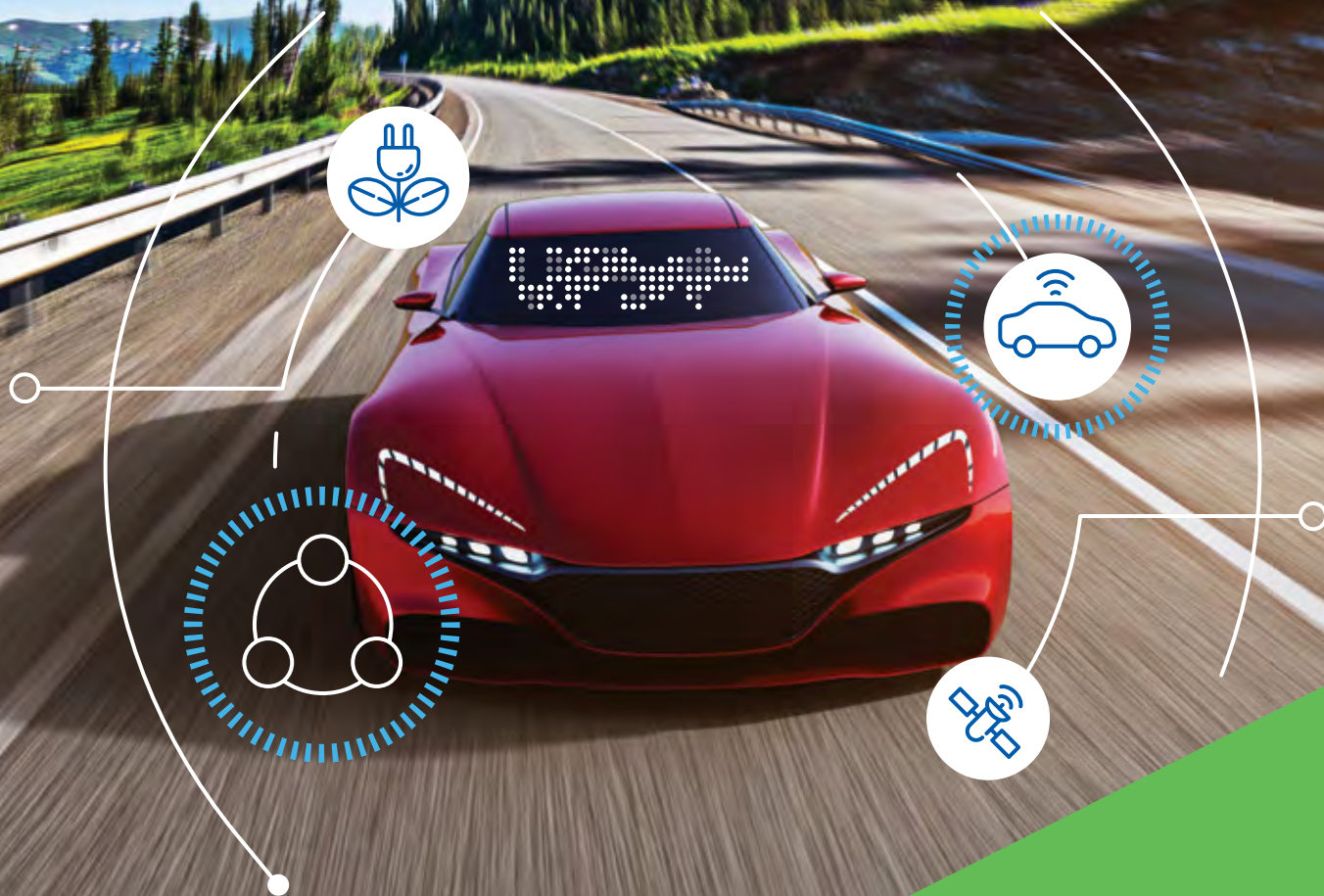


WE ARE FUTURE READY



ANNUAL REPORT
2018-19

Forward-Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions.

