

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2024-25/21

May 17, 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-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: 975062]

**Sub: Press Release and Investor Presentation - Financial Results Q4 and FY
2023-24**

Please find enclosed a copy of Press Release and Investor Presentation on the Audited Financial results (Consolidated & Standalone) for the quarter and Financial Year ended on March 31, 2024.

Kindly take the same on record and note the compliance.

For Varroc Engineering Limited

Ajay Kumar
Sharma

Digitally signed by Ajay Kumar
Sharma
Date: 2024.05.17 15:18:15 +05'30'

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a

Press Release

Varroc Engineering Profit Before Tax grew by 280% for FY24 vs FY23 and reduces its net debt below 10,000 million.

- Consolidated revenue from operations was ₹75,519 million in FY24
- Consolidated PBT margins in FY24 were at 4.2%, improved by 300 bps
- Net Debt/Equity improves to 0.64 in FY24 from 1.27 in FY23
- Strong new order lifetime win of Rs.87.0 billion in FY24

Pune, May 17, 2024: Varroc Engineering Ltd. (Varroc), a global tier-I auto components group, today announced its results for the financial year ended March 31, 2024. Mr. Tarang Jain, CMD commented,

“The global economy faced several uncertainties during FY24 due to intensified conflicts in Europe and Asia. The expectations for decisive rate cuts across the world have been moderated in recent times, as underlying inflationary pressures are not easing as fast as expected. However, the risk of global recession seems to be receding now. We hope that the geo-political issues don’t escalate further. The Indian economy continues to outperform and in Q3 FY24 the GDP growth was robust 8.4%.

The automobile sector in India registered growth across all segments during FY24. The passenger vehicle segment grew by 6.9% and CV segment by 3.0%. The 3W and 2W segments registered strong growth of 16.0% and 10.3% respectively. Strong domestic demand and stable economy have enabled this growth.

In Q4FY24 on YoY basis, the automobile growth was strong with 2W growing by 26.5%, 3W by 8.4% and PV by 9.7%. The CV segment saw a marginal de-growth of 0.5%.

For the full FY24, our India operations continued to deliver strong performance with growth of over 14.1%. Our overseas business was impacted in FY24 due to significant degrowth in 2W automotive sales and heavy customer concentration in certain overseas markets.

The full year revenue was Rs. 75,519 million, the PBT for the year was Rs. 3,149 million which includes profit from our joint venture of Rs 444 million. The PBT margin improved by 300 basis point on YoY basis and came at 4.2%. PBT for the year. PBT was also impacted by certain one-timers like the provision of Rs.160 million created for doubtful recovery of receivables from an EV customer.

In FY24 the capex spent was Rs. 2,016 million. Thus, better profitability, tighter control on capex & working capital enabled us to reduce the net debt to below Rs. 10,000 million at Rs. 9,826 million. The Net Debt to Equity ratio improved to 0.64 in FY24 from 1.27 in FY23. The loan servicing ability also improved as our Net Debt to EBITDA improved to 1.29 in FY24 from 2.13 in FY23.



Press Release

We continue to win business for our focused product lines and increase the capacity utilization levels. IN FY24, our lifetime new business win has been over Rs. 87 billion. The annual peak value is around Rs.15 billion. These wins are likely to generate additional revenue of Rs.8.5 billion in FY25. It is very encouraging to see that more than 40% of these new wins have come in EV category. Our Revenue from supplying to EV players in FY24 was approx. ~5.3% of our overall revenue.

As indicated earlier, we continue our endeavor to grow better than the Industry in India. We are also taking several initiatives to grow our overseas business. We are working with various customers on additional revenue opportunities. We are also driving cost reduction efforts in these markets to improve margins. The margin improvement efforts through backward integration initiatives like SMT lines are already in place. With these actions, we expect to see revival of overseas business in the coming 1 to 2 years.

We will also continue to strengthen our engineering capabilities and also focus on further cost reduction and working capital optimization for all our operations.”

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



Press Release

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 - Q4 FY24

17th May 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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Update on Q4 & FY 24 Performance

17th May 2024

Highlights for FY24 & Q4 FY24



1. Revenue for FY24 at 75,519 mn with a growth of 9.6% driven by strong India business growth of 14.1% . Q4 FY24 revenue grew by 16.2% YoY to Rs. 19,749 mn with India business growing by 23.7%.

2. Improved profitability for full year FY24 as well as for Q4 FY24

FY 24 PBT at 4.2% vs. 1.2% in FY 23
FY 24 EBITDA at 10.1% vs. 8.7% in FY 23

Q4 FY 24 PBT at 5.3% vs. 2.4% in Q4 FY 23
Q4 FY 24 EBITDA at 11.1% vs. 9.4% in Q4 FY 23

3. Balance sheet strengthened with net debt reduced to below 10,000 mn i.e. 9,826 mn
Net Debt/Equity improved to 0.63X from 1.27x and Net Debt /EBITDA improved to 1.29x from over 2.14X

