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VARROC/SE/INT/2026-27/25

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To,

The Manager- Listing
The Listing Department,
**National Stock Exchange of India
Limited**
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Bandra (East), Mumbai-400051
NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.
BSE Security Code: 541578

**Sub: Transcript of Investor / Conference Call pertaining to Audited Financial Results
for the Quarter and Financial Year ended on March 31, 2026.**

Dear Sir/ Madam,

Please find Transcript of Investors / Conference Call held on Wednesday, May 27, 2026, in
respect of the Audited Financial results for the Quarter and Year ended on March 31, 2026.

This is for your information and records.

For Varroc Engineering Limited

Anil Ghatiya
Company Secretary & Compliance Officer

Encl: a/a

varroc



**“Varroc Engineering Limited - Q4FY26 Earnings
Conference Call”**

Hosted by  **Investec**

MANAGEMENT:

MR. TARANG JAIN, CHAIRMAN AND MD

MR. ARJUN JAIN, WHOLE TIME DIRECTOR AND CEO, BUSINESS I

MR. DHRUV JAIN, WHOLE TIME DIRECTOR AND CEO, BUSINESS II

MR. K MAHENDRA KUMAR, GROUP CFO

**MR. BIKASH DUGAR, HEAD INVESTOR RELATIONS AND FINANCE CONTROLLER,
BUSINESS II**

MR. VISHAL RAVAL. GROUP FINANCE CONTROLLER, BUSINESS I

MODERATOR: Ms. SWAPNA BHANDARKAR – INVESTEC CAPITAL SERVICES

Call transcript

Operator: Ladies and gentlemen, good day and welcome to Varroc Engineering Limited Q4 FY 2026 earnings conference call hosted by Investec Capital Services. Before I move to introduce the management, I would like to remind all participants that they are in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please raise your virtual hand. Please note that this conference is being recorded. Today, it gives me great pleasure to introduce you to the management of Varroc Engineering. Mr. Tarang Jain, Chairman and MD. Mr. Arjun Jain, Whole Time Director and CEO, Business I. Mr. Dhruv Jain, Whole Time Director and CEO, Business II. Mr. Mahendra Kumar, Group CFO. Mr. Bikash Dugar, Head, Investor Relations and Finance Controller, Business II. Mr. Vishal Raval, Group Finance Controller, Business I.

Operator: With that, I now hand over the mic to Mr. Bikash Dugar. Thank you.

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): Thank you, Investec. Thank you, Swapna. Good evening, everyone. Just before I ask our Chairman to give opening remarks, just a small disclaimer that today's discussion may include statements which may constitute forward-looking statements. All statements that address expectation or projection about the future, including, but not limited to statements about the strategy for growth, business development, market position, expenditure and financial results are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events and involve known and unknown risks, uncertainties and other factors. No obligation is assumed by the company on this forward-looking statement. With this, I'll ask our Chairman to give the opening remarks.

Tarang Jain (Chairman and Managing Director, Varroc Engineering): Thank you, Bikash, and thank you team Investec for hosting the call and good evening to everyone. I am Tarang Jain here. To start with, I just want to say that the India macro tailwinds is supporting growth. India continues to remain one of the fastest growing major economies, supported by strong domestic consumption demand, infrastructure investments and policy-led manufacturing initiatives despite global headwinds. The rural consumption growth is driven by increased farm plus non-farm incomes and easing rural inflation. Whereas the urban consumption growth is driven by fiscal stimulus, tax relief and lower finance costs. The synchronized consumption recovery is driving growth in the automotive sector also. In addition to this, mega trends like rising disposable income, increasing vehicle penetration, urbanization trends, and a strong push towards electrification are also driving demand across segments.

This was evident during Q4 of FY 2026 with all segments of the auto industry showing strong growth on a year-on-year basis. On a year-on-year basis, two-wheelers grew by 20.7%, three-wheelers grew by 32.4%, passenger vehicles grew by 11.3%, and commercial vehicles

grew by 19.5%. On a quarter-on-quarter basis, two-wheelers grew by 3.7%, three-wheelers grew by 1.2%, passenger vehicles grew by 12.5%, and commercial vehicles grew by 23.1%. For the full year of financial year 2026 also, we saw similar positive trends across all segments. Two-wheelers grew for the full year by 11.8%, three-wheelers grew by 23.9%, passenger vehicles grew by 9.4%, and commercial vehicles grew by 13.1%. Coming to the operational performance, during Q4 of FY 2026, the company registered a consolidated revenue of INR 23.7 billion with a growth of 12.8% year-on-year.

As indicated in our earlier calls, the overseas businesses have already started seeing revival in revenue growth, supported by a strong order book. Our EBITDA for the quarter was around 9.7% as compared to 9.3% in the previous quarter. Our PBT before JV profit was at 4.5% of revenues in Q4 of FY 2026, as against 4.4% in Q3 of FY 2026. For the full year FY 2026, the company registered a revenue of INR 88.9 billion, a growth of 9%. The EBITDA margin stood at 9.4% in FY 2026, and PBT before JV profit margin improved by 50 basis points and stood at 4.3%. The revenue from supplying to EV vehicles in this quarter was around 14% of the revenues, and for the full year it was around 13%.

