

# Varroc Engineering Limited

Regd. & Corp. Office

L-4, MIDC, Industrial Area  
Waluj, Aurangabad 431 136,  
Maharashtra, India

Tel + 91 240 6653700  
Fax + 91 240 2564540

email: varroc.info@varroc.com  
www.varroc.com  
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2023-24/70

September 14, 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-400051.  
NSE Symbol: VARROC

The Manager – Listing  
The Corporate Relation  
Department,  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai-400001.  
BSE Security Code: 541578  
[Debt: 973455 & 975062]

**Sub: Transcript of 35<sup>th</sup> Annual General Meeting of Varroc Engineering Limited**

Dear Sir/Madam,

Please find enclosed herewith transcript of 35<sup>th</sup> Annual General Meeting held on September 13, 2023 at 11:00 AM.

A copy of the same is also being placed on the Company's website i.e., [www.varroc.com](http://www.varroc.com)

This is for your information and records.

**For Varroc Engineering Limited**

**Ajay Sharma**  
**Group General Counsel and Company Secretary**

**Encl:** a/a

## **35<sup>th</sup> Annual General Meeting of Varroc Engineering Limited**

**13<sup>th</sup> September 2023**

- **Mr. Ajay Kumar Gupta – Company Secretary, Varroc Engineering Limited:**
- Good morning shareholders and a very warm welcome to all of you, our Board members at the 35<sup>th</sup> Annual Journal Meeting of Varroc Engineering Limited. In compliance with the relevant circulars which have been issued by the Ministry of Corporate Affairs and SEBI, this meeting is being conducted through a video conference without physical presence of the members at a common venue. The proceedings of this meeting shall be deemed to have been conducted at the registered office of the Company. For the smooth and seamless conduct of the meeting and to avoid any background noise, all the shareholders are requested to be on the mute mode. Please note that the proceedings of this annual general meeting are being recorded.
- Mr. Tarang Jain, Chairman and Managing Director of the Company, is at the chair and is the chairman of the meeting. The Company has not received any representations from the corporate members for attending this meeting. Since there are no physical attendance of shareholders, the requirement of appointing proxies is not applicable. The registers and other relevant documents which are mentioned in the notice required to be kept for inspection at AGM are open and are available for inspection during the meeting electronically on NSDL website under the tab AGM Docs. Further, as the AGM is being held through video conference, the facility of appointing of proxies by the members is not available and hence the proxy register for inspection is also not available. The e-voting facility is active from the commencement of the meeting and will be active up to 15 minutes after the end of discussions on the resolutions. Members may please note that there will be no voting by show of hands.
- If any member desires to ask any question pertaining to any item on the notice, he or she may do so now through 'Ask Question' tab on the webcast window. Members are requested to keep their questions brief and specific. To avoid repetition, the answers to all the questions will be provided towards the end. Members may also note that the Company reserves the right to limit the number of questions depending upon the availability of time. I now hand over further proceedings to Mr. Tarang Jain, Chairman of the meeting.
- Over to you, sir.
- **Mr. Tarang Jain - Chairman & MD, Varroc Engineering Limited:**
- Thank you Ajay and, good morning to all of you, ladies and gentlemen. I welcome you all to the 35<sup>th</sup> Annual General Meeting of the shareholders of the Company. This

meeting is being held through video conference in accordance with the circulars issued by the Ministry of Corporate Affairs from time to time. Live proceedings of this annual general meeting are also being webcast on the e-voting website of NSDL. We have the requisite quorum present through video conference to conduct the proceedings of this meeting. Participation of members through video conference is being reckoned for the purpose of quorum as per the circulars issued by the Ministry of Corporate Affairs and Section 103 three of the Companies Act, 2013. The quorum being present, I call this meeting to order.