4. Strong growth in lifetime business won

New lifetime orders in FY24 of Rs.87.00 billion

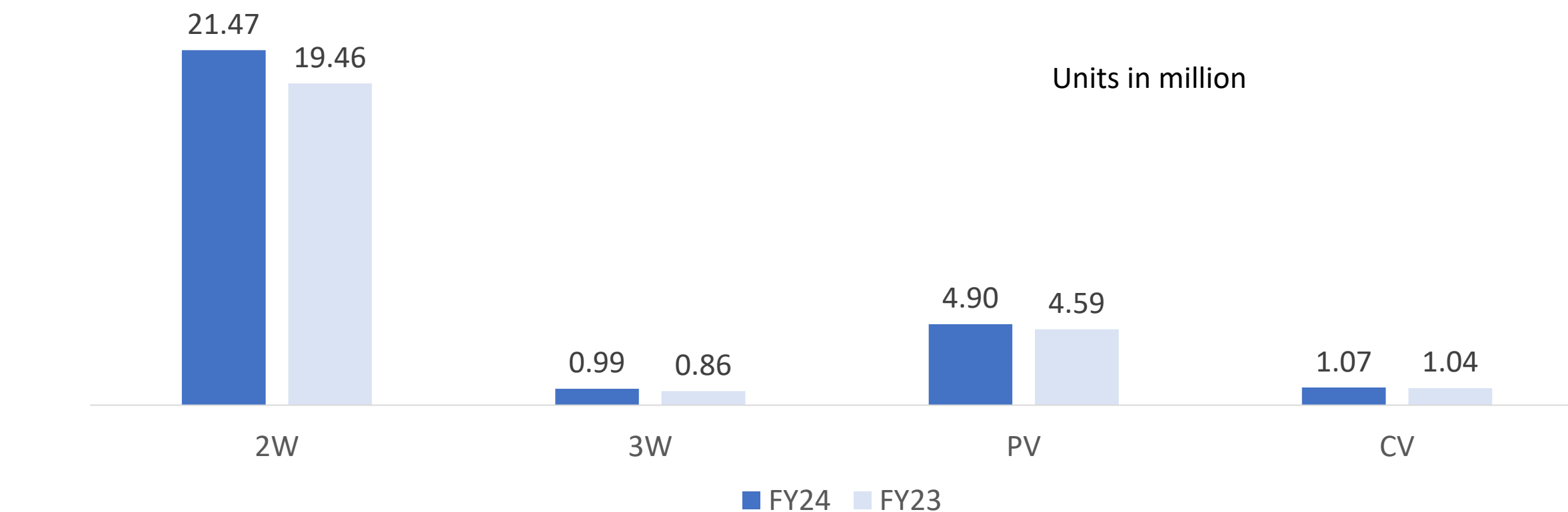
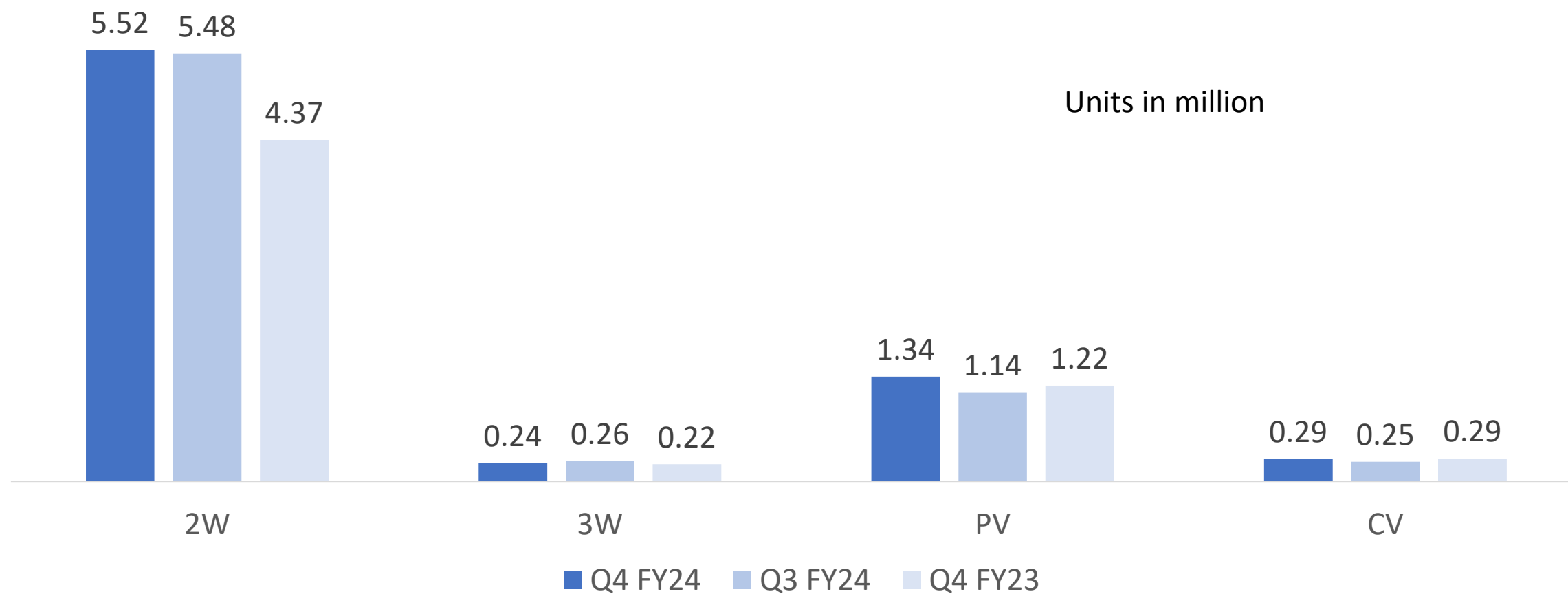
More than 40% business win is from supplying to EV vehicles to 7 customers

