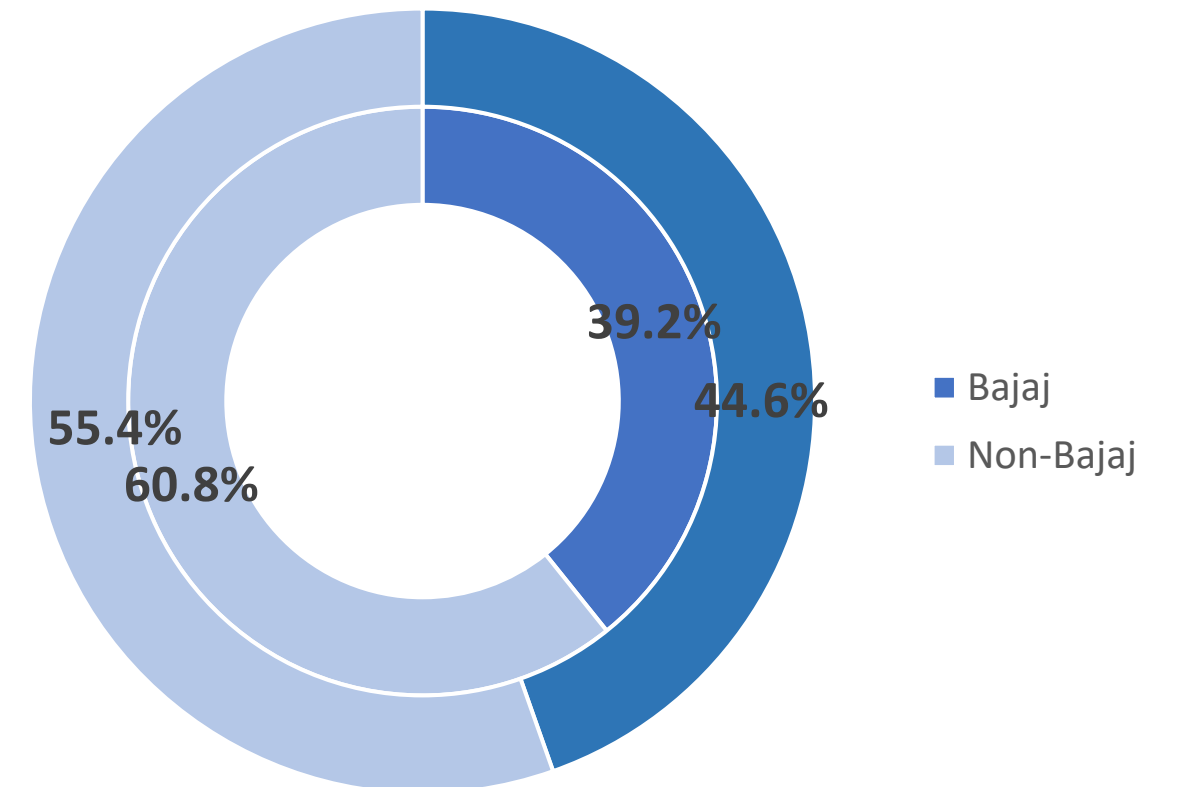
Segment



Geography



Customer

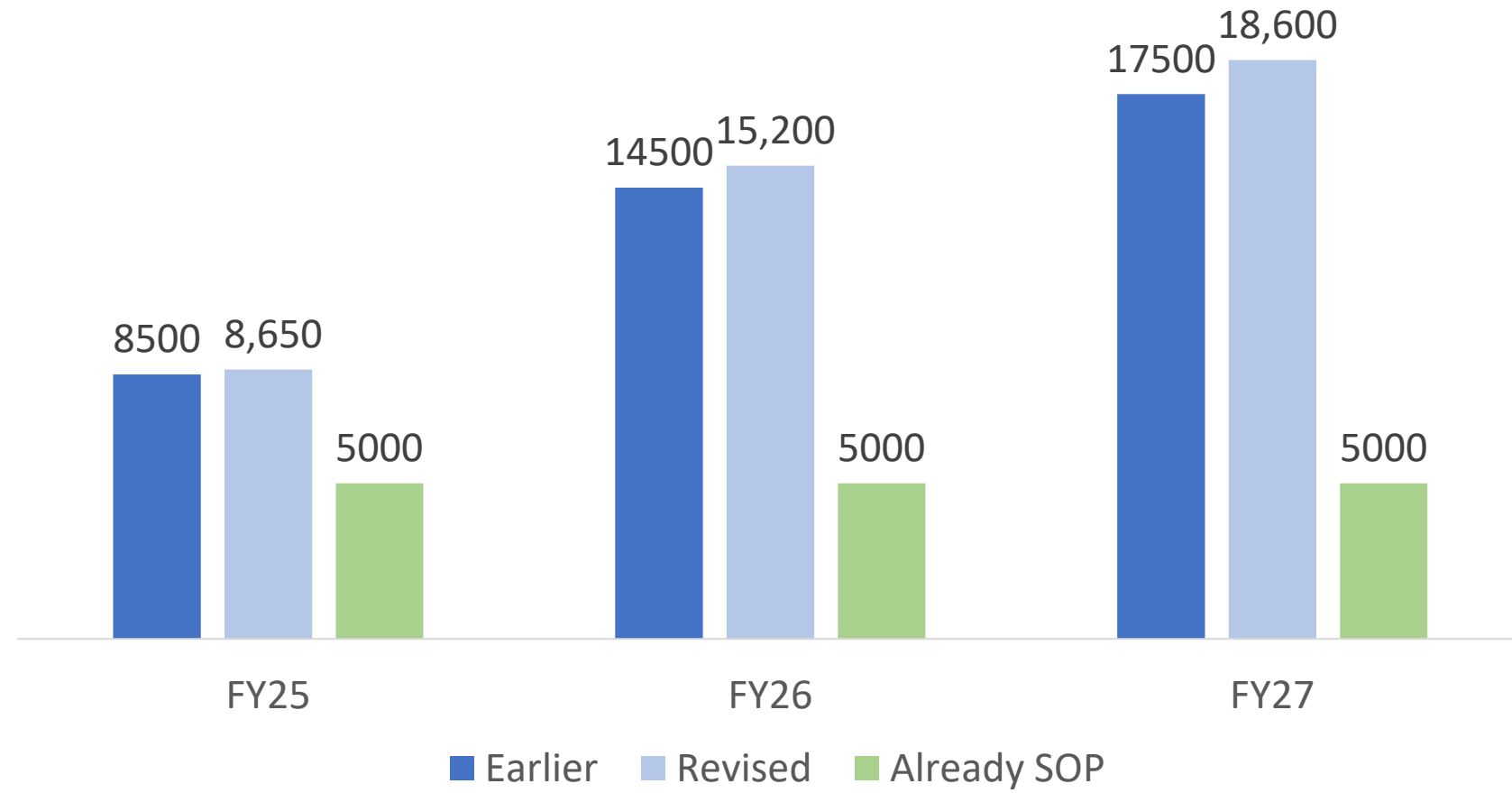


New Lifetime Order Win in Q1 FY25

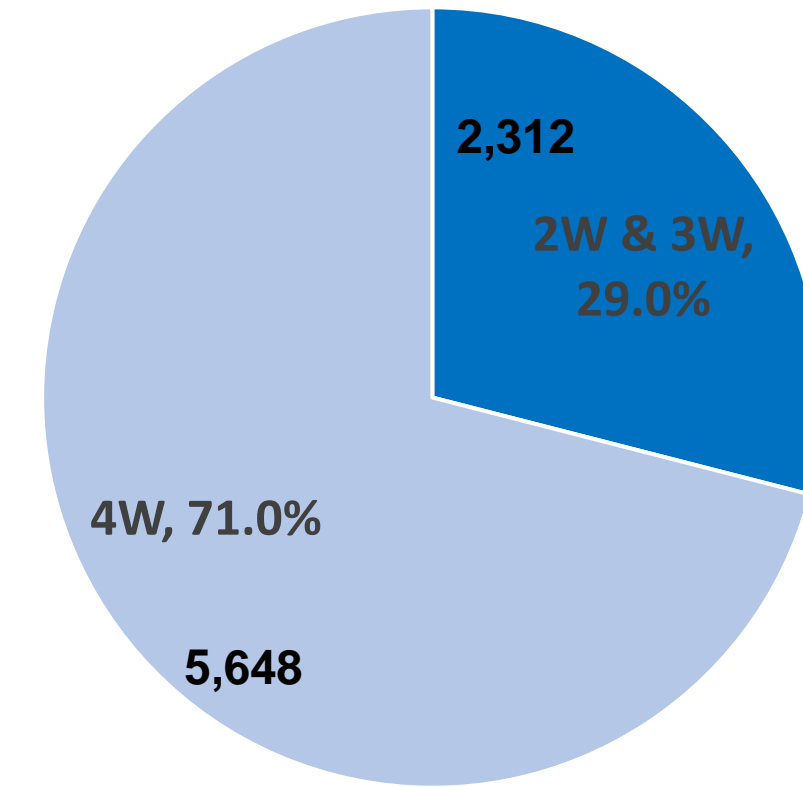
