

Varroc Engineering Limited

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2024-25/75

September 14, 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]

Sub: Transcript of 36th Annual General Meeting of Varroc Engineering Limited

Dear Sir/Madam,

Please find enclosed herewith transcript of 36th Annual General Meeting held on September 12, 2024 at 11:00 AM.

A copy of the same is also being placed on the Company's website i.e., 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



VARROC ENGINEERING LIMITED
36th ANNUAL GENERAL MEETING
HELDON THURSDAY, SEPTEMBER 12, 2024 AT 11:00 A.M.

Proceedings of the Annual General Meeting through Video Conferencing (VC) / Other Audio Visual Means (OAVM)

Company Secretary: Good morning and a warm welcome to all of you and our Board Members at the 36th Annual General Meeting of Varroc Engineering Limited.

In compliance with relevant Circulars issued by the Ministry of Corporate affairs and SEBI, this meeting is being conducted through Video Conferencing without physical presence of members at a common venue. The proceedings of the 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 background noise, all the Shareholders are requested to be on 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 presiding over the meeting as the Chairman.

The Company has not received any representation from the Corporate Members for attending the Meeting. Since there is no physical attendance of the Shareholders, the requirement of appointing proxy(ies) is not applicable.

The e-voting facility is active from the commencement of the Meeting and will be active up to 15 minutes after the end of the discussion 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/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 on the availability of time. I now hand over the further proceedings to Mr. Tarang Jain, chairman of the meeting. over to you sir.

Chairman: Thank you. Ladies and Gentlemen, Good Morning.

I welcome you all to the 36th 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 for video conference is being reckoned for the purpose of quorum as per the circular issued by the Ministry of Corporate Affairs and Section 103 of the Companies Act, 2013.

The quorum being present, I call this meeting to order. Before we start the main proceedings of the meeting, I request my colleagues on the video conference to introduce themselves.

Chairman: Mr. Gautam Khandelwal.

Company Secretary: Mr. Gautam Khandelwal has joined in from Mumbai through video conference, but since there his audio and video line disturbance, he has not been able to communicate on this particular part of it. So, we request this particular convenience for his work.

Chairman: Mr. Marc Szulewicz.

Marc Szulewicz: Yes, Marc Szulewicz, Independent Director. I am attending this meeting through video from Paris in France.

Chairman: Mrs. Vijaya Sampath.

Vijaya Sampath: Good morning to all. My name is Vijaya Sampath. I am an Independent Director of the Company. I am attending this meeting from Gurgaon and dialing in from there. I am a member of the Audit Committee of the Board, besides other committees. Thank you.

Chairman: Mr. Vinish Kathuria. Hi, good morning.

Vinish Kathuria: This is Dr. Vinish Kathuria, Independent Director of the Company, calling in from Gurgaon, Haryana, India, through video conferencing. Thank you.

Chairman: Mr. Arjun Jain.

Arjun Jain: Hi, Arjun Jain, Whole time Director of the Company, attending this meeting from video conferencing of Pune.

Chairman: Mr. Tarun Tyagi.

Tarun Tyagi: Good morning. My name is Tarun Tyagi. I am an Whole time Director attending the meeting in person.

Chairman: Mr. Dhruv Jain, I think he is traveling presently abroad and he will be unable to join this particular AGM. Apart from them, we have key executives and senior management joining from their respective locations. Further, Mr. Paul Alavarez and Mr. Mustafa Salim, representatives of the secretary auditors and Mrs. Uma Lodha, secretarial auditors 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 a notice of the meeting has already circulated to the shareholders, with your permission, I take the notice convening the meeting as read. I will request our company secretary to read out the Auditor's Report.