5. Revenue from supplying to EV customers in FY 24 was ~5.3% of Revenue

6. Renewable energy projects are in advanced stages of completion.

7. Board approved merger of wholly owned subsidiary VPL with VEL which is expected to result in ease of operation

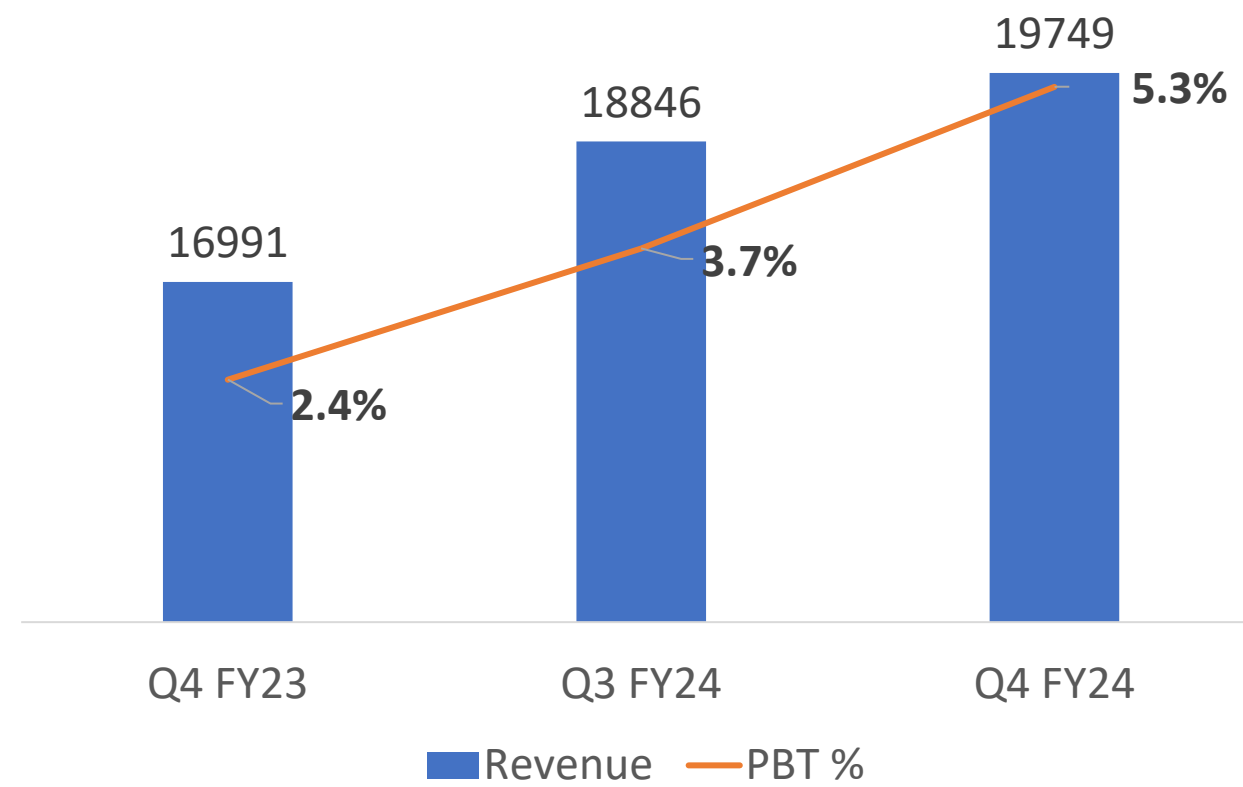
Automotive Production in India



- In Q4 FY24 Strong domestic macro factors resulted most of the segment to grow on YoY basis other than CV segment. CV de-grew marginally on back of pre-buying which took place last year due to OBD norms.
 - 2W grew by 26.5%
 - 3W grew by 8.4%
 - PV grew by 9.7%
 - CV de-grew by 0.5%
- On QoQ basis, we saw growth in all the segments other than 3W:
 - 2W grew by 0.8%
 - 3W de-grew by 8.4%
 - PV grew by 17.6%
 - CV grew by 15.2%
- For full year, we saw growth in all the segments because of buoyant economy
 - 2W grew by 10.3%
 - 3W grew by 16.0%
 - PV grew by 6.9%
 - CV grew by 3.0%
- Monsoon and strength in rural economy will drive the demand in the Indian automotive.
- Lower global inflation to result in lower interest rates in the later part of FY 25 which can boost automotive sales.

