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NSE Symbol: VARROC

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BSE Security Code: 541578

Sub: Transcript of Investor / Conference Call pertaining to Unaudited Financial Results for the quarter and half year ended on September 30, 2026

Dear Sir/Madam,

Please find Transcript of Investors / Conference Call held on Wednesday, November 4, 2026, in respect of the Un-audited Financial Results for the quarter and half year ended on September 30, 2026.

This is for your information and records.

For Varroc Engineering Limited

ANIL GHATIYA
Digitally signed by ANIL GHATIYA
Date: 2026.11.07 19:39:08 +05'30'

Anil Ghatiya
Company Secretary & Compliance Officer

Encl: A/a

"Varroc Engineering Limited

Q2 FY '27 Results Earnings Conference Call"

November 04, 2026

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. RONAK MEHTA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Varroc Engineering Q2 FY '27 Results Earnings Conference Call hosted by ICICI Securities Limited. 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 the conference call, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Mehta from ICICI Securities. Thank you, and over to you, Mr. Mehta.

Ronak Mehta: Thank you. Good evening, everyone. On behalf of ICICI Securities, we would like to welcome you all to Varroc Engineering's Q2 FY 2027 earnings conference call. Today, we have with us from the management team, Mr. Tarang Jain, Chairman and Managing Director, Mr. Arjun Jain, Whole-Time Director and CEO, Business Unit I, Mr. Dhruv Jain, Whole-Time Director and CEO, Business Unit II, Mr. Mahendra Kumar, Group Chief Financial Officer, Mr. Bikash Dugar, Head IR and Finance Controller, Business Unit II, and Mr. Vishal Raval, Group Finance Controller, Business Unit I.

We will start the call with a brief opening remarks from the management team about the quarter gone by, and then we will proceed to the Q&A session. Thank you and over to you, sir.

Tarang Jain: Thank you, Ronak. Good evening to everyone. I am Tarang Jain here. Thank you, team ICICI Securities, for hosting the call. To start with, soon to give you the highlights of Q2 FY 2027. In Q2 FY 2027 and the half one financial year 2027, the Indian economy remained relatively resilient despite elevated crude prices and supply chain concerns arising from the war. Automotive demand continued to maintain a strong momentum with EV adoption gaining further traction.

From the start of this financial year, geopolitical uncertainties have led to renewed commodity inflation, creating near-term pressure on margins. While customer recovery mechanisms are in place, there is an inherent time lag between the increase in input costs and their recovery. We are actively mitigating this impact through customer engagements, value engineering, localization, and cost productivity measures, and expect the pressure to moderate as recoveries progressively flow through.

During quarter two FY 2027, we witnessed strong year-on-year growth across all major automotive segments. Two-wheelers grew by 16.3%, three-wheelers grew by 23.7%, passenger vehicles by 24.9%, and commercial vehicles by 33.9%. The electric two-wheeler volumes grew by a strong 115% year-on-year. On a sequential basis, the festive season supported growth across all segments. Two-wheelers grew by 11.7%, three-wheelers by 25.1%, passenger vehicles by 14.2%, and commercial vehicles by 19% compared with quarter one of financial year 2027.

For half year financial year 2027, industry volumes also remained strong with two-wheelers growing by 19.5%, three-wheelers by 30.5%, and passenger vehicles by 21%, and commercial vehicles by 24.7% year-on-year. I am pleased to share that in quarter two financial year 2027, the company registered another quarter of strong growth with revenue reaching INR29,479 million, representing a growth of 33.6% year-on-year and 11.9% sequentially.

This growth was broad-based. Our India operations grew by 29.5% year-on-year, whilst our overseas operations grew by 104.1%, demonstrating encouraging traction in our international businesses. For half year FY 2027, our consolidated revenues stood at INR55,822 million, representing a growth of 31.8% year-on-year.

This was supported by a 29.1% growth in our India business and a 70.7% growth in the overseas business. Our EBITDA for quarter two of FY 2027 was INR2,611 million, representing an EBITDA margin of 8.9% compared with 8.5% in quarter one of FY 2027 and 9.1% in quarter two of FY 2026.

Our profit before tax before JV profits and exceptional items increased to INR1,401 million, representing 4.7% of revenue compared with 4.3% in quarter one of FY 2027 and 4.1% in quarter two of FY 2026. The sequential improvement in profitability is encouraging, particularly considering that our margins continue to be impacted by war-related inflation and under-recovery from customers.