- However, before we start the main proceedings of the meeting, I request my colleagues on the video conference to introduce themselves. Mr. Gautam Khandelwal.
- **Mr. Gautam Khandelwal – Independent Director, Varroc Engineering Limited:**
- Hi, I'm Gautam Khandelwal. I am an Independent Director of the Company and I'm attending this meeting from Bombay. Thanks.
- **Mr. Tarang Jain- Chairman & MD, Varroc Engineering Limited:**
- Thank you. Mr. Marc Szulewicz.
- **Mr. Marc Szulewicz – Independent Director, Varroc Engineering Limited:**
- Good morning. Marc Szulewicz, I'm an Independent Director of the Company and I'm attending this meeting through video from Paris, France.
- **Mr. Tarang Jain - Chairman & MD, Varroc Engineering Limited:**
- Mrs. Vijaya Sampath.
- **Mrs. Vijaya Sampath – Independent Director, Varroc Engineering Limited:**
- Good morning. My name is Vijaya Sampath. I'm an Independent Director of the Company. I'm attending this meeting from New York, United States of America.
- **Mr. Tarang Jain - Chairman & MD, Varroc Engineering Limited:**
- Thank you. Mr. Vinish Kathuria.
- **Mr. Vinish Kathuria – Independent Director, Varroc Engineering Limited:**
- Hi. Good morning. This is Vinish Kathuria, an Independent Director of your company. I'm attending this meeting from Gurgaon, Haryana, India. Thank you.
- **Mr. Tarang Jain - Chairman & MD, Varroc Engineering Limited:**
- Thank you. Mr. Arjun Jain, Mr. Dhruv Jain and Mr. Tarun Tyagi are present here with me in the boardroom. Apart from them, we have key executives and senior management joining from their respective locations. Further, Mr. Mustafa Saleem,

representative of the Secretarial Auditors and Mrs. Uma Loda, Secretarial Auditor of the Company are also present in the meeting from their respective locations. The Company has taken all feasible efforts under the current circumstances to enable members to participate through video conference and vote at the AGM. I thank all the members, colleagues on the Board, auditors and the management team for joining this meeting through video conference. I hope all of you are safe and are in good health.

- As the notice of the meeting is already circulated to the shareholders, with your permission, I take the notice convening the meeting as read. I would now request our company secretary to read out the Auditor's report.
- **Mr. Ajay Kumar Gupta – Company Secretary, Varroc Engineering Limited:**
- Thank you, sir. The Statutory Auditor report on the standalone financial statements and the consolidated financial statements are available on page number 148 and 258 of the annual report, respectively. The Secretarial Auditor report on the Company and Varroc Polymers Limited, material subsidiary of the Company, are also annexed to the Board's report on page number 77 and 80 of the annual report, respectively. The Auditor's report which forms part of the annual report and which has been circulated to the shareholders does not contain any qualification, reservation or adverse remark except the following on the financial statements for the year ended 31<sup>st</sup> of March 2023. Now I will read the said observations.

The audit report on the Standalone financial statements of the Company contain the following qualification:-

- As provided in Note no. 52 to the Standalone Financial Statements regarding the sale of VLS Business, there is disagreement between the parties on the final adjustments against the agreed consideration, and both parties have agreed to negotiate to reach an agreement. Pending the conclusion of these negotiations, we are unable to comment on the impact of the same on the net loss and financial position as of and for the year ended March 31, 2023.
- The management's response to this is:-
  - As per the terms of the Securities Purchase Agreement ("SPA") entered into among Varroc Engineering Limited ("VEL") and VarrocCorp Holding BV, Netherlands ("VCHBV", wholly owned subsidiary of VEL) (together referred to as "Sellers") and Compagnie Plastic Omnium SE, France ("Buyer"), a specific 'Adjustment Escrow' has been provided for the Final Closing Statement and the Final Closing Adjustment Statement to be prepared as of the Closure Date i.e., October 6, 2022. The Buyer had a period of 90 working days to come up with the same, duly supported by the requisite information/documentation.

The Buyer submitted the final adjustments during the current quarter but failed to provide the necessary supporting details to enable the Sellers to understand these adjustments. Hence, Sellers sent a Dispute Notice in accordance with the SPA disputing the proposed adjustments. Pursuant to the amendment to SPA dated May 12, 2023, both parties have mutually agreed to attempt the resolution of their disagreements in accordance with the provisions of the SPA. Considering the disagreement between the parties and the fact that negotiations with the Buyer are in progress, the effect of the proposed adjustments cannot be ascertained for recognition in the standalone financial results as of March 31, 2023.

Further Development: Both the parties have now resolved their disagreements and have entered into a Settlement Agreement to record the terms of final settlement of their disagreements on July 15, 2023. The issue has been settled hence the qualifications was also removed in the Q1FY24 Financials.

- As disclosed in Note no. 50 to the Consolidated Financial Statements for the year ended March 31, 2023, the Financial Results and other financial information for the year ended March 31, 2023, in respect of Varroc TYC Corporation BVI (“China JV”), a joint venture accounted for under the equity method, considered for the purpose of preparation of the consolidated financial statements, are unaudited. Hence, we are unable to determine the possible impact of Group's share of profit/loss from China JV on the consolidated profit/loss before tax, profit/loss after tax, total comprehensive income, and earnings per share for the year ended March 31, 2023, and Group's share of net assets of China JV on the investment in China JV as at March 31, 2023.
- In response, the management responses:-
  - The Group's investment in Varroc TYC Corporation BVI ('VTYC' or 'China JV'), a joint venture accounted for under the equity method, which is carried at Rs. 3,751.57 million as at March 31, 2023, and the Group's share of VTYC's net profit of Rs. 15.58 million, which is included in the Group's income for the year then ended, are based on management certified accounts and were not subjected to audit. The Group is currently undertaking negotiations with the JV partner for resolution of certain matters regarding the operation of the JV, pending which the Group is unable to obtain audited financials and other information from the China JV.

