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VARROC/SE/INT/2025-26/66 August 11, 2025

To,

The Manager- Listing
The Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai-400 051.
NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001.
BSE Security Code: 541578
[Debt: 975062]

Sub: Transcript of Investor / Conference Call pertaining to Unaudited Financial Results for the quarter ended on June 30, 2025

Please find Transcript of Investors / Conference Call held on Thursday, August 7, 2025, in respect of the Un-audited Financial results for the quarter ended on June 30, 2025.

This is for your information and records.

For Varroc Engineering Limited

ANIL GHATIYA Digitally signed by ANIL GHATIYA
Date: 2025.08.11 10:28:23 +05'30'

Anil Ghatiya
Company Secretary
Membership No. A-16620
Encl: a/a

"Varroc Engineering Limited
Q1 FY '26 Earnings Conference Call"
August 07, 2025

MANAGEMENT:	**MR. TARANG JAIN – CHAIRMAN AND MANAGING DIRECTOR – VARROC ENGINEERING LIMITED** **MR. ARJUN JAIN – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER, BUSINESS UNIT I – VARROC ENGINEERING LIMITED** **MR. DHRUV JAIN – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER, BUSINESS UNIT II – VARROC ENGINEERING LIMITED** **MR. MAHENDRA KUMAR – GROUP CHIEF FINANCIAL OFFICER – VARROC ENGINEERING LIMITED** **MR. BIKASH DUGAR – HEAD, INVESTOR RELATIONS AND FINANCE CONTROLLER OF BUSINESS UNIT II – VARROC ENGINEERING LIMITED** **MR. VISHAL RAVAL – GROUP FINANCE CONTROLLER, BUSINESS UNIT I – VARROC ENGINEERING LIMITED**
MODERATOR:	**MS. VISHAKHA MALIWAL – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Varroc Engineering Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference has been recorded.

I now hand the conference over to Ms. Vishakha Maliwal. Thank you, and over to you, ma'am.

Vishakha Maliwal: Thanks, Avinash Good evening, everyone. From Varroc Engineering, we have with us Mr. Tarang Jain, Chairman and Managing Director; Mr. Arjun Jain, Whole-Time Director and CEO of Business Unit I; Mr. Dhruv Jain, Whole Time Director and CEO of Business Unit II; Mr. Mahendra Kumar, Group CFO Mr. Bikash Dugar, Head, IR and Finance Controller of Business Unit II; and Mr. Vishal Raval, Group Finance Controller for Business Unit I.

We'll start the call with brief opening comments from the management, followed by the Q&A session. I would now like to invite Mr. Tarang Jain for the opening remarks. Thank you, and over to you, sir.

Tarang Jain: Thanks, Vishakha, and thank you, team ICICI Securities for hosting the call, and good evening to everyone. I'm Tarang Jain here.

To start with, the Indian economy is showing resilience and momentum. Real GDP growth reached 7.4% in Q4 of FY '25, up from 6.4% in Q3 and the full year GDP growth was at 6.5% for FY '25. The inflation in India is moderating and in May '25, the CPI dropped to a 75-month low of 2.8%. Considering this, the Central Bank rate reduced repo rate by 50 basis points to 5.5% in June '25.

Globally, the rising tariff barriers, strategic competition and geopolitical tensions are increasing uncertainty for businesses. Supply chain resilience and digitalization are becoming key corporate strategies amid this uncertainty. The automotive industry is also preparing to deal with these challenges. Despite these uncertainties, we remain confident about the medium to the long-term growth prospects of the automotive industry.

In terms of automotive production in India during Q1 of FY '26, all the segment registered moderate growth on a year-on-year basis. 2-wheelers grew by 0.7%, passenger vehicles grew by 3.4%, commercial vehicles grew by 2.6% and 3-wheelers grew by 9.8%. In terms of domestic sales, the 2-wheeler industry registered degrowth of 6% year-on-year.

On a quarter-on-quarter basis, due to the seasonal impact, we saw a degrowth in almost all segments other than 2-wheelers. 2-wheelers grew by 0.9%, 3-wheelers degrew by 1.5%, passenger vehicles degrew by 11.9%, and only commercial vehicles degrew by 13.7%.

