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VARROC/SE/INT/2025-26/113

November 17, 2025

The Manager- Listing
The Listing Department,
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NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation Department,
BSE Limited

Phiroze Jeejeebhoy Towers,
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BSE Security Code: 541578
[Debt: 975062]

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

Dear Sir/Madam,

Please find Transcript of Investors / Conference Call held on Wednesday, November 12, 2025, in respect of the Un-audited Financial Results for the quarter and half year ended on September 30, 2025.

This is for your information and records.

For Varroc Engineering Limited

Anil Ghatiya
Company Secretary & Compliance Officer

Encl: A/a



“Varroc Engineering Limited Q2 FY-26 Earnings Conference Call”

November 12, 2025



MANAGEMENT: **MR. TARANG JAIN – CHAIRMAN AND MANAGING
DIRECTOR**
**MR. ARJUN JAIN – WHOLE-TIME DIRECTOR & CEO
OF BUSINESS UNIT-I**
**MR. DHRUV JAIN – WHOLE-TIME DIRECTOR AND
CEO OF BUSINESS UNIT-II**
**MR. MAHENDRA KUMAR – GROUP CHIEF FINANCIAL
OFFICER**
**MR. BIKASH DUGAR – HEAD, IR & FINANCE
CONTROLLER OF BUSINESS UNIT-II**
**MR. VISHAL RAVAL – GROUP FINANCE CONTROLLER
FOR BUSINESS UNIT-I**

MODERATOR: **MR. VIVEK KUMAR – ICICI SECURITIES LIMITED**



*Varroc Engineering Limited
November 12, 2025*

Moderator: Ladies and gentlemen, good day, and welcome to the Varroc Engineering Limited Q2 and H1 FY '26 Earnings Conference Call, hosted by ICICI Securities.

As a reminder, all participants' 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vivek Kumar from ICICI Securities Limited. Thank you, and over to you, sir.

Vivek Kumar: Thank you, Anushka. 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 will start the call with brief opening comments from the Management, followed by the Q&A session.

I would now like to invite Tarang sir for opening remarks. Thank you, and over to you, sir.

Tarang Jain: Thank you, Vivek, and thank you, team, ICICI Securities, for hosting the call, and good evening to everyone. Tarang Jain here.

To start with, the Indian economy continues to perform well, experiencing robust growth and has become the world's fastest-growing major economy. India's real GDP grew by 7.8% in the April to June 2025 quarter. The inflation in India continues to moderate.

Globally, rising tariff barriers, supply chain restrictions and geopolitical tensions are increasingly an 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. In these uncertain times, it becomes very important for the company to find ways to manage this uncertainty and grow simultaneously during the period.

We are moving fast to make our organization more agile, fundamentally strong and customer-focused to succeed in this environment. Over the last 3 years, since the divestment exercise, we have been consistently improving on financial prudence, cost reduction and customer delight. As you all know, we focus on free cash flow generation and managed to reduce our debt significantly.



*Varroc Engineering Limited
November 12, 2025*

As a result, the net debt to EBITDA, which was more than 2x in FY '23 is now below 0.3x. The interest burden, which was close to 3% of revenue in Q2 of FY '23 has been reduced to below 1.5% in Q2 of FY '26. We also improved our gross margins during this period by almost 1%. We also delayed the organization during Q4 of FY '25, which moderated our manpower costs. All these improvements reflected in improvement in PBT margin during this period from 1.1% to over 4% now.

We are also continuously improving our speed of response, program management efficacy and delivering first-time right. As indicated earlier, we also established a strong R&D facility in China this financial year to enhance our capabilities and take advantage of skill sets available there.

We are also exploring opportunities to rationalize fixed manpower costs in plants through VRS schemes. In taking these decisions, we are giving more importance to long-term growth rather than short-term impact.

Over the last few years, we have been able to scale our EV products portfolio, and this has resulted in our revenue growth in this segment, helping the overall growth of the company. Today, more than 11% of revenue comes from supplying to EV customers.

We are also experimenting with artificial intelligence in areas like quality inspection and corporate functions to improve productivity and cut down inefficiencies. We are also working on various other initiatives to reduce working capital and improve throughput. We will be sharing more updates on the same in our future discussions with you.