- Second observation on the qualification of the consolidated financial statement is:-
  - As provided in Note no. 51 to the Consolidated Financial Statements for the year ended March 31, 2023, regarding the sale of Varroc Lighting Systems Business, there is disagreement between the parties on the final adjustments against the agreed consideration, and both parties have agreed to negotiate to reach an agreement. Pending the conclusion of these negotiations, we are unable to comment on the impact of the same on the consolidated loss and financial position as of and for the year ended March 31, 2023.
  
- The management's response is:-
  - As per the terms of the Securities Purchase Agreement ("SPA") entered into among Varroc Engineering Limited ("VEL") and VarrocCorp Holding BV, Netherlands ("VCHBV", wholly owned subsidiary of VEL) (together referred to as "Sellers") and Compagnie Plastic Omnium SE, France ("Buyer"), a specific 'Adjustment Escrow' has been provided for the Final Closing Statement and the Final Closing Adjustment Statement to be prepared as of the Closure Date, i.e., October 6, 2022. The Buyer had a period of 90 working days to come up with the same, duly supported by the requisite information/documentation. The Buyer submitted the final adjustments during the current quarter but failed to provide the necessary supporting details to enable the Sellers to understand these adjustments. Hence, Sellers sent a Dispute Notice in accordance with the SPA disputing the proposed adjustments. Pursuant to the amendment to the SPA dated May 12, 2023, both parties have mutually agreed to attempt the resolution of their disagreements in accordance with the provisions of the SPA. Considering the disagreement between the parties and the fact that the negotiations with the Buyer are in progress, the effect of the proposed adjustments cannot be ascertained for recognition in the consolidated financial results as of March 31, 2023.

Further Development: Both the parties have now resolved their disagreements and have entered into a Settlement Agreement to record the terms of final settlement of their disagreements on July 15, 2023. The issue has been settled hence the qualifications was also removed in the Q1FY24 Financials.

Apart from the above, there are no further qualifications, reservations or adverse remarks on the financial statements for the year ended March 31, 2023. The notes on the financial statement referred to in the Auditor Report are self-explanatory and do not call for any further comments.

The Secretarial Auditor's report of Varroc Engineering Limited, which forms part of the annual report, which has already been circulated to the shareholders, does not contain any qualification, observation or comment except for the following. Now I shall be reading out the said observation.

- As per Regulation 54(2) of SEBI (LODR), 2015, the Company was required to disclose the extent and nature of security created and maintained with respect to secured listed NCDs in the Financial Results for the quarter ended June 30, 2022. The Company had received Notice from BSE in this regard vide email dated September 14, 2022, imposing a fine of Rs. 34,220 which the Company paid on September 15, 2022, vide UTR no. 225811189741.
- Management's response to the above comment:
  - In view of the requirement of Regulation 54, sub-regulation 2 of SEBI LODR 2015, the Company had taken rectification measures and has been ensuring adequate disclosure in its financials with respect to the extent and nature of security created and maintained for the secured listed NCDs.
- Apart from the above, there are no further qualification, observation or comments. Over to you, sir.
- **Mr. Tarang Jain - Chairman & MD, Varroc Engineering Limited:**
- Thank you, Ajay. Before we take up the first item of the agenda, that is the adoption of financial statements, I would like to proceed with the Chairman statement.

Dear Shareholders, I hope all of you and your loved ones are safe and well. It has always been a pleasure for me to share my thoughts with you in the Annual General Meeting of your Company, Varroc Engineering Limited.

The last couple of years have been challenging and uncertain. Reflecting on the year gone by, it is evident that we have continued to navigate this Volatility, Uncertainty, Complexity and Ambiguity environment, attempting various strategies to steer our businesses with varying degrees of success. The interplay of geopolitical events and the posturing of global economic and military powers have substantially influenced our decision making, prompting most of us to become more nimble and agile. Our efforts and approach last year have been to make the company more sustainable throughout the year.

Despite the challenging global environment, we completed the transaction of divesting our 4 wheeler lighting business in Europe and the America's which we started a year before. Moreover, the remaining business outside India is getting integrated with the Indian Business under our "One Varroc" principle.