This report and other statements-written and oral-that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should, known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

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Exterior Lighting-Headlamp Assembly



Polymers-Seat Assembly



Electrical-Electronics-Magneto



Metallic-Automotive Gears

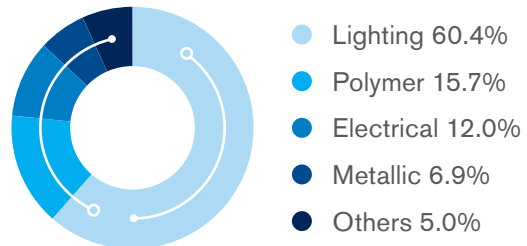
Future Is Created By Paving The Way For A Better Tomorrow

Diverse trends impact the world we live in and present complex and uncertain outcomes. These disruptive factors with respect to the automotive industry include innovations pertaining to autonomous driving, connected vehicles, government pursuing environment-friendly public mandates, emission-related regulations and changing consumer preferences of ownership—all challenging our ability to make decisions today.

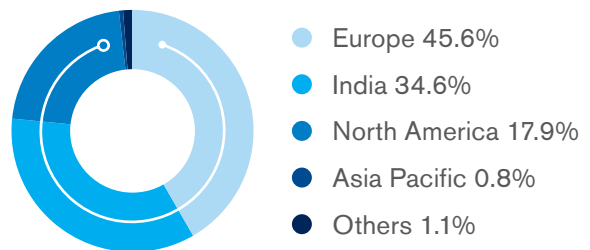
Varroc, however, sees the future being filled with opportunity, discovery and expansion that will take Varroc to the next level.

Hence at Varroc, we believe We are Future Ready

- Comprehensive global footprint across 5 continents, 14 countries, 41 operating and 2 upcoming manufacturing facilities, 16 Research & Development centres
- Over 13800 employees across the globe
- Broad-based client base including major global PV OEMs and leading Indian 2W OEMs
- Manufacturing base in low-cost countries like Czech Republic, India, Mexico, Morocco, China, Poland and Turkey
- Technology-focused products aligned to the upcoming trends in the automotive sector such as Electric vehicles, connected vehicles and advanced lighting applications for a greener, connected and autonomous world
- An empowering culture to enable every employee with a sense of purpose. We nurture talent and have created future-ready programs to drive sustainable expansion
- Strong Competitive Position in a Growing Market Segments



Revenue Split by Product*



Revenue Split by Region

41

Operating
Manufacturing Facilities

16

Research &
Development Centres

* as per MIS Grouping

About Us

Group Overview

Varroc is a global tier-1 automotive component group. We design, manufacture and supply exterior lighting systems, plastic and polymer components, electrical-electronics components, and precision metallic components to passenger car, commercial vehicle, 2-wheeler, 3-wheeler and off-highway vehicle (“OHV”) OEMs directly worldwide. We are the second largest Indian auto component group (by consolidated revenue for FY2017) (*Source: CRISIL Research*) and a leading tier-1 manufacturer and supplier to Indian 2-wheeler and 3-wheeler OEMs (by consolidated revenue for FY2017) (*Source: CRISIL Research*). We are the sixth-largest global exterior automotive lighting manufacturer and one of the top three independent exterior lighting players (by market share in 2016) (*Source: Yole*).

In FY19, we clocked in revenue in excess of ₹120 billion. Between FY2016 and FY2019, we had a compound annual growth rate (“**CAGR**”) of 13.6% in our revenue.

History

We commenced operations in India with our Polymer business in 1990. We initially grew organically in India by adding new business lines, such as our Electrical division and Metallic division. Subsequently, we diversified our product offerings and expanded our production capacity through various investments, joint ventures and acquisitions. The acquisitions most notably included our 2012 acquisition of Visteon’s global lighting business, now known as Varroc Lighting Systems. In 2007 we acquired I.M.E.S (a manufacturer of hot steel forged parts for the construction and oil and gas industries) in Italy and in 2011 we acquired TRI.O.M. (now known as VLS Italy, a manufacturer of high-end lighting systems for global motorcycle OEMs) with operations in Italy, Romania and Vietnam. On February 13, 2018, we entered into a joint venture with Dell’Orto S.p.A., Italy, for the development of electronic fuel injection control systems for 2-wheelers and 3-wheelers. In 2018 we acquired a Turkey-based lighting products manufacturer.

Our Businesses

We have end-to-end capabilities across design, R&D, engineering, testing, manufacturing and supply of various products across our business. We have two primary business lines, namely (i) the design, manufacture and supply of exterior lighting systems to passenger cars OEMs worldwide (our “Global Lighting Business” or VLS) which we undertake through our subsidiaries forming part of the VLS group and (ii) the design, manufacture and supply of a wide range of auto components in India (our “India Business”), primarily to 2-wheeler and 3-wheeler OEMs, including exports. Our India Business offers a diversified set of products across three product lines, namely Polymers/Plastics, Electrical/Electronic and Metallic components. In addition, we have other smaller businesses, which include the design, manufacture and supply of 2-wheeler lighting to global OEMs, and undercarriage forged machine components for OHVs and drill bits for the oil and gas sector (our “Other Businesses”).