Our growth plan is built mainly on 3 pillars:

- The first opportunity for growth comes from content increases driven by safer, smarter, sustainable and more premium mobility. As an organization, we are focusing significantly on e-mobility, connectivity and ADAS.
- The second pillar of growth comes from portfolio management. Leveraging the China arbitration verdict, we took the call not to have manufacturing footprint in China. Instead, we have set up a location in Thailand, which is a well-established auto manufacturing hub and offers several export opportunities.
- The third pillar of growth is looking through adjacencies and the company is looking to further grow its business in the aftermarket and exports both organically and through M&A. These strategic calls, along with strong financial prudence enabled us to generate a good amount of free cash flow and improve the return ratios. In Q2 of FY '26, the ROCE of the company was at 23.6% as compared to 12% seen in FY '23.

Coming to the performance in this quarter:



*Varroc Engineering Limited
November 12, 2025*

Let's first understand the industry performance in India:

In terms of automotive production in India, during Quarter 2 of FY '26, all the segments registered growth on a year-on-year basis as well as on a quarter-on-quarter basis due to a buoyant economy as well as the early festive season.

On a year-on-year basis, 2-wheeler grew by 10.6%, 3-wheelers grew by 18.3%, passenger vehicles grew by 4.2% and commercial vehicles grew by 11.8%. On a quarter-on-quarter basis, 2-wheelers grew by 17.4%, 3-wheelers grew by 39.3%, passenger vehicles grew by 6.5% and the commercial vehicles grew by 2.9%.

Coming to the operational performance:

During Quarter 2 of FY '26, the company registered a consolidated revenue of INR 22.7 billion with a growth of 6.1% year-on-year with India operation growing at 7%. The Indian revenue was impacted by industry by rare-earth issue. This resulted in a loss of Indian national of INR 750 million of revenue in Quarter 2 of FY '26, while the growth in the Indian operation would have been at 11.8%.

As stated earlier, for future growth perspective, we had established an R&D center in overseas location to support 4-Wheeler Lighting and the Electronics businesses. This has resulted in a higher employee cost starting from Q1 of FY '26. Thus, our EBITDA for the quarter was around 9.1% as compared to 9.7% on a year-on-year basis.

Our PBT before JV profit was at 4.1% of revenue in Q2 of FY '26 as against 4.3% in Q2 of FY '25. However, I would like to bring to your attention the point that the India EBITDA and PBT were strong at 11.5% and 7%, respectively, and grew both on a year-on-year basis as well as sequentially. As explained earlier, the overseas Electronics, Lighting and Forging businesses continue to face challenges due to customer concentration and the macro environment. However, we are winning significant orders for the overseas Electronics and Lighting businesses already, and the turnaround is expected to be visible from half 2 of FY '27.

We continue to strengthen our balance sheet. The net debt of the company in Half 1 of FY '26 was reduced by INR 3,680 million. And as a result, the net debt to equity is reduced to below 0.22x. The absolute net debt figure was at INR 3,800 million.

With significant growth enabling investments planned in H2, the net debt may see only a modest improvement in half 2 of this year. In half 1 of FY '26, we achieved net new business wins with annualized peak revenues of INR 8,928 million.



*Varroc Engineering Limited
November 12, 2025*

Notable business wins among these are 4-Wheeler Lighting business for passenger vehicles and also business wins from existing EV customers for the increased volume in the near future.

We also remain confident to win the high-voltage Electronics for a range of high-performance e-powertrain components for our Romanian plant before the end of this calendar year.

As emphasized earlier, for the transformation to continue in this volatile new normal environment, we continue to build resilience to manage uncertainty while also driving growth.

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

Mahendra Kumar:

Thank you, Tarang. Good evening, everyone. Let me take you through the presentation. This time, we added a few slides more to make the entire presentation more informative to all of you.

So, you see that in Slide #5, we actually gave an overview of the entire R&D footprint, which is spread across multiple countries, including India, Italy, Poland and China, which is the latest one which we added.

So, let me take you to Slide #8, which has the highlights of Q2. As our CMD mentioned, we reported a revenue of INR 2,207 crores, which is 6.1% growth at the consolidated level. India operations registered close to 8% growth.

Now this includes the impact of rare-earth magnets issue that the industry had in Q2, and of course, to some extent, towards end of Q1 also. So, because of this issue, the growth was actually reduced by about 4% in Q2. So, otherwise, we would have almost reported a 12% growth.

The revenue from EV customers also came in at around 11%. Even this could have been more without the rare-earth magnet issue.

