



# SAMI PRIME RESEARCH

**Report Date: 30-Sep-2025**

**Validity: 12 months or until material change.**

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## VARROC Engineering Limited (VARROC)

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## 1. Security / Instrument Details

- Company: Varroc Engineering Limited
- Symbol: VARROC
- ISIN: INE665L01035
- Sector/Industry: Consumer Discretionary – Automobile and Auto Components – Auto Components & Equipment
- CMP (ref.): ₹618

## 2. About the Company

Tier-1 auto component manufacturer supplying lighting systems, polymer parts, metallic parts, electrical, and electronics to global OEMs; presence across Europe, North America, and India; gradually pivoting towards EV components.

## 3. Recommendation (Long-Term)

Verdict: HOLD / ACCUMULATE selectively (turnaround underway; volatility high)

Horizon: 3–5 years

## 4. Rationale for Recommendation

- Fundamental Analysis (brief summary)

Sector: Producer Manufacturing • Industry: Auto Parts: OEM

| Metric              | 2021    | 2022    | 2023    | 2024   | 2025   |
|---------------------|---------|---------|---------|--------|--------|
| Market Cap          | 59.49B  | 51.13B  | 38.84B  | 74.34B | 89.53B |
| Net Profit (PAT)    | -6.32B  | -11.1B  | -8.2B   | 5.26B  | 612.3M |
| Operating Cash Flow | 3.38B   | 5B      | 4.25B   | 4.53B  | 5.84B  |
| ROCE                | 1.13%   | 0.77%   | 12.44%  | 11.04% | 15.66% |
| ROE                 | 2.5%    | -3.25%  | 2.43%   | 44.23% | 4%     |
| Profit Margin (%)   | -14.48% | -19.02% | -11.96% | 7.1%   | 0.76%  |
| Debt/Equity         | 1.22    | 0.82    | 1.85    | 0.93   | 0.73   |
| Debtor Days         | 161     | 34      | 32      | 25     | 32     |
| EPS (Basic)         | -46.75  | -72.64  | -53.66  | 34.43  | 4.01   |
| Revenue / Employee  | 31.05M  | 5.54M   | 6.6M    | 6.62M  | 2.92M  |

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• **Technical Analysis**

- Chart patterns, support & resistance: Recovery attempt post FY24 turnaround; resistance ~₹600–650; support ~₹410
- Volume trends, momentum indicators: Improving from oversold; trend reversal signs visible
- Trend: Long trend showing tentative reversal; higher-risk exposure



**5. Sectoral & Macro Factors**

Key Observations (Price-Impact Factors)

**Positive Drivers:**

- Recovery in global PV/2W demand; easing supply-chain constraints post-COVID
- EV adoption providing opportunities in electronics and lighting
- Debt reduction and improved cost controls aiding turnaround

**Risks / Concerns:**

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- Thin margins (~1% in FY25) despite revenue growth; volatile profitability
- High exposure to Europe/overseas markets; FX & geopolitical risks
- Auto OEM capex cycles and EV transition pace critical for demand

## 6. Recent Developments & Promoter Activity

- FY24 turnaround with PAT ₹526 cr vs losses earlier; FY25 profits shrank sharply to ₹61 cr
- Promoter holding ~75% (Jun'25); pledge 0%,FIIS,DIIS share rising.
- Focus on deleveraging; trimming overseas exposure; prioritizing profitable verticals

## 7. Sources of Information

- Annual Reports / Financial Statements
- Exchange Filings (BSE/NSE)
- SEBI / RBI / Government Publications
- Reputed Data Providers (Bloomberg, CMIE, etc.)
- Public News Sources

## 8. Risks

- Input cost swings, competitive intensity, seasonality and execution in new launches

### Checklist (Post-Risk Summary)

| S. no | Particular   | Remarks   |
|-------|--|---|
| 1     | Stock Name   | Varroc Engineering Ltd. (VARROC)  |
| 2     | Sector   | Consumer Discretionary – Automobile and Auto Components – Auto Components & Equipment |
| 3     | Business & Top Brand                                 | Automotive lighting & electronics; global Tier-1 supplier                             |
| 4     | Business Type (Cyclical or Evergreen etc.)           | Cyclical (auto OEM demand-linked)   |
| 5     | Sector outlook as per Fiscal policy this year 2025   | Neutral; auto PLI schemes positive; infra push supports volumes                       |
| 6     | Sector outlook as per Monetary policy this year 2025 | Stable rates aid auto financing; demand revival supportive                            |
| 7     | Credit Rating  | Moderate; leverage improved, still watchful (ICRA/CARE)                               |

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|    |  |  |
|----|--|--|
| 8  | Financial Trend                                  | Losses until FY23; FY24 turnaround; FY25 weak profits          |
| 9  | Valuation (Cheap or Costly or Looks Permissible) | Looks permissible but volatile; turnaround play                |
| 10 | Management Credibility & Qualification           | Promoter-led; seasoned in auto components                      |
| 11 | Geopolitical Impact                              | High EU exposure; FX & geopolitical risks                      |
| 12 | Policy Impact for 2025 & for the next 5 years    | PLI scheme for auto/EV supportive; emission norms drive demand |
| 13 | Final Verdict as of Now                          | HOLD / ACCUMULATE selectively (high risk-reward)               |

## 9. SEBI-Compliant Disclaimer

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## 10. Date & Validity

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