Company Secretary: The Statutory Auditors' Report on Standalone Financial Statements and Consolidated Financial Statements are available on page numbers 207 and 309 of the Annual Report, respectively. The Secretarial Auditor Report of the Company and Varroc Polymers Limited, Material Subsidiary of the Company are annexed to the Board's report on page number 125 and 129 of the Annual Report respectively respectively. T The Auditors 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 March 31, 2024. Now I will be reading out the said observations:

The Audit report on the Standalone Financial Statements of the Company does not contain any qualification. The Audit report on the Consolidated Financial Statements of the Company contains the following qualification:

As disclosed in note 50 to the consolidated financial statements, the financial results and other financial information for the year ended March 31, 2024, 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, is unaudited. Hence, we are unable to determine the 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, 2024 and

Group's share of net assets of China JV on the investment in China JV as at March 31, 2024, had the financial results/ other financial information of China JV been audited.

Management Response: 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. 4,044.50 million as at March 31, 2024, and the Group's share of VTYC's net profit of Rs. 428.79 million which is included in the Group's income for the period 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 operation of the JV, pending which the Group is unable to get the financial and other information of VTYC.

Apart from the above, there are no further qualifications, reservations, or adverse remarks on the Financial Statements for the year ended March 31, 2024. The notes on the Financial Statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

The Secretarial Auditors Report of Varroc Engineering Limited (which forms part of the Annual Report which has been circulated to the Shareholders) does not contain any qualification. Over to you Sir!

Chairman: Thank you, Ajay. Before we take up the first item of the agenda that is adoption of financial statements, I would like to proceed with the Chairman's Statement.

Dear Stakeholders, It is with great pleasure and gratitude that I address you in the AGM for the FY 2024. Over the past year, we have navigated through a landscape of unprecedented change and uncertainty. Yet, through it all, our resilience and commitment have been steadfast. In this AGM, as I review our financial performance and strategic initiatives, I do so with a sense of optimism and determination. Our successes are a testament to the dedication of our team, the strength of our partnerships, and the trust of our shareholders.

Throughout FY 2024, we have navigated through various market conditions like recession fear in developed economies and geo-political wars in various regions. Our commitment to innovation, quality, and sustainability has been unwavering, driving our

growth and securing the future. Discipline in capital allocation is helping us emerge stronger and more resilient than ever.

The automotive industry is undergoing rapid transformation driven by technological advancements, changing consumer preferences, and regulatory developments. Despite these challenges, our company has continued to thrive, adapting swiftly to the evolving market demands and leveraging opportunities for growth. The Company is in forefront to make the vehicle safer and thus developing products with connecting features and innovating further in high end LED lighting. Automotive lighting technology for four-wheelers as well as two-wheelers has evolved significantly over the years to meet safety, regulatory, and technological advancements. Our LED lighting solutions are not only more energy-efficient, durable, and technologically advanced but it also improves visibility, safety and contribute to reducing the environmental impact of vehicles through lower energy consumption. Our product offering for electric vehicle especially in 2W & 3W is to make the entire ecosystem more sustainable. The shift towards electric vehicles (EVs) represents a significant opportunity. At Varroc Engineering Limited we are actively responding to this trend by developing innovative solutions tailored to the unique requirements of electric mobility. Our expertise in power electronics, connecting solutions, EV powertrain, lightweight components, LED lighting, etc. positions us as a key enabler in the transition towards a greener future. Thus, we continue to put our energy, wisdom and capital towards our Vision “Create safe, smart and sustainable future mobility solutions for everyone”.

I am pleased to report that Varroc Engineering Limited has delivered improved financial results this year. Our revenue has grown by 9.6%, reaching Rs.75,519 million, reflecting the success of our strategic initiatives of becoming system supplier and increasing the content. Our Profit Before Tax margin improved to 4.2% in FY 2024 as compared to 1.2% in FY23. Our ROCE has improved to 20.3% and leverage ratio have fallen to 0.63 in FY 2024. This improvement has also been validated by an external rating agency and they have upgraded the rating of the Company by one notch to AA- for the long term and our short-term rating is at the top notch, which is A1+. Our endeavor remains to continue this journey of improvement in coming years also.