Source: SIAM

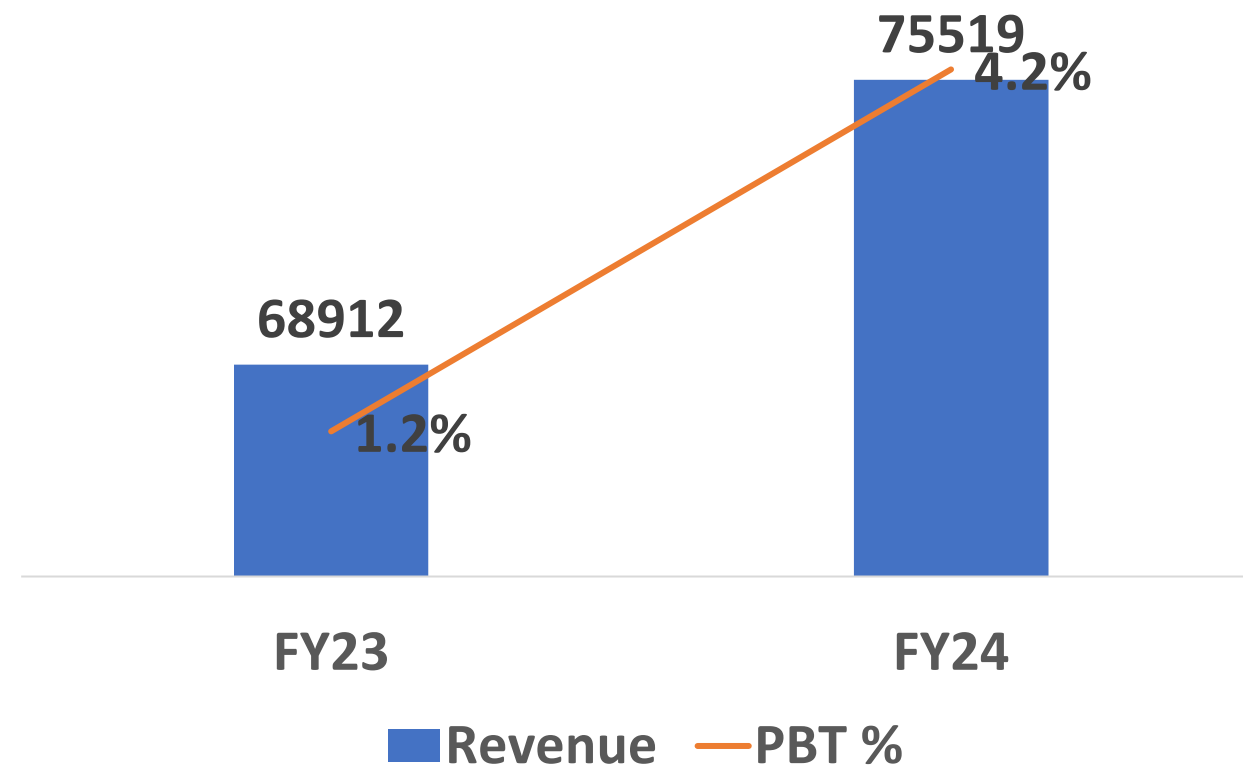
Consolidated Financials of Q4 FY24



Rs. In Million	Q4 FY24	Q4 FY23	YoY	Q3 FY24	QoQ
Revenue	19,749	16,991	16.2%	18,846	4.8%
EBITDA	2,187	1,593	37.2%	1,731	26.3%
EBITDA %	11.1%	9.4%	170 bps	9.2%	190 bps
PBT	1,050	411	155.2%	708	48.3%
PBT %	5.3%	2.4%	290 bps	3.7%	160 bps

- Provision of Rs.160m created for doubtful recovery of receivables from an EV customer on a conservative basis.
- Higher revenue and operating leverage resulted in EBITDA margin growing by 170 basis YoY and 190 basis point QoQ.
- Lower Interest Cost and Depreciation has resulted in PBT margin expanding by 290 basis point YoY and 160 basis point QoQ.

Consolidated Financials of FY24



Rs. In Million	FY24	FY23	YoY
Revenue	75,519	68,912	9.6%
EBITDA	7,590	5,966	27.2%
EBITDA %	10.1%	8.7%	140 bps
PBT	3,149	829	280%
PBT %	4.2%	1.2%	300 bps
PAT	5,530	388	1,326%

Multiplier i.e. operating leverage at each level

- Revenue for FY24 was Rs. 75,519 million and grew by 9.6% YoY
- EBITDA margin expanded by 140 basis point and came at 10.1% for FY24.
- PBT margin expanded by 300 basis point and came at 4.2% for FY24.