For half one of FY 2027, our company reported an EBITDA of INR4,838 million, translating into an EBITDA margin of 8.7%. Profit before tax before JV and exceptional items was INR2,532 million or 4.5% of revenue, an improvement of 40 basis points year-on-year. In half one of FY 2027, the under-recovery from the customer has impacted the EBITDA by 0.4%

And recovery agreed with the customer has not been fully realized in cash in half year of FY 2027 is over INR1,140 million, which has adversely impacted our cash flow generation and increased our net debt slightly by INR599 million. We will continue to focus on recovering commodity inflation, improving contribution margins, increasing productivity, and maintaining a discipline on fixed costs.

One of the particularly encouraging aspects of our performance is the increasing participation in electric mobility. Revenue from products supplied to EV models reached approximately 19% of our quarter two FY 2027 consolidated revenue, compared with approximately 16% in quarter one of FY 2027, and EV-related revenue grew by a significant 130% year-on-year. Our e-mobility solutions business itself recorded revenue of approximately INR2,773 million in quarter two of FY 2027, compared with INR1,941 million in quarter one of FY 2027.

This reinforces our confidence in the investments and capabilities we have been building in electric mobility and advanced electronics. Our overseas operations recorded a revenue growth of approximately 138% year-on-year during the quarter. Advanced electronics is benefiting as new business wins progressively convert into revenue. The overseas business also benefited from an engineering income and lower R&D losses due to a little higher capitalization.

We remain focused on improving the performance of our overseas businesses through higher capacity utilization, disciplined cost management, and conversion of the recently secured programs into revenues. During half one of FY 2027, the company secured net new business wins with an annualized peak revenue of INR10,127 million.

Importantly, more than 48% of these annual peak revenue wins relate to supplying to EV vehicles. This provides further confidence in the sustainability of our growth trajectory and

demonstrates that our product portfolio is increasingly aligned with the industry's transition towards electrification and higher electronic content. Our continuous focus on technology and intellectual property is also showing results, with the company having filed more than 140 patents so far.

During the quarter, we have also taken two important strategic decisions aimed at strengthening Varroc's long-term competitiveness and creating a sustainable value for our stakeholders. First, we have decided to restructure our two-wheeler lighting manufacturing operations in Italy, and second, we are proceeding to acquire a stake in Forsee Power India, a company focused on battery pack systems.

The Italy restructuring is intended to preserve customer programs and technology while relocating manufacturing to our facilities in Romania and Vietnam. The objective is to eliminate the burden of an underutilized manufacturing footprint, improve the fixed cost absorption and plant utilization, and create a stronger earnings and a cash generation model. The restructuring involves one-time shutdown costs whose payback will be three years.

The Forsee Power India transaction represents another important step in expanding our EV capabilities. It provides Varroc with access to an operating battery pack platform and know-how, adding battery packs and battery management system to our existing lighting, electronics, and the electrical portfolio. These decisions reflect our approach of continuously reviewing our portfolio, allocating capital to businesses where we see attractive long-term opportunities, and taking decisive actions where structural changes are necessary.

Our consolidated net debt at the end of September 2026 stood at INR5,547 million, compared to INR4,952 million as of March 31st, 2026. The increase compared with March was primarily attributable to increasing capital expenditure. Our net debt-to-equity ratio remained at a comfortable 0.29, while our net debt to an annualized adjusted EBITDA stood at 0.57x, at the end of September 2026. We remain committed to maintaining balance sheet discipline while ensuring that adequate capital is available to support organic as well as selective inorganic growth opportunities. As we look ahead, our strategic priorities remain very clear.

We will continue to pursue revenue growth while sustainably improving contribution margins through economies of scale, revenue management, and cost efficiencies. We expect improving contribution margins combined with disciplined growth in fixed costs to create an operating leverage and support PBT growth.

At the same time, our focus remains on converting growth into profits and into free cash flow, reducing leverage, and redeploying capital prudently into organic and inorganic opportunities capable of generating attractive returns. In this volatile new normal environment, we will continue to strengthen Varroc through disciplined decision-making and meticulous execution. Our endeavor remains to grow profitably, improve margins, control our fixed costs, generate free cash flows, and enhance return on capital across all our businesses.

