

Varroc Engineering Limited

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February 10, 2026

To,

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The Listing Department,
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NSE Symbol: VARROC

The Manager – Listing
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BSE Security Code: 541578
[Debt: 975062]

Sub.: Transcript of Investor / Conference Call pertaining to Un-audited Financial Results of the Company for the quarter and nine months ended on December 31, 2025.

Dear Sir/ Madam,

Please find Transcript of Investors / Conference Call held on February 5, 2026, in respect of the Un-audited Financial Results of the Company for the quarter and nine months ended on December 31, 2025.

This is for your information and records.

For Varroc Engineering Limited

Anil Ghatiya
Company Secretary & Compliance Officer

Encl: A/a



“Varroc Engineering Limited Q3 FY-26 Earnings Conference Call”

February 5, 2026



MANAGEMENT: **MR. TARANG JAIN – CHAIRMAN AND MANAGING DIRECTOR**
MR. ARJUN JAIN – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER, BUSINESS UNIT 1
MR. DHRUV JAIN – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER, BUSINESS UNIT 2
MR. MAHENDRA KUMAR – GROUP CHIEF FINANCIAL OFFICER
MR. BIKASH DUGAR – HEAD, INVESTOR RELATIONS AND FINANCE CONTROLLER, BUSINESS UNIT 2
MR. VISHAL RAWAL – HEAD, FINANCIAL CONTROLLER, BUSINESS UNIT 1
MODERATOR: **MR. MIHIR VORA – EQUIRUS SECURITIES PRIVATE LIMITED**



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February 5, 2026

Moderator: Ladies and gentlemen, good day, and welcome to Varroc Engineering Limited Q3 FY '26 Earnings Conference Call, hosted by Equirus Securities Private Limited.

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. Mihir Vora from Equirus Securities Private Limited. Thank you, and over to you, sir.

Mihir Vora: Yes. Thank you, Palak. So good evening, everyone. We are pleased to invite you to the Q3 FY '26 Post Results Conference Call of Varroc Engineering Limited.

The Management team will be represented by Mr. Tarang Jain – Chairman and Managing Director; Mr. Arjun Jain – Whole-Time Director and CEO, Business Unit 1; Mr. Dhruv Jain – Whole-Time Director and CEO, Business Unit 2; Mr. Mahendra Kumar – Group CFO; Mr. Bikash Dugar – Head (IR) and Finance Controller, Business Unit 2; and Mr. Vishal Rawal – Head (Financial Controller), Business Unit 1.

Without further ado, I will now hand over the call to Bikash for the disclaimer. Bikash, over to you.

Bikash Dugar: Thank you, Mihir. Thank you Equirus team for hosting the call. Just a small disclaimer before I request our Chairman to give his opening remarks. So the disclaimer is that the call today may include statements which may constitute forward-looking statements. All statements that address expectations or projections 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. The actual results, performance or achievement could differ materially from those projected in such forward-looking statements. So with that disclaimer, I am handing over the call to our Chairman.

Tarang Jain: Yes. Thank you, Bikash, and good evening to everyone. I am Tarang Jain here.

So let me start by stating that India has delivered a robust 8.2% GDP growth in July to September '25 period, the highest in 6 quarters, driven by strong performance in manufacturing, services and construction, despite global uncertainties and tariff-related pressures.

The GST cut introduced during the festival season gave a significant boost to consumption and enabled strong growth for the manufacturing sector also. The inflation in India continues to moderate, which augurs well for the growth as the Central Bank can further support growth by easing the monetary policy.

The recent retail agreement with the European Union and reductions in reciprocal tariffs with the U.S. shows that the world is recognizing the importance of India, both as a market and as a reliable supply chain partner also. The Automotive industry is also preparing to deal with these uncertainties and geopolitical challenges.

In these uncertain times, it becomes very important for the company to find ways to manage this uncertainty and grow simultaneously during this period. As evident from the recent stock exchange disclosures we made recently about our VRS program, and some of the large order wins from reputed global OEMs, our company is taking some tough decisions to make the cost structure more robust and also focusing on winning large businesses in India and abroad for its future growth.

Coming to the performance in this quarter, let's first understand the industry performance in India:

In terms of automotive production in India, during Q3 of FY '26, all segments of the automotive showed strong growth on a year-on-year basis, supported by a strong economic growth and GST reduction.

On a year-on-year basis, 2-wheelers grew by 15%, 3-wheelers grew by 34.7%, passenger vehicles grew by 19.1%, and commercial vehicles grew by 17.5%. On a quarter-on-quarter basis, 2-wheelers de-grew by 1.7%, 3-wheelers de-grew by 4.6%, passenger vehicles grew by 5.4% and only commercial vehicles grew by 9.7%.