(Lifetime Value is 7,959 million and Annual Peak Revenue is Rs.1,417 million)



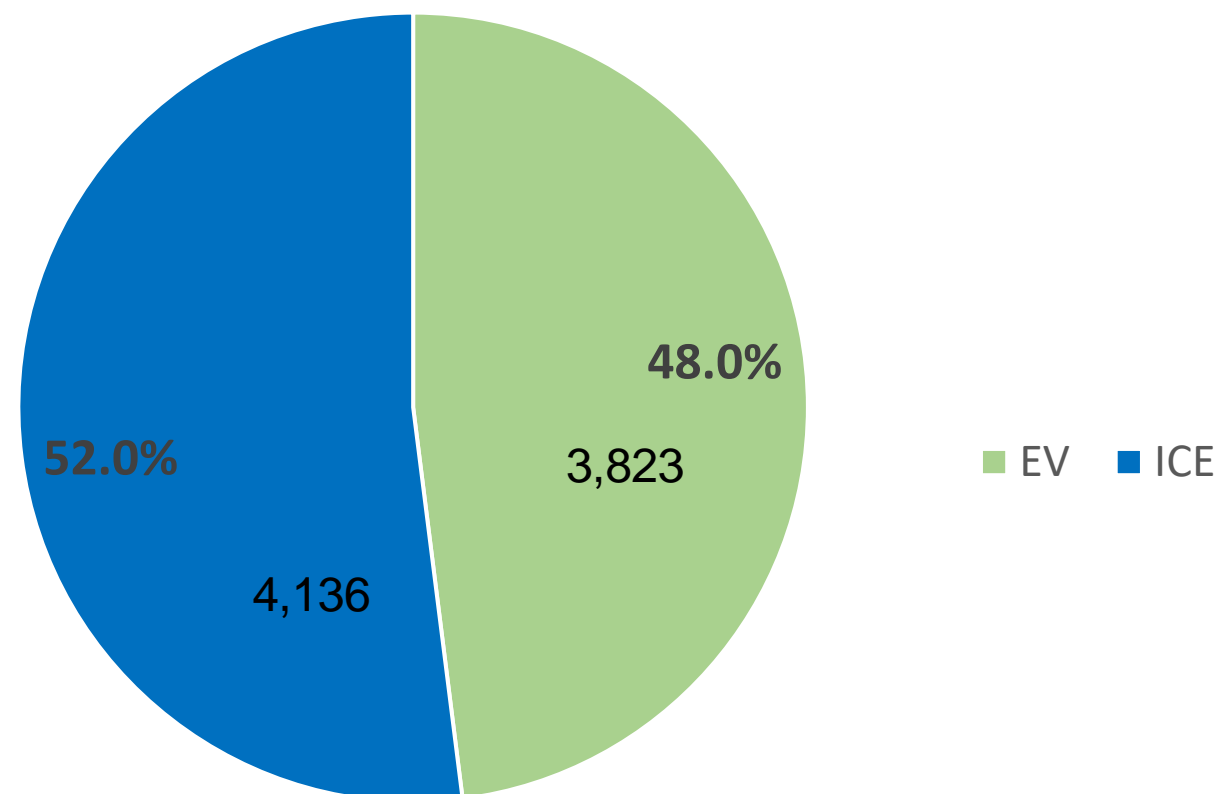
New business win adding to our revenue* in next 3 years



