

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2023-24/64

September 5, 2023

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: 973455]

Sub: Investor Presentation

Please find enclosed Investor Presentation to be referred during the ensuing Investor Meets, as informed earlier through our communications dated September 1, 2023 bearing Reference No VARROC/SE/INT/2023-24/62 and September 4, 2023 bearing Reference No VARROC/SE/INT/2023-24/63.

Kindly take the same on record and note the compliance.

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a

VARROC INVESTOR PRESENTATION



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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

Vision

Create safe, smart and sustainable future mobility solutions for everyone.

Mission

Be the trendsetter in delivering highest value for money mobility solutions



Five primary business lines:



**ELECTRICAL -
ELECTRONICS**



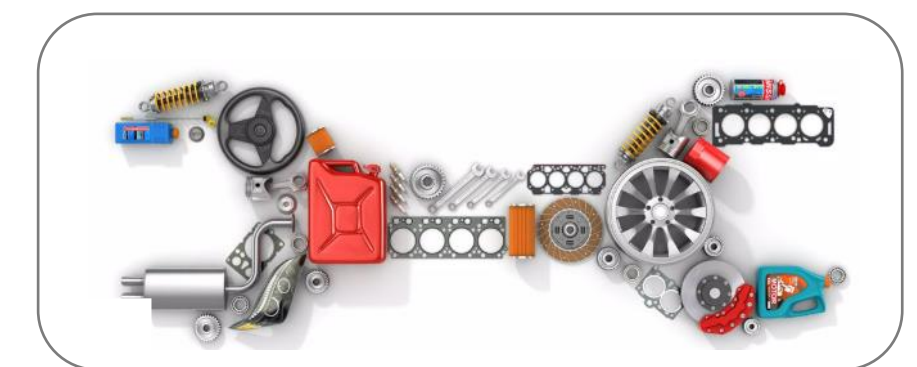
LIGHTING



POLYMER

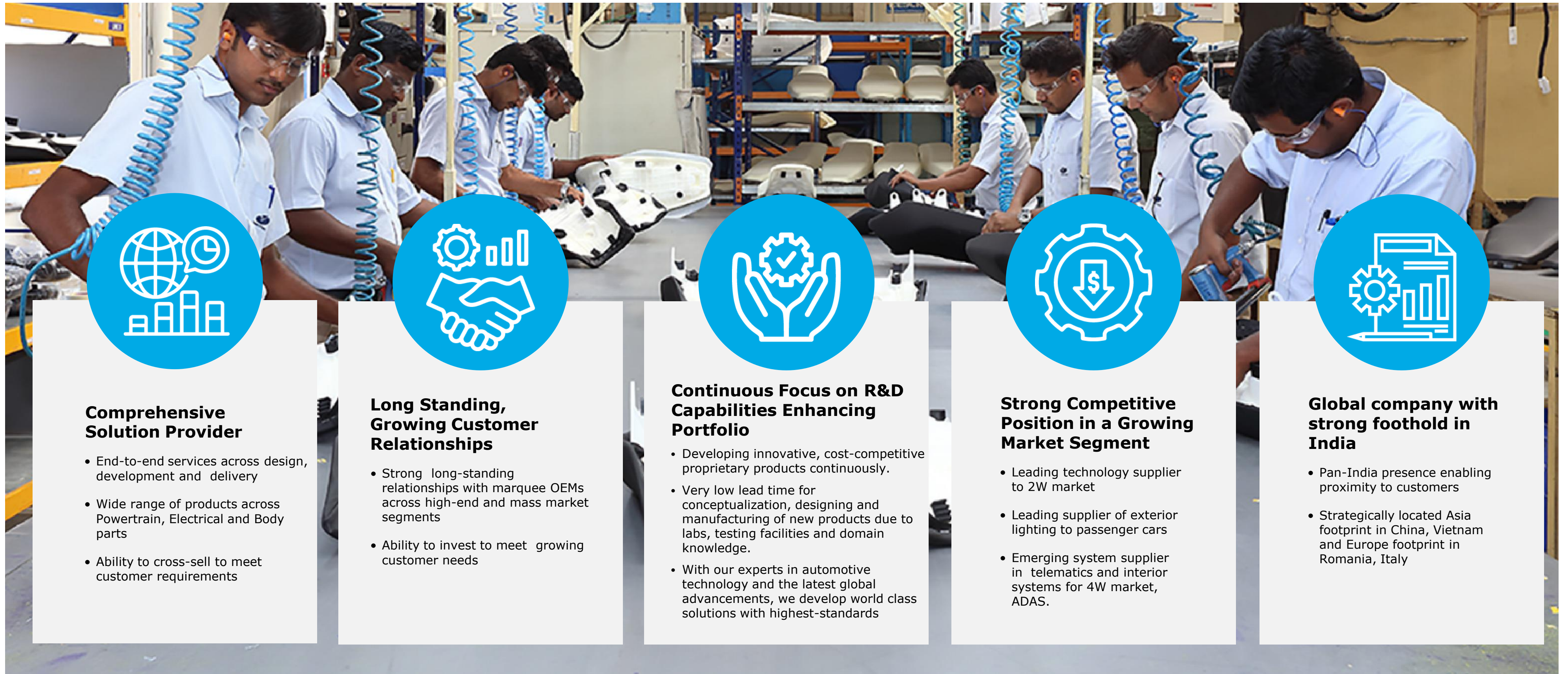


**METALLIC
(Forging and Valves)**



AFTERMARKET

Our Value Proposition



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

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

Continuous Focus on R&D Capabilities Enhancing Portfolio

- Developing innovative, cost-competitive proprietary products continuously.
- Very low lead time for conceptualization, designing and manufacturing of new products due to labs, testing facilities and domain knowledge.
- With our experts in automotive technology and the latest global advancements, we develop world class solutions with highest-standards

Strong Competitive Position in a Growing Market Segment

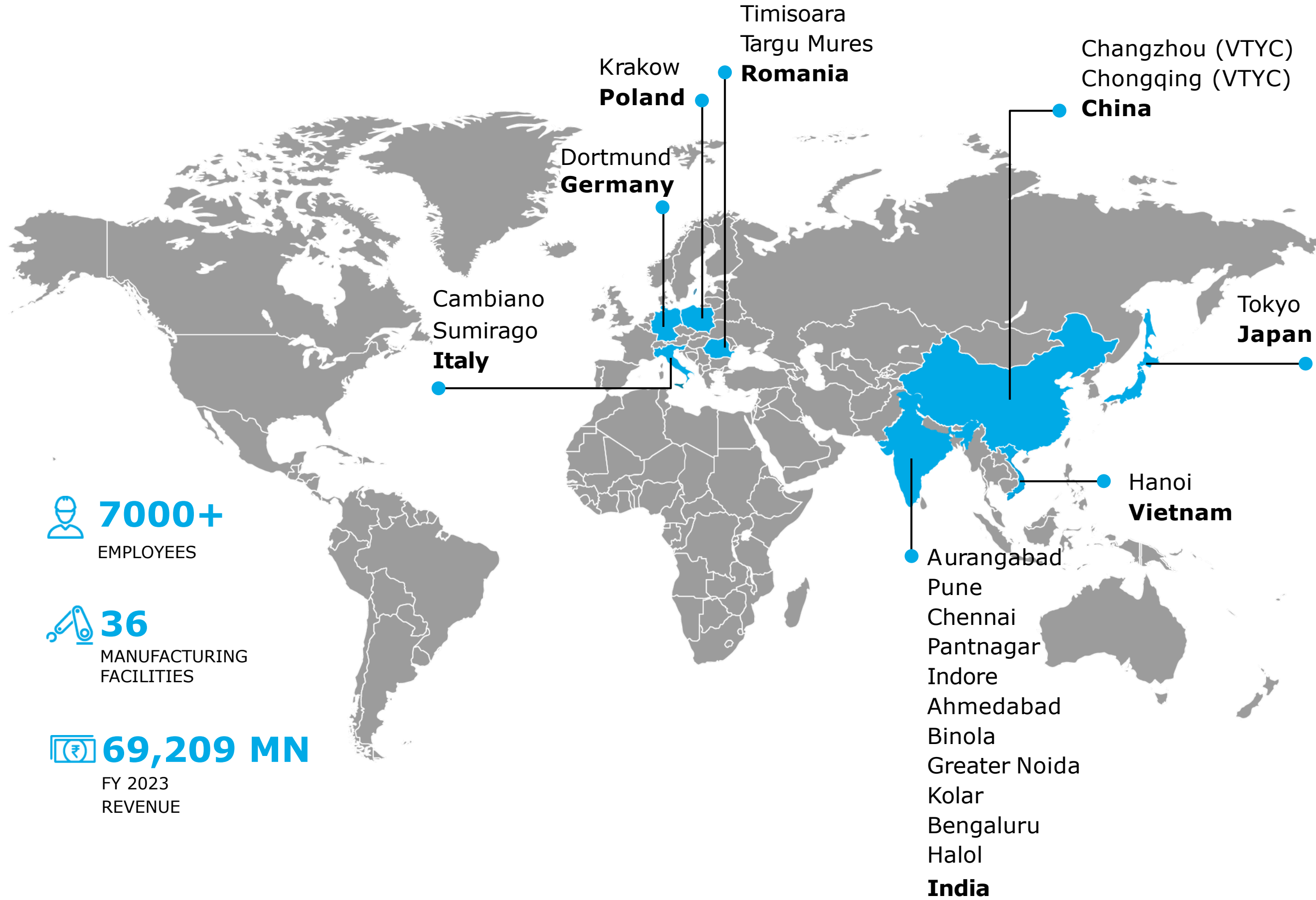
- Leading technology supplier to 2W market
- Leading supplier of exterior lighting to passenger cars
- Emerging system supplier in telematics and interior systems for 4W market, ADAS.