By locating its manufacturing facilities in comparatively lower cost countries, VLS is able to provide customers with lighting systems in a cost-efficient manner. VLS has a diversified customer base across nearly all major automotive markets in the world, except Japan and Korea. VLS has long-term relationships with leading auto manufacturers across the premium, mid-range and mass-market pricing spectrum, including Ford, Jaguar Land Rover, the Volkswagen Group, Renault-Nissan-Mitsubishi, Groupe PSA, FCA, a European multinational car manufacturer and an American electric car manufacturer. VLS has a broad portfolio of lighting products, including Halogen, Xenon/high-intensity discharge, light-emitting diode (“LED”), Matrix LED, high definition Micro-Electro-Mechanical Systems (“MEMS”) and digital micromirror device (“DMD”), surface LED, organic light-emitting diode (“OLED”) module, Flex LED, LED pixel and LED pixel headlamp, catering to the five product segments within external automotive lighting. VLS has sales offices in France, Germany and the United Kingdom and is headquartered in Plymouth, Michigan (United States of America).

Vision

To be a ₹200 Billion supplier of innovative solutions for transportation and allied industry in 2020.

- Core business sectors will be exterior lighting and 2-wheelers mobility
- Be a partner of choice for vision, mobility and emission technologies
- Be the fastest growing player in our core sectors

Mission

Bring leading edge technologies to the mainstream markets with high quality, cost competitive solutions.

- By delivering customized solutions with superior service
- Incorporating speed, agility and creativity
- Fostering an environment that empowers employees and encourages the pursuit of excellence

Values

Our core values SHIPS serve as a common identity for every employee in the organization. These values have been ingrained in Varroc since inception and have stood the test of time. Our principles have helped us thrive in the global competitive market.

SHIPS:



Sincerity



Humility



Integrity



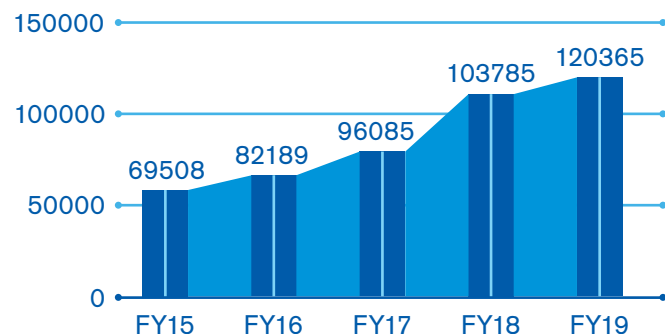
Passion



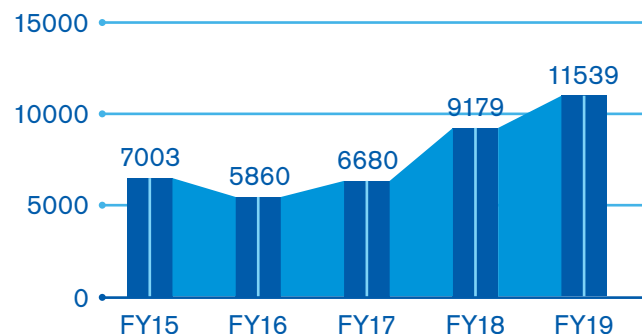
Self Discipline

Consolidated Financial Performance

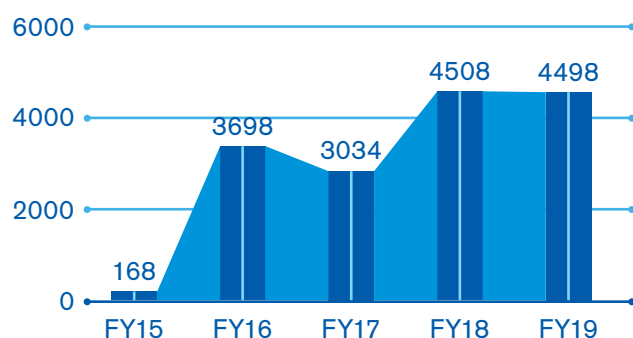
Revenue (₹ million)