Before moving to the operational discussion, I would like to bring to your notice that the annual report for FY '25 is already available on our website, and we would encourage our stakeholders to go through our management letters to the shareholders, to understand our progress so far and our future course of action.

Coming to the operational performance during Q1 of FY '26, the company registered a consolidated revenue of INR20.3 billion with a growth of 6.8% year-on-year, with India operations growing at 7.2%. Our EBITDA for the quarter was at around 9.5%, as compared to 9.1% on a year-on-year basis. Our PBT before exceptional items and JV profit was at 4.1% of revenue in quarter 1 FY '26, as against 2.8% in quarter 1 of FY '25.

We have also established a dedicated R&D setup in Overseas to support 4-wheeler electronics business, which has also impacted our employee costs in the quarter. We continue to strengthen our balance sheet. The net debt of the company in Q1 of FY '26 was reduced by INR3,002 million and as a result, the net debt to equity is reduced to below 0.3x. The absolute net debt figure was at INR4,478 million.

In quarter 1 of FY '26, we also achieved net new business wins with annualized peak revenues of INR2,905 million. Our focus will continue to be on timely execution of the new business wins adhering to the best QCDD norms. The near-term outlook in India, especially for electric vehicles, is challenged due to supply of rare earth magnets. However, at Varroc, we are leveraging our supplier relationships, global footprint, and have developed alternative solutions with the help of a strong R&D capability to help the industry and our customers to overcome the challenges at the earliest.

We continue to adopt a positive mindset to find opportunities during this period of uncertainty. As emphasized earlier, we continue to remain focused on revenue growth, improvement in gross margins, control on our fixed costs, and optimization of capex and working capital. All of this will enable us to generate a healthy free cash flow going forward. In future also, further strengthening the balance sheet and improving the return ratios.

I will now ask MK, our Group CFO, to walk you through the presentation and give more insights into the financial performance. We have uploaded the investor presentation to the stock exchanges as well as on our website. Thank you.

Mahendra Kumar: Thank you, Tarang. Good evening, everyone. So let me take you to Slide number 7 of the presentation, which has the highlights for Q1. So as our CMD explained, we had a 6.8% growth year-over-year with a revenue of INR2,028 crores, with India operations registering a 7.2% growth.

Now in the context of a moderate growth that we saw in the industry, we were ahead by about close to 6% to 7% ahead of the market. In terms of PBT, if you see, we were at 4.1%, compared to 2.8% in Q1 of last year. EBITDA was at 9.5%, compared to 9.1% same time last year. The net debt was reduced significantly by INR300 crores, bringing the debt down to INR448 crores as of end of Q1.

In terms of the new annual peak revenue for the order that we won in Q1, it was about INR291 crores of peak revenue. And the revenue from supplying to EV customers grew to about 11% of revenue. Now as we announced earlier, the sale of China JV stake brought us about INR340 crores in the month of May. And in terms of patents, we filed another 10 patents, taking the total to more than 130%.

On the renewable energy, we previously communicated to you that there will be a second phase, which will be starting in May or June. So that has started in June. It will be ramped up further in the month of, in the current month also. So with this, we'll be taking the total sourcing from renewable energy to close to 50%.

Going to the next slide about industry performance. So on a year-over-year basis in Q1, the 2-wheeler grew by just about 0.7%, which is more like a flat growth. 3-wheeler grew by close to 9.8%, and passenger vehicle by 3.4%. Similarly, on a sequential basis, 2-wheeler grew more or less again, flat at around 0.9%.

All the other segments had a degrowth. And the EV 2-wheeler volumes also on a quarter-over-quarter basis, degrew by 6.8%, mainly impacted by the rare earth magnet issue and of course, some seasonality impact also. But year-over-year, it was strong at about 53%.

