November 26, 2019

Varroc Engineering Limited- Update on Material Event

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Term Loan	170.65	170.65	[ICRA]AA- (Stable)
Non-Convertible Debenture	100.00	100.00	[ICRA]AA- (Stable)
Fund-based Facilities	343.85	343.85	[ICRA]AA- (Stable) and [ICRA]A1+
Non-fund Based Facilities	152.00	152.00	[ICRA]AA- (Stable) and [ICRA]A1+
Fund-based/ Non-fund Based Facilities	238.50	238.50	[ICRA]AA- (Stable) and [ICRA]A1+
Commercial Paper	100.00	100.00	ICRA] A1+
Total	**1105.00**	**1105.00**	

Material Event

Amalgamation of Varroc Lighting Systems (India) Private Limited (VLSIPL) with Varroc Engineering Limited (VEL): ICRA takes note of the recent press release published on November 12, 2019 mentioning that the Board of Directors have considered and approved the Scheme of amalgamation of wholly owned subsidiary, Varroc Lighting Systems (India) Private Limited ("VLSIPL or Transferor Company"), with Varroc Engineering Limited ("VEL or Transferee Company"). As per the release, the Scheme would be subject to the requisite statutory/ regulatory approvals. VEL has also announced Q2 FY2020 and H1 FY2020 financial results on November 12, 2019.

Impact of the Material Event

The merger/amalgamation of entities will not have any material impact on credit profile, as ICRA has always considered consolidated financials for assessing financial position of the VEL and its subsidiaries. ICRA has also taken a note of Q2 FY2020 results published by the firm wherein the financial performance of the group was impacted due muted industry scenario in India as well as globally, along with increase in debt level due to adoption of Ind AS 116 and Ind AS 115 accounting standard.

ICRA takes the note of the recent update and would continue to monitor the developments regarding the same going forward.

The previous detailed rating rationale is available on the following link: [Click here]

Company Profile

Incorporated in 1988, VEL is the flagship company of the Aurangabad-based Varroc Group. It is also the holding company for the Group's other ventures in auto component manufacturing. VEL, along with its subsidiaries, is present in automotive lighting, plastic moulded parts, electrical components, forgings and the engine valve business. The Group was initially started as a captive unit for BAL for its auto component supplies and has gradually diversified by adding new customers and products. In 2012, VEL acquired Visteon's global lighting business, which has transformed the company into a global auto component supplier, with presence across Europe, North America, India and China.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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