

August 22, 2023

Varroc Engineering Limited: Ratings Withdrawn for commercial paper and bank facilities

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	490.30	490.30	[ICRA]A (Stable); Withdrawn
Long-term/ Short -term – Fund based/Non Fund-based Facilities	372.35	372.35	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
Long-term/ Short -term – Unallocated	177.57	177.57	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
Total	1040.22	1040.22	
Commercial Paper (CP)	100.00	100.00	[ICRA]A2+; Withdrawn
Non-Convertible Debenture (NCD) Programme	450.00	450.00	[ICRA]A (Stable); Outstanding

*Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn the ratings assigned to the Commercial Paper and Bank facilities of Varroc Engineering Limited (VEL) at the request of the company and based on the No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rating drivers, Liquidity position and Rating sensitivities have not been captured as the related instruments are being withdrawn.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 are all enlisted in Annexure-2.

About the company

Incorporated in 1988, VEL is the flagship company of the Aurangabad-based Varroc Group. It 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

four-wheeler 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

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years					
				Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022			Date & rating in FY2021		
				Aug 22, 2023	Nov 28, 2022	May 06, 2022	Dec 7, 2021	Sep 1, 2021	Jun 23, 2021	Aug 21, 2020	Apr 30, 2020
1	Term Loan	490.30	490.30	[ICRA]A (Stable); Withdrawn	[ICRA]A (Stable)	[ICRA]A&	[ICRA]A (Negative)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]AA- (Negative)	[ICRA] AA- @
2	Fund-based Facilities	-	--	-	-	[ICRA]A& / [ICRA]A2+&	[ICRA]A (Negative) / [ICRA]A2+	[ICRA]A+ (Stable) / [ICRA]A1	[ICRA]A+ (Stable) / [ICRA]A1	[ICRA]AA- (Negative) / [ICRA]A1+	[ICRA] AA- @ / [ICRA]A1+ @
3	Non-fund Based Facilities	-	--	-	-	[ICRA]A& / [ICRA]A2+&	[ICRA]A (Negative) / [ICRA]A2+	[ICRA]A+ (Stable) / [ICRA]A1	[ICRA]A+ (Stable) / [ICRA]A1	[ICRA]AA- (Negative) / [ICRA]A1+	[ICRA] AA- @ / [ICRA]A1+ @
4	Fund-based/ Non-fund Based Facilities	372.35	--	[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]A+ (Stable) / [ICRA]A1	[ICRA]AA- (Negative) / [ICRA]A1+	[ICRA] AA- @ / [ICRA]A1+ @
5	Unallocated	177.57	--	[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]A+ (Stable) / [ICRA]A1	-	-
6	Commercial Paper	100.00	--	[ICRA]A2+; Withdrawn	[ICRA]A2+	[ICRA]A2+&	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A1+	[ICRA]A1+ @
7	Non-Convertible Debenture	450.0	250.0	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A&	[ICRA]A (Negative)	[ICRA]A+ (Stable)	-	[ICRA]AA- (Negative) withdrawn	[ICRA] AA- @

&= Under Watch with Developing Implications @= Under Watch with Negative Implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Fund-based/ Non-fund-based Facilities	Simple
Unallocated	Not Applicable
Commercial Paper	Very Simple
NCD	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	490.30	[ICRA]A (Stable); Withdrawn
NA	Fund-based/ Non-fund Based Facilities	NA	NA	NA	372.35	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
NA	Unallocated	NA	NA	NA	177.57	[ICRA]A (Stable)/[ICRA]A2+; Withdrawn
NA*	Commercial Paper	NA	NA	NA	100.00	[ICRA]A2+; Withdrawn
INE665L07024	NCD	17-Sep-2021	8%	17-Jun-2023	125.0	[ICRA]A (Stable)
INE665L07032	NCD	17-Sep-2021	8%	17-Sep-2023	250.0	[ICRA]A (Stable)
NA	NCD		Not placed		75.0	[ICRA]A (Stable)

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 Commericia 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.

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545328

shamsherd@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Sruthi Thomas

+91 124 4545822

sruthi.thomas@icraindia.com

Karan Punjabi

+91-22 6169 3358

karan.punjabi@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.