Sequentially, that is quarter-on-quarter, the growth was not as strong as a year-on-year due to seasonality effect and generally, Quarter 3 is sluggish in comparison to quarter 2 due to the model year change.

In the first 9 months of Financial Year '26 also, we saw a similar positive trend across all the segments. On a year-on-year basis, 9 months of Financial Year '26, 2-wheelers grew by 8.8%, 3-wheelers grew by 21.1%, passenger vehicles grew by 9.8% and commercial vehicles grew by 10.4%.

Coming to the operational performance during Q3 FY '26:

The company registered a consolidated revenue of INR 22.9 billion with a growth of 10.2% year-on-year with the India operation growing at 12.3%. Our EBITDA for the quarter was around



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9.3% as compared to 9.2% on a year-on-year basis. Our PBT before JV profits was 4.4% of revenue in Quarter 3 of FY '26 as against 3.2% in Quarter 3 of FY '25. The revenue from supplying to EV vehicles in this quarter was at 14.3% of the revenues and which grew by 50% on a year-on-year basis.

We had some exceptional items in this quarter. The first one is the launch of a voluntary separation scheme in which more than 400 employees opted for the benefits of the scheme, and this resulted in a separation cost of INR 799 million.

We continue to explore such restructuring operations in the near future, which will make the company more and more robust in the medium term and the long term. The second exceptional item pertains to change in the definition of the wage as per the new labour code as a result of which we had to recognize an estimated incremental expense of INR 225 million towards reassessment of gratuity and leave encashment costs.

However, I would like to bring your attention to the point that the India EBITDA and PBT were strong at 11.9% and 7.6%, respectively, and grew both on a year-on-year basis as well as sequentially.

I explained earlier, the Overseas Electronics, Lighting and the Forging business continues 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 a turnaround is expected to be visible from half 2 of Financial Year '27.

The net debt of the company in the 9 months of Financial Year '26 is INR 4,405 million. This has increased for the first time after many quarters to the one-time cash outflow pertaining to our VSS. The net debt to equity is very comfortable at 0.26. With significant growth-enabling investments planned in the coming quarters, on back of strong order wins, the net debt and interest costs will only see modest improvement in the coming quarters.

In 9 months of Financial Year '26, we achieved net new business wins with annualized peak revenues of INR 20,636 million. Notable business wins among these in the last quarter are, the High-Voltage Electronics business for a range of high-performance e-powertrain components for a Romanian plant from a global EV player, the 4-Wheeler Lighting, Headlamps and Small lamps business for our Thailand plant from a global EV player and the 4-Wheeler Lighting business for our Indian operations, from an incumbent OEM for its upcoming EV vehicle. All these business wins helps us to fill the existing capacity and sweat our assets even more. In this quarter, we also had some business wins from the Nonautomotive segment.

As emphasized earlier, in this volatile new normal environment, we continue to strengthen our company for a long-term growth and performance by taking appropriate decisions and meticulously executing them.

With this, I will now ask MK – our Group CFO, to walk you through the presentation and give more insights into the financial performance in Q3. We have uploaded the investor presentation to the stock exchanges as well as on the website. Thank you.

Mahendra Kumar: Thank you, Tarang. Good evening, everybody.

So I will take you to Slide #7, which is about the highlights of Q3:

As our CMD explained, the revenue was INR 2,288 crores with a 10.2% growth. Within that, India operations registered a significant growth of 12.3% year-over-year. The interesting point here is within this, the EV models, the revenue from EV models in Q3 was at 14.3%. As some of you may recollect, it was in the range of 10% to 11% earlier. So this actually amounts to a growth of 53% year-over-year within Q3. And if you take 9 months together, revenue from EV models was at 12.1%, and there was a growth of 38% year-over-year.

Coming to PBT:

It was at 4.4% compared to 3.2% last year in the same period of Q3. EBITDA was 9.3% versus 9.2%. Another significant highlight is the highest ever new order wins in these 9 months, which has the annual peak revenue potential of more than INR 2,000 crores, which is the highest ever order win for us.

And another important point here is 74% of this relates to EV motors. Net debt increased this quarter to INR 441 crores. As you may recollect, in the last 3 years, we have been steadily reducing the net debt quarter-on-quarter. But this time, because of the VRS spending of close to INR 80 crores, there was an increase in net debt. But this particular initiative, as our CMD explained, is going to strengthen our cost structure further, and this will give us a payback within 4 years.

Coming to patents:

In the 9 months, we filed close to 15 patents, taking the tally to 130 plus. Within the order wins, we also have these 3 significant order wins, which we also announced to stock exchanges earlier. There was an HV high-voltage PCBA order, which is going to be met by our Romanian entity for a global EV OEM. We also have order wins in 4-wheeler lighting. One is from a global EV OEM, which will be met from our Thailand entity, and another one is in India.