Coming to profits:

PBT was at 4.1% versus 4.3%. EBITDA was at 9.1% versus 9.7%. Again, we will explain the reasons for this dip in the subsequent slides. But primarily, this is driven by the increased mix of tool sales and the overall sales, which came in at low margins. Plus we also had this China R&D setup, which we mentioned earlier also. So, because of that, it appears to be lower. But these 2 initiatives will only improve the growth going forward. So, these are more like investments for the future.

Coming to the peak revenue:



*Varroc Engineering Limited
November 12, 2025*

Revenue from new orders, peak annual revenue. During H1, it actually adds up to about INR 893 crores with 63% of this related to the electric vehicles, which is quite a positive development.

On net debt:

We continue to reduce the net debt further. So, it now stands below INR 400 crores at about INR 380 crores. CAPEX was significant this time, and most of it got front-loaded this time. So, we spent about INR 186 crores. Part of this also is related to the new facility, which we just started in Thailand.

Coming to the patents:

We filed more than 14 patents in H1, taking the total to more than 130. And R&D setup, of course, we discussed already, but the new expansion in R&D is going to focus on growth areas like exterior Lighting, ADAS and also intelligent cockpit for future growth.

Going to the next slide, Slide #9. So, this is about the industry:

Q2 was a mixed bag with many changes taking place. We had the early onset of festival season.

We also had the GST reduction negative and positive impact. Initially, there was a lot of uncertainty around the timing of it. But subsequently, when it was reduced, it was well received by the market. The rare-earth magnet issue also, of course, we discussed already. So, despite all this, the 2-wheeler industry grew by 10.6% year-over-year, 3-wheeler by 18.3% and passenger vehicle by close to 4%.

In terms of sequential growth also, it was pretty good, largely helped by the festival demand and GST reduction also. So, 2-wheeler grew by about 17.4% and 3-wheeler by 39% is a significant growth, and passenger vehicle grew by about 6.5%.

The EV 2-wheeler volume also on a sequential basis, it grew only by 11.2% because the industry got impacted by the rare-earth magnet issue, which is now anyway getting resolved. So, we are hoping that Q3 will be better than what it normally is.

Let me take you to the next slide, which is Slide #10. So, here, we are giving the consolidated financials:

So, as mentioned earlier, it is 6.1% growth considering all these factors. EBITDA of 9.1% versus 9.7%.

Now the tooling impact and the R&D cost contributed to this kind of a reduction. If you adjust for these 2, we were actually at par with the last year Q2 EBITDA levels of 9.7%. And we also



*Varroc Engineering Limited
November 12, 2025*

reduced the effective tax rate this time, because in consultation with the big 4 consultants, we actually created a centralized model for R&D, so which will be monitored and controlled from India, with India taking all the risk and all these other overseas markets acting as outsourcing R&D units for India. So, because of that, there's going to be some tax benefit also. So, that is reducing the effective tax rate this time.

Talking about the overall H1 performance was 6.4% growth with EBITDA of 9.3% and PBT of 4%.

In the next slide, we have given the breakup between India and overseas. Now this has been the request from many investors in the past. So, considering the expectations, we actually wanted to give this kind of clarity. So, if you really see there are 3 boxes here, the India business, Overseas business and the R&D, which we do for Overseas business.

So, if you look at India business, the growth of 8% is visible there. And EBITDA actually grew by 11% and PBT by 24%. And in terms of percentages also, if you really see, it's coming to almost like 7.2% in terms of the overall PBT.

If you see the Overseas business, this is where we continue to see the dip. So, this time also, we saw about 18% dip in the overall revenues. This comprises of multiple businesses. Of course, we have 2-wheeler Lighting business, which though it is having some kind of a revenue decline, it is still profitable.

But the Electronics business in Romania, which we explained in the past also, so that still saw some kind of a dip. And Forging business because of all the U.S. tariff issues, they are actually seeing some kind of a reduction in the revenue. So, because of all this, the overall Overseas business revenue went down by 18%, which also had the impact on EBITDA and PBT levels.

The third box denotes the R&D spending, which is spread across these multiple overseas centers. Now the important point to be noted here is, of course, we have come out of the non-compete restriction back in October after the divestment. So, which means now we can actually compete and win businesses across the world. So, this kind of spread out R&D setup is basically to enhance our capabilities in the advanced Electronics and also 4-wheeler Lighting. So, we found the China team to be quite effective and knowledgeable in these areas. That's the reason we have set up the China R&D center, which we explained last time also.