Consolidated Balance Sheet & Return Ratio's



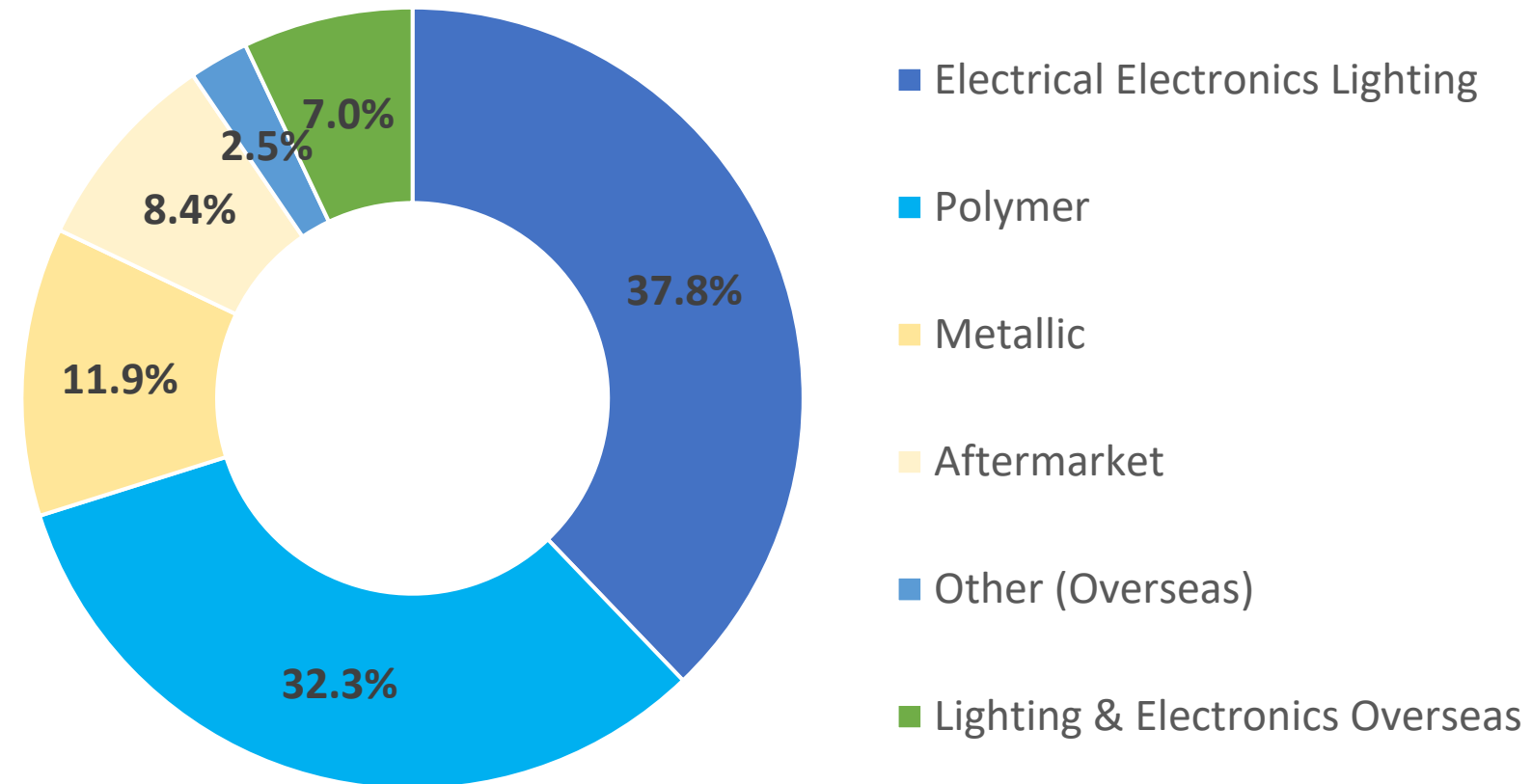
Rs. in Million	31 st March 2024	30 th Sptember'23	31 st March 2023
Net Debt	9,828	10,064	12,779
Equity	15,262	10,658	10,042
Annualised Adjusted EBITDA	7,590	7344	5986
Net Debt/Equity	0.64	0.94	1.27
Net Debt/EBITDA	1.29	1.37	2.13
ROCE (Annualized)	20.3%	23.0%	12.0%

Continue to strengthen the balance sheet, ability to service debt and retutn ratios