Coming to our consolidated financials for Q1, which is there in the next slide. So 6.8% growth in the top line, which meant an EBITDA of 9.5%, compared to 9.1% in Q1 of last year. The PBT is INR2 crores. This is without the JV profits, which also means about 4.1% in terms of PBT percentage. We also see an exceptional item of about INR61 crores of gain. This is basically the recognition of exchange gains on the JV value in the investment books.

It is just like a transfer between FCTR and P&L, so transfer between balance sheet to P&L more like a book entry. So with that, the PBT is adding up to INR144 crores. Another important point to be noted here is we also set up a dedicated R&D team in certain overseas locations to support our 4-wheeler lighting and electronics business. So that is also one of the reasons we see a moderate growth in employee cost.

Coming to the balance sheet items like net debt and all, INR448 crores was the net debt. So in terms of ratio, if you see the net debt to equity, it was very healthy at 0.3, and net debt to EBITDA was below 0.6, it was 0.58.

The next slide, we talked about the revenue breakdown for Q1. We also changed the classification of different businesses to bring in line with the end-use characteristics, and this is also the way we are operating our businesses now. So if you see the breakup, the three major segments, the lighting solutions now add up to 18% of the total revenue.

Body parts add up to about 34%, which are basically the polymer kind of products. ICE powertrain adds up to 26%, followed by e-mobility, which is 6%. And the other segments are, of course, the smaller segments. Aftermarket, of course, is at around 10%.

In terms of the overall 2-wheeler and 3-wheeler plus 4-wheeler, 2-wheeler and 3-wheeler adds up to 75%, and the rest, 25%. And the business in India is 87% of the total. And Bajaj revenue of the total is at around 45%.

So in terms of the annual peak revenue, we already spoke about, so INR291 crores based on the Q1 order wins with 2- and 3-wheelers constituting about close to 67%. And then Bajaj revenue was only about 38%, with most of it coming from non-Bajaj customers. And revenue from EV customers was close to 25% and the others are 75%.

So let me stop here. We'll be happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Thank you for the opportunity, sir. And congratulations on the good show on the PAT side, though it was exceptional from China. So my question majorly, I wanted to understand going forward, how will revenue growth will drive? And another on the order win side, as mentioned in the presentation, INR2,905 million. So can you elaborate how the wings align with your long-term growth strategy and especially for the EV segment?

Arjun Jain: Yes. So I think from a growth perspective, I think, you see that we have a relatively healthy order book. And of course, I think the ambition is to, of course, keep building this order book further. And in particular, in some of the places like you mentioned, right, in particular with respect to EV models. I think over the last few years, I think you will have seen that our order book has lent heavily towards EV models.

And I think that has translated also, as you will see in this quarter to significant growth from EV models. So Q1 of last year, we were at around 5%. This year, I think we're at around 11%. And yes, like I said, I think going forward, I think the aspiration is to grow faster than market. We are in a sluggish market now, but the aspiration is still to grow at least at double-digit levels going forward as well.

Tarang Jain: So to add on, see, we have always said that we want to grow 6% to 8% more than the market. And okay, one is on the Q1 sales and everything where the sales were -- we grew only by 6.8%. But talking about the business wins going forward, definitely, we have -- I think the Q1 was not so great for us from the point of view of business wins.

But going forward the rest of the year, we are looking at substantial business wins on the EV space, whether it's for 2-wheeler or it's -- or in the case of 4-wheeler, even looking at abroad. So we are confident that we can kind of declare from Q2 onwards better sales wins numbers. So this we are quite confident going forward, because we are quite well aligned with the various customers from our side.

Jyoti Singh: Understood.

Bikash Dugar: And Jyoti, one more aspect. From this quarter onwards, we will be only declaring annual peak revenue, not the lifetime revenue of any business win. So that's why optically, it might look like that the order win which we are reporting is small, but these are annual peak revenue. That is the revenue which we can do in one year. This is not lifetime revenue.

Jyoti Singh: Yes, sir. Sir, just one more question. On the -- like you mentioned order wins from the 2-wheeler, 3-wheeler and 4-wheeler side. So major revenue is coming from the 2-wheeler and 3-wheeler side. So if you can give us more insight on the 4-wheeler business win side?