So, basically, this is more like a future investment, investment for future growth, which will start yielding results maybe in the next 1 to 2 years. But the most positive thing here is the India business continues to grow strong, both in terms of top line and bottom line.



*Varroc Engineering Limited
November 12, 2025*

Going to the next slide, which is Slide #13. So, here, of course, we explained how the journey is continuing to reduce the debt. Right now, it's about INR 380 crores with a very strong net debt to equity of 0.22 and net debt to EBITDA of 0.47.

In the subsequent slides, we give the revenue breakdown. And of course, the split between the segments also where you see 2- and 3-wheelers adding up to 74% and 4-wheelers 26%. And geography, of course, 89% continues to come from outside India, 11% is Overseas business plus exports. In terms of customer concentration, 45% is Bajaj and 55% from others.

The next slide, Slide #15. Here again, we made a slight change to the way we were showing the order book wins. Here, we gave this kind of clear movement. Where did we start the year? So, we started with about INR 1,307 crores of order book, and we won INR 892 crores, all these numbers are in terms of annual peak revenue.

And then during the year, INR 470 crores so far has moved to SoP, start of production. So, that leaves about INR 1,693 crores as outstanding order book end of H1. We also gave the calendarization of these order wins in terms of when we will hit the SoP. So, this is not the annual revenue which we are going to get in these respective years. This is basically about the value of the peak revenue of those orders which are moving to SoP in those years.

And in terms of the business win breakup:

EV customers add up to 63%, which is pretty strong this time. And in terms of the 2-, 3-wheeler and 4-wheeler mix also, it's 61% for 2 and 3-wheelers. You see that the 4-wheeler order win is strengthening. It has now touched 39%. And in terms of customer mix, it's 58% for Bajaj, because of these recent wins and 42% for others.

We also added a couple of slides on business-II, giving the overall description about the products and the footprint. I will request Dhruv to say a few words on this.

Dhruv Jain:

Yes. So, I think just coming to this slide, we have already mentioned in the past regarding the Business II locations in Europe and Southeast Asia, particularly the ones, of course, in Vietnam, Romania and Italy, where there have been growth challenges, and of course, profitability challenges as a result as well.

But another key activity that's been happening in Business II are some pretty significant R&D investments. And the main location here would, of course, be our location in China that we have set up recently for R&D, but also locations in Poland and India.



*Varroc Engineering Limited
November 12, 2025*

And really, our expectation in the subsequent quarters is to have significant new business wins. And of course, this will not just contribute to growth, but also our expectation is to successfully absorb these investments in the coming years as the programs that we win reach SoP.

And in terms of just going into some more information in terms of the main areas that we are focused on. Of course, exterior and interior Lighting is a key area. Here, the center of excellence really for us is our China R&D team. We feel that the combination of technology, cost and speed that this team brings would be a unique value proposition for most customers globally, whether they are in Southeast Asia, India, Europe or North America.

Beyond this, we also have a focus on Electronics manufacturing services. This would be for the key high-voltage Electronics in vehicle to do with EV powertrains, but also the key low-voltage Electronics to do with ADAS and cockpit. Even though electronic manufacturing services, there is a key role that R&D plays here as well in terms of design for excellence support, validation support as well.

So, certainly, here as well, our R&D locations will be important. We have already had business wins that we have announced a few quarters back. But definitely, there will be new businesses that we expect to be announcing quite soon.

And then beyond this, we also have our own product areas that we have invested in to do with ADAS, cockpit, fleet management. And here, too, our R&D locations in China, Poland and India are a very important factor.

Next slide, please. So, this slide just goes into some more information, particularly with respect to a new location that we set up in Thailand. As of October of 2025, we are able to develop business for exterior Lighting outside India as well. And here, our thought process was that a combination of our China R&D capabilities also, and deployed through an export-friendly location like Thailand would be a strong combination, and will be able to address our customers' needs in a unique way.

And here too, we expect in the coming quarters to be announcing some business wins and then, of course, in the coming years to also start production. And beyond this, of course as mentioned already, our overseas locations in China, Poland are also important areas for our endeavors when it comes to ADAS and the intelligent cockpit space. Thank you.