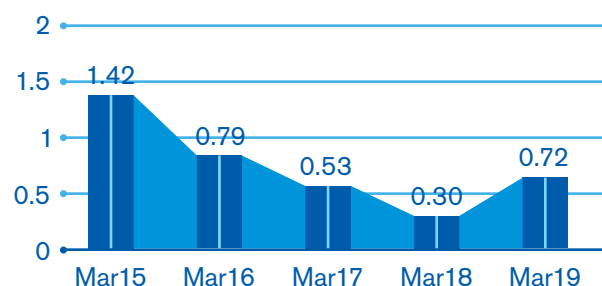
EBITDA (₹ million)



PAT (₹ million)

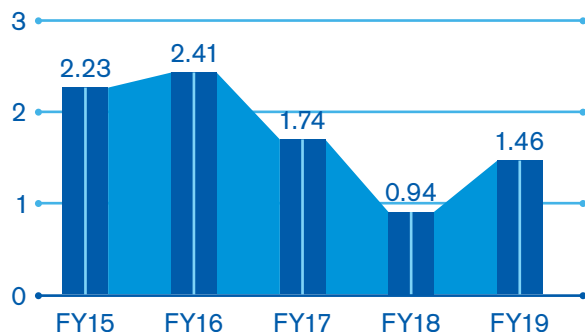


Net Debt/Equity

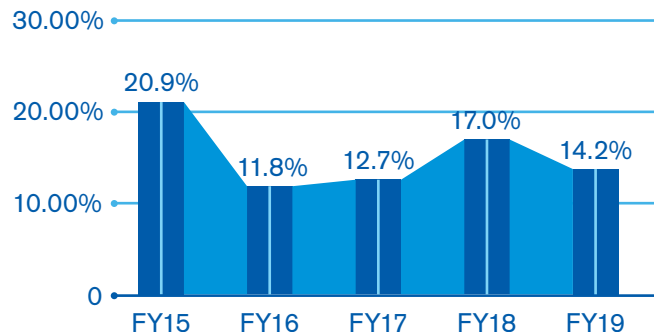


Consolidated Financial Performance

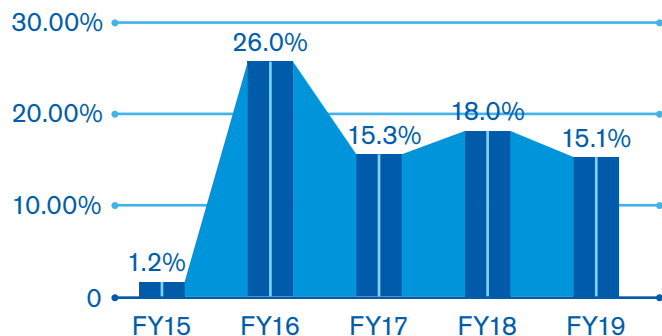
Net Debt/EBITDA



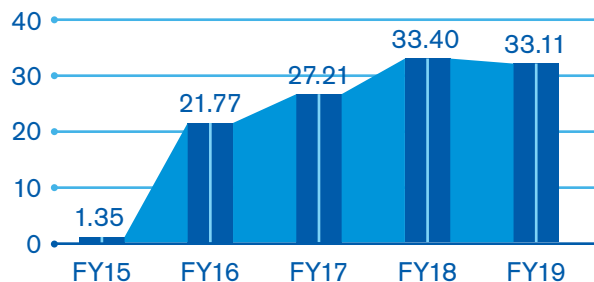
ROCE (%)



ROE (%)



Earnings Per Share (₹)



Future is Discovery

We have taken concrete steps to inculcate future readiness in all our new endeavours. One such step is that we are investing in new technology for the mass market application. As a move to enhance the cost-effectiveness and to increase our reach, we have developed technology that is expected to be used on a broader scale.

New Product Offerings: VLS Business

Adaptive Driving Beam (ADB)

VLS has developed ADB Headlamps, which communicate with onboard cameras and sensors to allow the customer to drive with high beams on permanently without creating glaring issue for upcoming vehicles. VLS already supplies ADB to various customers in Europe and is now waiting for positive regulatory changes in the US to start supplying ADB Headlamps in this critical market.



Surface-LED Technology

VLS patented Surface-LED technology uses thin layers of micro-optic filters and conventional LED light sources to achieve the homogeneous appearance generally associated with OLED. Each homogeneously lit element is only 3.5mm thick, with a luminous intensity that can be scaled from 2,000-13,000 cd/m². Unlike the current automotive-qualified OLED in the market, Surface-LED elements can be designed and produced in curved and 3-D shapes, as well as with multiple colours that enable them to achieve various functions.