Tarang Jain: So I think 4-wheeler when it comes to India, our focus is more on lighting, 4-wheeler lamps and our plastic molding business, which includes painted parts for various 4-wheeler customers in India, mainly passenger cars. So this is where we expect a good growth and order wins in India.

And abroad also, we are in touch with certain customers, especially in America, for some new business wins to do more with electronics. So this is also where we are looking at a good -- a decent amount of business wins in the foreign markets also. And I think that we are fairly confident that we will be reporting some good business wins from Q2 onwards.

Jyoti Singh: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Arvind Sharma from Citigroup. Please go ahead.

Arvind Sharma: Hi. Good evening, sir, and thank you for taking my question. Sir, please pardon me first question is on the presentation because the format has changed. First would be on the peak revenue, which you have highlighted, the INR2,905 million. And then you have -- we have a chart on top left. Could you please explain how exactly you read this chart, please?

Arjun Jain: Yes. One second. Yes. So, yes, so the annualized peak revenue is essentially the peak value of the business in the particular year that it achieves its peak value. So, generally, whenever we quote -- in automotive, whenever we quote a business, it is not necessarily always based on lifetime revenue, but the volume is projected over time. And what we have considered is the volume, the steady-state volume at full program ramp-up, right? So that is how we calculate what is the peak annual revenue. The chart on the left…

Bikash Dugar: The chart on the left speaks about that at the end of calendar year, the first bar shows that the end of FY ‘25, what is the business, the annual peak revenue which will SOP in FY ‘26. So that is INR8,400 millions. And then on the out of that, how much SOP has already been done in Q1, that is around INR3,800 million, the peak revenue of that. And then in Q1, we have further won more business. So that INR8,400 million now has increased to INR8,500 million, whose SOP will start in FY '26. Similarly, the graphs are for FY '27 and FY '28.

Arvind Sharma: Got it. So this INR3,800 million number, the SOP in 1Q FY '26, shouldn't it be equal to INR2,905 million number because this is the peak revenue order that you have won?

Bikash Dugar: No.

Arvind Sharma: How do we read these two numbers?

Bikash Dugar: INR2,905 million is the order which we have won in this quarter and the business which SOP has started, that peak revenue will be INR3,800 million.

Arvind Sharma: Got it. Thanks so much. Secondly, you change the methodology. Just a small accounting question. When you've given the revenue breakdown for 1Q FY '26, is that 3% overseas revenue. However, when we go down, which you are thankfully -- thanks so much for sharing the previous data, there is no mention of the others business, the 3%. So where is this 3% accounted for in the previous quarter, sir?

Bikash Dugar: So that is accounted this 3% is our IMES business in Italy. So that is accounted in our ICE powertrain.

Arvind Sharma: Got it. Thanks so much. And just one final question, if I may ask. Given the debt has gone down, definitely FCF should have been good. So what exactly drove the FCF this quarter, the net debt reduction?

Mahendra Kumar: Yes, net debt reduction is a combination of FCF as well as the realization from China sale.

Arvind Sharma: Got it, sir. Thank you so much. That's all from my side. Thanks so much.

Moderator: Thank you. The next question is from the line of Vinay Jain from Karma Capital.

Vinay Jain: Good evening sir. Thank you so much for the opportunity and congratulations for a decent set of numbers against a challenging macro, at least on the domestic front. So I had just two questions? Basically, when I look at the consolidated and standalone numbers, so at the standalone level, if you see, which is largely now our India operations, so to say.

We currently are at around 11% plus EBITDA margins and almost 6.5% PBT margins vis-a-vis at the console level, as you said, it's at around 9.5% and 4.1% PBT. So this difference which is there, is it largely the loss which is coming from the overseas business for us?

Mahendra Kumar: Yes, that's right. So it's a combination of the IMS business in Italy plus the other overseas businesses, which we have. As we explained in the previous calls, the overseas business are going through some kind of a transition now because we are rebuilding the order book. But most of the order book will get converted into -- will start converting into sales starting from next year -- middle of next year. We will see a gradual revival there.