The next slide is about the industry trends. Our CMD already explained these numbers in detail. So, there was a significant growth in Q3, largely helped by the GST reduction, which we had in Q2. So that also help the industry across different segments to register a significant growth.

Moving to the next slide, which is about the consolidated financials of Q3:

So, as I mentioned, 9.3% was the EBITDA. And in terms of PBT, you really see it's about INR 101 crores compared to INR 66 crores of last year, which is more than 50% growth. So PBT went up by almost 53% to be precise.

The exceptional items had two parts. One is the new labour code impact, which most of the companies are picking up this quarter. So that was about close to INR 23 crores. We also had VRS impact of INR 80 crores, as I explained in the previous slides. So significant PBT growth was also enabled by the interest cost reduction over a period of time and also strict capital controls, which enabled us to control the depreciation charge also.

And coming to the 9-month numbers in the next slide, close to 8% growth in the top line, EBITDA at 9.3% and PBT at 4.2%. Here again, about more than 33% growth was there in the PBT in absolute terms.

The next slide, we are continuing this trend which we started last time of showing the split between India business and Overseas businesses. As you can see, the India business growth was pretty strong, top line growth of 12%, but EBITDA growth was 30% and PBT growth was more than 80%.

The Overseas businesses, of course, they have the challenges, but we explained it in the previous meetings also. So this will now be a temporary phenomenon with the strong order wins which we got in the recent times. This picture should look significantly different next year and the following years. And the third box denotes the investment or the spending which we are doing on the R&D activities.

Next slide, we have the net debt trend. As I mentioned, we have been reducing net debt significantly in the last many quarters. This time, we see this as a temporary phenomenon. But before end of the year also, we may not see a significant change in the net debt level. It will more or less continue at this rate, because we are also planning for some land purchase in Q4. Part of that may come this year and part of may come to spill over to next year. But our effort will be to move to a zero-debt status by end of next year.

Next slide, we have the revenue breakdown, more or less similar to what we have been showing earlier. The 2- and 3-wheelers now add up to 76%. And customer segmentation, if you really see Bajaj adds up to 46%. And within India, 89% versus 11% outside.

On your next slide, we have given the details about the order wins. As you can see, the annual peak revenue potential of new orders, which we have taken in the last 9 months adds up to more than INR 2,000 crores. And of this, nearly about INR 982 crores will move to SOP this year.



In terms of the split, if you really see the 2-wheeler and 3-wheeler, that's about 34%. So here is the other way, 4-wheelers and others add up to more than 60%. And EV orders also add up to 75%, which actually indicates the strength of our EV product portfolio.

So let me stop here. The subsequent slides are more about the product information and other generic details. Thank you.

We are happy to take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Preet from InCred AMC. Please go ahead.

Preet: Thank you for the opportunity. My first question would be in line of the revenue growth of the India business. It was around 12%. We have seen that industry-wise revenue growth was somewhat in the range of 15% to 20%. So what led to the underperformance in respect to industry?

Arjun Jain: Yes. So I would say there's a couple of different topics. I think if you think about our portfolio from the perspective of ICE and EV, yes, I think on ICE, I think driven by customer mix, driven also by some significant models undergoing changeovers, we had a muted impact on growth over there. However, if you look at our EV performance, we have grown by almost 53%. So yes, I would say it's a combination of weaker performance on ICE versus EV for us. And also, I would say, driven really by mix and model changeovers.

Preet: Thank you, sir. That was helpful. And second question on the line of the new order win which we have got, when do we expect our Overseas business to be breakeven?

Mahendra Kumar: I think in some of the markets like electronics in Romania, we may reach cash breakeven by next year, full PBT level breakeven may happen in the following year.

Preet: Thank you, sir. I will join back in the queue.

Moderator: Thank you, sir. The next question is from the line of Ankur Poddar from Svan Investments. Please go ahead.

Ankur Poddar: Sir, my first question is regarding the VSS cost, which you have taken of INR 80 crores one-time expense in this quarter. And in the presentation, it's mentioned that the payback period for this is 4 years. So is it safe to assume that this leads to an annual saving of around INR 20 crores in the employee cost for you?

Tarang Jain: Yes, yes, that's right. It could be a little more than that. But yes, that's a safe number to go with.



Ankur Poddar: All right. Thank you. And my next question is about our gross margin, which have declined during this quarter. So is it due to increase in RM prices? And if so, will we be able to pass them on with a lag? Or what's the lag with which we can pass it on?

Arjun Jain: So yes, I would say on the raw material, there's definitely a level of topic with respect to certain commodities and also FOREX, but those are largely passed through, and I would say majority is also passed through. Yes. It's largely driven by these product mix as well as market mix.