With this, I will now ask MK, our Group CFO, to walk you through the presentation and provide more insights into our financial performance. Thank you.

Mahendra Kumar: Thank you, Tarang. Good evening, everyone. CMD explained most of the highlights already. I will take you to the consolidated financials slide in our presentation.

So INR2,948 crores was the revenue which we reported for Q2, which marked almost close to 34% year-over-year growth. That translated into EBITDA of 8.9% versus 8.5% that we reported for last quarter, and 9.1% that we reported for the previous year Q2. PBT was at 4.7% versus 4.1%, and the exceptional items was about for INR63 crore.

Like our CMD explained, this is needed because of the strategic decision which we took in Italy to exit manufacturing in Italy and also to settle some of the old tax disputes. So that resulted in a PBT of INR78 crores after exceptional items, which appears to be low, but if you eliminate the exceptional items, we are talking about INR140 crores of PBT before exceptional items compared to INR91 crores that we did last year.

Like how we explained in the previous call, this quarter also continued to face the pressure because of war recoveries. So we are making various efforts to recover them from customer. Those efforts will continue in the near future anyway.

Coming to the H1 numbers, INR5,582 crores was the revenue reported, which again marked a 32% growth year-over-year. EBITDA came in at 8.7% compared to 9.3% last year, and PBT, helped by operating leverage benefits, increased to 4.5% compared to 4.1%. Exceptional items, like how I explained, this time it is because of the strategic decisions which we took in Italy, for Italy. But last year, because of the China JV exit, we had actually a positive surprise of INR61 crore, good news in exceptional items. So with this, we are reporting a PAT of INR111 crores for H1 of FY 2027.

The next slide, we gave the usual breakup between different buckets of businesses. The India business, of course, continues to do well despite the war-related pressures. Of course, the benefit could have been far better without this war impact, but just so that is the impact you are trying to manage now. Overseas business also, if you really see, there has been a steady improvement. Of course, this was also helped by some engineering or design income recovery during the quarter, and in the last box, we are showing the overall R&D-related spending.

This is again, of course, in line with the accounting rules, we are also capitalizing some of the R&D efforts wherever possible, wherever needed. The next slide, of course, we gave the net debt journey. Of course, the trend, downward trend continues, but as we explained in the previous calls also, this year is going to be a capex-heavy year.

On top of that, there are about close to INR114 crores of cash which we still need to collect from customers towards war recoveries. So because of that, there is some kind of increase in the overall debt, which should get moderated, but we do not expect a significant reduction to happen between now and end of the year.

We will try to maintain it around these levels in the coming quarters. Following slide, of course, we gave the revenue breakup, with Bajaj revenue contributing, Bajaj contributing to 46% of our total revenue, and overseas growing to 13% now. In terms of vehicle segments, two-wheeler and three-wheeler constitute about 75% of the total.

The following slide, we are also showing the order intake data. So we started the year with INR13,509 crores of order book. We added in this six months close to INR1,000+ crores , and we also took INR823 crores to start up production already. So that leaves about close to INR3,700 crores of order book by end of H1. Interesting point here is, of course, EV portfolio continues to be strong in this order intake, with EV-related orders adding up to 48%.

Bajaj also is coming to 55%, and then two-wheeler and three-wheeler adding up to 73% of the total orders. The next two slides talk about those strategic initiatives which our CMD talked about. Of course, the acquisition of Forsee Power is an important milestone for us to expand our content per vehicle in the EV models. Plus, it also complements those strengths and creates a scalable platform across multiple vehicle categories, so that's a significant advantage for us. We'll be starting with a controlling stake of 45%, but with an option to scale it up by another 6% in the coming months or years.

On the last one relating to Italy restructuring, again, this will enable us to overcome the low capacity utilization issue in Italy. Plus, it also enables us to move manufacturing from a high-cost country to low-cost countries like Vietnam and Romania. So that strengthens our overall cost structure and gives us the long-term benefits. As I've seen, we have spent, within three years, we'll be able to recover whatever we're investing in terms of the closure-related cost. Let me stop here.

We'll be happy to take your questions. Thank you.

Moderator: Thank you very much. The first question from the line of Jyoti Singh from Haitong Securities Private Limited. Please go ahead.