I would like to bring to your attention to the point that the India EBITDA and PBT was strong for FY 2026 at 11.7% and 7.2% respectively and grew both on a year-on-year basis as well as sequentially despite the supply side challenges explained earlier. In overseas electronics and lighting business, we are continuing to win significant orders and a turnaround is expected to be more visible from second half of FY 2027. Our foremost priority remains accelerating revenue growth across both India and the international markets. India, we continue to leverage our strong customer relationships, technology capabilities and expanding product portfolio to capitalize on opportunities emerging from electrification and the premium migration trends. In our overseas markets, we are strengthening our presence through deep customer engagement, enhanced engineering capabilities and focused business wins, positioning ourselves as a reliable global partner.

In financial year 2026, we achieved the highest ever net new business wins with an annualized peak revenue of INR 32,889 billion. Profitable business wins among these in the last quarter are the wall chargers for our Romanian business from a global EV player, gears and crankpins from our ICE powertrain solutions. All this business win helps us to fill the existing capacity and spread our assets even more. In this quarter, again, we also had some business wins from the non-automotive segment. We continue to follow a disciplined and a value-accretive capital allocation strategy with a sharp focus on investments in high growth and technology-led segments, strengthening our R&D and innovation capabilities, particularly in lighting, electric vehicles and electronic domains, ensuring optimal returns on capital employed. Taking steps to correct the cost structure in the company like VRS, which we did in FY 2026.

The net worth of the company in financial year 2026 is INR 4,952 million, which is a reduction of INR 2,528 million from the last year. The net debt to equity is at a very comfortable 0.27. The average ROC of the company stood at 24.4% in financial year 2026. In this volatile new normal environment, we continue to strengthen our company for long-term growth and performance by taking appropriate decisions and meticulously executing them. Please note that the board of directors have recommended a 150% of the face value as dividend for financial year 2026. With this, I will now ask M.K., our Group Chief Financial Officer, to walk you through the presentation and give more insights into our financial

performance. We uploaded the investor presentation to the stock exchanges as well as on our website.

Mahendra Kumar (Global CFO, Varroc Engineering): Thank you, Tarang. Good evening, everyone. Let me take you to the highlights slide, which is slide number seven. Giving Q4, as was previously explained, the revenue was INR 23,681 million or INR 2368 crore. Which was a growth of 1.8% year-over-year. Indian operations within this grew at 12%. The most important point here is the overseas operations grew by 24%. We were explaining earlier that the order book is now going to turn into a strong sales performance this year. We already started seeing it in Q4. Also, the momentum should continue during the current year also. The revenue from EV models in Q4 was at 14%, which actually amounts to a 50% growth year-over-year. and Q4 PBT was at 4.5% versus 4.4% during Q3 of FY 2026. EBITDA was also at 9.7% versus 9.3% reported last quarter.

Coming to the full year revenue, it was at INR 8,891 crores with a growth of 9%. Full year profit PBT was at 4.3%, compared to 3.8% of last year, which amounts to a growth of 22%. Within this, again, if you really look at India profit alone, it grew by more than 40%. Revenue from EV models continues to be at around 13%, which again grew by 39% if you take full year. The order intake, it was INR 33 billion, which is I think the highest ever order intake. Nearly 65% of this relating to EV models. One of the notable recent business wins was the wall chargers business, which is going to be manufactured for a Romanian entity, which will further add to the revenue potential in the coming years. Coming to the net debt. it decreased about by INR 253 crore compared to last year, stood at about INR 495 crore. There was a marginal increase in the last couple of quarters in net debt, but that was largely due to the VRS scheme, which we spoke about in the previous quarters. Also some temporary challenges in net working capital, which should get corrected in the coming quarters. As was previously explained, the board has recommended a dividend of 150% of face value, subject to the approval from the shareholders. This compares to 100% dividend which we declared last year. Going to the next slide. Again, as our CMD explained the industry growth numbers. Basically, the momentum continues in the auto industry. Again, Q4 year-over-year growth, the two-wheeler grew by 21%, three-wheeler by 32%, passenger vehicle by 11%. If you see the full year numbers, almost all the segments grew in double digits.

The two-wheeler volume on year-over-year basis also grew by about 54%. The Q4 financials. the total revenue reported was INR 2,368 crores with an EBITDA of 9.7% and PBT of 4.5%. The full year numbers, INR 8,891 crores, which amounts to 9.4% EBITDA and 4.3% PBT. Coming to the split of the performance between the India business overseas and the R&D. you can see that during Q4, the India business top line grew by 1%, EBITDA by 14% and PBT by a strong 27%. Overseas business also delivered a strong growth of 24%. which also improved the overall EBITDA level. At PBT level, the improvement was not significant, but that is going to be visible in the coming quarters. In terms of the R&D spending, it was close to about 34 crores at EBITDA level. The next slide, we explained the movement in net debt.