Global company with strong foothold in India

- Pan-India presence enabling proximity to customers
- Strategically located Asia footprint in China, Vietnam and Europe footprint in Romania, Italy



Our Global Footprint



EUROPE	ASIA
Romania	India
Poland	China
Italy	Vietnam
Germany	Japan
Czech Republic	

SEGMENTS

2-WHEELER	3-WHEELER	PASSENGER VEHICLE
COMMERCIAL VEHICLE	OFF HIGHWAY VEHICLE	FARM VEHICLE

08
COUNTRIES

7000+
EMPLOYEES

90+
PATENTS

36
MANUFACTURING FACILITIES

07
TECHNICAL CENTERS

69,209 MN
FY 2023 REVENUE

Aurangabad
Pune
Chennai
Pantnagar
Indore
Ahmedabad
Binola
Greater Noida
Kolar
Bengaluru
Halol
India



*Updated as per FY 2023 and excludes the revenue from the JV

Business Division - India

Polymer

13 Facilities in India

Offers wide product range across air filters, seats, mirrors, roof rails, console, painted and molded body parts in 2W, 3W, PV & CV segments

Electrical-Electronics & Lighting

10 Facilities in India

Wide solutions in electrical-electronics components, lighting and smart e-mobility for 2W, 3W and 4W OEMs

After Market Division

State of the art 120 thousand sq. ft. warehouse 2000 SKUs of 26 product lines 400 distributors across 28 countries

Supplies electrical and electronics, lighting, forging and casting in metallic, engine parts, and consumable parts

Metallic

5 Facilities in India and 2 facilities in Italy

Offers wide product range in Valves, Transmission, Engine parts & Heavy forging.

Business Division - Global 4W Electronics & Lighting O.I.

Lighting

2 Manufacturing Facilities in China and 3 manufacturing Facilities in Italy, Romania Vietnam

R&D Centers in Czech, Italy, China and Vietnam

Global supplier of exterior lighting systems for 2W and 4W PV OEMs

Electronics

Manufacturing Facility in Romania, China, India & Vietnam

R&D Centres in Poland, Germany, China & India

Focus on ADAS, Driver Monitoring Systems, Surround View Systems, Telematics & other 4W electronics product lines.



Our Customers

TWO/THREE WHEELERS



PASSENGER CARS



COMMERCIAL VEHICLES



EARTH MOVERS & OFF ROADS



PERFORM@CHANGE

Board & Leadership Team

Independent Directors



Marc Szulewicz
Ex-General Manager,
Foreign equipment
division, Plastic
Omnium



Vinish Kathuria
Co-Founder and
President of Rank
Software Inc.



Gautam Khandelwal
Executive Chairman,
Nagpur Power and
Industries Ltd



Vijaya Sampath
Lawyer, ex-Group
General Counsel
for Bharti Airtel Ltd



Tarang Jain

Chairman and Managing
Director

- Founded Varroc in 1988
- Over 34 years experience in the automotive industry



K. Mahendra Kumar

Global Chief Financial Officer

- Total Experience: ~26 years
- Previously worked with TI, Kone, Vestas, and Ford



Arjun Jain

Director & CEO – Business
Division I

- Total Experience: ~11 years
- Previously associated with Bain & Co India Pvt. Ltd.



Dhruv Jain

Director & CEO – Business
Division II

- Total Experience: ~4 years
- Bachelor of Economics from University of Chicago



Kavita Kulkarni

Global Chief Human Resource
Officer

- Total Experience: ~28 years
- Previously associated with Infosys Ltd, WNS and Mphasis



Vidyadhar Limaye

President –Polymer
Business

- Total Experience: ~35 years
- Previously associated with IAC International, Faurecia, TACO interiors & Plastic div



Tarun Tyagi

President –Metallic
Business and Whole-time
Director

- Total experience: ~29 years
- Previously associated with Sriram Pistons and Rings, FAG Bearing, Volvo Eicher



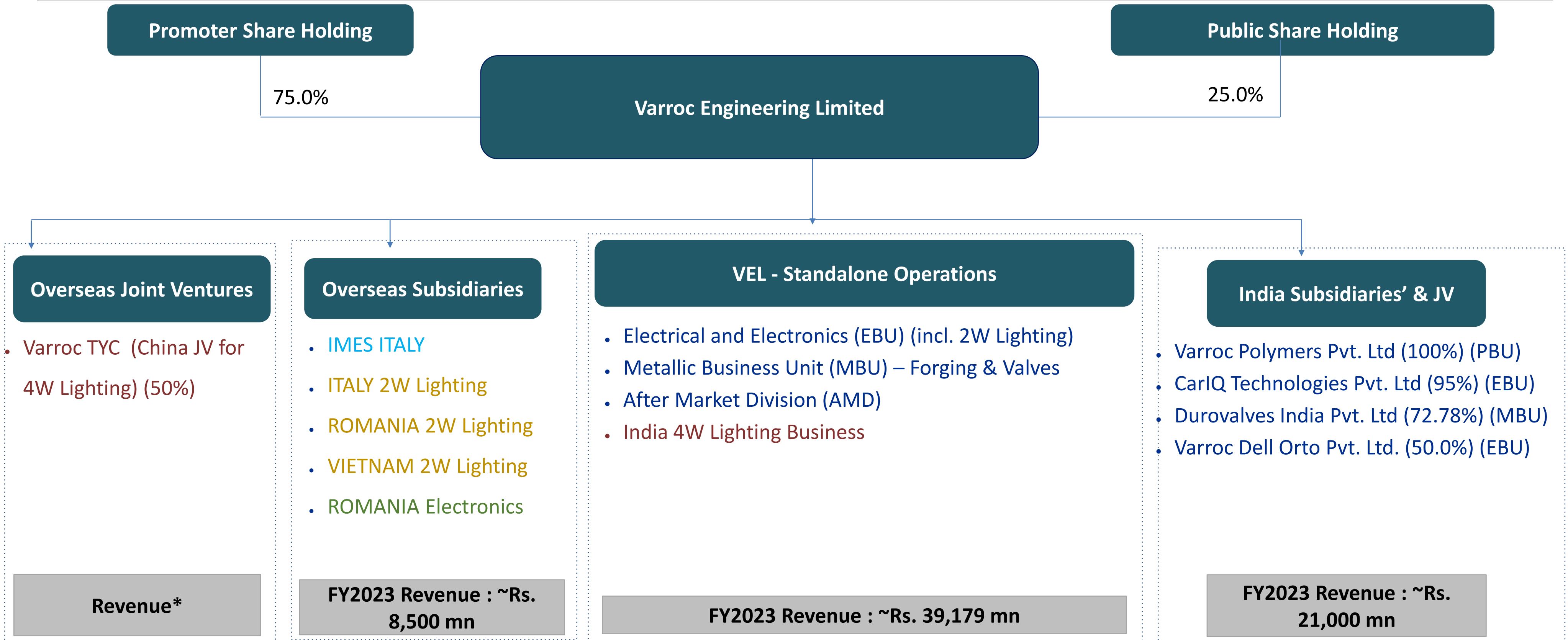
Sanjay Sharma

Global Chief Supply Chain
Officer

- Total Experience: ~27 years
- Previously worked with Delphi Automotive Systems and Havells India