Vinay Jain: So for the current year, we should expect this sort of a run rate to continue. Is that understanding correct?

Mahendra Kumar: Yes, correct because the good news from the new order wins in overseas will only happen next year -- by second half of next year.

Vinay Jain: And so once that comes on board, so once the execution over there starts, what kind of margin trajectory are we looking for especially the overseas business?

Mahendra Kumar: I think we don't want to give any guidance. But yes, it should look better than obviously what it is right now. But let's wait for some time and then talk about it.

Vinay Jain: But on a full year basis, FY '27, should we be able to breakeven on the overseas business?

Mahendra Kumar: Yes, it should be moderately profitable also. So it should be better than breakeven.

Vinay Jain: Understood. And just one book keeping question. What would be the gross debt as of the quarter end?

Mahendra Kumar: It was about INR825 crores. We also have about close to INR377 crores in cash and cash account.

Vinay Jain: Okay. But do we eventually like envisage to repay this debt with the cash which is there on books?

Mahendra Kumar: Yes, obviously. There are certain restrictions also on bringing the money into India. We need to consider the tax implications and all those other things. So that's what we are working on. Plus, we'll also be using some cash overseas also for our R&D purposes also.

Vinay Jain: So lastly, any -- sorry please go ahead, sir.

Mahendra Kumar: No, that's it. Go ahead.

Vinay Jain: Yes. Last question was on this litigation, which is ongoing with Plastic Omnium in Netherlands court. So if you could just give any update on the same, sir?

Mahendra Kumar: Yes. So it's still in early stages. As we indicated earlier, we actually filed a legal suit against Plastic Omnium for violating certain supply agreement conditions. So then subsequently, they also raised a few claims against us, which we are disputing. And, of course, this is -- this may go through the arbitration process. We'll update you more on this in the coming quarters.

Vinay Jain: Got it, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Shridhar Kallani from Axis Securities Limited. Please go ahead.

Shridhar Kallani: I just wanted to have -- some few questions. Firstly, regarding the order book, which is INR290 crores annual peak revenue. If you could share a number, excluding Bajaj, what would this number be?

Bikash Dugar: Yes one second. Bajaj was 45% of this new order win.

Shridhar Kallani: Okay. So from the INR290 crores, 45% constitutes Bajaj in the peak order revenue?

Bikash Dugar: Sorry, Bajaj was 38.4%. It's given in Slide 12 of our presentation. Bajaj was 38.4%.

Shridhar Kallani: In the new order win also?

Mahendra Kumar: Yes. This slide is all about new order win only.

Shridhar Kallani: Right. And in the e-mobility space, just wanted to understand because of the non-availability of rare earth magnets, basically for HRE motors, how well do we have expertise on the LRE motors as well and are we -- is it in the production pipeline for us?

Arjun Jain: Yes. So from a design readiness perspective, I think along with our customers, both on existing and future programs, we are already either on LRE or on in some case rare earth-free motor magnet, let's say, ferrite-based magnet motors. Having said that, I think there are still topics around achieving the supply even for LRE magnets or in general magnets from China.

So, of course, we work with our different supply partners in China to build that pipeline. But yes, I think even for the LRE, there are definitely -- the logistics are not as easy as they used to be.

Shridhar Kallani: Okay. So is the understanding correct, there is some supply chain issue with the LRE motors, but we are prepared on the R&D and technology front given availability of right resources?

Arjun Jain Yes. So I mean, in fact, there are some -- I mean, there are some rare earth applications, which we have completely de-risked to, not necessarily on E-Powertrain, but on other electrical products we make. There are certain rare earth applications we have already de-risked and started supply also with ferrite-based magnet solutions. Even with the LRE, I think we have made some level of progress in terms of actual supply.

Having said that, like I said, I think getting magnets from China in general is logistically harder than it used to be. It's not to say that magnets don't come, magnets do come. But the focus right now is to make sure we build a pipeline that is strong enough to really cover existing demand and also potential backlog demand.

Shridhar Kallani: Any disruptions that we could face in the quarter 2 or second half of FY '26?