In the next slide, as you can see, we reached the lowest point of INR 318 crore six months ago, back in September. From there, we had to take an increase in net debt by close to about INR 115 crore, taking it to INR 495 crore. This is a combination of the VRS scheme plus some increase in net working capital. In the subsequent slides, of course, we gave the

business breakup. We just changed the format, but contents remain the same. Let me stop here. We are happy to take your questions. Thank you.

Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask the question, please raise your virtual hand and I will unmute you. Ladies and gentlemen, we will wait for a moment before we get the first question.

We have the first question from Mr. Mihir Vora. I will unmute you, sir. Go ahead, sir.

Mihir Vora: Yeah. Am I audible?

Operator: Yes, you are.

Mihir Vora: Sir, just going through the order book part here, we saw a very good increase in terms of the last quarter in the new order booking part. And can you just also give some split onto whether how much would be the overseas order booking here and more specifically in terms of how are we seeing the ramp-up of specific to overseas order booking?

MR. DHARUV JAIN, WHOLE TIME DIRECTOR AND CEO, BUSINESS II

Yeah. The overseas order book for this year was around close to INR 1,400 crore. In terms of the ramp-up, we will already start seeing the majority of these programs start production within fiscal year 2027. However, of course, there's a ramp-up period. It's more, I would say, fiscal year 2028 where we'll start seeing the true potential of these wins. However, we already are seeing the, of course, increased revenue in fiscal year 2027 itself, but fiscal year 2028 will be a lot more.

Mihir Vora: All right. Okay. Sir, this also includes, are we getting some traction onto the Thailand plant, the lighting plant orders as well? Some color on that as well.

MR. DHARUV JAIN, WHOLE TIME DIRECTOR AND CEO, BUSINESS II:

Yes. As part of this INR 1,400 crore of revenue that we have mentioned, this would also include business wins for our Thailand location. This would be, of course, within the exterior lighting space.

Mihir Vora: Yeah. This would be predominantly what, two-wheelers or four-wheelers?

MR. DHARUV JAIN, WHOLE TIME DIRECTOR AND CEO, BUSINESS II

It's purely passenger vehicle lighting.

Mihir Vora: Okay. It's purely passenger vehicle. All right. Okay. This is headlamp, to be more specific?

Mr. Bikash Dugar, Head Investor Relations and Finance Controller Business-II: Yeah. Just to clarify, this would also include a headlamp win.

Mihir Vora: Okay. Sure. Yeah. Very good to see the traction building in onto overseas business now. As we see, as the order book is built up and we have a good start SOP from FY 2027 and 2028 onwards, will we need to see some increase in the CapEx here or our CapEx continues to be at the similar range as what we have guided before?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): The CapEx, I think overall will be at least to the tune of between INR 450-500 crores, is what we see as the overall CapEx for this year.

Mihir Vora: Okay. This includes the land you are going to proactively purchase before, right?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): This includes the land. This includes, I would say, a small part of the land. We are looking at other options for the land, because the land availability is not that easy at the moment. We're looking at other options also. Overall, I would say it would be closer to INR 500 crores, including whatever land we can get our hands on.

Mihir Vora: All right. Okay. Okay, sir. That's all from my side. Thank you.

Naman Maheshwari: Hi. Am I audible?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yes.

Naman Maheshwari: Great. Sir, Actually, couple of questions. When we see the quarterly run rate for majority of our businesses, the HMI, the e-mobility, and even the aftermarket, we are seeing some QoQ dip. Could you highlight what is leading to that, or that was as expected on expected lines?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yeah. I would say, I think particularly talking about what would be more the OE sales, which is larger in two parts. On HMI and e-mobility, for sure in Q3, we had a significant level of backlog recovery also, which also improved performance of Q3 versus Q4. However, otherwise, volumes have largely been steady. Minor differences in volumes and in mix between two-wheeler and three-wheeler can also have material impact given just the sheer size of content here in these vehicles. HMI, I would say, is largely along expected lines. However, I think for both of these product groups, I think as we look forward, I think given just the sheer increase in appetite for EV post whatever is global macro crisis we have, we see a strong path.

I think even for HMI, I think we see significant content growth taking place through the realization of the order book that we've already declared. From an aftermarket perspective, yes, we say Q4 is generally a little bit light. But, yeah, I think as we look forward, it's not necessarily a trend that we set.

Naman Maheshwari: Just one more point, that what were the under-recovery this time moving to the material inflation that would have happened towards the end of March. Is there an under-recovery and that's why our margins might improve in the quarter once we pass on with the lag? How do we see the current situation of the material inflation impacting us in the near term? That is the question.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Again, I think we can break it into two, right? One is in terms of talking about Q4 versus talking about what is prospective. In Q4, we do not see an impact in the margin. I don't think there's, of course, some little bit here and there. I'll not say there's a material impact in the margin yet. Of course, going forward, it is clear that there is inflation across commodities that we use, and also in terms of across commodities that we use. Here, I think we are fairly aligned with our OEMs in terms of how do we derive that cost recovery.