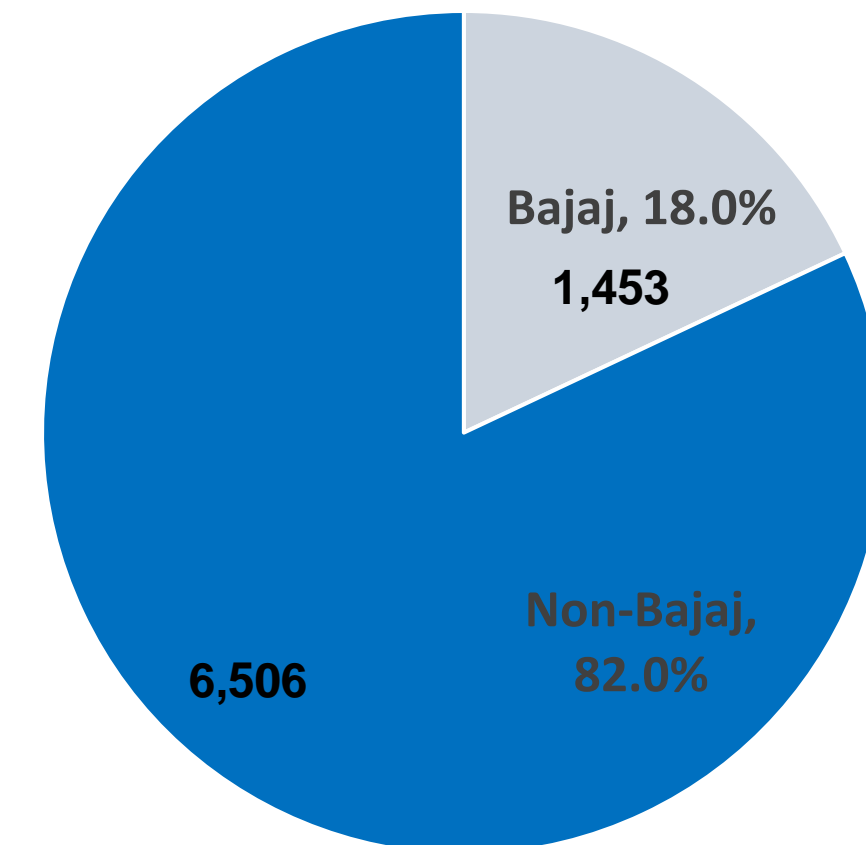
Lifetime Revenue win from 2&3W and 4W Players



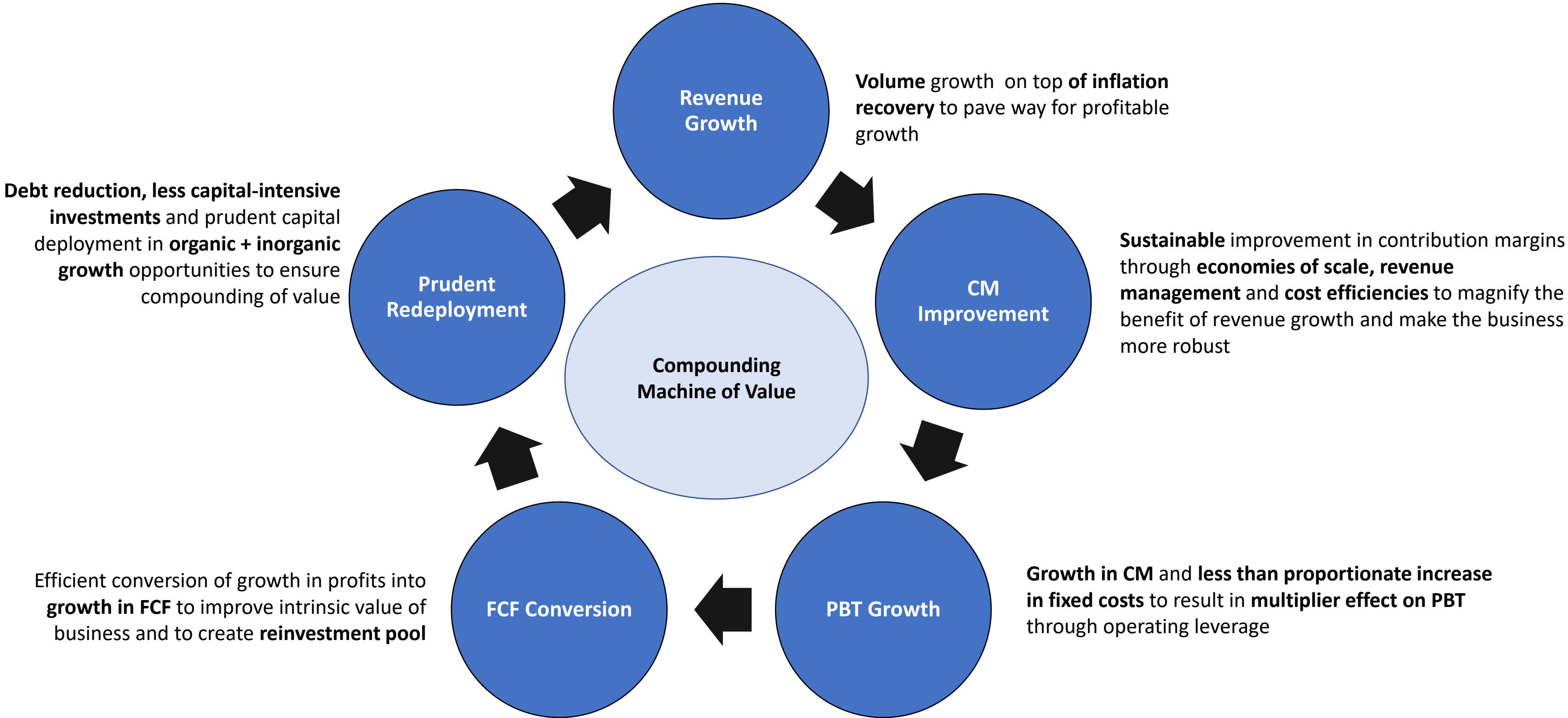
Lifetime Revenue win from ICE & EV Players