Varroc Group | Global company with strong foothold in India



India Operations (EBU, PBU, MBU and AMD)

Asia 4W Lighting Division

Global 2W Lighting

Electronics Business

Others



PERFORM@CHANGE

* Revenue from the JV is not accounted in the consolidated financials. Our share of Revenue from the JV in FY23 was ~ Rs.8,500/- mn

Technology for Two Wheelers



Technology development driven by latest mega trends that enable safer, smarter, connected and sustainable mobility

Technology for **Four Wheelers**



ADAS, Driver Monitoring Systems, Surround View Systems, LED Headlamps & LCUs, Adaptive Front Lighting Systems Mirrors



Safety



Personalization

Signature Lighting, Interior Systems, In-Cabin Sensing, Interior Mood Lighting, Center Consoles



**Connectivity
& Digitization**

FOTA in Telematics, Video Telematics, AI powered sensor interfaces, AUTOSAR compliant modules



Technology Development driven by latest mega trends of Safety, Personalization, Connectivity and Digitization

Capabilities: Product Development

End-to-end capabilities across design, engineering, testing/validation, tooling, manufacturing and delivery

CAE and Simulation

- Structural & Vibration
- Thermal & Flow
- Optics
- Electromagnetics
- Mold flow
- Gap & Flush

Testing and Validation

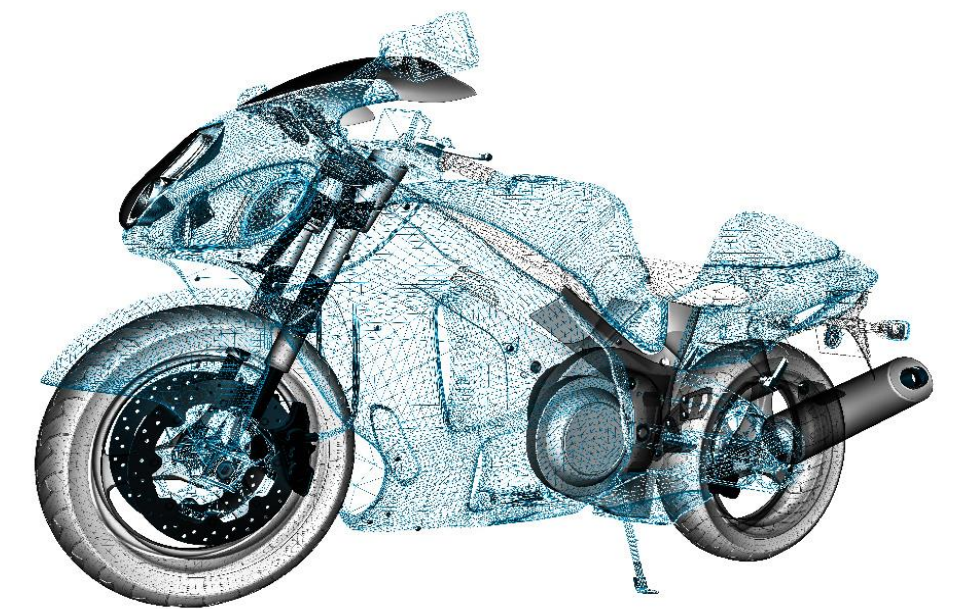
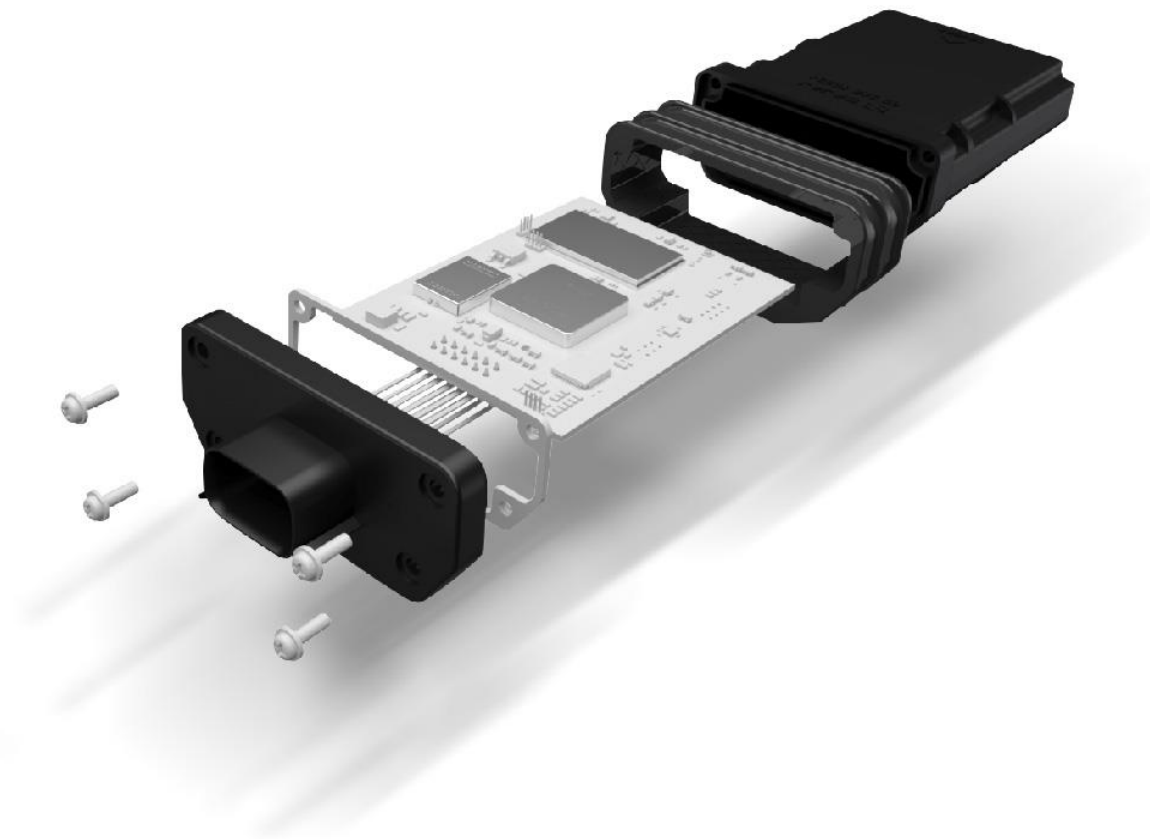
- Functional Performance
- Environmental, Durability
- Software HIL, SIL
- EMI EMC
- NABL Accredited Test Lab
- Photometry
- Surface treatment tests

Project and Program Management

- Product Life Cycle management tools
- Reliable and Wide Supplier base
- In-house styling studio for early engagement
- Capacity and Competency
- Quality Focus
- Certifications – NABL, APSICE2, IATF 16949
- Proto Facility

Facilities

- DFSS/DMAIC
- Proto facility
- State of art tools
- System Validation Lab
- Dedicated Technology Centers



Test Facilities at Varroc Tech Center Pune



EV Motor Dyno



Vibration Lab



Climatic Chamber Test



EMI/EMC



Dust Test



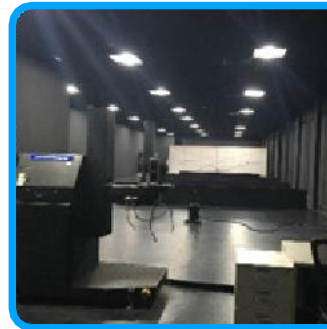
Magneto Endurance Lab



Performance Lab - Electrical



Proto Assy.