Mahendra Kumar:

Okay. So, thank you, Dhruv. So, we will stop here. We will be happy to take any questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Aditya Jhavar from Investec. Please go ahead



*Varroc Engineering Limited
November 12, 2025*

Aditya Jhawar: Yes. Thanks for the opportunity. And congrats on good set of numbers, especially on the debt reduction. A couple of questions from me. The rare-earth situation, I mean you highlighted that it had a bearing on our performance in Q2. Incrementally, how is the situation now? Do you have a line of sight of a normalized production as we speak? That is my first question.

Arjun Jain: Yes. So, I would say, I think the normalization took place already towards the end of Q2, right? So, I think we have been in a normal state. And when I say normal state, really a derisked state for the last couple of months. And I think that reflects in the market numbers also that OEMs are putting out now.

Aditya Jhawar: Sure. Sure. That's good to know. And order wins are quite encouraging, almost INR 600 crores in this quarter. Can you please throw some light in terms of products? You have given a disclosure for 2-wheeler, 3-wheeler, 4-wheeler in terms of what product order wins we have got, especially in India?

Arjun Jain: Yes. So, I think I will start with I think passenger car Lighting. I think we have a significant business win for passenger car Lighting, which I think is the bulk of the order win in Q2. We also have further capacity expansions for EV product and particularly powertrain product, which is another significant contributor. And then we have also been able to win some significant business in displays or instrument clusters.

Aditya Jhawar: Okay. That's good to know. And if you can throw some light that typically, we see a little bit of a slowdown in production as we approach the year-end. But this time around, because of GST cut, are you experiencing that the outlook for the next 2, 3 months is shared by OEM is much better than the previous year-end that we have seen?

Arjun Jain: Yes, I would say the period after Diwali so far seems to be stronger than what we have seen in past years. But I would also call out that it is also driven by the fact that rare earth topics created a level of backlog, right? So, I think the combination of filling up that backlog plus I am sure the GST reduction has also had a level of positive impact. So, demand is definitely better post Diwali versus than what the normal is.

Aditya Jhawar: Okay. That's good to know. Final question is on our Overseas business. If you can shed more light, especially on the business, Dhruv, if you can talk about the Electronic business in Romania, but how should we see a ramp-up in some of the order wins?

And the legacy business, are we out of the woods where one of the key customers was facing some challenges, and there were market-related challenges. If you can split and speak on both the new businesses of Electronics and our legacy business.



*Varroc Engineering Limited
November 12, 2025*

Dhruv Jain:

Yes. Yes. So, I will just address our Romania Electronics plant. So, here, the key really will be the new businesses. And so we have already have announced one business win. I think we announced this, I think, 2 quarters back.

And so this program will SoP in the middle of 2026. So, in Fiscal Year '27, we will see the SoP for this program. We had also mentioned an Interior Lighting business win. And this one also will SOP in the middle of 2026.

And definitely, with these 2 programs itself, we expect to be out of the woods when it comes to our Romania plant. There are some advanced discussions that we are presently having for further business wins. We are not announcing it as of right now, but we feel confident that the next time we have this call that this will be announced. And this one will be also a very significant business win.

And of course, at that point, then the Romania plant is not about naturally turning it around, it's about really thriving in this location. So, we expect in calendar year 2027 to be in a completely different situation to where we are right now with this location.

Just to clarify, when it comes to legacy customers, on this one, I think without maybe yes. So, when it comes to legacy customers, I think definitely, we have had a single customer dependence when it comes to some of our other locations like Vietnam and Italy. And this customer has degrown significantly. And so here, I cannot say that there will be a big increase in the sales. So, the key for us will be on the new business win side.

Mahendra Kumar:

Just to add, please don't take any of this as a future revenue guidance. These are...

Aditya Jhawar:

Sure. Sure. And final question, if I can squeeze in. So, Tarang, you mentioned that debt reduction in second half of the year will not be significant. Is it because of a higher CAPEX that we plan to do in second half? And what would be your annual CAPEX guidance? That's it for me.

Tarang Jain:

Yes, right, Aditya. so let me take this. So, previously, if you remember, we indicated that the CAPEX would be about INR 270 crores on regular CAPEX plus another INR 150 crores for land. We may increase it by maybe another INR 80 crores to INR 90 crores from that level. So, say, close to INR 100 crores is what's going to be the increase. This is mainly for the future growth opportunities.

So, because of this, yes, you are right. So, most of cash flow that we are going to generate in H2, will go to actually fund the CAPEX. So, we don't expect any significant reduction in debt from the current levels.

Aditya Jhawar:

Okay. That's it from my side. All the best. Thank you.