Lifetime Revenue win from Customers



Focus areas for Varroc





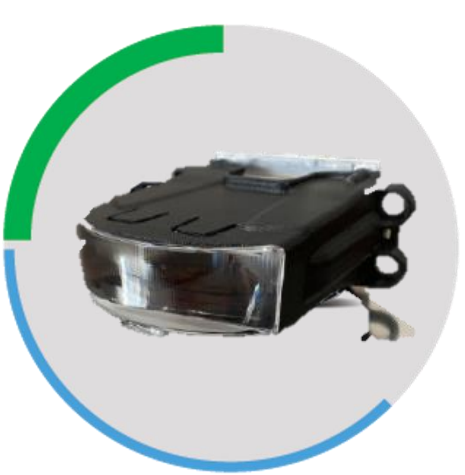
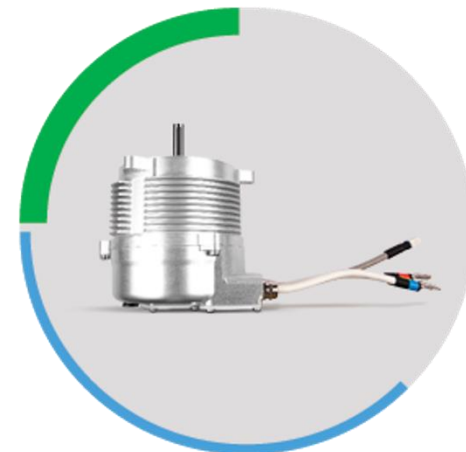
Our Businesses

7th August 2024

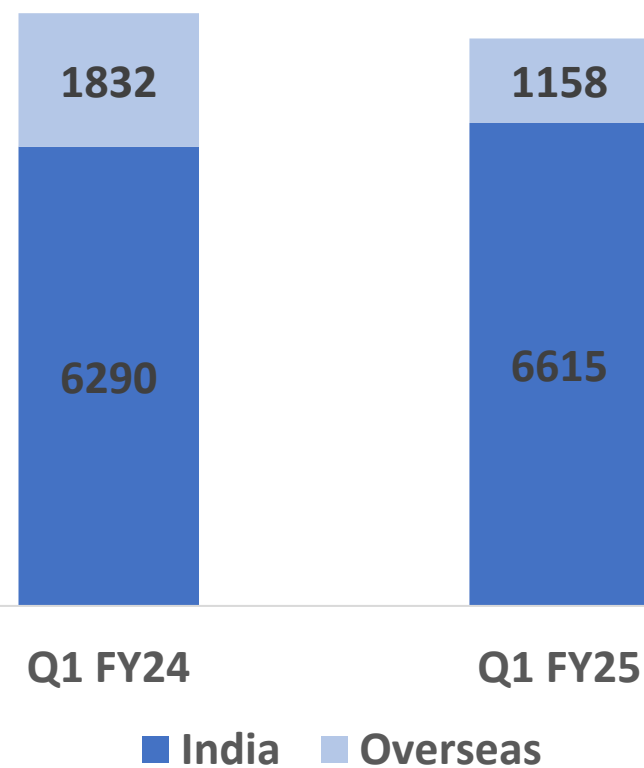
Meet The Future Of Mobility: **Electrical Electronics & Lighting**



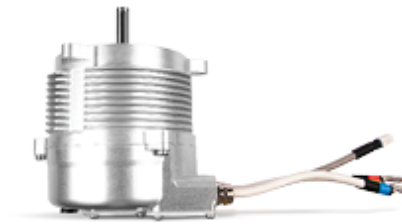
10 facilities - India
05 facilities - Overseas



Electrical Electronics & Lighting



Amping Up The Future With **Electrical Technology**



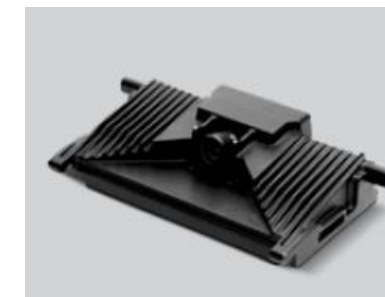
EV Products

Our customizable traction motor, traction motor controller, DC-DC converter, BMS and charger for EV form a crucial part of sustainable product portfolio.