Ankur Poddar: All right. Understood. And my last question is about our debt levels. So our net debt has increased, which you have explained. So can you give me the gross debt level currently at the end of December 2025? And also what do we see as our total interest expense for the entire year, which for 9 months is close to INR 100 crores. And where do we see this going in FY '27?

Mahendra Kumar: Yes. So gross debt, you can add another INR 300 crores to it, which is what we keep in cash. So about INR 750 crores was the gross debt. In terms of the interest cost, yes, like what I mentioned, there won't be a significant reduction between now and end of the year. It will more or less be in this range. So based on this, you can compute for the rest of the period.

Next year, by next year-end, we should come close to the zero-debt level. So it should be a gradual reduction, maybe largely happening more towards, more between Q2 to Q4 because the Q1 also, part of the consideration for land purchase and all may go during Q1 of next year. So we will again start seeing some good reduction in net debt starting from Q2 of next year to Q4.

Ankur Poddar: All right. Understood. Thank you. That's all from my side.

Moderator: Thank you, sir. The next question is from the line of Ronak Jain from Equirus Securities. Please go ahead.

Ronak Jain: Yes. Thank you so much for giving me this opportunity. So my first question is, so the growth was very strong in the e-mobility and HMI division. So what has driven this growth? And how much of this growth was due to non-Bajaj customers? Like how is the traction with non-Bajaj customers currently, sir?

Arjun Jain: So I would say one big driver for the growth, in particular, in e-mobility is the fact that the crisis around rare earth magnets has been solved for. So there's definitely a level of backlog also that was covered up through this quarter. So that has been one big driver of growth for e-mobility. Further, from the standpoint of Bajaj versus non-Bajaj customers, there is growth in both, right? There is growth in both of these segments.

Ronak Jain: Okay. So during the quarter also, both non-Bajaj customers and Bajaj customers contributed to the growth.



Arjun Jain: Sorry, I have a clarification. Do you mean the E-Mobility segment we report? Or are you talking about sales into EV models?

Ronak Jain: E-Mobility segment that you report?

Arjun Jain: So E-Mobility segment is driven today purely by Bajaj.

Ronak Jain: Okay. That is purely Bajaj. So are you getting any traction from non-Bajaj customers? Like are you in discussions with non-Bajaj customers?

Arjun Jain: Yes. So we have business wins, one of which we should be SOP-ing sometime soon. We also have further formal engagements with other customers as well. And I think our strength really is the ability to ramp from business win to SOP very quickly. So we feel confident that we will see through FY '27 further customer additions and revenue.

Ronak Jain: Okay. Got it. So my second question was, so Lighting was a drag during the quarter. So was it mainly due to the overseas subsidiaries like Overseas business?

Arjun Jain: Yes.

Ronak Jain: Okay. And any colour on the new orders like both in the Domestic and Export segment on the Lighting side, new orders?

Arjun Jain: Yes. So I think as you will have seen in our presentation also, I think 2 of our biggest business wins are actually in the Lighting space, one in India, one abroad. I would say our order pipeline on Lighting is extremely healthy. Passenger car lighting, 2-wheeler lighting, both is extremely healthy. And from an India perspective, Lighting has grown fairly strongly for us.

Ronak Jain: Okay. So you mentioned in the PPT that one of the orders for Lighting is from the Thailand facility. So like by when do you expect the Thailand capacity to ramp up to optimal levels?

Dhruv Jain: So I would say that definitely in 2027, so I will say in 2027 is when the revenue will increase for this location.

Ronak Jain: From 2027.

Dhruv Jain: Yes.

Ronak Jain: Okay. Thank you so much. So that's it from my side.

Moderator: Thank you, sir. The next question is from the line of Aditya Jhawar from Investec. Please go ahead.



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Aditya Jhawar: Thank you for the opportunity. Congrats on good set of numbers and good order wins, especially in the Overseas business. My first question is the VRS, the quantum seems to be relatively bigger in terms of the number of employees, almost about 5% of our workforce. Do you expect any impact on revenue in the near term? And these employees were part of which business division, if you can throw some light?

Arjun Jain: So the VRS is already fully executed now. So we have been living in the new reality for approximately 1.5 months, and we have not seen any impact. And of course, touch wood, we have been able to transition the workforce quite effectively.

Secondly, I would say 95% of the headcount here really comes from our ICE powertrain product group.

Tarang Jain: let me add, Aditya, that we are not doing this from a point of view of any business going down. Nowhere has our business gone down. It is just that it's an initiative from our side to make better our cost structure going forward, because a lot of these plants are our older plants. And we just wanted to mitigate the cost impact moving forward.