Naman Maheshwari: Would it be like a monthly lag or would it be like a quarterly lag? How has the OEM spoken to you? Any light or any colour on that?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Every OEM honestly operates differently. The method of recovery in every OEM will be different. Having said that, there is a strong commitment. I mean, the way the industry works, I think there is strong commitment from OEMs and understanding with OEMs that inflation will be compensated.

Mr. Tarang Jain, Chairman and MD: For inflation, clarified, there could be in some of the cases, there would be probably a lag of at least a quarter, but we are expecting to be compensated in full despite this lag.

Naman Maheshwari: Okay. Just last question. We see a very material ramp-up in the order book. That's a very good silver lining this time. As we go in two to three years hence, how are you seeing Varroc emerging over the next two to three years? Probably this is one, two quarters is a very short story, but you know, what our targets would be for the EV components per se that we do, when we are pivoting to more like electronics, wall chargers, how big do we see our contribution in that space to be? Just if you could throw some light around that, it would be very helpful.

Mahendra Kumar (Global CFO, Varroc Engineering): Basically, as you know that in the last quarter in India, about 14% of revenues came from EV. Now we see some signals that this EV penetration is even going to increase, definitely in our segment of at least the two-wheelers, where we will see actually a major increase and even to an extent also in the passenger car. I do see that there will be a good amount of percentage increase as a part of our sales, overall sales where the EV content is concerned. When it comes to our business abroad, whatever the businesses we have won of inverters, interior lighting, where we've already started our supplies even going forward to wall chargers and everything, a major part of all the electronic, which are largest percentages, all towards EV only. I mean, at the moment, I think probably more than 80%, 90% would be towards- All the wins we've announced is. All the wins in Romania, all towards EV vehicles. Also where the lighting segment is concerned, a major part, of course, is also towards EV segment. Whatever the revenues we see abroad coming out of Romania and later on in Thailand, which will start in a small way from December, all that will be towards EV. Our EV content as an organization will definitely be significant going forward.

Mr. Bikash Dugar, Head Investor Relations and Finance Controller Business-II: Just to add to that, the per vehicle content which we'll have in our overseas business from these EV customers will be very significant.

Naman Maheshwari: Okay. I'll join back in the queue for my follow-up questions.

Mahendra Kumar (Global CFO, Varroc Engineering): Thank you.

Operator: Thanks. The next person is Mr. Rahul Kumar. Mr. Kumar, I'm going to unmute you. Please mention your firm name before you ask the question. Go ahead, Mr. Kumar. You can hear me?

Rahul Kumar, Vaikarya: Hi, this is Rahul from Vaikarya. Just one question on the international business. When do we expect a breakeven in this international business? Which quarter do we expect the breakevens to start from?

Mahendra Kumar (Global CFO, Varroc Engineering): International business has two, three parts. As far as the two-wheeler business is concerned, it is already slightly positive from this quarter. Only in Romania we have significant challenge, and we should reach EBITDA breakeven by Q4. That is the target. As far as the Italian forging business is concerned, that may take maybe one more year to get to EBITDA breakeven.

Rahul Kumar, Vaikarya: Okay. For this ATV forging business, we were planning to do some action, either this is the sale or some other corporate actions. Is there any progress on that front?

Mahendra Kumar (Global CFO, Varroc Engineering): Well, we are working on both internal and external measures. We're also making some small corrections here and there to improve the operational efficiencies and improve profitability. Separately, we are also looking out for suitable opportunities to find a proper buyer. We're not in a hurry to sell it at any cost. The right price comes, we'll recover it and then we'll implement it.

Rahul Kumar, Vaikarya: Okay. On the debt front, what is the guidance you can give us, let's say, over the next four quarters? Where do we expect the debt to settle down?

Mahendra Kumar (Global CFO, Varroc Engineering): I think we explained it in the previous calls also. This year, because of heavy CapEx we have and the business ramp-up which is happening, we don't expect a reduction in debt from current levels. The average debt could be in the range of INR 500 crore-INR 600 crore, more or less at the current levels or slightly upwards. We should move to a zero debt status by end of next year.

Rahul Kumar, Vaikarya: By FY 2028?

Tarang Jain (Chairman and Managing Director, Varroc Engineering): Yeah, FY 2028, that's going to be the objective. See, today we see a lot of growth opportunities and we don't want to lose those opportunities. Whatever the CapEx needed, we're definitely going to incur that kind of CapEx for growth reasons. We have to see how things go depending on all the opportunities. We see a lot of opportunities, we don't want to miss out on those opportunities also. Like he said, we are very mindful, we are very financially disciplined, we'll be mindful of this overall net debt in the organization. Having said that, we don't want to lose on any opportunities also.

Rahul Kumar, Vaikarya: Okay. Can you highlight a couple of opportunities where you're actually doing the CapEx? Which particular segment?

Mahendra Kumar (Global CFO, Varroc Engineering): Where are we investing?