Photometry Lab



Motor Endurance Lab



Corrosion Test



Chemical Resistance Test



Shower Durability and Water Spray Test



Switch Endurance Lab



Performance Lab - Mechatronics

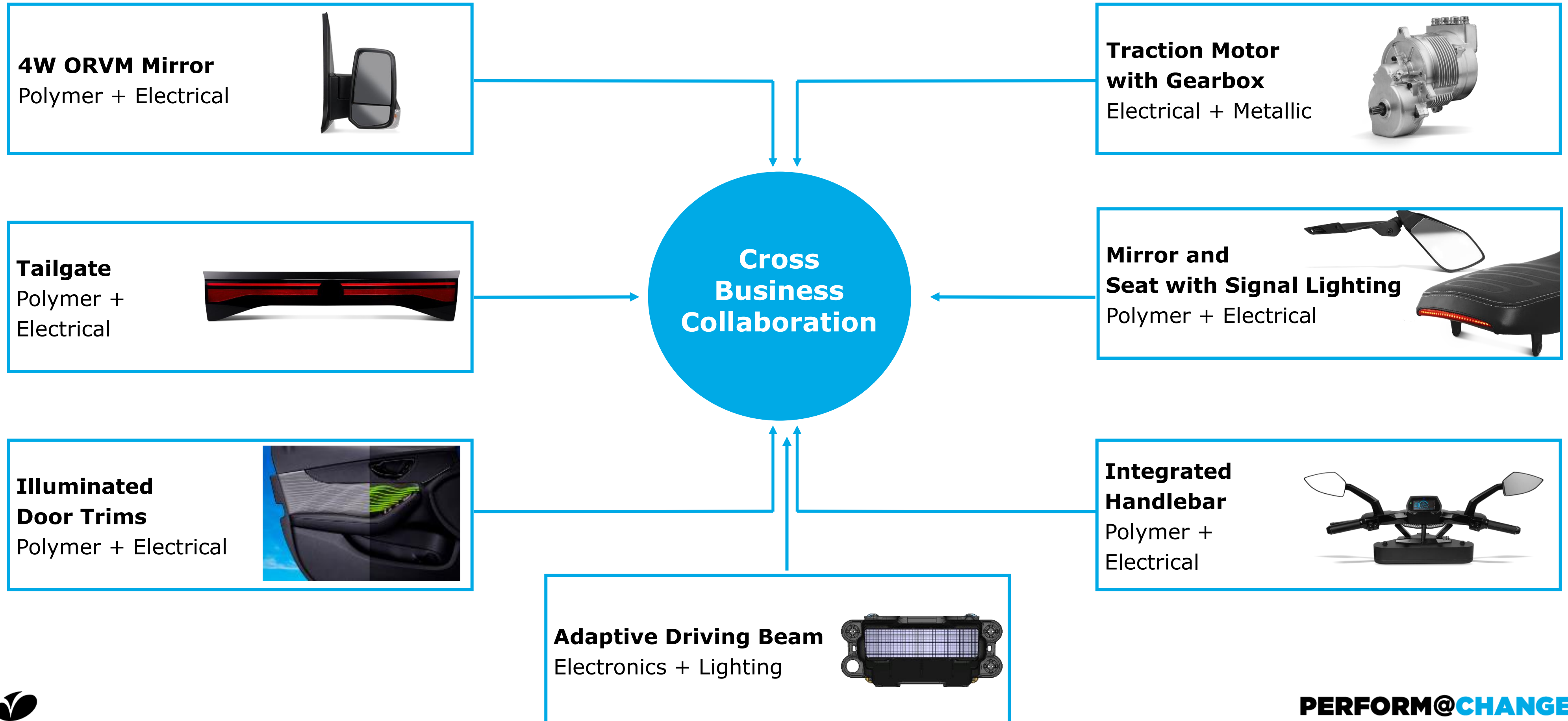


Thermal Shock Test

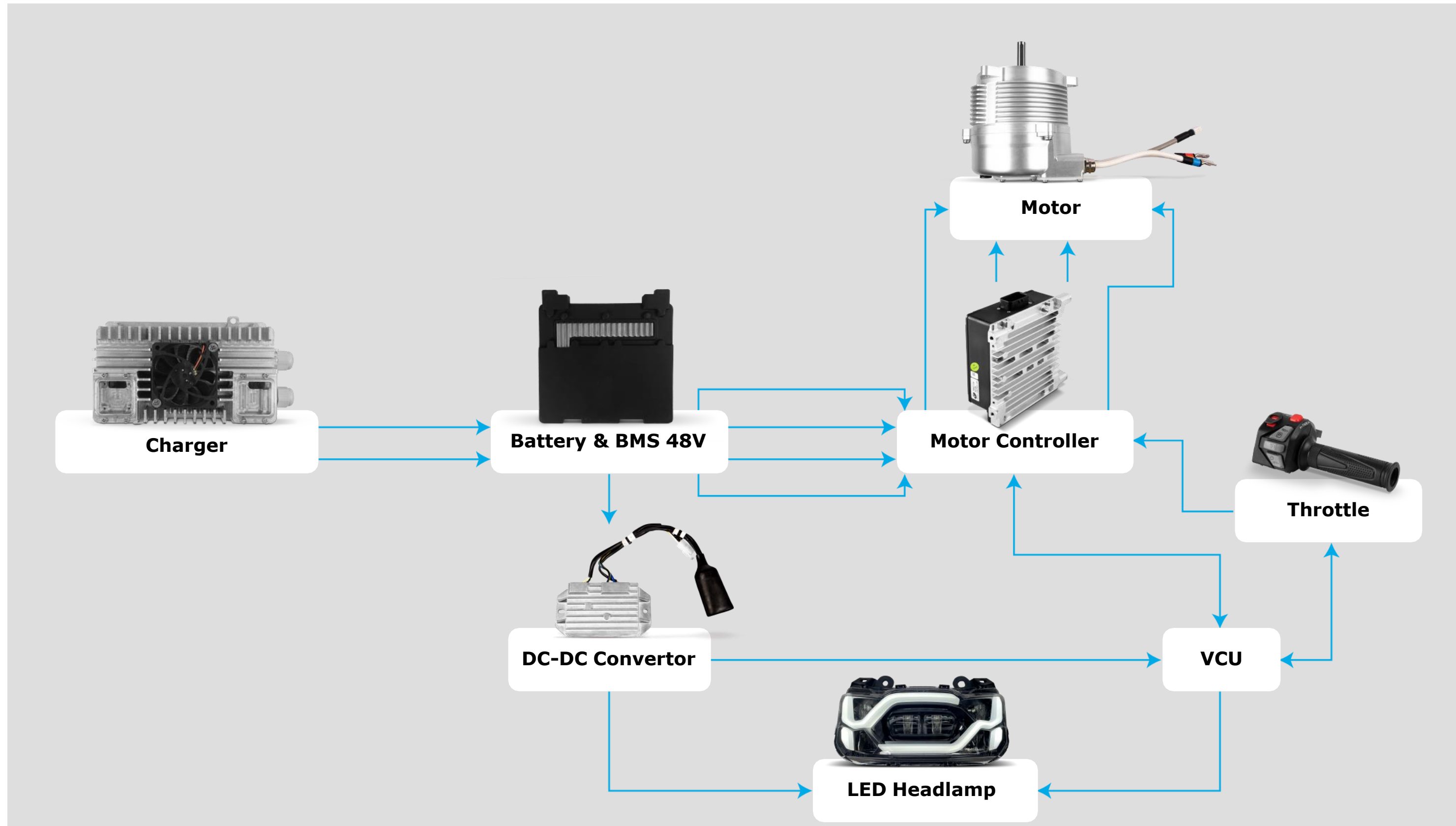


Unlocking Synergies across Businesses

Varroc's unique positioning as a systems supplier is strengthened through collaboration across its businesses.