Our India operations continued to deliver strong performance with growth of over 14.1% whereas our overseas business was impacted due to significant degrowth in 2W automotive sales and heavy customer concentration in certain overseas markets. 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 (Surface Mount Technology) lines are already in place. With these actions, we expect to see a revival of overseas business in the coming future.

We remain committed to our strategic priorities of innovation, operational excellence, and sustainability. Our focus on sustainability has led to further strengthening our initiative towards ESG, underscoring our responsibility towards environmental stewardship. This year, we undertook a comprehensive materiality analysis to pinpoint the issues most significant to our stakeholders and businesses. This process involved thorough assessments and interactions with our stakeholders, bringing to light critical areas such as energy efficiency, carbon footprint reduction, water conservation, and social responsibility. We aim to align our operational processes and decision-making with the identified material issues to drive long-term value and resilience.

In FY2024, the Company got certified by TISAX and received certificate from ISO 27001:2022. These certifications show that the Company has a systematic approach to managing sensitive information and is well equipped to handle confidentiality, integrity, and availability of its information as well as of its stakeholders.

At Varroc Engineering Limited, customer satisfaction is at the heart of everything we do. We have continued to strengthen our relationships with existing customers while expanding our customer base globally. Our ability to deliver high-quality products and superior service has enabled us to maintain strong partnerships and drive long-term value for all stakeholders.

Looking ahead, while the global economic environment remains uncertain, we are confident in our ability to capitalize on opportunities. We will continue to innovate by further strengthening our engineering capabilities and streamline our operations through further cost reductions and working capital optimization. Our endeavor will remain to expand our presence through focused products to drive sustainable growth and deliver value to our shareholders.

Our future growth strategy is to further diversify our business by focusing more on export opportunities, further strengthening our presence in the aftermarket and reducing customer concentration.

In today's competitive landscape, where technology evolves rapidly and markets shift unpredictably, it's our people who remain our most enduring asset. Their resilience isn't measured solely by their ability to adapt to change but by their capacity to innovate, collaborate, and lead with integrity. As Chairman, I take pride in our unwavering commitment to our workforce. We strive not only to attract top talent but to empower and inspire them to achieve their fullest potential. Our success isn't just measured in profits and market share but in the meaningful relationships we build, the positive impact we create, and the legacy we leave behind. We continue to boost employee engagement and foster a thriving workplace. These efforts led to the company getting certified as a “Great Place to Work” in Sep’23.

I would like to extend my heartfelt thanks to our employees for their hard work and dedication. Their commitment and passion are the driving force behind our success. I also express my gratitude to our customers, partners, and shareholders for their continued support and trust in Varroc Engineering Limited.

In conclusion, I am proud of what we have achieved this year and excited about the future prospects of our Company. Together, we will continue to build on our strengths, uphold our values, and create value for all stakeholders.

Thank you for your confidence in Varroc Engineering Limited.

I now request Mr. Ajay Sharma, our company secretary, to provide necessary instructions to the shareholders regarding e-voting and resolutions as set forth in the notice.

Company Secretary Thank you, Sir. In compliance with the provisions of the Companies Act, 2013, the rules prescribed there under and the SEBI listing regulations, the company has provided the facility of remote e-voting to all the members.

The remote e-voting commenced on Sunday, September 8, 2024 at 9 am and concluded on Wednesday, September 11, 2024 at 5 p.m. In compliance with the rules on e-voting framed under the companies at 2013, the voting at AGM is being conducted by the same e-voting system of NSDL which was used during remote e-voting. Members who have already cast their votes by remote e-voting are not eligible to vote again at this meeting. Members who have not cast their vote may please visit the e-voting page on the NSDL website and cast their votes during the meeting.

Ms. Uma Lodha, Practicing Company Secretary has been appointed as Scrutinizer for the remote e-voting, including 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 14, 2024 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 will 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.