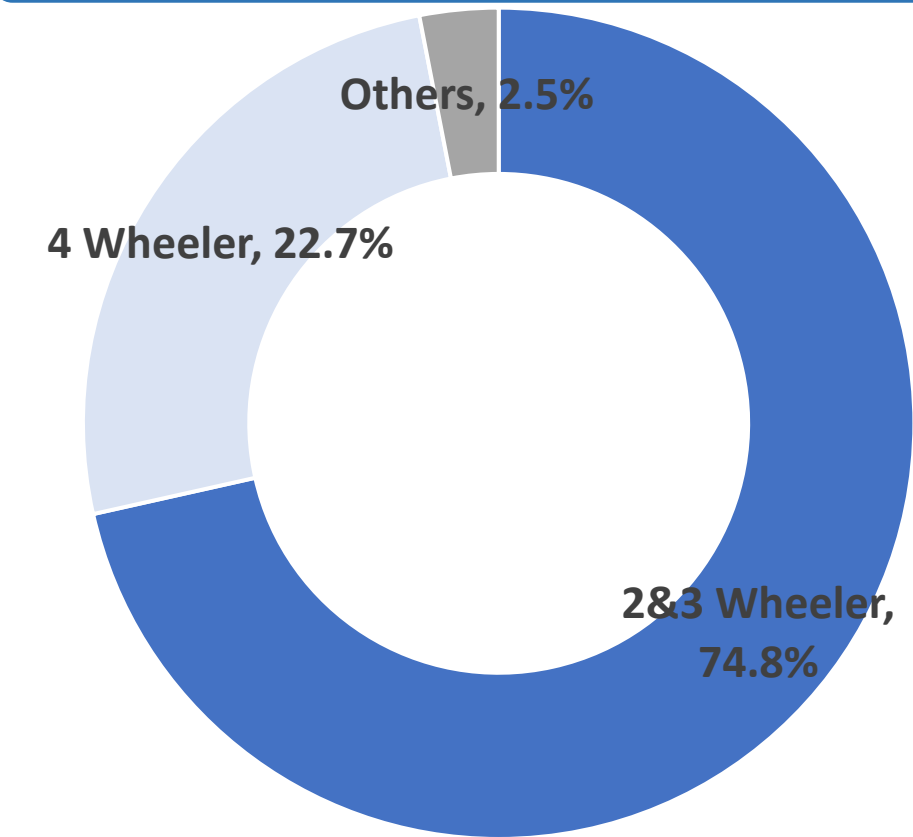
Revenue Breakdown for FY24



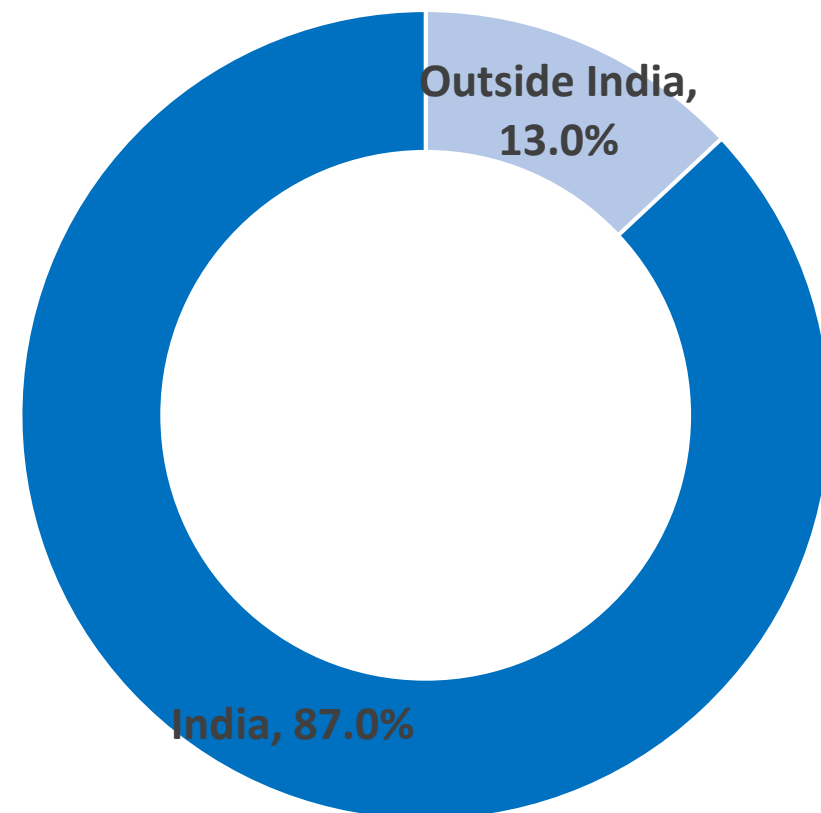
Business Unit



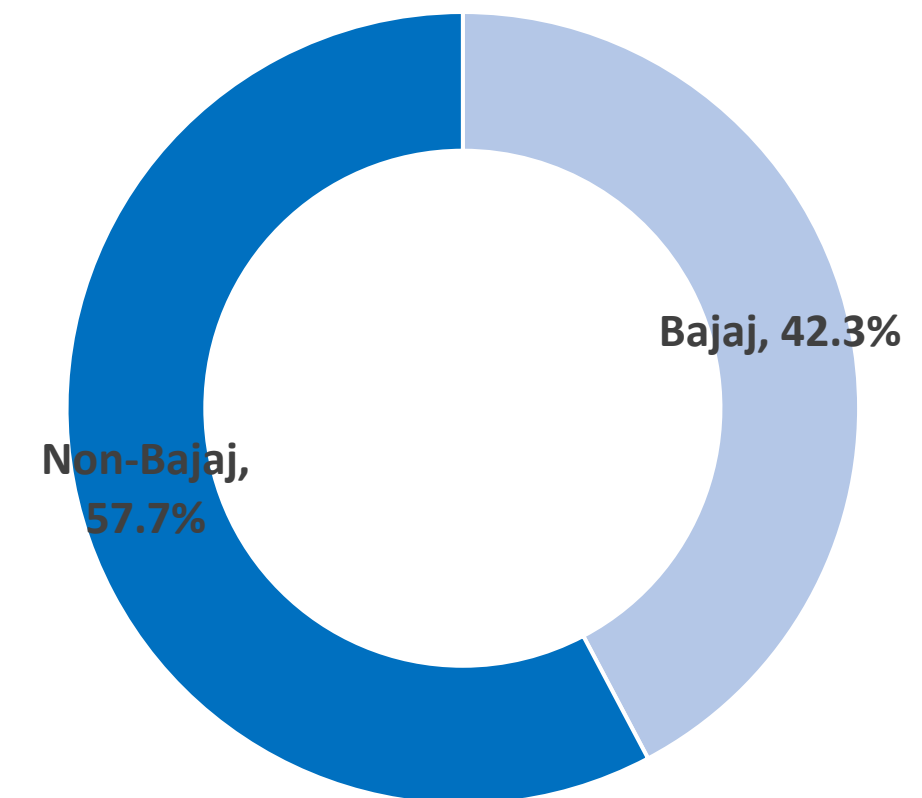
Segment