Rahul Kumar, Vaikarya: Yeah.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Like we talked about also, our order book is heavily skewed towards e-mobility and supplying product into EV models. Naturally, of course, the CapEx will also be geared towards these segments. Further to that, of course, we will drive a level of CapEx also to drive expansion in capacities that the market is now demanding.

Rahul Kumar, Vaikarya: Okay. In the comments earlier, you also mentioned that you have won some orders in the non-auto segment. Can you just elaborate a bit more on the quantum, the customers and which segment we are actually doing this?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yeah. The non-auto wins today are primarily around motors and motor controls. The smaller sized motors, where essentially you will drive the level of import substitution.

Mahendra Kumar (Global CFO, Varroc Engineering): This has to be more of experimental or test cases only. It will reach some decent size only next year, sir. You should give it that much time.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Of course. That is like with ramp up of any product, right? There will be a gestation period and ramp up. I think the total value of business win that we have, if that's what you mean.

Mahendra Kumar (Global CFO, Varroc Engineering): Is around INR 50 crores.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yeah.

Mahendra Kumar (Global CFO, Varroc Engineering): Annual peak revenue.

Rahul Kumar, Vaikarya: Okay. Got you. Just last question. Is there any progress on the order wins for the top three EV two-wheelers, which we were discussing in the previous call?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Again, I think the status is the same as what we discussed last time, where we continue to be engaged and hope we have something to announce soon.

Rahul Kumar, Vaikarya: Okay. This is potentially with the top three players in the EV segment. Is that correct?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yeah.

Rahul Kumar, Vaikarya: Thank you.

Operator: Thanks, sir. I will now ask Mr. Shubham Jain from Investec to unmute himself and ask the question.

Shubham Jain, Investec: Hey, hi. Thanks for taking my question. Can you please help us understand on how should we think about the growth outlook going into FY 2027, given that we have a strong order book and our overseas business is also seeing a good revival. Also, the momentum in EV is very strong. Should we expect a mid to high teen growth in FY 2027?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yes.

Shubham Jain, Investec: Okay. That's great to hear. Also, can you please elaborate on how has the recent tensions in Middle East impacted us so far, given that we have a contractual pass-through for most of the cost overheads? How should we think about margins in FY 2027? Should it trend higher versus our FY 2026 levels?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Again, if the question is specific to the Middle East crisis, I would say the impact is two-fold. I think, one is the inflation that you call out. Like you said, we have material cost pass-through

arrangements. We expect that these costs will be passed through. The other topics really caused as a result of this equation is, of course, to do with through the supply chain in terms of both commodity as well as labour availability. Even here, I would say we are now largely stable. In terms of margin performance as a result of the Middle East crisis, I don't expect it to have a bearing on the absolute value margin.

Shubham Jain, Investec: Okay. That's it from my side.

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): Yeah. In FY 2027, margins will be higher than what we reported in FY 2026.

Shubham Jain, Investec: Okay.

Operator: Thank you, sir. As a reminder to all the participants, I would request, if you have any questions for the management, do raise your virtual hand. If you have joined this call by a dial-in, the way to ask your question is to do *5 on your phone, and then I'll unmute you. We'll wait for a minute. We have a few questions on the call. I will now unmute Jyoti Singh. I would request you to please let us know the firm that you are from. Thank you.

Jyoti Singh, Haitong: Yeah.

Jyoti Singh, Haitong: Okay. Thank you so much. One question only on non-Bajaj contribution has increased 44% of the revenue. Which customer is driving incremental growth, and are we seeing this mix improvement from those? I have another question only EBITDA margin side that has improved to 9.7% but remained below peak levels. What are the key levers to reach there to double-digit PAT for EBITDA by FY 2027-2028? Also on the raw material inflation side, if you can comment on the recent volatility and largely commodity price, if you can guide us on your side and what kind of pricing pass through is pending with the unions. Another on the body parts remain the largest contributor at 45.6% while the unit is around 6.2%. How do you see this mix changing over the next three to five years? The last question is only make sure that international below 11% now. Going forward, we are expecting to increase further or it will remain like this?

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): The first question which she asked was, share of percentage from Bajaj and non-Bajaj.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): The percentage of share from Bajaj Auto, I would say that is reduced simply based on the execution of the order book. When we declare an order book, as we keep executing it, share will move in line with what we execute versus what we execute second.

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): Yeah. From nine months to full year, the percentage of share of Bajaj has remained the same for overall company. That has not gone down. The second question was that we are reporting EBITDA margin below 10%, when we'll go above 10%?

Mahendra Kumar, Global CFO, Varroc Engineering: Okay. We don't give any guidance like that, but your question was also about the levers which will actually take us to the double-digit EBITDA. Definitely the revenue growth and the operating leverage that comes

out of that, we have strong lever for growth. We also talked about the turnaround in overseas operations and growth in overseas operations. That should also help us in coming close to the target. We don't want to give any specific timeframe to it. Yeah, these should be the levers to take us close to that.

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): One more question was on the mix between domestic and international, whether that mix revenue percentage will change.