And we have never done a VSS before in this company. So it was for us the first time, while a lot of the other companies have done it over the years. So we felt it was probably the right time to take a call in this regard.

Aditya Jhawar: Yes. Okay. That's quite helpful. Now second question is in the Overseas business, when you look at it, of course, a lower base will kick in, hopefully, in the next couple of quarters, and you will start seeing some of the new orders from Romania will also start coming on stream in '27. If you can split the business, Overseas overall business into the premium 2-wheeler lighting, IMES and the Romania part?

And if you can help us understand, so Romania, clearly, as Dhruv also mentioned that second half of next year, you will see start that business flowing into numbers. But the current business that we have, whether it is premium 2-wheeler lighting, IMES, where are we in terms of the base? Are we seeing the hurdles? For example, one of the customer had started doing in-sourcing. The customer was also losing market share. So what is the way ahead of the other Overseas business other than the Romania business?

Dhruv Jain: Yes. So I will just comment on the different overseas locations. So when it comes to premium 2-wheel lighting, I think here you are referring to maybe the Vietnam and the Italy locations. And of course, there was a degrowth here as well. And however, there's actually an upcoming launch of certain programs. So we are expecting actually a revenue growth in the coming fiscal year, compared to the current fiscal year. And I think what we have also mentioned earlier is more with respect to our Romanian plant for Electronics and the Thailand plant for Lighting.



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So while there are new business wins that are coming into production in each of these locations, of course, the bigger growth is going to be with respect to Romania and Thailand, compared with the Vietnam and Italy locations.

And I am not referring to IMES here. I am only referring to the other locations.

Tarang Jain: On this, and also this 2-wheeler lighting, where the 2-Wheeler Lighting, Premium Lighting business, we have seen a degrowth last 3 years, I would say. But now we are looking at doubling the growth in the next 4 years. And we have some new customers also here in the 2-Wheeler Premium Lighting segment starting from the next financial year.

So here also, we have won certain significant orders going forward. So we are looking at a growth not only in the future in Romania and Thailand, where, of course, the revenues will be in a much bigger way, because it's in the 4-Wheeler segment. But 2-Wheeler also, we are looking at a good level of growth on the back of new customers and not really relying only on Piaggio over here.

When it comes to, I think, IMES, I think here, we are, of course, looking at the moment of turning around this business from a profit standpoint. A lot of work is going on. We have made investments in the past to recondition some machines, replace some machines. So we will see some good momentum from a point of view of profitability in the next financial year. But going forward, in the long term, we will have to find a good solution over here, because this is also more a Non-Auto business where we are not really that focused.

Aditya Jhawar: Very encouraging to hear. So clearly, we are talking about growth rebound in the Overseas business and also profitability, excluding the Romanian operation, right, in FY '27?

Mahendra Kumar: Yes. Yes. Romanian operation also should show improvement, to be more like a cash breakeven next year.

Aditya Jhawar: Okay. Okay. That's good. And congratulations on the 4-wheeler Lighting win for BEV. I am sure this would really help in overall our contribution from 4-wheeler and EV in the next couple of years. So that's it from my side. All the best.

Mahendra Kumar: Thank you, Aditya.

Moderator: Thank you, sir. The next question is from the line of Sachin Kasera from Svan Investment Managers. Please go ahead.

Sachin Kasera: Good evening, everyone. And congratulations on a good number, especially in India. I had 2, 3 questions. One was if you see the India numbers as per the presentation, we seem to have seen



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some margin improvement there. So can you just comment a bit on that? One, is it sustainable? Secondly, was it driven by gross margin or operating efficiencies or both?

Mahendra Kumar: It's a combination of both, but mainly, if you really see the fixed cost part of it, I think there was a good amount of cost control, which we did there. If you really see the year-over-year increase in fixed cost, it was pretty less. We took some tough decisions Q4 of last year in terms of cutting down some headcount, plus we also had some strict controls on the other elements of fixed costs. So that operating leverage is getting magnified because of that. So that's the main reason.

Sachin Kasera: So we should see this more sustainable. There's no one-off in that and the India numbers are more or less something which you can look to be sustained.

Mahendra Kumar: It should give us flexibility to do maybe 0.2%, 0.3% this way or that way. But yes, directionally, yes.

Sachin Kasera: Sure. Secondly, I think there have been a couple of questions that you clarified on the overseas operations. But just to again get more clarity, I believe your presentation mentions that there are 2 parts which are dragging the profitability. If I see you reported INR 160 crores of PBT in India and around INR 35 crores is the negative delta from overseas operations and some INR 27 crores, INR 28 crores from the R&D initiatives mainly, again, believe for your Global Lighting foray. You mentioned that Romania will start to break even? Or do you mentioned about the entire after overseas market breaking even in second half of next year?