Arjun Jain: I think in terms of total vehicle production, I think our customers are already talking about what is the level of disruption in Q2. Having said that, I think despite that disruption, our focus would be that as supply chain becomes more streamlined to really be able to recover the backlog also as quickly as possible.

Shridhar Kallani: Understood. And you just mentioned that in Americas, there is possibility of we winning the Lighting Solutions. So just needed some clarity. Are you talking about North America or South America over here?

Arjun Jain: No, we did not say that. We said with electronics, there is potential in the Americas. And even there, we're talking about North America. Again, to be further clear, we mean North American customers. It does not necessarily mean the supply location in North America

Shridhar Kallani: Okay. Got it. And with Bajaj coming up with a host of new products in the pipeline in the current year, in the KTM 160 segment, the EV 2-wheelers and 3-wheelers. So how well are we placed with these orders? And if you could share any content numbers or directionally our position with these new launches in the coming next quarters?

Arjun Jain: So, of course, I don't want to comment on customer-specific launches. But I think broadly in terms of content that we have shared in the past, on a 2-wheeler, we have -- on a 2-wheeler EV, we have the ability to place anywhere between INR30,000 to INR35,000 worth of content.

Similarly, on a 3-wheeler EV, it is a little bit higher than that, between INR35,000 to INR40,000 of content.

In the 150cc plus segments, our ability to place content is -- it depends, of course. It depends really on what is the technology level of each individual model, but that ability would be somewhere between INR15,000 to INR20,000. As we go lower to the 100 ccs, 110 ccs, it reduces, because the technology level in those platforms is a lot lower. So there, I would say we're probably around INR8,000, INR7000.

Shridhar Kallani: Understood. And sir, any comments on your -- directionally, how we are seeing the 2-wheeler and passenger vehicle market being placed in the domestic space? What is your thoughts or any guidance if you could share us with regards to the production levels in general and capacity utilization at your plants?

Tarang Jain: No. See, here, I would just like to say that, see, it's very difficult nowadays to predict what's going to happen going forward. There's so many uncertainties and because of the geopolitical issues and it impacts also the volumes in India. For example, the rare earth magnets is definitely a dampener on the EV production, at least in the short term, until alternate solutions are found.

Now Q1 for us, actually, from a volume growth angle was quite a surprise for the Indian market. So I can only say that the coming season, normally when the season is there, maybe September, October the couple of months, we will see definitely an increase because of the season. But other than that, it's very difficult to predict the volumes.

Even nowadays, customers are not really giving us any forward directions on the volumes very clearly because even they don't know what's going to happen. So for us to comment whether Q2 or Q3 is going to be much better is very difficult to say, except during the season time where we feel it should be higher volumes.

Shridhar Kallani: Okay. Thank you so much for your patience answering. Thank you so much.

Moderator: Thank you. The next question is from the line of Rahul Kumar from Vaikarya. Please go ahead.

Rahul Kumar: Just on the RE, how much of the sales or volumes were impacted in the last quarter? And do you expect the resolution by, let's say, next quarter end, this quarter end?

Arjun Jain: Yes. So I think we started to see some level of impact towards the back half of Q1. I mean, the absolute very end of Q1. I think we had a decent stock position before that. And like I said with the previous question, right, I think in terms of the de-risking of design, in terms of the adaptation of manufacturing lines, all this work, both for current as well as future programs is done.

In some cases, we have already not necessarily just in terms of E-Powertrain, but we use rare earth magnets in other places also, and other products also. So in some places, the de-risking is executed and supply has also already begun. Having said that, with magnets, I think the supply chain is definitely more complicated than it has been in the past, even though we are looking to import what is restriction-free, so non-restricted grades.

So the focus now is really to make sure that as and when magnets arrive, we are able to convert quickly and recover potential backlog.

Rahul Kumar: Okay. Second question, I think you mentioned about some new order wins, which are expected in -- from quarter 2 onwards. Can you tell us which segment are they? Is it Indian 2-wheeler EV space or international or something else?