Varroc Connect & Smart mobility solution

We offer hassle-free, over-the-air updates of FOTA and COTA. Telematics solutions that delivers unrestricted access to real-time status updates, vehicle data, location, and advanced analytics whenever you need them.



Advance Driver Assistance System (ADAS)

Automatic braking, adaptive cruise control, enabling L0 up to L2 vehicle autonomy. Alert drivers about potential dangers, including Forward Collision Warnings and Lane Departure Warnings.



Lighting Solution

Our Headlamp, tail lamps and signal lamps for 2w, 3w and PV offer stunning aesthetics, enhanced safety, compact design.



Smarter Electronics

Our smart electronics range comprises of reliable, customizable and compact products like EFI-ECU, switches, sensors, clusters, motors and regulator rectifiers.



Intelligent Cockpit

A high-resolution, vibrant touchscreen. With built-in support for Android Auto and Apple CarPlay, navigation with google map and driving monitoring system for optimal safety

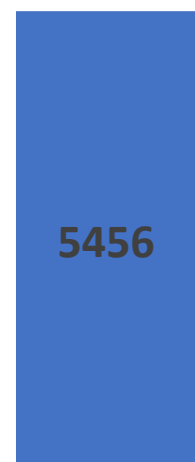
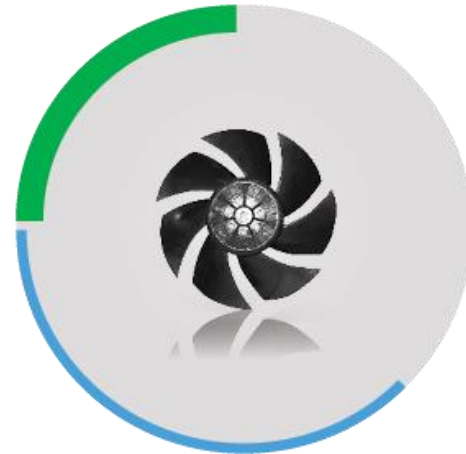
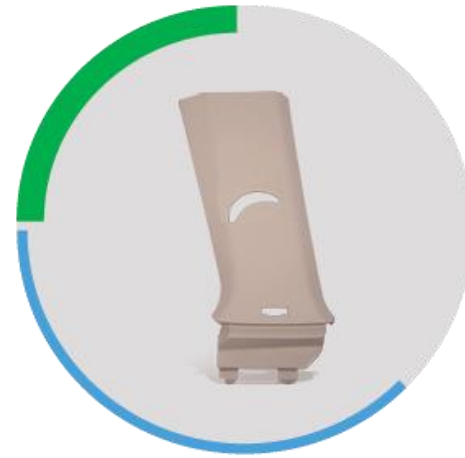
Meet The Future Of Mobility: Polymer



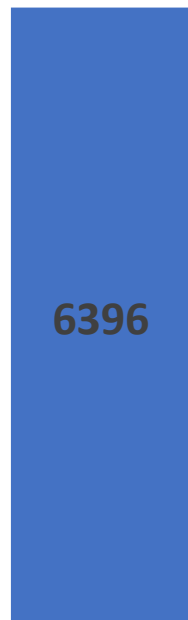
13 FACILITIES - INDIA



Polymer



Q1 FY24



Q1 FY25

Elevating Your Ride. Reducing Your Load.



Mirror Assemblies

Through our portfolio of 30+ mirror assembly variants we offer premium aesthetics, lightweighting, optimum field of vision.



2K Technology-Based Products

Our products boast the latest 2K technology, providing high-gloss and visually appealing aesthetics while maintaining superior functionality.



Consoles And Instrument Panels

With a focus on superior aesthetics and enhanced driver experience our construction ensures that our products can withstand the rigors of daily use.



Seat

Our 60+ range of seats offer durability, superior styling and rider comfort.

