

October 11, 2023

Varroc Engineering Limited: Ratings Withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture (NCD) Programme	450.00	450.00	[ICRA]A (Stable); Withdrawn

*Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn the ratings assigned to the NCD facility of Varroc Engineering Limited (VEL) at the request of the company and in accordance with ICRA's policy on withdrawal of credit ratings. 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rating drivers, Liquidity position and Rating sensitivities have not been captured as the related instruments are being withdrawn.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	
				October 11, 2023	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	-	-	-	[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	-	--	-	[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	-	--	-	[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	-	--	-	[ICRA]A2+; Withdrawn	[ICRA]A2 +	[ICRA]A2+&	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A1+	[ICRA]A1+ @
7	Non-Convertible Debenture	450.0	375.0	[ICRA]A (Stable); Withdrawn	[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
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
INE665L07024	NCD	17-Sep-2021	8%	17-Jun-2023	125.0	[ICRA]A (Stable); Withdrawn
INE665L07032	NCD	17-Sep-2021	8%	17-Sep-2023	250.0	[ICRA]A (Stable); Withdrawn
NA*	NCD	Not placed			75.0	[ICRA]A (Stable) ; Withdrawn

Source: Company *not placed currently

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 Commercials 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

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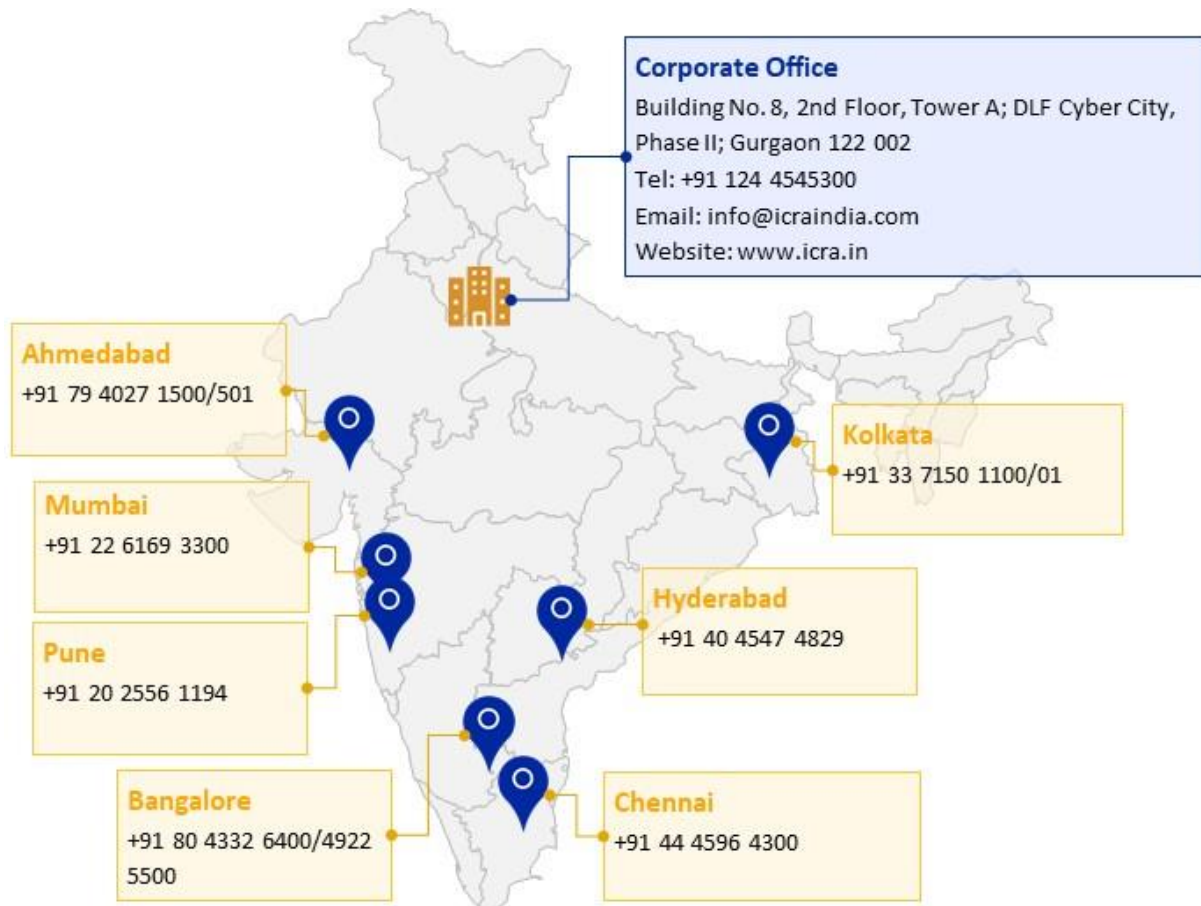
Registered Office

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

Tel: +91 11 23357940-45



Branches



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