Arjun Jain: So I think speaking of India, I think our focus continues to be on e-mobility, lighting and high-end electronics. So -- and I think it is a similar focus globally as well also. So the expectation is that through the balance portion of the year, we should be executing a significant uptick in order wins also.

Rahul Kumar: Understood. Last question, I think if I look at your India business, I think the gross margins were pretty strong, I think this quarter at 35%. What exactly drove this?

Mahendra Kumar: I mean if you are comparing with the previous quarter, Q4 generally has certain special items like we also had a higher level of tool sales, plus there were also certain year-end inventory taking adjustments, et cetera. So that actually reduced the gross margin. But -- so that's why if you compare to last quarter, yes, there was an improvement.

Rahul Kumar: Okay. And the operating margin in the India business, which is 11.3% now. Do we expect this trajectory to now continue for the next two, three quarters?

Mahendra Kumar: Again, we don't give any guidance. But yes, I mean it should sustain, or should even improve. That should be our effort.

Rahul Kumar: Okay. That’s all. Thank you.

Moderator: Thank you. The next question is from the line of Arvind Sharma from Citigroup. Please go ahead.

Arvind Sharma: Thank you so much for taking my question again. You've highlighted the new order wins. Is it possible to share some of the segments where these orders would be there like you shared the segment-wise revenue, which ones would see greater share of new order, the new orders over the next couple of years?

Arjun Jain: So it would be really across all segments. I would imagine that the supply into EV models and I think this is called out also. Yes. So the supply into EV model is disproportionately higher. So I think 75% of the new order wins -- no, sorry. 25 in this particular quarter, 25% of the new order wins are into EV models, 75% are into ICE models. But in terms of product segment, I would say it is relatively evenly split. And I think the leaders would be body parts and lighting.

Arvind Sharma: Got it, sir. Thank you so much. And if I may just clarify once again, sorry for asking this multiple times. When we see the chart, for example, in FY '27, around 13 billion peak revenue, does that essentially mean that FY '27 revenue would be at least 13 billion higher than FY '26? Obviously, like-to-like, you would have some orders exhausting too. But this is what how should -- we should read it?

Bikash Dugar: As compared to FY '25, at least it should be -- as compared to FY '25.

Arvind Sharma: As compared to FY '25. Got it. Got it. And one quick question on the elevated employee cost. You said it was because of R&D outside India. Any specific reason for establishing R&D outside India? Because the ex-India revenue is still quite low. And where exactly is this R&D establishment geographically? And this will remain for some time? Is it? Or will it sustain at these levels, the employee cost?

Mahendra Kumar: Yes. So, like we explained earlier also, I think we look for where exactly the competency lies. So, in certain overseas markets, we see this kind of competence in certain areas. So that's where we keep adding. These are more or less like distributed.

Dhruv Jain: And maybe just something to add that -- I think we've also mentioned that for our overseas locations, we are expecting, of course, to announce new order wins in subsequent quarters. And of course, this is also being enabled by some of the -- by the R&D that we have -- by this increase in R&D that we have talked about.

Arvind Sharma: Got it. Thank you so much for answering my questions, sir. That's all from my side

Moderator: The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.

Apurva Mehta: Sir, can you quantify the overseas loss on EBITDA basis and on the PBT business for current quarter?

Mahendra Kumar: I mean we don't comment on individual segments. But yes, I mean, you more or less have the stand-alone and you have the consolidated now, so you can derive…

Apurva Mehta: On the consolidated, there are 2 Indian subsidiaries, which are extremely profitable also. And if you remove -- I don't know about that. So, if you want to just quantify the overseas loss, which are specifically to the European side of the business. Because even the -- our subsidiaries in the Asia, subsidiaries are profitable. So, what sense it makes to continue this business?

Is it what kind of ROC we are looking even in next 2 years' time to continue this business? Have we done anything which is -- yes, because we are investing again more into this overseas business to make it profitable. So, does it really make sense in next 2, 3 years to have a substantial ROCE coming from the overseas business, which are extremely loss-making?