Mahendra Kumar (Global CFO, Varroc Engineering): Will improve more in favor of the overseas business. Right now, it's around 7%. I think by end of this year, it should move close to 10%.

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): The last question was, the revenue mix between HMI, ICE powertrain, e-mobility, body parts, whether that mix will undergo a change over the next three to five years.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yeah, for sure. I think the e-mobility share of the will definitely increase. It's driven by EV penetration. I think that's a trend that we see. I think for e-mobility and HMI, I think that would definitely increase over the next three to five years. ICE powertrain, I think will, as we already seen, continue to lag a little bit.

Jyoti Singh, Haitong: Understood. Sir, just trying to understand, this Bajaj contribution will going to remain the same, or is there any chances that it will improve to a non-Bajaj?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): We look at our order book, when we declare our order book in terms of what is Bajaj Auto versus non-Bajaj. We will execute in line with that order book. The order book is skewed more towards non-Bajaj, so I would assume, yes, the share will increase.

Jyoti Singh, Haitong: Okay. Understood. Sir, just one last question.

Operator: Sorry. Just one last question I'll allow because there's a couple of people on the call.

Jyoti Singh, Haitong: Yeah, sure. Thank you. Just one question, sir. We hear a lot of auto and capital diversifying toward the aerospace because lot of opportunity over there. If we see, they are already competing some of the company in the transmission component side and engine rotating assembly side and precision parts side. Are we planning any such kind of acquisition going forward, or it is in any active discussion?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): If the question is aerospace as an industry, are we looking to drive the answer today is no. I think that non-automotive as a space is something that we continue to explore, and we've declared business wins also in this space. We've achieved our first business wins in the non-automotive space.

Jyoti Singh, Haitong: Okay. Understood, sir.

Operator: Thank you. Thank you very much, sir. I will move to the next person. The person is from a firm called SiMPL. I'm going to unmute you, sir. Please share with us your name. Thank you. Yeah, go ahead.

Viraj Kacharia, SiMPL: Yeah, hi. Thanks for the opportunity. Just a couple of questions. Sure. It's Viraj Kacharia from SiMPL. First question is, if I have to look at the margin and the return structure of the different business segments we are in, what would that typically be? Where do you see maximum scope for margin improvement?

Mahendra Kumar (Global CFO, Varroc Engineering): Obviously, there's more coming from India, only because India part of the story is strong. Overseas is also recovering, as we explained earlier in the call. The recovery from now, in terms of margins, will largely come from overseas business in the next couple of years. Of course, the India business also, as the growth happens in the top line, the operating leverage also kicks in. That's the way it goes.

Viraj Kacharia, SiMPL: Yeah. ev penetration

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): Just to add to that, any new business which we take, we have criteria based on IRR. At least the kind of IRR the new business could meet. Based on that only, we are taking a business into the company.

Viraj Kacharia, SiMPL: Understood. Broadly, if I have to look on an annualized basis, what will be the different margin bands each of the business would be operating in for us right now?

Mahendra Kumar (Global CFO, Varroc Engineering): We don't disclose margins at the individual segment level. Yeah, broadly, in terms of overall direction, earlier also we mentioned that our intention is to take PBT itself to 10% in the coming years. If you really look at our India business and in Q4 particularly, we are already at 8% plus. Our objective is to take the entire business to 10%, but it will take a few years. It won't happen immediately.

Viraj Kacharia, SiMPL: Okay. Just one more question on the lighting business. I see that business has seen some consolidation or slack, if I look at Q4 also for us. Just trying to understand, what is happening there and how should we see this business evolving for us going forward.

Bikash Dugar (Finance Controller for Overseas Operations and Head Investor Relations, Varroc Engineering): Lighting business in Q4 over Q3, it has grown. It's mainly because of overseas, the lighting business has also grown and also in India business also it has grown. In coming years, because of the premiumization which is happening, I think this will be one of our growth engine.

Viraj Kacharia, SiMPL: Okay. Fast-forward say three to five years down the line based on the order book we have, how should we understand the mix in the business evolving? Would we have more towards EV and lighting, or traditional business segments like body parts and other ICE powertrains, those will also continue to be a majority share. Any colour you think?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): For sure. We would expect e-mobility, HMI, and lighting to continue to occupy a larger share of the pie than the others, to be frank. Having said that, it does not mean the others will also

not grow. They will also grow, but probably not as quickly as the other three. It is really driven, I would say, by technology change, technology differentiation that is required.

Operator: In the interest of time, I will request everybody to restrict their questions to maybe maximum two, and then come back in the queue for further questions. As a reminder, I want to tell everybody, do raise a virtual hand to ask a question. I'm going to now unmute Mr. Vinay Jain. Please mention your firm name and go ahead with your question. Thank you. Yeah, Vinay, you can go ahead.