Ordinary Business,

Agenda Item No. 1A - Adoption of audited standalone financial statements of the company for the financial year ended March 31st, 2024, and the reports of the board of directors and auditors thereof.

Agenda Item No. 1B - Adoption of audited consolidated financial statements of the company for the financial year ended 31st of March, 2024, and the report of the auditors thereof.

Agenda Item No. 2 - Appointment of Mr. Arjun Jain, DIN 07228175, as a director who retires by rotation and being eligible offers himself for reappointment.

Agenda Item No. 3 - Appointment of Mr. Dhruv Jain, DIN 09710448, as a director who retires by rotation and being eligible, offers himself for reappointment.

Special Business,

Agenda Item No. 4 - Ratification of remuneration of the cost auditors of the company.

Agenda Item No. 5 - Issue of non-convertible debentures on private placement basis. The text of the resolution along with the explanatory statement is provided in the notice circulated to the shareholders.

Company Secretary: Thank you shareholders for your questions. I will now request the management to answer the questions put forth by the shareholder one by one. The first question that we have received, I will request the chairman to answer the same.

The question is, in the last few quarters, the growth has been muted for Varroc. Can you let us know the reasons for the same and by when the company expects the revenue to grow by mid-teens?

Chairman: Yes, Ajay. So, in financial year 24, revenue growth was overall 9.6 percent. The India business grew strongly at 14.1 percent, whereas the overseas business saw a negative growth. The India business will continue to see outperformances against the industry growth because of the content increase due to the EV penetration increasing as content in EV vehicles around 5 to 6 times that over the ICE variant.

And secondly, even from premiumization of the vehicle is happening where the growth in higher CC vehicles is more than the mass segment which will also drive the content increase. Higher CC vehicles need better painting quality, LED lighting and digital instrument clusters, leading to the content growth. Also, this also results in a content increasing by over 3 to 4 times over the mass segment vehicle.

Whereas the overseas market, the growth was impacted from H2 FY24 due to customer concentration and economic condition. Our customer, in overseas electronic business started to insource which also resulted in fall in our revenue in overseas electronic business. We have now started winning businesses overseas from other customers, but the start of production of these business wins will happen only 12 to 18 months from now.

Thus, the India business, which is over 90% of our overall revenues will continue to grow in mid-teens each year, whereas the overseas business which is less than 10% of our revenue will take 12 to 18 months for the growth can be visible in that business.

Thank you.

Company Secretary: The next question that we have received is again for the Chairman to answer. What is happening on the split in the China JV? By when this will be completed?

Chairman: So as communicated earlier, the hearing of the arbitration in the Singapore court is over and both the parties are waiting for the verdict to come. The same is expected to come before the end of this calendar year. Any further progress on the same will be communicated through the stock exchange.

Company Secretary: The next question is for the group CFO, we understand that the company is looking to procure more power through renewable energy, request you to please let us know how this will help the company.

CFO: Thank you, Ajay. During the financial year 2024, we were procuring about 13% of total energy through renewable. But during the last 12 months we have increased these efforts. Starting from last month we have started procuring another 37 megawatt of peak power to solar resources. This will increase our overall procurement to more than 36 percent of the total requirement.

We are also working on a second phase which will be starting from the last quarter of this financial year which is for another 27 megawatts of additional solar power. So, including all this and a few other rooftop initiatives, we are planning to take it to more than 50 percent by end of this financial year. And these efforts will actually result in total savings of close to 30 crores per annum on an annualized basis.

Company Secretary: Thank you, Sir, for your comments and responses. We have tried to answer all the questions raised by the shareholder to the best possible extent.

I now hand over the further proceedings to the Chairman.

Chairman: Thank you. So, 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 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 authorise 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 & comments.

Dear shareholders, the e-voting period has now ended and this concludes the proceedings of the AGM.

We sincerely appreciate your participation, wishing you good health and success. Thank you.