*Varroc Engineering Limited
November 12, 2025*

- Moderator:** We take the next question from the line of Dhaval Pandya from 47 Alpha Capital. Please proceed.
- Dhaval Pandya:** Yes. Congratulations on great numbers. And I had 2 questions, but one was being addressed previously. So, another question is, as we know, the rare-earth element got some issues. So, can you tell me which were the major product lines that got affected due to rare earth element issue?
- Arjun Jain:** Yes. So, primary product line that got affected as a result of the issue was the powertrain product line and really the traction motor that we produce. Of course, there was impact across other product lines as well, whether it is topics like TPS or Throttle Position Sensors or other engine electricals like starter motors, AC generators.
- But I would say all the other product lines that were impacted, I think the derisking was a lot quicker. I think on the traction motor, it took a little bit longer, which is why we see a certain gap in sales.
- Dhaval Pandya:** Okay. That's it from my side. Thank you.
- Moderator:** We take the next question from the line of Ankur Poddar from Svan Investments. Please proceed
- Ankur Poddar:** Hi. So, commendable job on the debt reduction. So, just wanted to understand what do you see is the future interest cost run rate which you expect for the coming quarters?
- Mahendra Kumar:** Yes. So, basically, you can compute based on the existing levels, like what I mentioned, there may not be a significant reduction from the current levels in the remaining 6 months. So, there will be interest cost at the rate maybe around 8% on this. Plus, we also like what we mentioned earlier, we also have the receivables discounting, that's close to anywhere between INR 700 crores to INR 750 crores. So, that goes at around 7%.
- So, based on this, we can compute. That should be run rate. There will be a few bank charges here and there, but more or less, that should be the run rate.
- Ankur Poddar:** Understood. And my next question is based on your overall corporate business vision road map. So, for Varroc, where do you see Varroc heading in the next 3 to 5 years horizon in terms of top line profitability and technology improvements, et cetera?
- Mahendra Kumar:** See, I think we mentioned in the earlier calls also that our ambition is to basically double the revenue by 2030 and take the PBT also well above 10%. So, that's the overall direction we are working towards.
- Ankur Poddar:** Thank you.



*Varroc Engineering Limited
November 12, 2025*

Moderator: Thank you. We take the next question from the line of Vishakha Maliwal from ICICI Securities. Please proceed.

Vishakha Maliwal: Hi, thanks for taking my question. Just on EV revenues, the share now stands at 11% of total revenue. So, do you have any internal target for its contribution over the next 1 to 2 years?

Arjun Jain: So, I wouldn't say that there is an internal target, right? I think if I take a step back, we take a fairly balanced view across different potential powertrains that could be in play. Of course, in a core market of 2- and 3-wheeler, we see very strong advent of EV. But I would say our product portfolio across different types powertrains is very strong, right? We have a very strong portfolio for ICE. We have a very strong portfolio for EV.

So, I think with that, I would say we are really in the right spaces and in the right product lines. And I think we are very satisfied with where we stand in these product lines and the market shares we have in these product lines when we look to the future.

Of course, more the market moves towards EV, the bigger this ratio becomes, and the more significant growth for us is, largely because into an electric vehicle, I think we really put almost 5 to 7x the content we put into an ICE vehicle, right?

So, if I were to summarize, I would say we have strong technology. We have strong positioning across all powertrains. And we now wait to see how the market evolves, and we are in the right place to take advantage regardless of which direction the market moves in.

Moderator: Thank you. We take the next question from the line of Rahul Kumar from Vaikarya Fund.

Rahul Kumar: Yes. Hi. Just one question. Can you tell us the tooling sales in this quarter? And also, was there any cost impact because of the rare earth issue?

Mahendra Kumar: Yes. So, I don't want to give the exact number of tooling sales, but yes, what I said, if you adjust for it, we were more or less there at the previous quarter levels in terms of the EBITDA margins and PBT margins.

Coming to rare earth cost, there will be some additional freight costs or something, but which is recoverable from the customers. So, there's no bottom-line impact on margins because of that, other than loss of sales of course.

Rahul Kumar: Okay. So, when you are comparing your EBITDA margin, you are comparing with the previous year quarter 2 FY '25.

Mahendra Kumar: Correct. Correct.