Mahendra Kumar: I mentioned Romania for cash breakeven next year. See, within the overall businesses, Overseas businesses, the 2-wheeler business is already making profit. So it's not incurring losses. Then the remaining part is IMES. IMES, as our CMD explained, we are taking some actions. That should also improve EBITDA significantly next year. But for it to turn to profits, it will take some time.

Sachin Kasera: So currently, what would be the drag because of Romania in the first 9 months for the quarter, if you could give some sense on that, of the losses that we reported in overseas operations?

Mahendra Kumar: Sorry, come again.

Sachin Kasera: What would be the drag from Romania to the profitability for the quarter? Because that's what you said will turn around from next year?

Mahendra Kumar: That country level breakup, we generally don't give, but you will anyway see the result coming in over the next.

Tarang Jain: Basically, as to say that Romania at present, the utilization is very low of the capacity. And you will see that with a lot of new orders kicking in from the second half, the revenue growth will



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be significant from the second half. And of course, it will then grow even more in the following year. And these are some of the big businesses that we have won actually. So compared to where we are today, it will be a lot more going forward.

So, Romania this thing will do exponentially. 2-wheeler Lighting is already profitable even at a lower base. That will also see a growth next year, because we have new customer over there, a significant new customer. And when it comes to our Thailand facility, that only will start in the calendar year '27. So that business is in automotive, the cycle is 1.5-2 years after you win a program. So that will only start in the calendar year '27, somewhere in the second quarter or something. And then you will start seeing that utilization and numbers coming in the Thailand facility.

And a lot of these costs which you see, the R&D and all are actually been incurred in the last 1 year, mostly to win these programs. You need a very strong R&D team. We have created a very strong engineering team in China also. We already had in Poland and in India, people supporting these 4-wheeler electronics and lighting.

But now, Lighting electronics team in China is for us a game changer because it's cutting edge. And that's what will drive more of business wins also going forward. And without this investment, we call it as a big investment. It's not a cost for us. It's a big investment for future exponential growth. And that's what we already see the wheels coming, because of the team in China also playing a very big role here.

Sachin Kasera: Sure. So just to understand this R&D bit, this R&D, what we have mentioned in the presentation around INR 27 crores, INR 28 crores of negative on the PBT, that will remain. But because of this investment in R&D, we will see improvement in the core EBITDA of the PBT at the India as well as the overseas operations. Is that the way to look at the combined numbers in the next few quarters?

Tarang Jain: I think it will be more abroad, I would say, which is this thing. I think this engineering team is there, of course, even for part of the India projects on 4-wheeler. But mainly, including also for India, definitely for Lighting and all for India also. But basically, yes, it will drive a lot of growth abroad also, which today is quite low. Our revenues abroad are quite low. But I think going forward, we are looking at a much bigger level of revenue abroad.

Sachin Kasera: Sure. But just to understand, you mentioned that Overseas Lighting is already profitable and Romania will see breakeven next year. But despite that, we are seeing overall PBT will still take some time for breakeven. So does it mean that Thailand and Italy are a larger part? And hence, that is the reason why even next second half next year also, overall at the breakeven level will be challenging for us to become breakeven?



Tarang Jain:

See today, the 2-wheeler Lighting business is already profitable, and that's the main revenue at the moment. Today, we hardly have any revenues from Romania and almost negligible in Thailand. So basically, all this investment in R&D has led to quite a few big business wins, which will start playing out from the second half of the next financial year for us. And therefore all these business wins and revenues coming out of there will cover a lot of all these R&D costs, which we have incurred already.

Dhruv Jain:

And maybe I will just try to clarify something for you. So our 2-wheeler Lighting plants are the ones that are already profitable. We also have a new 4-wheeler Lighting plant in Thailand. This is the one which will ramp up only in calendar year 2027. So maybe I don't know if that clarifies that the entity that we said is profitable is more the 2-wheel Lighting plants where, of course, Vietnam is one of the bigger drivers of the profitability. But the Thailand plant for passenger vehicle lighting is a new plant. So that will only ramp up next year.

Sachin Kasera:

Sure. And lastly, on the CAPEX, you mentioned about some land being acquired. So are we looking at a fresh round of greenfield CAPEX? And what is like the plan for the next 2, 3 years on the land that we are looking to acquire?

Mahendra Kumar:

I think we explained in the previous calls also. So we plan to invest close to about INR 150 crores in land, yes, of course, greenfield facility near Pune, in Pune. Entire thing may not come and hit us in Q4 this year. Part of it may come this year and part of it may spill over to Q1 of next year.

Sachin Kasera:

My question was, sir, over and above the land, how much because land is basically like the basic infra for the greenfield. So my question was more in terms of the CAPEX over and above the land in the next 2, 3 years on that parcel.

