

August 22, 2023

Varroc Polymers Limited: Ratings Withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund Based – Term Loan	350.00	350.00	[ICRA]A (Stable); Withdrawn
Long-term / Short-term – Fund based facilities	20.00	20.00	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
Long-term / Short-term – Non-Fund based facilities	3.00	3.00	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
Long-term / Short-term – Fund based/non-Fund based facilities	125.00	125.00	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
Long-term / Short-term – Unallocated Limits	97.00	97.00	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
Total	595.00	595.00	
Commercial Paper (CP)	75.00	75.00	[ICRA]A2+; Withdrawn

*Instrument details are provided in Annexure-I

Rationale

ICRA has withdrawn the ratings assigned to Varroc Polymers Limited (VPL) at the request of the company and based on the No objection certificate (NOC) received from the bankers, and in accordance with ICRA's policy on withdrawal. ICRA does not have adequate information to suggest that the credit risk has changed since the time the rating was last reviewed. The Key rating drivers, Liquidity position and Rating sensitivities have not been captured as the related instrument is being withdrawn.

The previous detailed rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Component Manufacturers ICRA Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Varroc Engineering Limited, its subsidiaries and step-down subsidiaries (which includes VPL), which are all enlisted in Annexure-2.

About the company

Varroc Polymers Limited is a part of the Aurangabad-based Varroc group of companies. Its parent entity, Varroc Engineering Limited (VEL) is 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 established as a captive unit for Bajaj Auto Limited's (BAL's) auto components and gradually diversified by adding new customers and products to its portfolio. In 2012, VEL acquired Visteon's global lighting business, which transformed the company into a global auto component supplier, with presence across Europe, India and China. However, post a challenging two years faced in the European market post the pandemic outbreak and associated

macroeconomic challenges, the Group divested its overseas 4W lighting business in the US, Mexico and Europe, in Varroc Lighting Systems to Plastic Omnium SE, France. The transaction was completed on October 6, 2022.

Key financial indicators (audited)

Varroc Consolidated	FY2021*	FY2022*	FY2023*
Operating income	4,404.6	5,866.0	6,863.1
PAT	-664.3	-1,106.3	-822.5
OPBDIT/OI	8.4%	6.5%	8.3%
PAT/OI	-15.1%	-18.9%	-12.0%
Total outside liabilities/Tangible net worth (times)	2.6	4.5	3.6
Total debt/OPBDIT (times)	10.0	4.3	1.4
Interest coverage (times)	4.1	3.2	3.0

for continuing operations

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2024)					Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021		
				Aug 22, 2023	Nov 28, 2022	May 06, 2022	Dec 7, 2021	Jun 23, 2021	Aug 21, 2020	Apr 30, 2020	
1	Term Loan	LT	350.00	65.00	[ICRA]A (Stable), Withdrawn	[ICRA]A (Stable)	[ICRA]A&	[ICRA]A (Negative)	[ICRA]A+ (Stable)	[ICRA]AA- (Negative)	[ICRA] AA- @
2	Fund-based Facilities	LT/ST	20.00	--	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A& / [ICRA]A2+&	[ICRA]A (Negative)/[ICRA]A2+	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]AA- (Negative) / [ICRA]A1+	[ICRA] AA- @ / [ICRA]A1+ @
3	Non-fund Based Facilities	LT/ST	3.00	--	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A& / [ICRA]A2+&	[ICRA]A (Negative)/[ICRA]A2+	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]AA- (Negative) / [ICRA]A1+	[ICRA] AA- @ / [ICRA]A1+ @
4	Fund-based/ Non-fund Based Facilities	LT/ST	125.00	--	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A& / [ICRA]A2+&	[ICRA]A (Negative)/[ICRA]A2+	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]AA- (Negative)/[ICRA]A1+	[ICRA] AA- @ / [ICRA]A1+ @
5	Unallocated	LT/ST	97.00	--	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A& / [ICRA]A2+&	[ICRA]A (Negative)/[ICRA]A2+	[ICRA]A+ (Stable)/[ICRA]A1	-	-
6	Commercial Paper	ST	75.00	--	[ICRA]A2+; Withdrawn	[ICRA]A2+	[ICRA]A2+&	[ICRA]A2+	[ICRA]A1	[ICRA]A1+	[ICRA]A1+ @
7	Non-Convertible Debenture	LT	--	--	-	-	-	-	-	-	[ICRA] AA- @

&= Under Watch with Developing Implications

@= Under Watch with Negative Implication

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Fund-based Facilities	Simple
Non-fund Based Facilities	Very Simple
Fund-based/ Non-fund-based Facilities	Simple
Unallocated	Not Applicable
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2021	NA	FY2025	350.00	[ICRA]A (Stable), Withdrawn
NA	Fund-based Facilities	NA	NA	NA	20.00	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
NA	Non-fund Based Facilities	NA	NA	NA	3.00	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
NA	Fund-based/ Non-fund Based Facilities	NA	NA	NA	125.00	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
NA	Unallocated	NA	NA	NA	97.00	[ICRA]A (Stable)/[ICRA]A2+; Rating Withdrawn
NA*	Commercial Paper	NA	NA	NA	75.00	[ICRA]A2+; Withdrawn

Source: Company *Not placed currently

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	VEL Ownership	Consolidation Approach
Direct Subsidiaries		
Varroc Polymers Private Limited	100.00%	Full Consolidation
Durovalves India Private Limited	72.78%	Full Consolidation
Varroc European Holding B.V.	100.00%	Full Consolidation
VarrocCorp Holding B.V.	100.00%	Full Consolidation
Varroc Japan Co. Limited	100.00%	Full Consolidation
CarlQ Technologies Private Limited	74.00%	Full Consolidation
Step Down Subsidiaries		
Team Concepts Private Limited	100.00%	Full Consolidation
Industrial Meccanica E Stampaggio S.p.a.	100.00%	Full Consolidation
Varroc do Brasil Industria E Commercica LTDA	100.00%	Full Consolidation

Source: Varroc Annual Report

Note: ICRA has taken a consolidated view of the parent (VEL) and its subsidiaries while assigning the ratings.

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