Mahendra Kumar: Yes. So, I think we explained it in our previous calls also. So basically, we should not come to this kind of conclusion based on the current performance. Like we explained earlier, these businesses were doing well earlier, then there was some loss of business unexpectedly. So, we are now trying to rebuild the order book. So, if once everything gets converted into sales starting from second half of next year, you will get to see the result.

Apurva Mehta: Okay, and it will be really that it will be ROC accretive businesses, it will be kind of ROCs, which we are doing in India?

Mahendra Kumar: Yes. I mean, see, these are like low capital-intensive businesses. So obviously, the ROC has to be better.

Apurva Mehta: Okay. And on the EV side, are we getting any 4-wheeler EV order other than plastic components are like general? But any other components we are looking with 4-wheeler OEs or something like that for EV?

Dhruv Jain: Maybe just to -- I think it was maybe 2 quarters back that we announced that we had a business win with a North American EV OEM for their front drive unit and rear drive unit inverters, so this is something that we've already secured. It's actually from the overseas-side, I believe the largest -- the largest new business win that we have mentioned over the last year at least. So -- and of course, the plan and we are confident of also duplicating this again or replicating this again.

Apurva Mehta: On the India side, any wins we are looking for any bids we have done, and we are confident of winning on the India side?

Arjun Jain: So, of course, we cannot comment on RFQs that are still live. But...

Apurva Mehta: Only we wanted to know that are we bidding for some RFQs, which are there and we are hopeful of getting some of them, or just to get a sense of what's happening?

Arjun Jain: Yes. So, for passenger car, our products are essentially engine agnostic, right? So, whether it is light from an India perspective, so whether it is lighting, whether it is plastic, whether it is an ICE vehicle, or an EV vehicle, we pursue all.

Apurva Mehta: Okay. But not on the -- on any other brand like which we are there in -- on the 2-wheeler side, like motors or traction motors or something like that?

Arjun Jain: No. So far, passenger car, e-powertrain, we have not looked to bid.

Tarang Jain: In India, it's not there on the electronics side, but abroad is where like we have won some of the electronics business with a North American customer. So, that is going to be continuing with some North American customers going forward on the electronics side, where we will see more wins coming in, on the electronics side.

Apurva Mehta: And that over the period can be brought in India also?

Tarang Jain: No, that is for our electronics plant in Romania, which will see substantial growth going forward. Today, the issues which you mentioned abroad are there because the revenues are very low. But the competency and capability at the plant level is of the highest order.

I mean, it's world-class. The facility is world-class, even our engineering is world-class. And with that -- and that is something we do not want to give up just for short-term losses. We are very -- we are confident that going forward, the business abroad on electronics for us will do very well. And so that's the reason that we want to actually maintain that. Yes, we have to carry on with the losses for a year or so more, and then we can probably see the turnaround.

Apurva Mehta: Great, great, great, great, great, sir, for explaining us in detail, because it was really helpful for us.

Tarang Jain: Thanks. Thanks a lot. Yes, thanks.

Moderator: Thank you. The next question is from the line of Ketan Sanghvi, an individual investor. Please go ahead.

Ketan Sanghvi: Thank you for the opportunity. Congratulations on a good set of numbers, sir. I just had one question. Now that our net debt is down to about INR450 crores, can we expect any savings on the interest cost? I'm not sure that is, but assuming your net debt is INR450 crores, what kind of savings can we expect on the interest?

Mahendra Kumar: Yes. So, interest cost should be significantly lower than what we saw last year. In fact, it should be lower than what we saw in Q1 also, because most of the repayment happened towards the later part of Q1.

But having said that, like how we explained earlier, we continue to generate free cash flow in-line with the PBT percentage that we see. There will be some additional investment in land and all, which we explained earlier also of close to INR150 crores. So, between now and end of the year, the debt may come down by about INR100 crores to INR150 crores. So, then you can compute the average and that should decide the interest cost for the rest of the year.

Ketan Sanghvi: Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Tarang Jain: So, thank you, ICICI Securities and to all the investors once again for joining the call and also for your continuing support. Thank you.

Management: Thank you.

Moderator: Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.