Vinay Jain, Karma Capital: Yeah. Thanks for the opportunity. Vinay Jain here from Karma Capital. Just two questions from my end. Firstly, again, if I look at the domestic growth for the quarter, somehow, we've not been able to participate in the industry growth which we have seen across, say, two-wheeler, three-wheeler and passenger vehicles. Primarily, again, 75% of the business being from two-wheeler, three-wheeler, which has grown at upwards of 20%. Again, coupled to that, if you see the EV business for us growing at 50%. If I discount for that, then the growth seems to be even lower. One, wanted to just understand why the growth lower versus, say, the industry or our largest customer as well. Secondly, on the CapEx, if you could just quantify the CapEx outline for the next two years and the areas in which it would be spent. Thank you.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): I'll take the first question. Of course, you're right. In terms of, if I think about the path that we have been on for the last two or three years, discussing multiple times, the focus has really been around driving content growth and driving growth in premium vehicles and in electric vehicles. Given where the growth has come from really in Q4, when we look at what is our customer mix and what is our model mix also in the customers where we have mixed, the segment where we have higher content has really not grown as much. That is essentially why I would say through Q4, we are a little bit behind.

Having said that, like we mentioned earlier as well, as we look forward, we definitely see a very strong trend around incremental EV penetration, and we definitely see a strong trend around further premiumization even in, let's say, lower segment vehicles. Continued execution of our order book should allow us to play more significantly in the growth in market that we see as well.

Vinay Jain, Karma Capital: On the CapEx?

Mahendra Kumar (Global CFO, Varroc Engineering): This year, it could be in the range of INR 450-500 crores. Next year it could be lower, maybe around INR 300-400 crores could be the requirement. Most of it will go to create capacities or to spend on program related CapEx, which is also related to growth.

Vinay Jain, Karma Capital): Any specific areas you could maybe highlight?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): It will be, of course, more towards electronics and lighting and obviously, towards EV vehicles is definitely something we would prefer. EV and electronics is the area where the focus would be more. Having said that, when it comes to even body parts or metallic parts, we are seeing growth there also. There also we will continue to grow. One thing also we are focusing is on more of mechanization and automation on the shop floor in India. Going forward, we do not also want to depend too much on the manpower, which we are finding a lot of challenges as

we grow. We would like to mechanize and automate more and therefore, a part of the CapEx every year will also be towards some better technology equipments and also towards mechanization automation.

Vinay Jain, Karma Capital): Got it, sir. That was helpful. Thank you so much.

Operator: Thank you, sir. The next question is from Mr. Naman Maheshwari.

Naman Maheshwari,Shanghvi Family Office: Yeah, hi.

Operator: Thanks.

Naman Maheshwari,Shanghvi Family Office: This is Naman from Shanghvi Family Office. Just two follow-ups. One is on to the revenue trajectory. We already clocked close to about INR 9,000 crores. We have SOPs worth INR 3,300 crores coming in FY 2027 and FY 2028. Is this the right way to look that the next two years, we could clock close to about INR 12,500 crores basically from the realization of SOP or are there some adjustments that needs to be made? I'm not asking for the guidance, I'm just asking for the conversion on a like-to-like basis.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): The order book we are confident in. We don't need to worry. This is the order book we have been saying.

Tarang Jain (Chairman and Managing Director, Varroc Engineering): We will achieve that, whatever you are saying, INR 9,000 plus that thing will happen.

Naman Maheshwari,Shanghvi Family Office: Okay. Just onto the margin profile. That would lead to the break-even of our maybe the overseas businesses altogether. The drag that is coming close to about INR 70 crores on the overall, that would also reduce by a lot, right? On a comparable basis.

Tarang Jain (Chairman and Managing Director, Varroc Engineering): Definitely. Definitely. In two years' time, we do want to break even overall abroad.

Naman Maheshwari,Shanghvi Family Office: Okay. Just quickly, the last point that I wanted to make. Now, excluding this year, this year could be an anomaly. As we move into a steady state, high performing EV plus electronics manufacturer, the delta change in EBITDA. Would it be like a conversion margin or would it be more towards a technology-oriented solution provider? Could you just explain that? Which side it would bend towards?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Across the product lines that we do, we operate different models with the OEMs. In general, we own technologies for every product that we supply. In terms of what margin profile would look like, and again, I think like our CFO has said before, our focus is on EBT and our focus is on return on investment. Here we believe we will continue year to year. We do not believe there's a material change of these metrics versus what is the business profile today.

Naman Maheshwari,Shanghvi Family Office: Okay. The NCD approval that we have taken, that's an enabling resolution, or are we planning to raise the NCDs in the near term for INR 500 crore?

Mahendra Kumar (Global CFO, Varroc Engineering): No. It's an enabling one.

Naman Maheshwari , Shanghvi Family Office): Okay. Thanks. I'll just come back.

Operator: Thank you. I will take the question from Mr. Rahul Kumar. Yeah, go ahead, sir. Please ask the question.

Rahul Kumar, Vaikarya: Yeah, hi. Just one question. Actually, in the previous comment you mentioned the break-even for the international business for two years onwards. Does the break-even means including the R&D business also, or is it only the operational subsidiaries?