Excelling as a **Systems Supplier**



Components

- Customer CTQs
- Component Design
- Robust analysis to predict the design meets all CTQs
- Tolerance analysis to ensure DFM
- Material and component data Base to speed up the design

Sub-Systems

- Customer requirements and CTQs
- Sub-system level CTQs
- Design of Electronics Hardware, Software and Mechanical
- Sub-System level simulation and analysis to ensure robustness
- Model based design and system validation (HILS)

Systems

- System level requirements and CTQs
- System level architecture design
- Electronics, Control system and Software architecture design & development
- System integration and testing (HILS)
- Vehicle level testing (Vehicle, Dyno and Chassis)

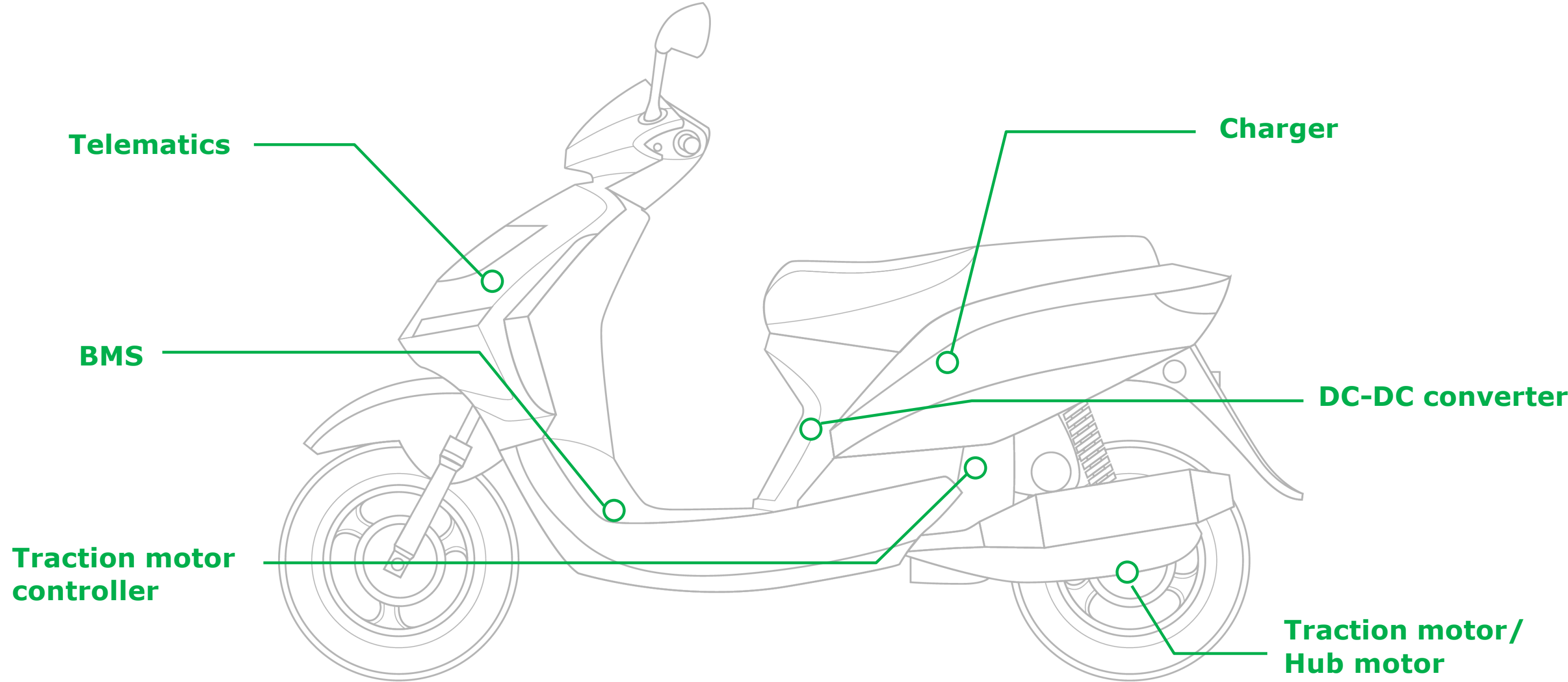
Components

Sub-Systems

Systems



Our 2W and 3W EV Capabilities



- Locally designed, developed and manufactured
- Fully IoT enabled machines
- Complete vertical integration for Electronic Manufacturing
- Motor Dyno Testing System for testing 2W and 3W EV



Electrical - Electronics Business

(India and Romania)



Instrument Cluster



EFI-ECU



Telematics Control Unit



Traction Motors



Stator Motors & Magneto



V-CAM (ADAS)



Light Control Unit

Highlights

- Strong R&D team of 500+ engineers across 3 countries
- Successful commercial launch of fuel efficient & EV products
- Product Engineering and affordable electronics operations remains the key
- Localised design and development capability with speed and agility
- Indian market leader for Electrical-Electronics systems with large scale drives competency
- World class system validation and test lab

Opportunity & Focus Area

- Keep up the pace with aggressive technological development to capture the opportunity Mega Trends are bringing.
- More Products per Customer and More Customers per Product to drive the profitable revenue growth
- Current content of 8-10K in ICE and 25-30K in EV in 2W. Likely to expand due to development of more products and catering to 4W.
- Long Term agreement with supplier especially for Semiconductors.





Air Filter Assemblies



Mirror Assemblies



Trims (Interior and Door)



Seat Assemblies



Painted Body Parts

Highlights

- 120+ skilled engineers across 2 technical centers in India
- Advanced manufacturing processes (In house style studio i.e. proto lab with 3D printing, software tools for designing, collaboration for testing labs, benchmarking for microlevel teardown data and advanced tool room capabilities) resulting into SOP of new products like tail gate, door trims, floor console, roof rail, instrumental panel, sunroof etc.
- Digitization (IoT, Robotics, poka-yoke system) to improve productivity

Opportunity & Focus Area

- Building capability for development of Green Bio-Carbon Material.
- Stabilizing operations for new business (products as well as for customers)
- Completing the greenfield plant in Chakan & Akrudi
- Strengthening of 4W product portfolio in various segments like interior, exterior, underhood parts, accessories and Mirrors.
- Expanding our presence in Passenger vehicle, EV components and products for Export market
- Premiumization and FSS to drive growth





Transmission Assembly



Crankshaft



Connecting Rod



Engine Valves



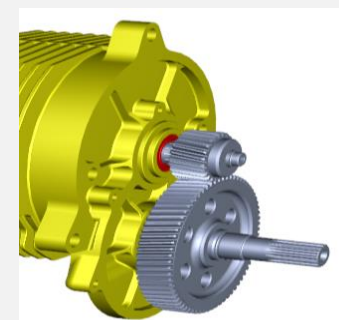
Gears

Metallic Business Unit Highlights

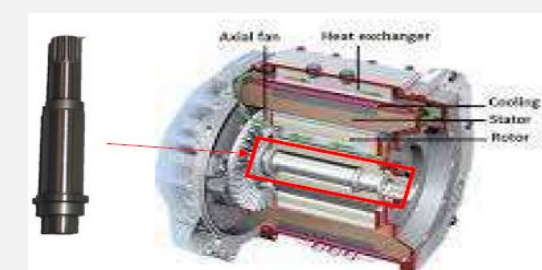
- 3.6 Mn units of Transmission Assemblies _ Exports to Ducati, Harley
- 45 Mn units Of Engine Valves_ Exposure to global OEM standards and systems
- IMES (business in Italy) was positive at EBITDA & PAT level in FY23
- Diversified Product portfolio.
 - Transmission Gears, Shafts and assembly.
 - Crankshafts ,Connecting rods, Knuckles
 - Engine Valves,
 - Cam Shafts, Crank Pins,
 - Park lock, Pump Gears & Cardan Shafts
- First to export parts making Varroc a global supplier.
- Well accustomed to Global systems and procedures.
- **Capability to Produce DIN class 5 Gears and shafts.**
- Well experienced in light weighting of Parts- Ti- Valves
- Leaders In bringing new technology to Indian Market- Sodium Valves
- **Consequently, for 5years Best supplier award from General Motors**
- Strong Design and Testing Facilities.
- **Single Speed eV- transmission components under fine tuning**
- **eV- Traction motor Shafts.**
- **eV- Single & Double Speed Gear Box Components**

Opportunity & Focus Area

- Building capability for various components required in EV



EV SINGLE SPEED GEARBOX



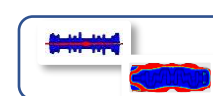
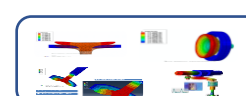
TRACTION MOTOR SHAFT



3W DIFFERENTIAL ASSEMBLY

- To increase Capacity Utilization and reduce the breakeven level
- Tapping more Export Opportunity
- Develop Engine Agnostic components

Design Software- Simulation



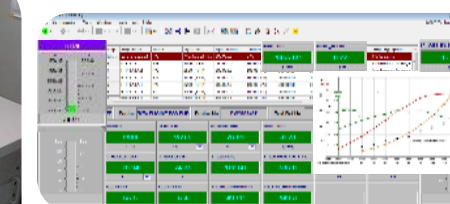
Testing & Validation



Eddy Current Testing Bench



SEM & EDAX Analyser



HEAD LAMPS			REAR LAMPS	
				
Xenon	LED	Matrix	LED	Other Lights

Highlights

- Strong 100+ engineers R&D team in India, Italy & China JV
- First to market efficient and stylish lighting in India
- Smart LED lighting (HL&TL) Compactness
 - Matrix Concept
 - Projector Head Lamps
 - Sensor Integration (Camera, Ultrasonic, Radar)
- Ability to support for any current and future international regulatory requirement (adaptive & bending light)

Opportunity & Focus Area

- Further Strengthen our position as Global 2 wheeler lighting player and Increase our presence in Asia in 4 wheeler lighting.
- Strengthening backward integration for light engines and light control units through its Romania plant for EBU
- Enhancing synergy with PBU to become system supplier like Smart surfaces, illuminated door trim, tail gate etc.
- Enhancing the capacity utilization in India 4W lighting business.