Mahendra Kumar:

Next year, let's talk about could be in the range of maybe INR 300 crores to INR 350 crores. Then in the outer years, it should moderate to maybe INR 250 to INR 300, but it also depends upon the new programs we win. If we win significant programs overseas, then we may have to invest temporarily for those programs.

Sachin Kasera:

Sure. Thank you very much for answering all the questions and wish you all the best.

Mahendra Kumar:

Thank you.

Moderator:

Thank you, sir. The next question is from the line of Rahul Kumar from Vaikarya Fund. Please go ahead.

As there is no response, we will move to the next question. The next question is from the line of Priyaranjan from HDFC AMC. Please go ahead.



Priyaranjan:

Hi. Thank you. Just a couple of clarifications, Tarang, since we have won decent orders and a lot of probably the programs is going to start for overseas operation probably in '27, '28. So how should we look at in terms of the balance of the business going forward from, say, 88%, 12% to India Overseas. So, do you see substantial change in terms of the mix of the business in the next 2, 3 years down the line?

Tarang Jain:

No, definitely, we will see a better share coming from our business abroad. But today, I think largely the revenue is all mostly coming from India. more than 90% is coming from India. So going forward, with all the business wins and all and a focus on select businesses, certain 4-wheeler electronics, certain lighting, both 2-wheeler, 4-wheeler lighting. And so we are going to drive a lot of the revenues out of selected plants abroad.

And here, I am talking about a Forging business. Forging business, we have to look at what to do going forward. It's a noncore area for us at the moment. We don't know what the growth, but the rest will definitely drive more growth, and you will see that the share of the foreign business will grow as we go along. India also, we are looking at a good double-digit growth year-on-year. But then it will be augmented by quite a large growth abroad, where the abroad business, of course, percentage of total overall goes up to a decent percentage.

Mahendra Kumar:

And also a negative growth, which has been affecting us in the last 2 years will now become a positive growth. So that will also bring in good improvement.

Priyaranjan:

Sure. And just one clarification on this, the 3 charts you have shown India business, overseas and 4-wheeler R&D side. So Overseas business include this 4-wheeler R&D and all? Or it doesn't include the overseas?

Mahendra Kumar:

Yes, the 4-wheeler R&D is the last box, third box.

Priyaranjan:

Okay. So that is separate. So that is over and above the Overseas business losses, right?

Mahendra Kumar:

Correct.

Priyaranjan:

Okay. Got it. Thank you. All the best.

Mahendra Kumar:

Thank you.

Moderator:

Thank you, sir. The next question is from the line of Harshil from AM Investment. Please go ahead.

Harshil:

Yes, sir. So based on the order wins in both India and overseas markets, what kind of revenue growth are we projecting going forward, sir?



Mahendra Kumar: I think we mentioned earlier also, our target is to grow between 15% to 20% ahead of the market, at least 4% to 5% ahead of the market. So that the direction still remains.

Harshil: Okay, sir. That's it from my side. Thank you.

Mahendra Kumar: Thank you.

Moderator: Thank you, sir. The next question is from the line of Mihir Vora from Equirus Securities Private Limited. Please go ahead.

Mihir Vora: Yes. So sir, just a clarificatory question. So on a steady-state basis, the R&D expenditure, which we are mentioning in the overseas part, the Lighting and Electronics, so what will be that amount in a steady-state basis as such? Because we are seeing that amount increasing right now to around INR 25 crores. So some colour on that part.

Mahendra Kumar: No. See, the overseas R&D investment will more or less be around these levels for the near future. So there should not be a significant increase in the overseas R&D spending.

Mihir Vora: And okay. And basically, there's a note in your financials where the arbitration case with the OPmobility is still going on right now, which is roughly around EUR 66 million. So sir, what is basically the issue we are facing there? And what do we think about that part? Like when do we close on that? Some colour on that?

Mahendra Kumar: Yes. So basically, the dispute has 2 parts. One is about the supply agreement, which PO terminated abruptly without enough notice and without proper justification. So for that, we filed a court case against them, which is going through the process now.

And then this arbitration is something which they initiated saying that some of the divestment agreement conditions have not been met and there are some warranty obligations, et cetera. So it's a combination of many issues.

So in terms of time line, if you ask me, it's difficult to put a time line because these arbitrations go on for 2 to 3 years. But we will see how to actually manage this in the coming quarters.

Mihir Vora: Right. And we haven't made any provision for that, right?

Mahendra Kumar: No, it has been. First of all, claims itself were getting disputed. So there's no question of claim.

Tarang Jain: We feel that these claims are very unreasonable. Yes, some of them are frivolous. So we cannot provide for that.

Mahendra Kumar: Okay, sir. Thank you.