Geography



Customer

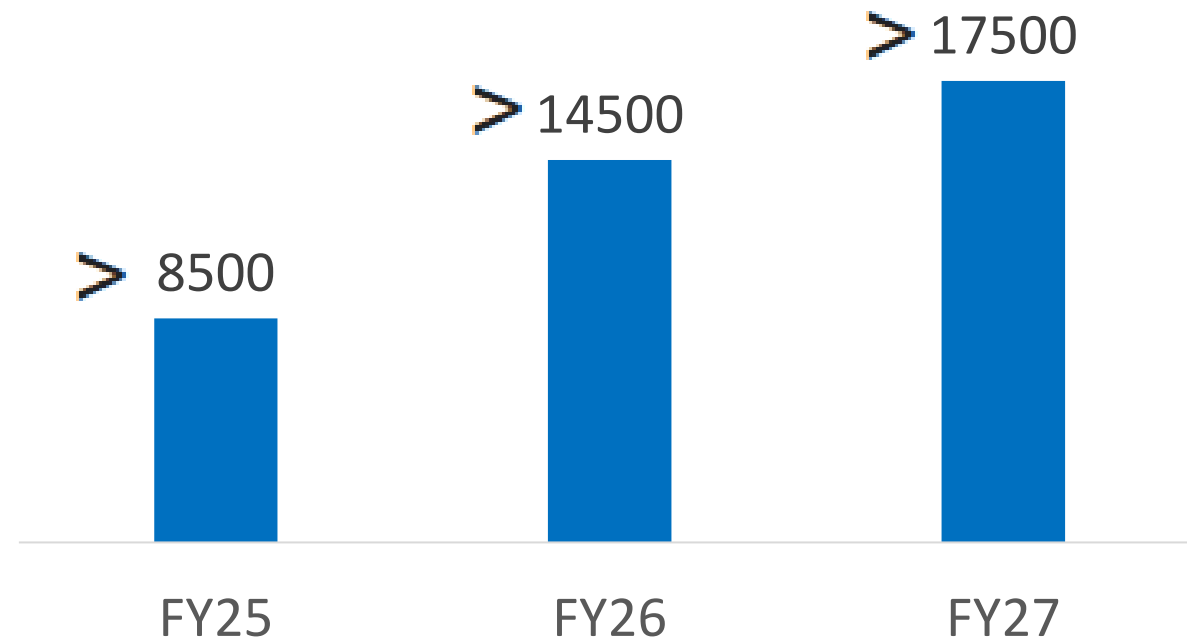


New Lifetime Order Win in FY24

(Lifetime Value is 86,996 million and Annual Peak Revenue is Rs.15,288 million)