With this new product, Varroc Lighting Systems combines the benefits of the still-emerging OLED technology, including its ultra-thin and homogeneous lighting profile, with the proven reliability, low cost and the flexibility of the LED. Surface-LED presents OEM designers with a new, cost-effective and high-impact avenue to create innovative lighting signatures on vehicles.



New Product Offerings: India Business

The 2-wheeler segment of the auto industry in India is expected to see major changes in the near term. Some of those relate to emission norms like BS-VI and some are led by technology upgradations, particularly the transition to EV's.

Varroc has developed futuristic technology-driven products that relate to these trends. Some examples are:

Telematics Products

The future trends indicate the need for an interdisciplinary field that encompasses telecommunications, vehicular technologies, and computer science. We have developed products such as turn-by-turn dashboards and connected 2-wheeler/car devices, which enable a host of analytical capabilities for multiple stakeholders apart from the drivers.

Varroc has developed the Varroc Telematics Control unit. It gathers vehicle data from ECU and transmits to a cloud-based platform (fig.1) and then the information is used for various use cases (fig.2) depending on the functionality of the location, fuel consumption or speed.

The telematics help not only keep up with the latest government legislation in telematics, but also helps cope with climate change.

The OEMs and fleet operators are strongly emphasizing energy saving and vehicle safety measures. At the same time, they want to ensure business models which can reduce total operational cost.

The primary use case for telematics is to measure driving data to offer services like driver behaviour analysis, predictive analysis and connected vehicle frameworks. Data collected from the vehicle is converted into a structured form to make accurate business decisions. For instance, helping an insurance company know the driver performance data to offer better products.

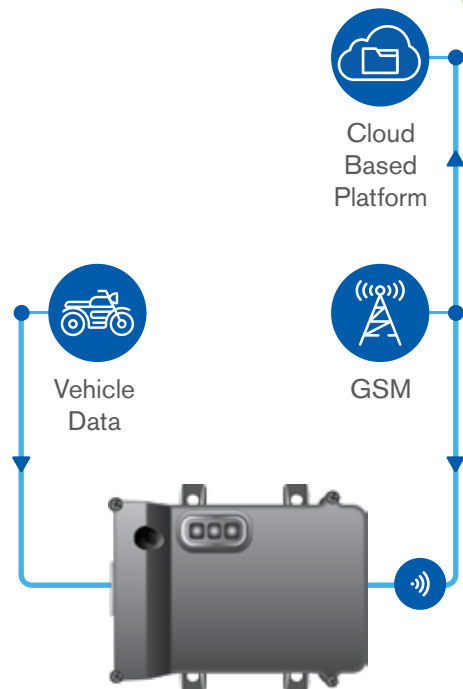


Figure 1 Varroc Standalone Telematics Unit

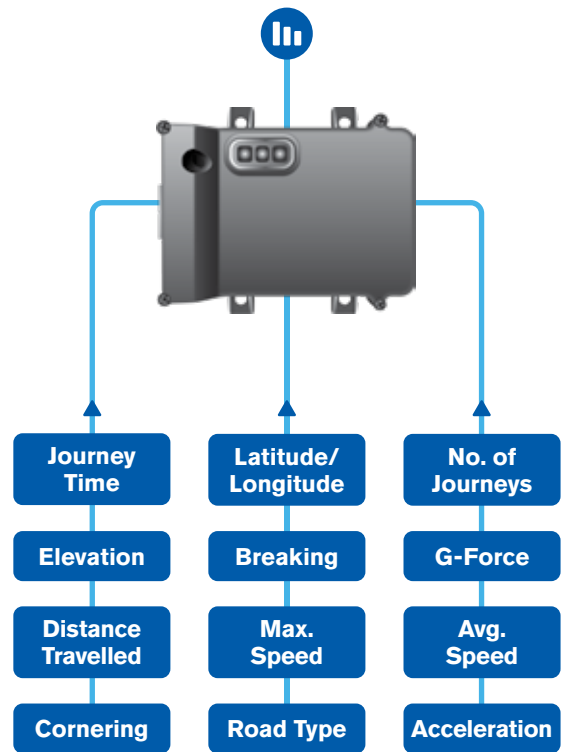


Figure 2 Various Data That Is Assimilated From The Telematics Control Unit