Aftermarket

| With diversified product lines

Revenue Approx. Rs.5800 mn (FY2023)

Geography (31+ countries)

- India (5 regional office)
- Asean
- Africa
- Latin America

Key Products

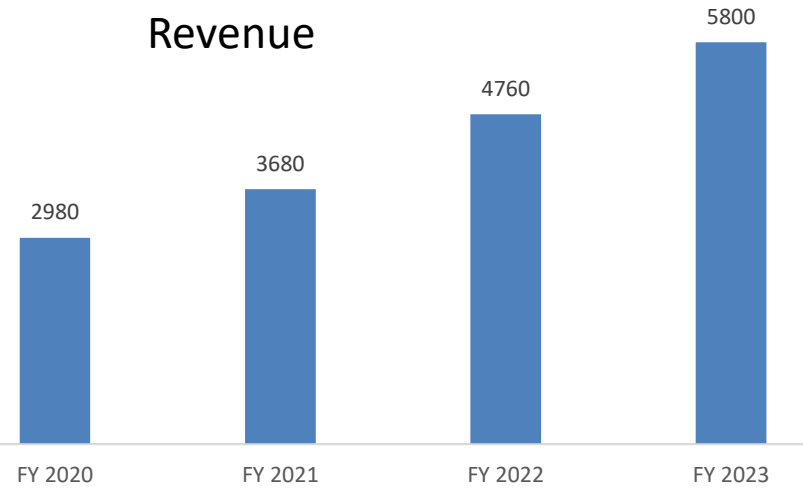
C.D.I, Starter Motors, Carbon Kits, Armature, Regulator Rectifier, Forgings, Magneto Coil Plate, Filter, Engine Oils, Lighting, Ignition, Rear View Mirror, etc.

No. of Active Distributors

Over 770 in FY23, Over 740 in FY22, Over 600 in FY21, Over 480 in FY20

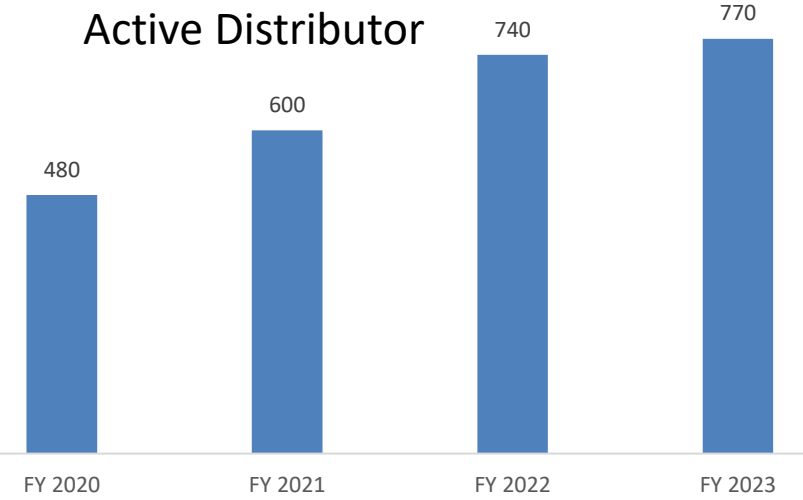
No. of Cities Presence in India

Over 310 in FY23, Over 260 in FY22, Over 245 in FY21, Over 210 in FY20



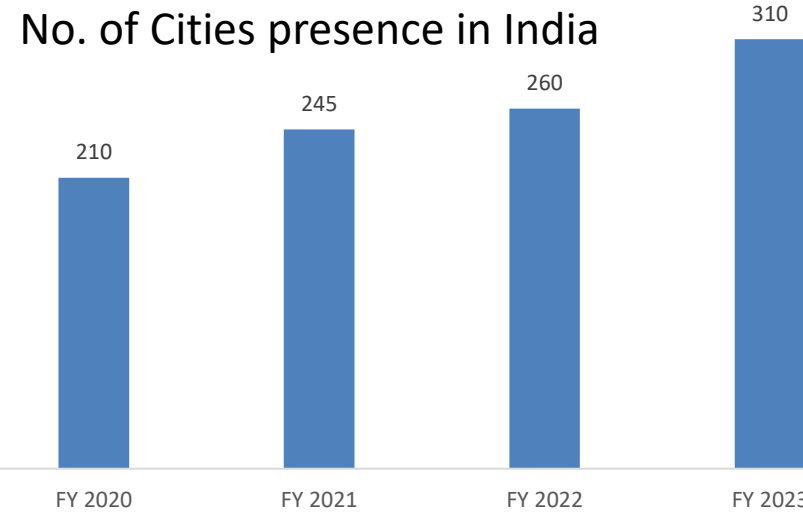
Strong Competitive Position in a Growing Market Segment

- Market Leadership In Core Product Segment
- Strong Leadership In 3W Segment.



Long Standing, Growing Customer Relationships

- Strong and longstanding relationship with distributors.
- Ability to response as per customer Needs



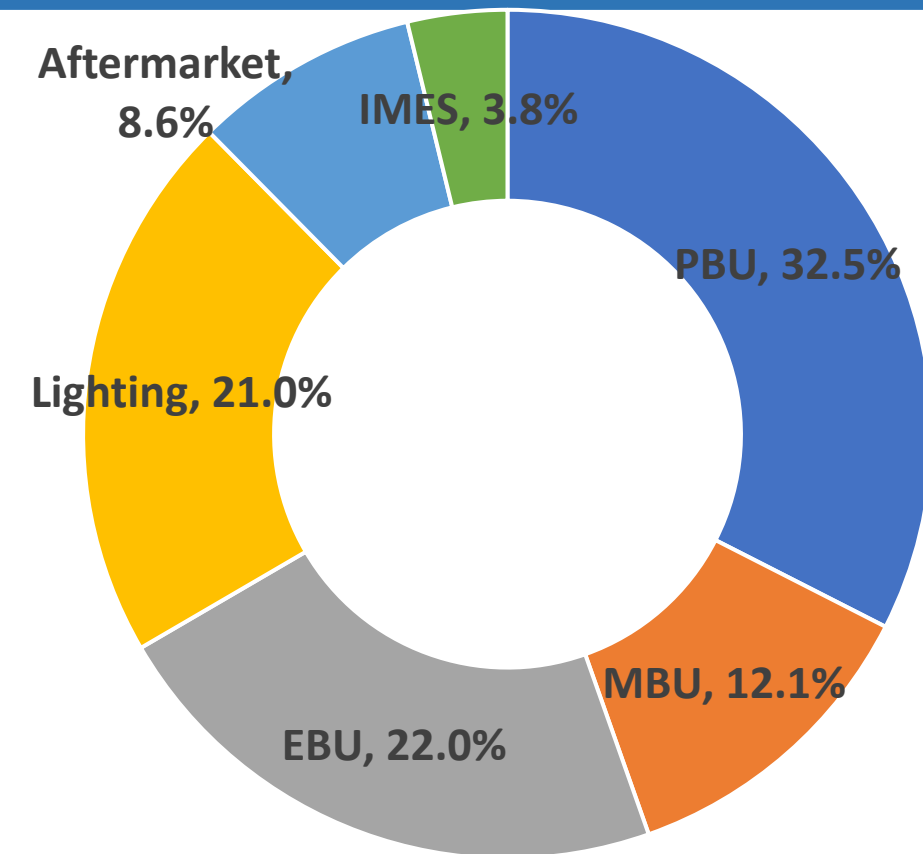
Comprehensive Solution Provider

- Continuous focus on product development.
- Continuous development of the product as per customer needs.
- Continuous focused on quality