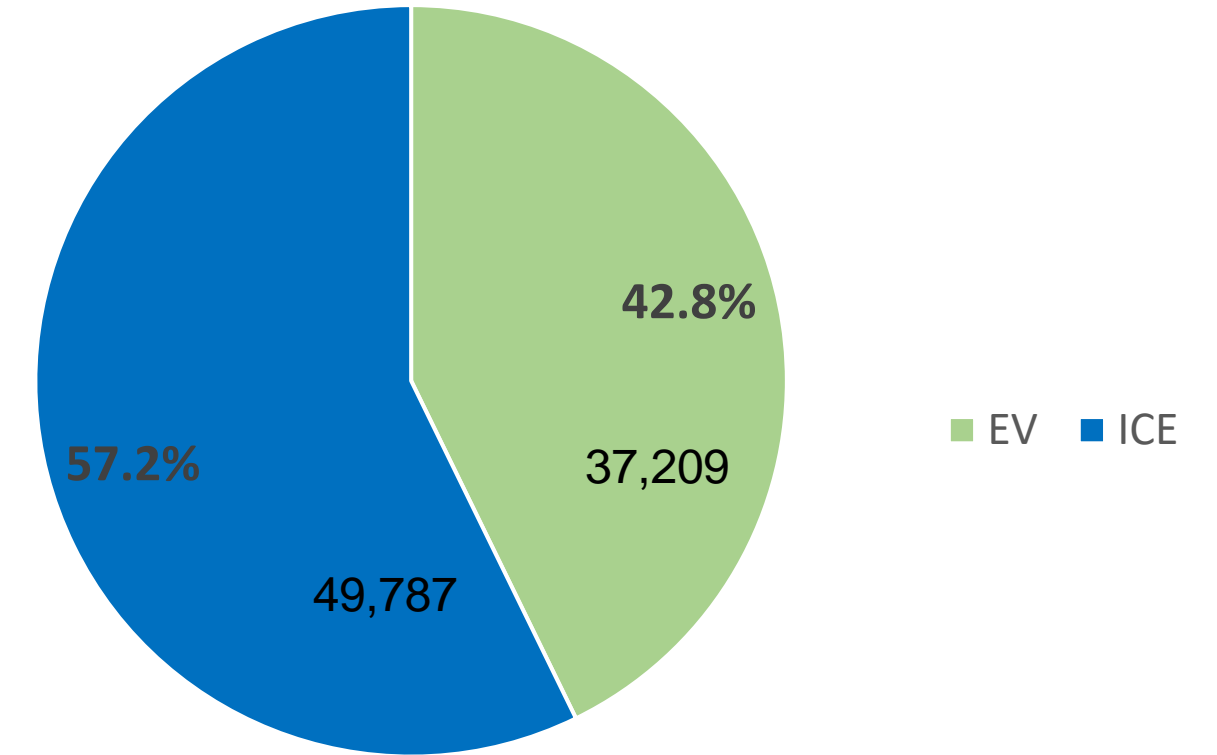


New business win adding to our revenue* in next 3 years

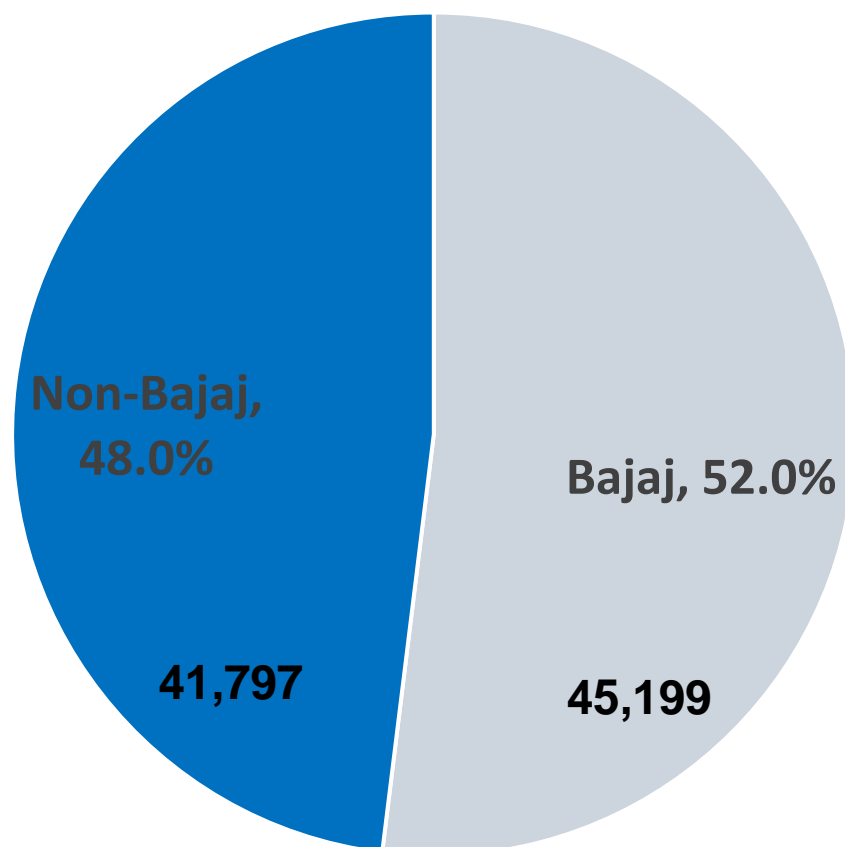


* Assumption is that the SOP happens as given in the business award contract

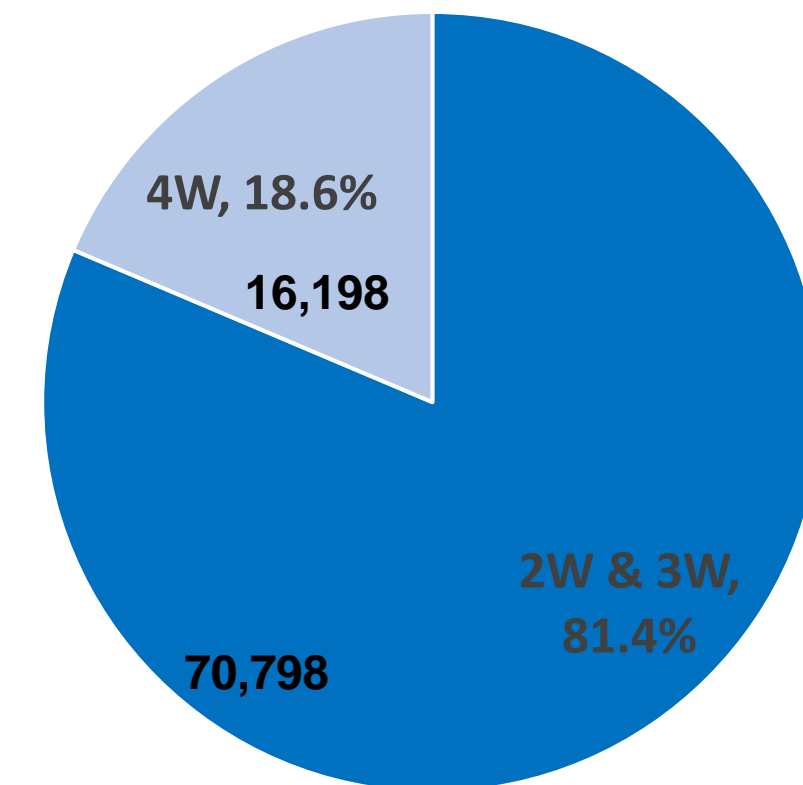
Lifetime Revenue win from ICE & EV Players



Lifetime Revenue win from Customers



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



AWARDS



VEL- Platinum Award



VEL-(Q & D Award)



VEL-I Gold Award



ELECTRONICS R&D (Elcina Award)



VEL- Super Platinum Award



VEL- HMSI ANNUAL SUPPLIER AWARD



VEL - HR Best Practise





THANK YOU