*Varroc Engineering Limited
November 12, 2025*

- Rahul Kumar:** Second question on the order wins. I think I see pretty strong wins for your existing EV customers, right? What would that product be?
- Arjun Jain:** Yes. So, the large portion of the EV order win is expansion in volumes of current programs, right? So, the next generation of the programs and the further capacity requirement for the programs. And the products that we do for EV are the e-powertrain, of course, which is the motor, the motor controller, the BMS, yes, and some engine agnostic product also that goes into those vehicles.
- Rahul Kumar:** Okay. And do we have any progress on any other 2-wheeler top-tier EV customer in 2-wheelers?
- Arjun Jain:** So, I would say we have progress with customers. And like we said before, I think we will SOP with our second customer in this year. In terms of top tier, I am not sure exactly what you mean, but it really the guys in the top 3. Of course, we have engagement, but we don't have a formal business win with anyone other than 1 of the top 3.
- Rahul Kumar:** Okay. Okay. And this 4-wheeler business win which we have announced for the Lighting business, is that for the Overseas business? Or is it for India business?
- Arjun Jain:** It is for India.
- Rahul Kumar:** And I think one fundamental question which I had was I think we had a pretty spare capacity in our Romania plant for the 4-wheeler Lighting, right? And we are now going to expand.
- Dhruv Jain:** So, I will just clarify, we had spare capacity for Electronics in our Romania plant. And here, we have actually one business that will launch in middle of 2026. And we are in advanced discussions on some other business opportunities as well that will launch at the end of 2026. So, we will be utilizing these capacity. There's a plan to utilize these spare capacities.
- Moderator:** Thank you. We will take the next question from the line of Priya Ranjan from HDFC AMC.
- Priya Ranjan:** Just a couple of questions. What is the next year CAPEX thought process? How much we want this year, you said, whatever is the free cash flow, probably we will do that much of the CAPEX. And so what is the next year plan?
- Mahendra Kumar:** Yes. Next year, we should go back to the normal levels, which is around INR 250 crores or so.
- Tarang Jain:** That's for India. Plus, I think depending on the business wins abroad, I think that, CAPEX could be more. So, that could be also depending on the extent of the business win, it could be anywhere between INR 50 crores to INR 100 crores for the plants abroad.



*Varroc Engineering Limited
November 12, 2025*

- Priya Ranjan:** Okay. Got it. Will it be directed to more towards Romania and Thailand? I mean the Thailand, we want to produce Lighting, right? So, what is the thought...
- Tarang Jain:** For 4-wheeler Lighting, we have already invested about INR 40 crores, which we had announced in this plant. And as we are trying to win more businesses, which probably we will announce in the coming quarters for Lighting. So, that may entail some more CAPEX. So, that will probably come in for next year.
- And also, of course, certain investments will also, of course, probably happen in Romania further to whatever the capacities we have, which, as Dhruv mentioned earlier, that they will be utilized in the next financial year. But then if you are winning more business for Electronics, which we are hopeful of, that will require some further investment there.
- Mahendra Kumar:** Yes. So, those will be linked to the programs.
- Tarang Jain:** It will be linked to the programs, yes.
- Priya Ranjan:** Understood. And any thoughts on expanding domestic in the Electronics side, the more SMT lines or any new areas where you want to go in the, say, Consumer Electronics side or something with the Contract Manufacturing or with the PCB or something that kind of thing is in your mind? Or you just wanted to stick to the Automotive side only?
- Arjun Jain:** So, today, we already operate the equivalent of 17 SMT lines in India across 2 locations. I would say we have a fair amount of scale when it comes to Electronics already. Of course, today, we are largely almost completely Automotive focused, as you mentioned. But we definitely keep our eye on and we start to explore other spaces also, because, especially where there is a level of design content involved, we believe even in non-automotive spaces, we bring strengths to the table. But I think that as things materialize, I think we will talk about it then.
- Tarang Jain:** Yes. But to answer that question, yes, we are definitely exploring also the non-auto space when it comes to Electronics and Electricals. That's something we are already exploring. So, yes, we do want to get into the non-auto space also.
- Priya Ranjan:** Okay. Great. Thank you. All the best.
- Moderator:** Thank you. We take the next question from the line of Vinay Jain from Karma Capital. Please proceed.
- Vinay Jain:** Hi. Thanks. Congratulations on a decent set of numbers. Heartening to see the net debt reduction trajectory and India business margins at above 11.5%. My question was on the R&D



*Varroc Engineering Limited
November 12, 2025*

expenditure, which we have given for the second half of EBITDA level at around INR 26 crores, INR 27-odd crores. What would be the number for the first half?