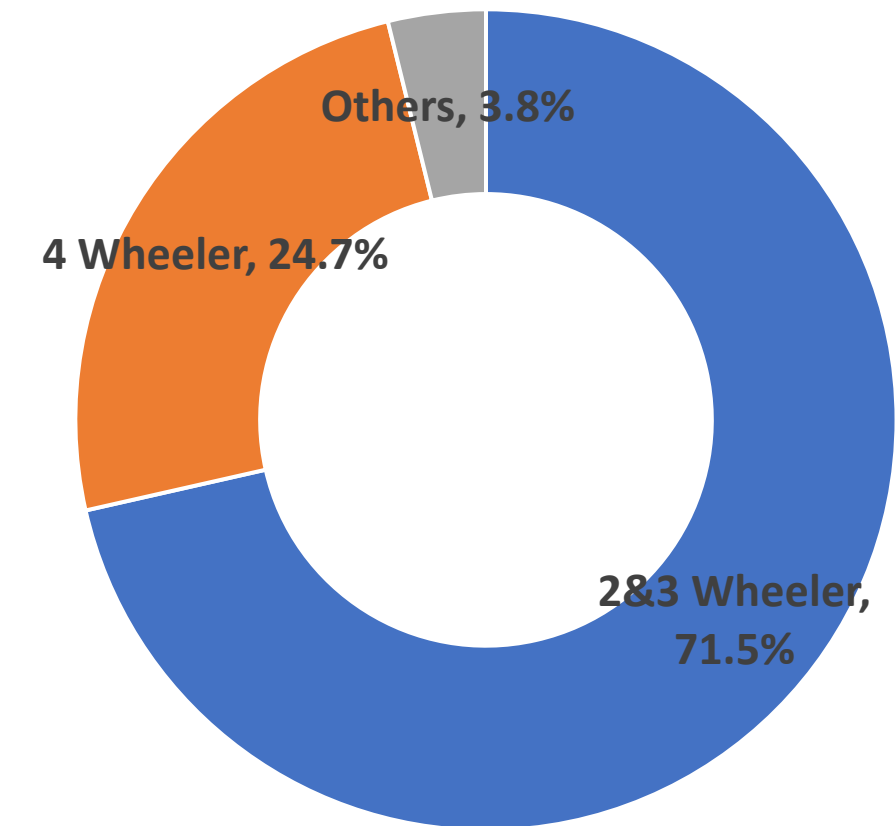


Revenue Breakdown for FY22-23 for Continued Operations

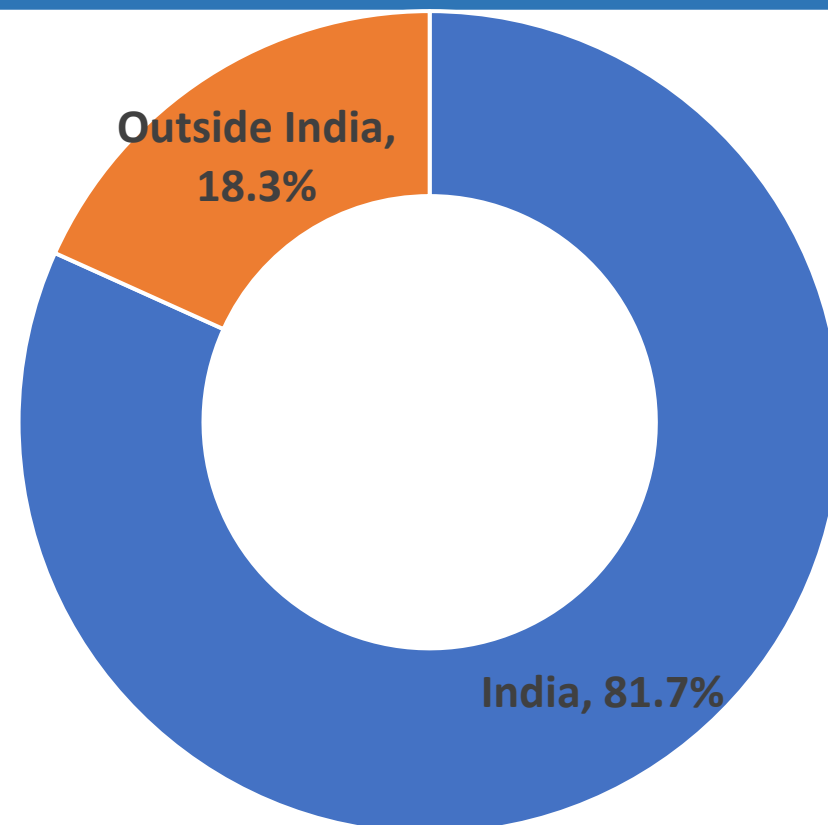
Business Unit



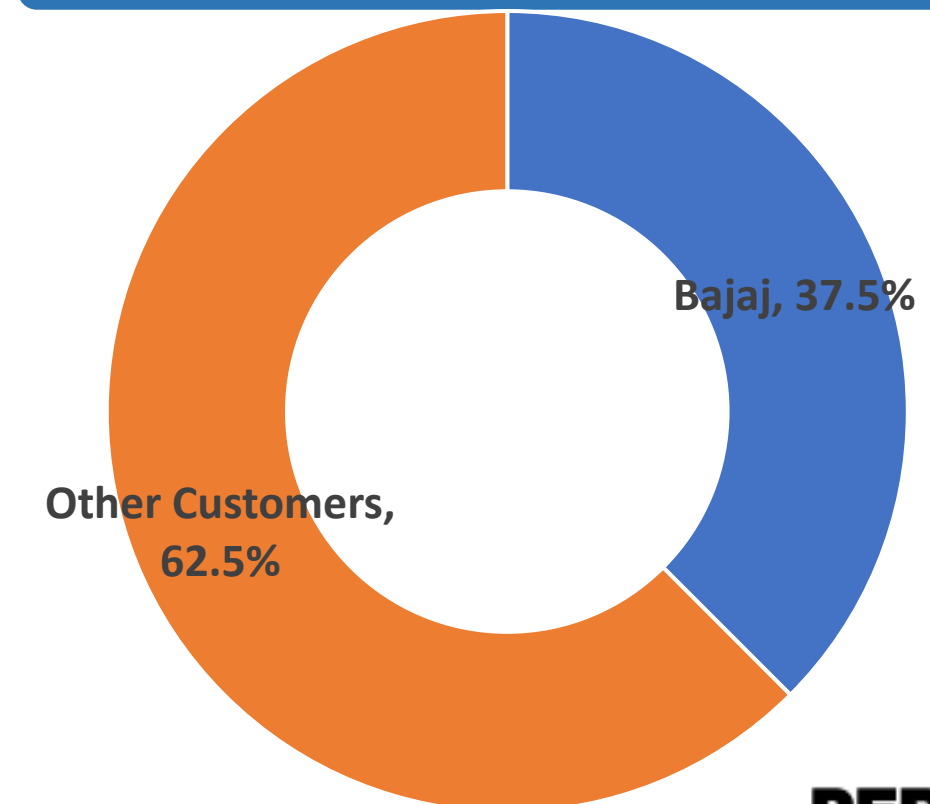
Segment



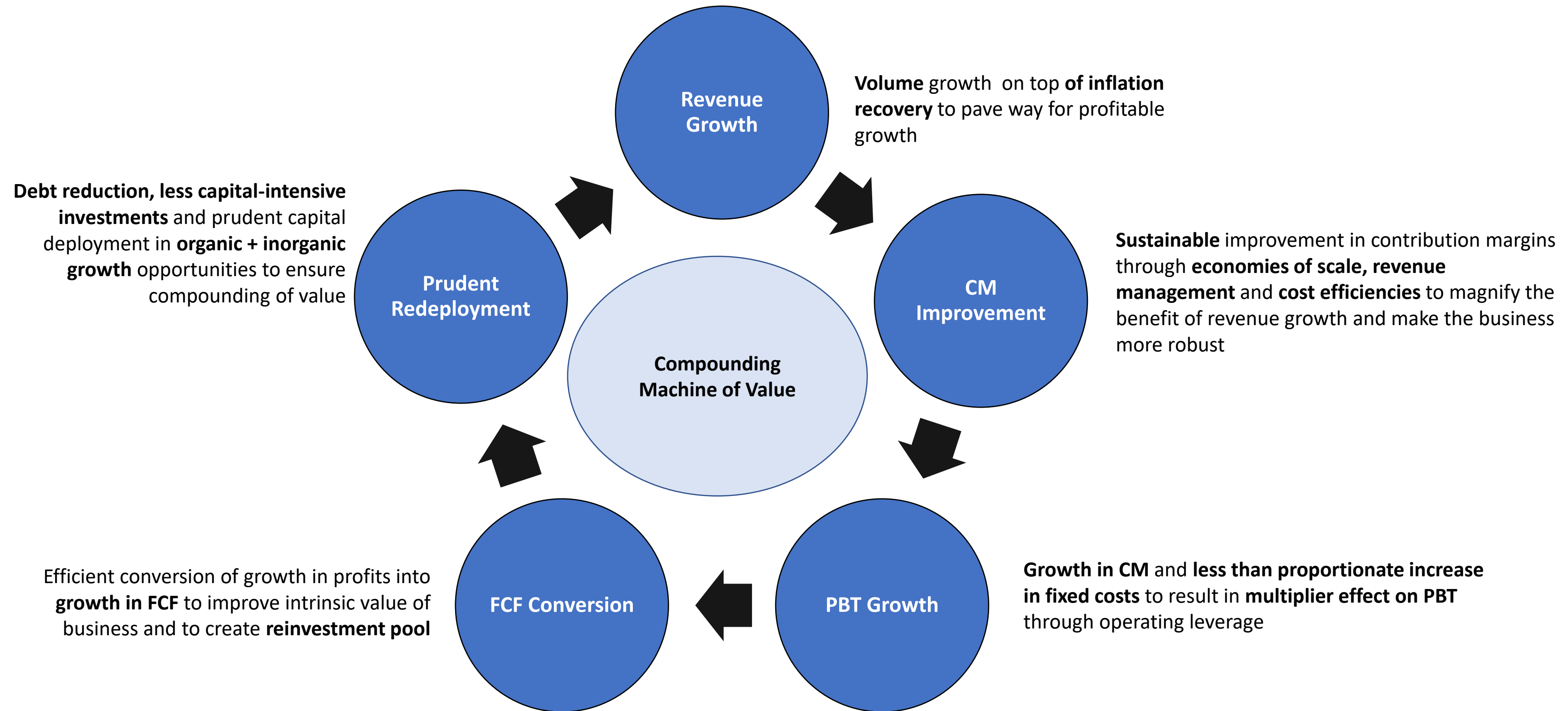
Geography



Customer



Focus areas for Varroc



Summary Financials of Continued Operations*

	Annual				Quarter			
Rs. In Million	FY 22	FY 23	Grwoth	Rs. In Million	Q3 FY23	Q4 FY23	Q1 FY24	Q1 FY24 vs Q3 FY23
Revenue	58,442	68,631	17.4%	Revenue	17,168	16,901	17,924	4.4%
Gross Margin	34.1%	35.4%	130 bps	Gross Margin	34.5%	36.7%	36.3%	180 bps
EBITDA %	6.6%	8.7%	210 bps	EBITDA %	7.8%	9.5%	10.0%	220 bps
PBT before JV %	1.10%	-0.50%	160 bps	PBT before JV %	0.6%	1.9%	3.3%	270 bps
Net Debt	14,356	12,779	-11.0%	Net Debt	12,968	12,779	12,285	-5.3%
ROCE	2.6%	12.0%	940 bps	ROCE	11.2%	16.4%	20.4%	920 bps
Net Debt/EBITDA	3.7X	2.1X	-1.6X	Net Debt/EBITDA	2.4X	2.1X	1.7X	-0.7X

- Improvement in Gross Margin, EBITDA margin and PBT margin