Jyoti Singh: Thank you for the opportunity, and sir, congrats on a good execution on your top line. Basically, first question around EBITDA margin, that somehow we are having the impact, and another thing that India EBITDA margin was about 10.6% in Q1 and then 10.3% in Q2 against 11.5% a year ago. Why did India margin fall quarter-on-quarter while consolidate margin improve? Is this because of overseas only the reason or any other reason?

Mahendra Kumar: No. Like how we explained, the reason why India margins softened a bit was because of the challenges we've been facing in the war recoveries compared to last year. I think you're comparing with the last year. Yes, as we explained in the previous quarter and also earlier in this call, it's largely driven by the under-recovery of war-related cost, which we see as a short-term phenomenon. We should be able to get it back maybe in the coming quarters.

I think I would rather see this as a short-term phenomenon. On top of that, there is a lot of change happening in terms of business mix also, both in India and overseas, as EV vehicles become more prominent in our portfolio. Some of those business mix changes also will have some kind of an impact on the overall margins. But with the kind of growth that we have been seeing in the last couple of quarters, the operating leverage should again come back to help us once we recover these war-related costs also. That should get us back on track.

Jyoti Singh: Okay. Just here, we need a little bit clarity around the margin, because the thing is that we are having a lot of impact because of the raw material. Just wanted the clarity what kind of margin

that we are looking into H2 and in the coming FY 2028. That will give a little bit clear picture for the margin.

Mahendra Kumar: Yes. I mean, we don't generally give this kind of guidance, but what we can say is, if the macroeconomic situation continues the way it is right now and doesn't worsen further, we should be able to get back to last year levels of EBITDA margin by end of this year in India business, and that should strengthen further next year.

Jyoti Singh: Okay. Then another around the body part side and lighting grew around 11%-15% Q-on-Q. This is in line with the industry volume. Is there any share gain that we are witnessing, or we are growing as per the market?

Mahendra Kumar: You're talking about lighting business?

Jyoti Singh: Yes.

Arjun Jain: Yes. So your question is that, just to clarify, your question is if you have witnessed a market share increase for lighting. I would say that the main reason for our growth has been because the industry in general has been growing. I would not say that the market share has changed too much this quarter versus last quarter.

Jyoti Singh: Okay. Another on the debt side, as we are capex heavy this year. So we will be maintaining this kind of debt only, or we are targeting to debt free by FY 2028?

Mahendra Kumar: Definitely it should come down from the current levels by end of next year. This year it will more or less be around these levels, plus or minus. Like how I explained earlier, there is about close to INR115 crores to be taken as war recoveries from customers. There is a significant amount to be received from government also as government incentives. So these things play a significant role in managing our debt in the coming quarters. But Yes, in terms of significant reduction to happen, we need to wait until end of next year.

Jyoti Singh: Okay. Just one last question, sir, around the new clientele or any new product that we are planning to add in the portfolio or new client addition in the coming future, because we are doing very well in term of EV and we are 65% powertrain agnostic. Just wanted your view around that.

Mahendra Kumar: I mean, we will continue to, of course, add new customers on new products. The joint venture with Forsee, which we announced just recently, that will also enable us to expand our product portfolio, add content, and of course, add maybe a few more new customers also to the portfolio.

Moderator: Thank you. The next question is from the line of Naman from Shanghvi Family Office. Please go ahead.

Naman: Sir, congratulations from the revenue perspective and EBITDA perspective. Just wanted to understand three things. One is, on the new order intake, what sort of target do we have for this year? We have already done about INR1,000+ crores in H1. Does this grow further from here?

What sort of bid pipelines are we looking at, part A? Sir, part B of my question is on the overseas, right? We have grown tremendously fast, but the losses have not come off that much at the overseas level, at the EBITDA level. Could you explain why, or is there some provisioning cost already adjusted there? Sir, third part is on the Forsee equity investment.

What sort of TAM are we looking at with Forsee, considering Forsee has also grown from INR3 crore, INR4 crores to INR18 crores in about three years? Where can it eventually go, and how much delta can it create for us in the e-mobility? These are the three questions.

Mahendra Kumar: Let me address the middle one first. As far as the profitability of overseas business is concerned, like we said earlier, it is predominantly two parts. One is, of course, the Romania business. The other one is the R&D cost overseas. The Romania business, the internal target is to take it to EBITDA break-even by year-end, and that target remains.