During the fiscal year under review, we improved our financial performance. This reflects our ability to outperform the market and showcase our efforts to continue to demonstrate resilient performance amid global headwinds going ahead.

Our revenue from continued operations has grown by 17.4%, standing at Rs. 68,631 million in FY23. Our EBITDA stood at Rs. 5,986 million, up from Rs. 3,892 million in FY22. I would like to share that one of the key indicators of our operational success is the improvement in our EBITDA margin, which was 8.7% during FY23, marking a

substantial increase of 210 basis points compared to last year. Our PAT was Rs. 388 million in FY23, as against a loss of Rs. 783 million in FY22.

Our robust performance and financial stability have been recognised by India Ratings and Research, which conferred on us an IND A+ rating with a stable outlook. This external validation further instils confidence in our stakeholders and reflects our sound business practices and financial management. In addition, our efforts to bolster our R&D capabilities are bearing fruit. We filed 15 patents from the Group during FY23. We commercialised new products developed by our R&D like the EFI, Telematics, Traction Motor & Controller, DC-DC Convertors etc. New order win has been strong in FY 2023. All of this will help us to grow better than the Industry in coming years.

Varroc is future ready and well positioned to address the technological shift due to change in customer requirements, new trends and government regulation. To bring greater nimbleness and agility last year we decided that the Business Division-I comprising of Electrical-Electronics, Polymer, Metallic business and Aftermarket in India will be headed by Mr. Arjun Jain and Mr. Dhruv Jain will head global 2W lighting business, lead the ADAS, lighting electronics and the China Joint Venture.

Sustainability lies at the heart of Varroc's ethos. For us, integrating sustainability into our operations is not just an ethical imperative but a strategic necessity. Our dedication to sustainability enables us to create value for our stakeholders, enhance our competitiveness, and build a resilient future for Varroc and the communities we serve.

During the fiscal year, we formalised our ESG & Sustainability framework. 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'.

As one of the leading automotive suppliers, we are constantly evolving and developing futuristic products that position us at the forefront of the automotive sector's transformation. The automotive industry relies substantially on research and development. In the upcoming years, as the auto ancillary companies becomes increasingly attuned to global technological trends, we will continue to invest in our core competencies, build effective supply chains, world-class manufacturing systems and sharpen our technological & management capabilities. This will not only help us stay ahead of the technology curve, but also lead to our long-term growth and development.

Moreover, we will focus on profitable revenue growth driven by sustainable improvement in contribution margin, controlling the fixed cost and higher utilisation of our plant capacities. We will be exploring structural changes to optimize the fixed costs and reduce the break-even levels across plants. Free cash flow generation and



prudent redeployment of capital to ensure compounding of value is where the organisation is putting all its efforts. Our endeavour remains strengthening our customer relationships, as this will position us as a reliable systems supplier for leading two wheelers, commercial and passenger vehicle manufacturers.

On a concluding note, I would like to take this opportunity to extend my sincere gratitude to all our esteemed shareholders and partners for the trust they have reposed on us. It is their cooperation that has pushed us to raise the bar for ourselves while doing what we do best. I am looking forward to an exciting year ahead. Warm regards, Tarang Jain, Chairman and Managing Director.

- I now request Mr. Ajay Sharma, Company Secretary, to provide necessary instructions to the shareholders regarding e-voting and resolutions as set forth in the notice.
- **Mr. Ajay Kumar Gupta – Company Secretary, Varroc Engineering Limited:**
- Thank you, sir. In compliance with the provision of the Companies Act 2013, the rules prescribed thereunder and the SEBI Listed Regulations, the Company has provided the facility of remote e-voting to all the members. The remote e-voting facility which commenced on Saturday, September 9, 2023 at 09:00 AM and concluded on Tuesday, September 12, 2023 at 05:00 PM. In compliance with the rules on e-voting framed under the Companies Act 2013, the voting at the AGM is being conducted by the same e-voting system of NSDL which was used during the remote e-voting. Members who have already cast their votes by voting through the remote e-voting are not eligible to vote again at the meeting. Members who have not cast their vote may please visit the e-voting page on the NSCL website and cast their vote during the meeting. Ms. Uma Loda, Practicing Company Secretary has been appointed as the scrutinizer for the remote e-voting including the e-voting at the AGM. Since AGM is being held through video conference, there will be no proposing or seconding of resolutions. The results of the remote e-voting, including the results of e-voting at the meeting, will be declared on or before September 15, 2023, that is within 48 hours of the conclusion of the AGM and will be placed on the website of the Company and on NSDL website and shall also be communicated to the stock exchanges.
- Now, with the permission of the Chairman, following resolutions as set forth in the notice are being taken up at this AGM. Under the ordinary business:-
  - Agenda item number 1A, is the adoption of audited standalone financial statements of the Company for the financial year ended 31<sup>st</sup> March, 2023 and the reports of the Board of Directors and auditors there on.
  - Agenda item 1B is adoption of audited consolidated financial statements of the Company for the financial year ended 31<sup>st</sup> of March 2023 and the report of the auditors thereafter.