- Reduction in net debt
- Debt servicing ability is also improving
- Return on Invested capital is also improving



Environmental Social Governance (ESG)

Renewable Energy & Power consumption

- Currently >25% consumption from renewable energy; targeting to cross >50% by FY25
- 132 projects implemented for energy savings FY23 resulting in 0.24 million units of savings

Recycle and waste

- Recycled more than 93% of the waste generated
- Less than 1% of the waste generated is sent to landfill.

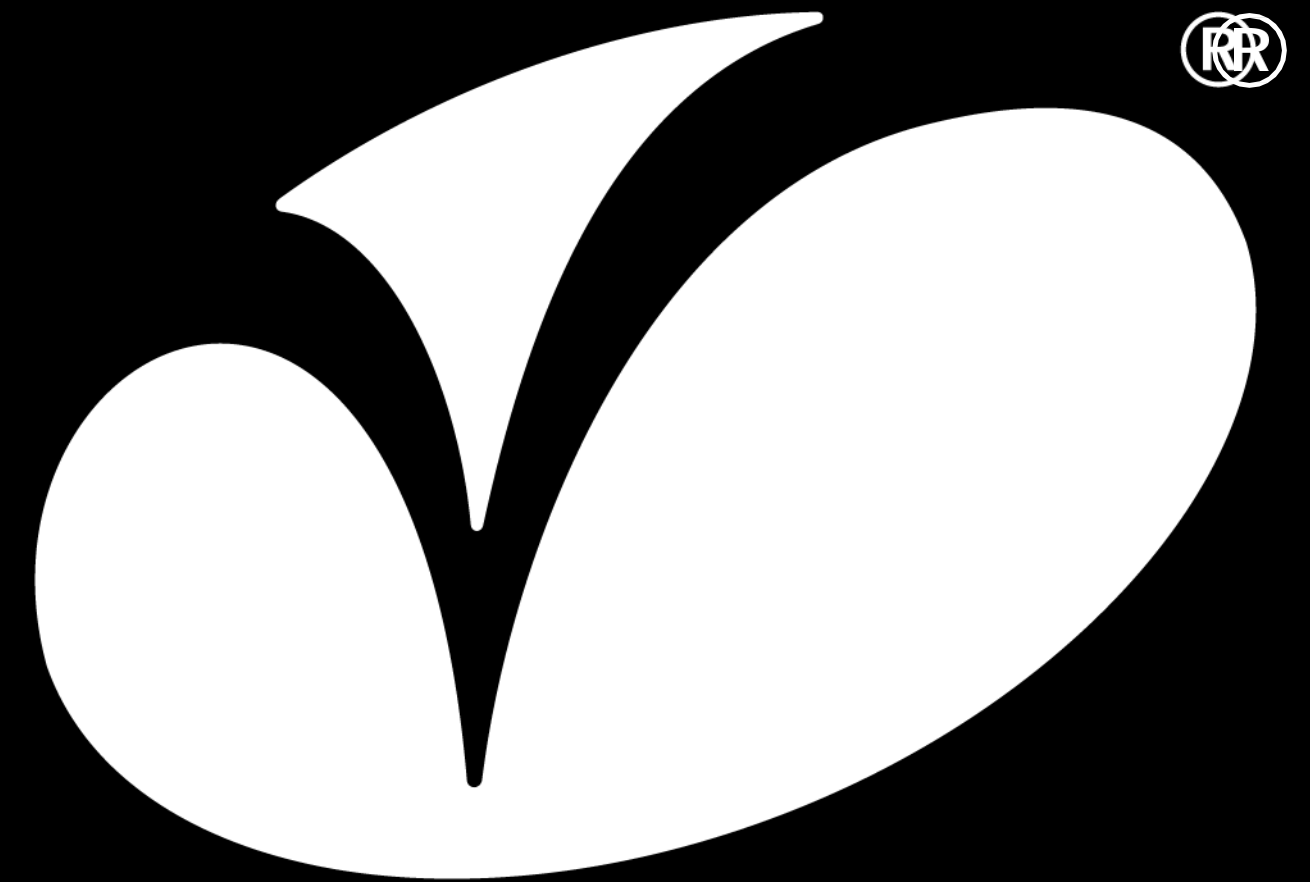
Corporate Social Responsibility

- Kham River Eco Restoration Project (0.3 mn sq. metres area cleaned; 59,810 sq. metres area greened; 3,000 saplings planted;
- Varroc academy for sustainable livelihoods (275 students enrolled in FY23)
- Varroc cricket academy and Abhinav Bindra foundation trust to promote sports

Product range resulting in lower emissions, green mobility and use of sustainable materials



THANK YOU



Varroc
EXCELLENCE