Meet The Future Of Mobility: **Metallic**



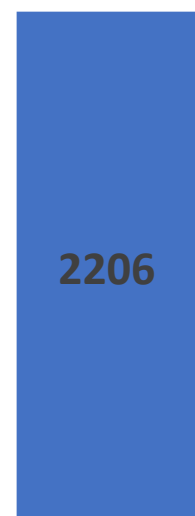
2 FACILITIES - ITALY



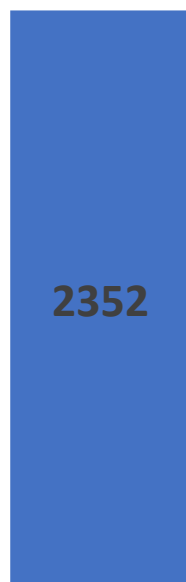
5 FACILITIES - INDIA



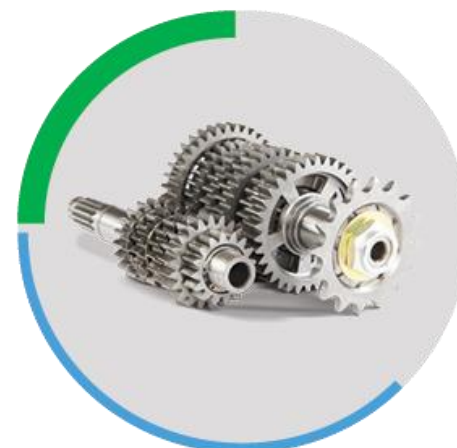
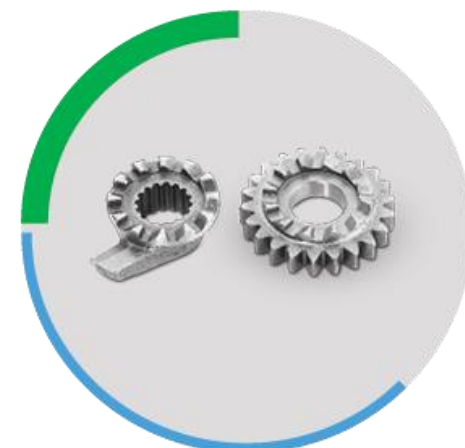
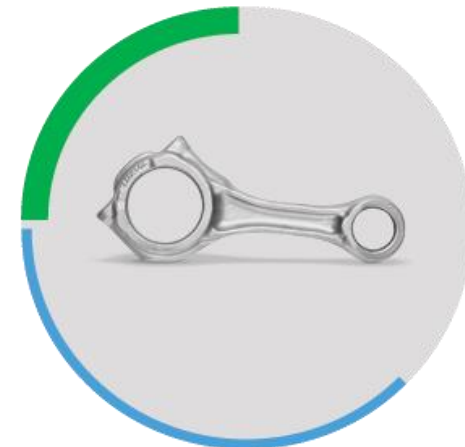
Metallic



Q1 FY24



Q1 FY25



From iron to icon. Our **Journey in Metallics.**



Valves

Our category of valves (sodium, titanium, intake, and exhaust valves) are made to deliver superior engine performance even in high temperatures.



Metallic solutions for EVs

Our EV portfolio designed to focus on compact design and light weighting of precision products such as single and double speed gearbox, differential assembly with crown gear, planetary carrier and traction motor shafts for 2W/3W.



Gears

Our category of gears comprising of park lock gear, sun and planetary gear, pump gear are tough, durable, and precise which helps increasing the lifespan of engine.