- Agenda item number 2, appointment of Mr. Tarang Jain DIN 00027505 as a Director who retires by rotation.
  - Item number 3 under the ordinary business is reappointment of the statutory auditors.
- Under special business:-
- Item number 4, which is ratification of the remuneration of the cost auditor of the Company.
  - Item number 5, issue of non-convertible debentures on private placement basis.
  - Item number 6, appointment of Mr. Tarun Tyagi as Whole-Time Director of the company.
  - Item number 7, to consider and approve the amendment to the Articles of Association of the Company.
- The text of the resolution along with the explanatory statement is provided in the notice which has been circulated to the shareholders.
- Thank you shareholders for your questions. I will now request the management to answer the question put forward by the shareholder one-by-one. To take up the first question that we have received, I'll request our Chairman Sir to respond to that. What are the top priorities of the organization in the coming year?
- **Mr. Tarang Jain - Chairman & MD, Varroc Engineering Limited:**
- So, for the Company, the important areas are the following - generally, driving profitable growth and improvement in free cash flow generation are the key priorities for us. To achieve this, we are focusing on the following actions:-
- Firstly, revenue growth with major focus on EV related opportunities by working closely with our customers.
  - Secondly, cost reductions in various areas.
  - Strengthening the research and development and driving the focus on commercializing the products built by R&D team.
  - Prudent capital deployment across businesses through Capex and net working capital controls.
  - Debt reduction
  - And importantly, attracting and training the right talent in the company.

- **Mr. Ajay Kumar Gupta – Company Secretary, Varroc Engineering Limited:**
- Thank you, sir. The next question, we can request our group CFO to respond to that. The question is, during Quarter 1, Varroc reported a strong EBITDA margin of 10%. Will this continue to grow in the remaining quarters of the year?
- **R. K Mahender Kumar – Group CFO, Varroc Engineering Limited:**
- So first of all, we don't give any kind of guidance about earnings for the future. We also indicated earlier that our intention is to achieve 10% EBITDA levels by end of this year. Of course, Q1 performance was good, but I would like to remind the shareholders that auto industry is generally cyclical in nature. So there are bound to be some ups and downs within the calendar year during the financial year. But our endeavour will be to actually maintain the EBITDA and also grow further in the current levels. But we need to be mindful of the cyclical nature of the industry also. But our teams are working on revenue growth opportunities and also cost reduction opportunities. So we'll be focusing on profitable growth of the business. Please note that all these things are going to take some time and the results of these efforts are expected to be more fully visible during the next financial year, which is FY25.
- **Mr. Ajay Kumar Gupta – Company Secretary, Varroc Engineering Limited:**
- Thank you, sir. We have one more question. This is in the EV space. So we will request Mr. Arjun Jain to respond. What are the opportunities that Varroc is working on in the EV space?
- **Mr. Arjun Jain – Director and CEO Business Division I, Varroc Engineering Limited:**
- So, Varroc has already developed a comprehensive portfolio of EV specific product and is targeting to reach revenue levels of Rs. 1000 crs from EV customers by the end of FY 25. The products which we have already developed and commercialized are like Traction Motors & Controllers, DC-DC convertors, Telematics, Throttle Position Sensor etc. We are actively working with both domestic and overseas customers to gain further business opportunities in the EV space.
- **Mr. Ajay Kumar Gupta – Company Secretary, Varroc Engineering Limited:**
- Thank you, Arjun. We have tried to answer all the questions which have been raised by the shareholders to the best extent possible. I now hand over the further proceedings to the Chairman.
- **Mr. Tarang Jain - Chairman & MD, Varroc Engineering Limited:**
- Thank you. Now, the shareholders who have not cast their vote on the items set out in the notice of the AGM are requested to exercise their vote through the e-voting facility available on the NSDL platform which will be available for the next 15 minutes. Members who have not cast their vote yet are requested to do so. Further, I hereby authorize Mr. Ajay Sharma, the Company Secretary, to disseminate the

result of the voting and place the results on the website of the company. The resolutions as set forth in the notice shall be deemed to be passed today subject to receipt of requisite number of votes. With your consent, I and other Board members would like to leave the meeting. I thank you all for your participation, valuable suggestions and comments.

- ***E-Voting***

**End of Transcript**