Mahendra Kumar: No, sorry, we didn't indicate anything for second half? Sorry...

Vinay Jain: Sorry, second quarter, it's at around INR 26.8 crores.

Mahendra Kumar: Yes. So, more or less, that kind of pattern will continue in the remaining 2 quarters also.

Vinay Jain: So, this is a recurring number or you expect it to come down in the coming quarters?

Mahendra Kumar: Yes. So, the point here is whatever we indicated here, you are talking about the slide where we showed the R&D expenses separately, right?

Vinay Jain: Right, right.

Mahendra Kumar: Yes. So, that's the recurring thing. That will continue in future also.

Vinay Jain: But in future, right now, there is no revenue which is commensurate revenue, which is coming from this R&D, which you are expecting to come through in the future quarters?

Mahendra Kumar: Yes, yes. That's what I was mentioning that there is more like investment for future growth, like how Dhruv explained, some of them are in advanced stages. So, this will basically pave way for that kind of a growth.

Vinay Jain: On the Overseas business, again, when we are saying that in the second half or second half of calendar year '26, you are expecting the orders to come through. So, can the Overseas business also maybe say not in FY '27, but in FY '28, do margins similar to what the India business is doing right now?

Mahendra Kumar: It's difficult. We don't want to give a kind of prediction. But yes, I mean like we explained, there are significant order wins expected if all of them materialize and depending upon their SOP time lines also. That's the ambition. That's what we are targeting.

Tarang Jain: That is the objective. But let us see how it pans out.

Vinay Jain: Understood. And the tax benefit, which you mentioned of around INR 11-odd crores. So, that is again with the R&D recurring, the tax expense or the tax benefit also would be recurring in nature? Or was it a one-time thing?

Mahendra Kumar: Yes, yes, correct. That will be recurring. So, that will be linked to the R&D spending we are doing overseas. So, that will be a continuing feature from now on.



*Varroc Engineering Limited
November 12, 2025*

Only thing, is in Q2, we recognized benefit for both Q1 and Q2. So, that way to that extent it may get mitigated. But yes, the benefit will continue in future.

Vinay Jain: Understood, sir. Thank you so much, and all the best.

Mahendra Kumar: Thank you.

Moderator: Thank you. We take the next question from the line of Ronak Jain from Equirus Securities. Please proceed.

Ronak Jain: Good evening, sir. So, I have a few questions. So, firstly, on the Lighting segment. So, the domestic PV orders that you are earlier alluded to, so can you throw some more light like whether it is for front lamp or tail lamp and whether it is in the LED space? And also, I would like to get your insights on how you see the Lighting segment going ahead, given the sharp competitive intensity in the Lighting space?

Arjun Jain: So, it is a rare lamp. From a technology perspective, it is definitely advanced technology rare lamp. And from an LED versus bulb perspective, we only do LED now. We don't quote any bulb. So, it's LED. So, there's a fair few players in the market, right? So, this competitiveness is not something that is new. It is something that has been around. But I think really driven by our global engineering capability, especially when it comes to Lighting, and really I think some of the technology we are able to bring to the table, I think it definitely stands us in good stead.

So, of course, the market is competitive, but I think we are quite clear and comfortable with what our strengths are. I think fortunately, our customers also appreciate that.

Ronak Jain: Yes. So, I have a few clarification questions as well. So, for your new Lighting plant from Thailand, so I wanted to understand like which geographies and segment is going to cater to?

Dhruv Jain: Yes. So, the thought process for Thailand, of course, is to target the Southeast Asian geography, but not just that, but we also want to target customers in Europe and North America. We see Thailand is also an export-friendly country, low cost as well. And so yes, the target would be customers globally, not just in Southeast Asia, but also in Europe and North America.

Ronak Jain: Okay. Got it, sir. And just one more last question. So, on the order book side, so the order book, which you mentioned for H1, so are these new orders or replacement orders or a combination of both?

Arjun Jain: No it is a combination, but it is the net new orders, right? So, even if there is a replacement, it is only the delta content increase that we report. So, it is net new...



*Varroc Engineering Limited
November 12, 2025*

Tarang Jain: Net of replacement, yes.

Ronak Jain: Okay. Got it, sir. Thank you so much.

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

Tarang Jain: Yes. So, thanks once again to all of you for joining the call and for your continuing support. So, we hope to see you again in the next quarter. 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.