Forged components

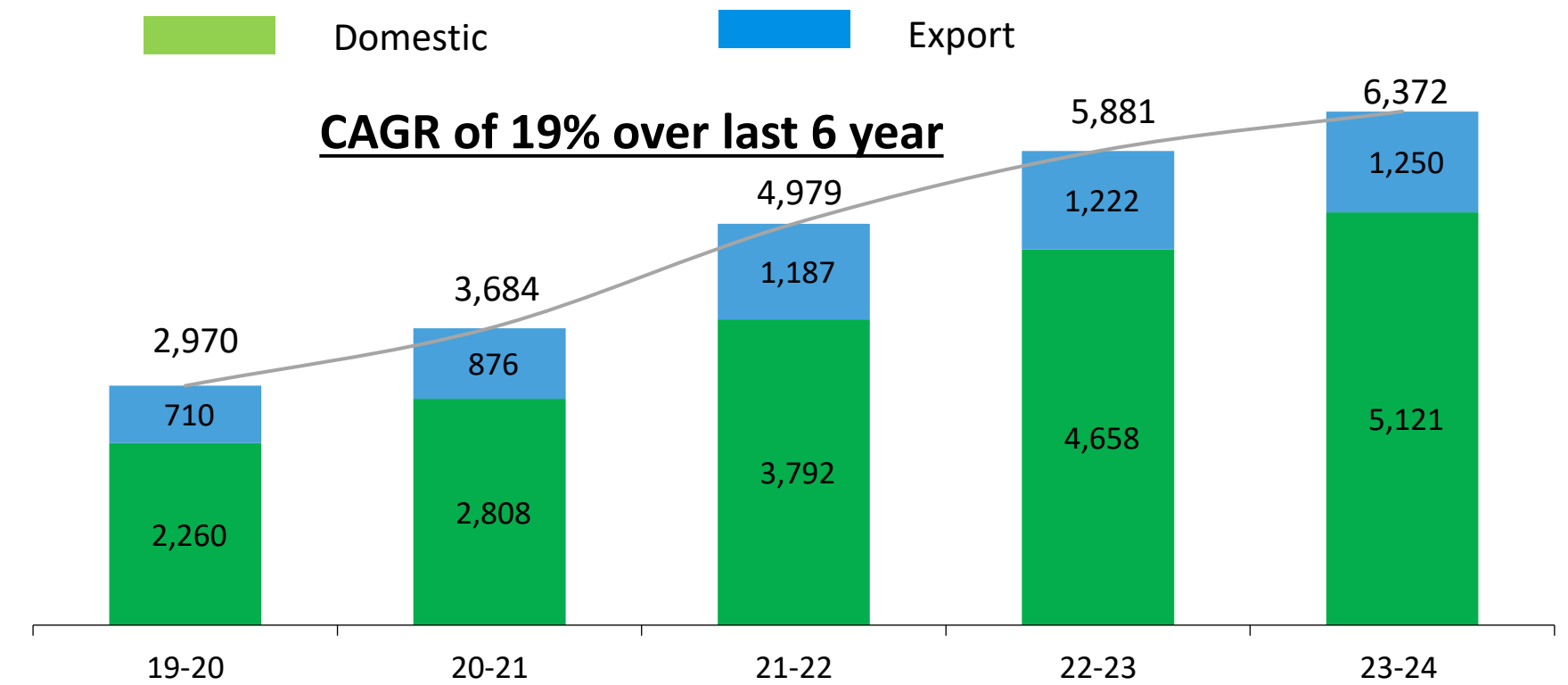
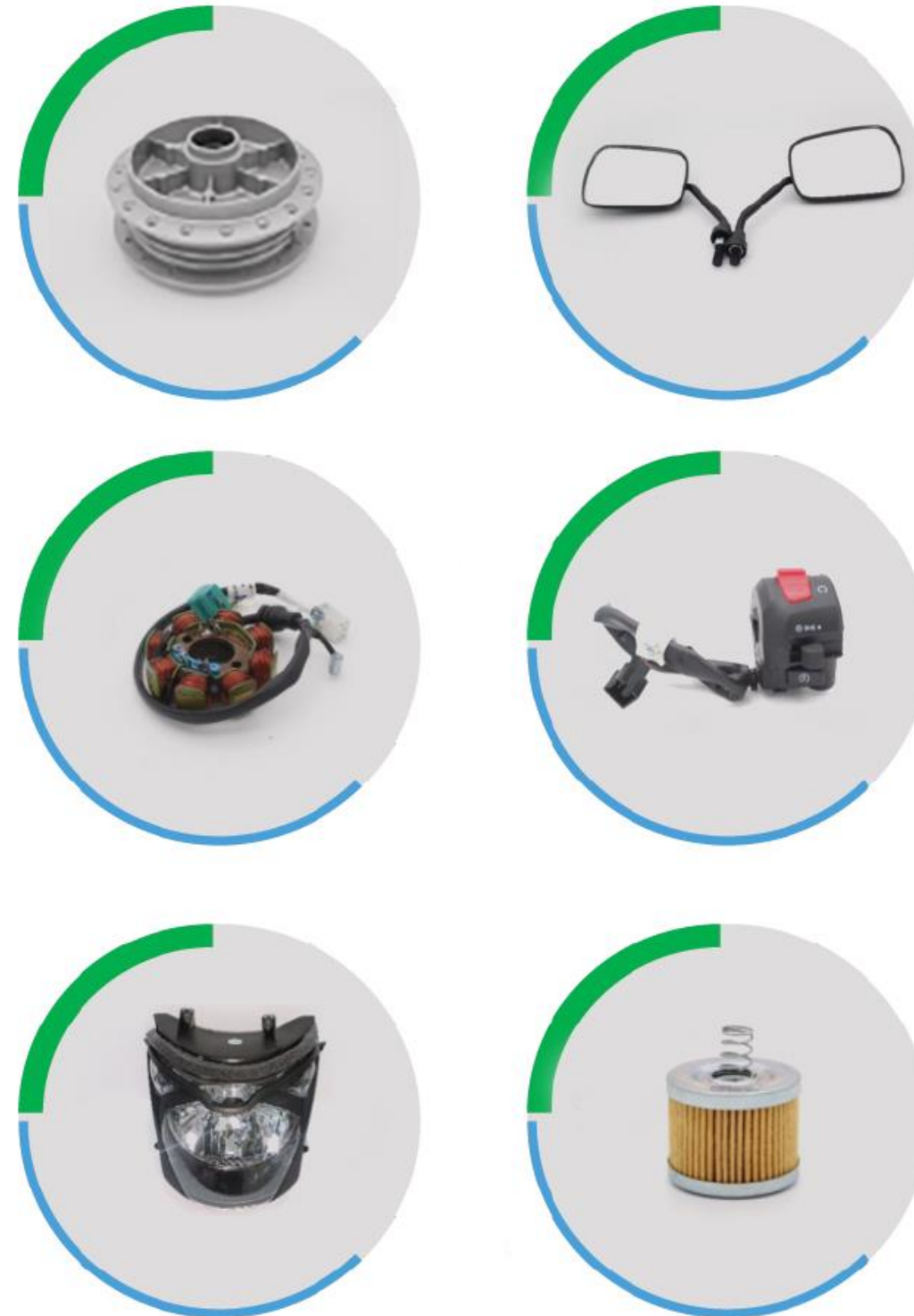
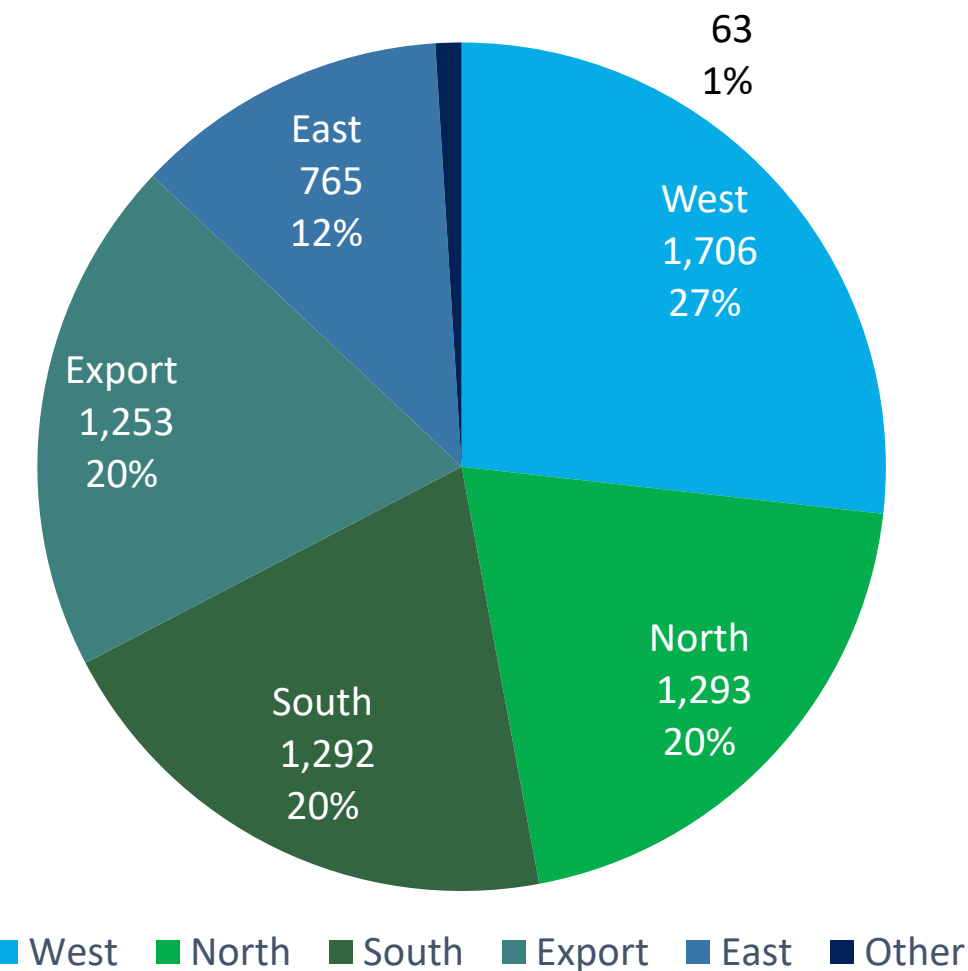
Our forging division operating in Europe and India, with forging capabilities ranging from 300T to 8000T presses for a category of crankshafts, knuckles, connecting rods and ring gears weighing up to 250 kg.