Moderator: Thank you, sir. The next question is from the line of Ritik Chopra from Buoyant Capital. Please go ahead.

Ritik Chopra: Hello, sir. So you mentioned in your opening remarks that you are going towards non-auto side. So what are we doing over there? And how much CAPEX are we putting in? And what is the size of opportunity that we are trying to cater to?

Arjun Jain: Yes. So I would say from a non-auto perspective, I think our primary interest in the space is also to drive alternate utilization for capacities that we have already built for ICE powertrain, which means the primary target applications would be lower voltage motors. And the business wins that we have so far are also really in these motors and in plastic.

In terms of an incremental CAPEX commitment, I would expect it to follow similar economics to what we would have if we were driving automotive growth, for example. And again, I will say, I think it's really because the products we pursue in non-auto are very similar to products or very similar is not the right word because every application is unique. But the products we pursue in non-auto utilize the same competencies we already have from a design development and manufacturing perspective.

Ritik Chopra: Okay. And are the margins similar to our Auto business?

Mahendra Kumar: It's too early to comment on margins, because we are just making a beginning. But yes, in the long term, yes, there should be.

Ritik Chopra: And how much capacity have you built in any customer over there? Any colour?

Arjun Jain: We have won business. So there are customers, and we will SOP in FY '27. And like I said, I think the way we look to mitigate the investment is to redeploy existing capacity. That is the first choice. Of course, you cannot 100% do that, which will mean there will be a level of delta investment. But the first preference is to deploy existing capacity.

Ritik Chopra: All right. Thank you, that was helpful.

Moderator: Thank you, sir. The next question is from the line of Avnish Tiwari from Vaikarya Change LLP. Please go ahead.

Avnish Tiwari: This Imes as forging business, which is noncore for you, would you be open to exit this via sale or other measures?

Tarang Jain: See, we have not decided anything yet. At present, we are trying to see how to make it profitable with the level of business we have. But yes, we will be looking at also all other options in regard to this particular business.



Avnish Tiwari: This U.S. and European deals, which we have had at a country level, does it create any positive environment for you anywhere?

Tarang Jain: Definitely. Definitely, I think both these deals will definitely encourage auto components exports to Europe. Europe is anyway a very big market for us for quite a few of our products, which we export. We can further grow with various other customers and existing customers here in Europe.

And America, we don't have much of a presence today. North America, we don't have much of a presence today. But then with this new trade deal, which has been signed with a lower tariff, I think that we will have a lot of future potential with various customers.

And some of them we already know, we have been discussing with. But because it had to be stalled because of this 50% tariff by the U.S. But now again, we are going to start those discussions. And I think we will win business also in the U.S. export business.

Avnish Tiwari: Which products are these going to be?

Tarang Jain: See, largely, I think a lot of these products are the metallic products, including engine valves, which is a very big product for us, a lot of the forged machine products, which we do already. We see a huge scope of growth more in these products. And then, of course, we are looking at selective things could be in electronic space, electrical space. So we are looking at also at some of the other of our product portfolio. But maximum, we see the potential more on the metallic space presently.

Avnish Tiwari: And lastly, the discussion you are having with non-Bajaj EV 2-wheeler customers, where you are confident that something can fructify in FY '27, will that be a motor-motor controller or non-EV components to--.

Arjun Jain: We are talking about e-components only. We are talking about motor-motor controllers.

Management: See non-EV components, we already do with multiple non-Bajaj customers. So lighting, seats, switches, displays, when we talk about early FY '27 SOP, we are talking primarily about e-Powertrain.

Tarang Jain: And we are already starting an SOP with one of the customers for these e-Powertrain from early next year, and also in discussions with others, and we are very close to winning an e-powertrain business also with one more premier customer going forward. So we are very closely aligned.

Avnish Tiwari: And just to conclude this, these customers you are talking about, they have a reasonable market share in electric 2-wheelers, right? They are not at a smaller rise in the electric 2-wheeler space.



Tarang Jain: So one of them is actually a newer player, but quite a strong player. And other one, of course, is a very established player. Among the new people, we are going to be dealing with.

Avnish Tiwari: Sorry, I missed your last sentence. What is the second player?

Arjun Jain: Let me clarify. One is fundamentally incumbent. The other is a newer player, but is definitely somebody who is in the top 7, 8.

Avnish Tiwari: Okay. So both of these will significantly expand your target addressable, let's say, 2-wheeler market effectively for motor-motor controllers?

Management: Yes.

Avnish Tiwari: Okay. Great. Thank you, and wish you the best.

Tarang Jain: Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Management for closing comments.

Tarang Jain: So thank you, everyone, for all your questions and for joining the call and also for your continuing support. See you in the next quarter.

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