Mahendra Kumar (Global CFO, Varroc Engineering): It's only the operational one. R&D one will take some more time.

Rahul Kumar, , Vaikarya: To summarize the operational subsidiary, you mentioned the break-even by Q4 of next year, right?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yeah, that's for the electronic business, Naman, you are talking about. Two-wheeler business is already in the positive. IMES will take one more year.

Rahul Kumar, Vaikarya: Okay. Out of this 14% EV revenues, how much is contribution from non-Bajaj customers?

Mahendra Kumar (Global CFO, Varroc Engineering): Out of this, nearly 4%-5% is non-Bajaj.

Rahul Kumar, Vaikarya): Okay. Thank you.

Operator: Thank you. Thank you, everybody, for your questions. We'll wait for a minute if there are any last question. We have a question from Mr. Akash Vora. Go ahead, Mr. Vora.

Akash Vora, NV Alpha: Hello. Yeah, am I audible? Am I audible?

Operator: Yes, sir. You are. You are.

Akash Vora, NV Alpha: Hi, this is Akash from NV Alpha. Sir, my question will be pertaining to the answer that you gave to one of our earlier participants, wherein you said that growth for us this quarter has not come from the segments where we have a higher content per vehicle, which we can also see to a certain extent in the e-mobility segment. Sir, my question would be in regards to that, since you are confident that those segments will work out positively in the coming quarters. Sir, I just wanted to understand where does that confidence come from? Because that e-mobility piece, I think one of our anchor customers there has also grown superbly well in Q4, but that growth has not replicated for us. Just wanted to understand or reconcile this a bit.

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Yeah. I think the first thing I would say is when we are comparing our growth vis-à-vis any particular OEM, so we look at production data rather than the retail data. From a production standpoint, I think we are fairly on track. The further confidence of growth comes from the fact that we are seeing, you all read in the newspaper also, right? That there is a fundamentally larger demand for EVs today versus, let's say, two months ago.

Akash Vora, NV Alpha: Okay. Basically, if the shift towards EVs increases, our market share, our wallet share with our own customers should keep on increasing from here. Is that what you mean?

Arjun Jain (Whole Time Director and CEO of India Division, Varroc Engineering): Sorry, I'm not clear what is your definition of wallet share. If you have more, very simply put, our content in an EV is significantly more than what it is in an ICE scooter. The more EV scooters you have, our total addressable market increases. Whatever portion of that market our customers gain, we naturally gain also as a result.

Akash Vora, NV Alpha): Fair enough, sir. Thanks.

Operator: I will take the next question from Mr. Naman. Yes, Mr. Naman, go ahead.

Naman Maheshwari, Shanghvi Family Office: Just a bookkeeping question. Now I think with the TYC thing being majorly solved, there's still a point in our auditor's report with regards to that. When do we get to resolve it completely and get it out of the way? Any thoughts on that?

Mahendra Kumar (Global CFO, Varroc Engineering): Yeah. The arbitration process is going on. I think there are different submissions to be made between now and end of the year. Most probably by end of the year, we should know which direction we are heading towards. This is going to take some time, the subject of arbitration process.

Naman Maheshwari, Shanghvi Family Office: Yeah. Okay. Likely, we are hopeful that by the end of next year when we get the audited report, we are majorly through with that?

T Mahendra Kumar (Global CFO, Varroc Engineering): Yeah, that's the objective, that's what we are working towards.

Naman Maheshwari, Shanghvi Family Office: Okay. Just last thing, are we seeing any major production disruption happening in thus far till May, or has it been kind of on track so far?

Tarang Jain (Chairman and Managing Director, Varroc Engineering): Basically, what we have seen is issues, not so much with us. We had issues also when it came to shortage in labor because of this war crisis, not material, but I think more or less at our suppliers end, Tier 2, Tier 3, is where we are facing challenges. After 15th of May, we see improvements over there. What we are doing is that we are actually proactively working to see that we're getting our supplies from all our suppliers. It's mainly to do with bought-out components, not so much with the raw material. Once that is there, we will also see that we are able to manage the sales the fullest extent. The things have really improved. We have normalized after 15th of May, and we are also seeing more of normalization on the supplier end, which may probably normalize by the end of this month. At the same time, because we see a good growth going forward. We are also now working on our own internal capacity expansion as well as at the supplier end. This will be critical for achieving the higher level of sales which is there in front of us.

Operator: I think with that, we've come to the end of this call in the interest of time. I would like to hand the conference over to Mr. Tarang Jain, Chairman, for his closing remarks. Thank you.

Tarang Jain (Chairman and Managing Director, Varroc Engineering): Thank you Investec once again. I would like to again reiterate that with a strong foundation and clear strategic priorities and a committed team, we are confident of delivering sustained growth and a long-term value creation for all our stakeholders. Thanks once again for joining the call and for your continuing support.

Operator: Thank you very much, sir, and thank you for giving Investec the opportunity to host your earning call. With that, ladies and gentlemen, we come to the end of this conversation. You may now hang up the call. Thank you.