Meet The Future Of Mobility: **Aftermarket**



EXPORTS TO
30+ COUNTRIES

PAN INDIA DISTRIBUTOR
+310 Cities
+720 Distributors



- 6 Year CAGR growth of over 19% in Revenue
- EBITDA CAGR growth is higher than revenue CAGR
- 40 Product Categories across 2W, 3W, 4W segment with over 9000 SKUs
- Product Categories include
 - Electrical & Lighting products
 - Electronic products
 - Metallic products
 - Polymer & Rubber products
 - Lubricants & accessories

Our Key Strengths



Strong Competitive Position in a Growing Market Segment

- Leading technology supplier to 2W market across powertrains
- Emerging system supplier in telematics and interior systems for 4W market, ADAS.



Long Standing, Growing Customer Relationships

- Strong long-standing relationships with marquee OEMs across high-end and mass market segments
- Ability to invest to meet growing customer needs



Comprehensive Solution Provider

- End-to-end services across design, development and delivery
- Wide range of products across Powertrain, Electrical and Body parts
- Ability to cross-sell to meet customer requirements



Low-Cost Manufacturing Footprint

- Pan-India presence enabling proximity to customers
- Strategically located with global footprint (Manufacturing plants in India, China, Vietnam, Romania, & Italy)



Continuous Focus on R&D Capabilities Enhancing Portfolio

- Developing innovative, cost-competitive proprietary products continuously
- Well-positioned to benefit from key trends like safety digitalization, electrification, and increased electronics use.
- With our experts in automotive technology and the latest global advancements, we develop world class solutions with highest-standards



Sustainability



At Varroc, our ESG & Sustainability vision is to co-create a sustainable value for our stakeholders through **innovative research**, engineering, & manufacturing of environmentally **sustainable products** for mobility sector through **environment friendly operations** aligning with our corporate vision to 'Create safe, smart, and sustainable future mobility solutions for everyone.'

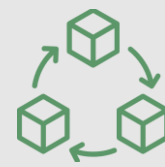
1. SUSTAINABLE PRODUCTS

Enabling positive impact on environment via eco-friendly designs and manufacturing materials, following the design for environment approach.



2. SUSTAINABLE OPERATIONS

Eco-friendly manufacturing, adhering to environmental norms, increasing renewable energy use, and enhancing waste recycling.



3. EMPLOYEE GROWTH & DIVERSITY

Nurturing employee skills, diversity, inclusion and human rights adherence.



4. SUSTAINABLE SUPPLY CHAIN

Building a sustainable network of suppliers meeting environmental and social standards.



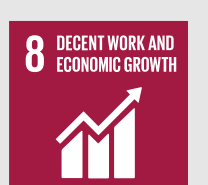
5. COMMUNITY DEVELOPMENT

Harnessing our expertise and employee efforts for community betterment.



6. ETHICAL GOVERNANCE

Implementing ethical practices for sustained company growth.



Commitment to Environment



RENEWABLE ENERGY

- **13%** Renewable energy contributions. Commitment to increase to **50%** in coming years.
- We generated **2.4 Million units** of renewable energy last year which is equivalent to avoiding **1,900 tonnes of CO2e emissions** in the atmosphere.



GHG EMISSIONS

- **110** Energy efficiency and Energy conservation projects/Kaizens implemented in FY23.
- Approx. 5 Lakhs Electricity units savings achieved in FY23 which is equivalent to approx. **400 tCO2e**.



WASTE MANAGEMENT

- **>90% Waste** generated across our plants is **Recycled**.
- **Zero Liquid Discharge** with Water Evaporation Technology.
- **>90% Wastewater is recycled & reused** in process or utilized for non-potable purpose such as tree plantation, landscape etc.



EHS

- Implementation of Occupational Health & Safety Management System across all the manufacturing Plants **ISO 14001 & ISO 45001**.



Commitment to Society



Creating meaningful differences to the society through environmental and social welfare projects



Kham River Restoration

- Kham River Eco Restoration Project was introduced with the objective of giving back to the city in which we started our operations
- Under this project, we focused on cleaning the Kham river, pitching riverbanks, greening areas around Kham river, effectively managing solid waste in the city, creating bio-diversity parks and engaging citizens about the benefits of clean river



Nurturing Future Sports Talent

- Varroc Vengsarkar Cricket Academy (VVCA)
- Partnered with Abhinav Bindra Foundation for competing Olympic games athlete program
- Supporting Varroc Inter school and industrial cricket tournaments
- Young Talent sponsorship program



Social Impact Programs

- Learn and Earn Program at Varroc Academy
- Women's Empowerment through association with MKSS Cummins college and Engineering For Women Creating meaningful differences to the society and environment



THANK YOU