As far as the R&D cost is concerned, of course, it is an investment which we are making for the future growth. There is not going to be a remarkable change there. Having said that, once the ramp-up happens in Romania, and of course, after the restructuring in two-wheeler lighting business also, the performance should improve starting from Q4, and of course, most of it you will get to see next year. Then, sorry, on the Forsee question, what was your question?

Tarang Jain: Forsee, I think the question was that revenues are very low at the moment. Obviously, when it comes to Forsee, the battery pack, the main, I think, our focus will be two and three-wheeler. This company, Forsee, also has a high level of technology and off-road and other non-auto platforms. Definitely, I mean, the fact that we have got in and with our customization in the auto sector, especially two and three-wheeler, I mean, definitely it is not going to be such a low revenue, because that is where I think our customization come into play.

We are definitely looking at significant growth in the next two years, which will be definitely over INR1,000 crores over the next few years. We will be crossing that kind of a revenue as we move forward, because a battery pack for us as a part of the EV powertrain is a significant product, and it is a very big part of portfolio where we do the motor controller, the inverter, the BMS, and also the chargers.

With the battery pack now in our portfolio for two and three-wheelers, I think we become, of course, a very important player in India and even maybe overseas for this segment. As we can see that there is a huge amount of traction, a huge amount of growth in the two and three-wheeler sector. Today, we see only the scooter. Today, the traction in scooters.

We also see going forward a traction in motorcycles also coming in. We see a huge growth, and battery pack will be a part of it. I am just saying, okay, a number, but we see a huge growth opportunity in the battery pack segment.

Coming to your first question, where it comes to, okay, today, the half one, I think we have achieved annualized revenue of about INR1,000 crore. I think, our objective will be that at least we should try to achieve about INR2,500 crores plus in this financial year of annualized revenue, which we feel is possible. Could be actually more also.

Naman: Okay, sir. Great. Good to hear that. Sir, just on the last part on the Forsee, just on the accounting bit. Considering that we have the management control, this will get consolidated on conclusion of the SHA SSA. Will this be consolidated

Mahendra Kumar: That is the intention. It will be consolidated as a subsidiary.

Naman: Okay. This last part, I know this is too early, but if suppose some milestones are hit, we get 45% + additional 6%,. But eventually, is the plan to take it to 100% or like 74.99%, anything on that aspect?

Mahendra Kumar: No, as of now, there is no such thinking, because the other JV partner also is equally committed to Indian markets.

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

Arvind Sharma: Two questions on my side. First would be on the cash flow. The capex has been quite high, almost INR2.9 billion for the first half. If you could share with us the guidance for the full year capex and what would it be targeted at?

Mahendra Kumar: Yes, I think we maintain the number that we mentioned last quarter also. I think we indicated INR500 crore-INR550 crores of full year capex. So close to INR300+ crores we did already, so maybe another INR200+ crores will be for H2.

Arvind Sharma: Got it, sir. The second question is a bit of a clarification on the term that you've been using on the war under recoveries. This is the increase in the cost overall due to war or any other reason, I mean, of commodity inflation, right? It has got nothing to do specifically with the war. It's an effect of the war, right? Because this term inflation…

Mahendra Kumar: Inflation and input costs.

Arvind Sharma: Just inflation. Yes. Is this an automatic route that you have with the OEMs, or it would still require some pursuing on your part for the OEMs to pass it on?

Mahendra Kumar: Not automatic. It is required.

Tarang Jain: See, the basic thing, if you see the underlying contracts, a lot of these things are supposedly automatic. The point is that today we are in special times, so unless we get the firm confirmations, we can acknowledge the same because we are in special times. So we have to reach that kind of understanding and agreement in these special times with individual customers, then only it can be recognized because we are very stringent and disciplined on this aspect. So though there may be underlying contracts, but we don't recognize the same.

Arvind Sharma: Got it. Sir, one small clarification, sir. Apologies, I didn't get it. That INR2,500 crores revenue you talked about, what was it exactly, sir?

Tarang Jain: No, no. INR2,500 crores is that we have already won in the first half, INR1,000 crores of annualized revenues business. In the next six months, we are looking at least another INR1,500 crores of business wins, new business, net new business wins in the second half.

Mahendra Kumar: Just to clarify further, we measure order wins in terms of annual peak revenue potential. It is not that everything falls in the first year. The programs reach their peak in a particular year. In terms of annual peak revenue, what we took in the first half was INR1,013 crore. But full year target like that for us is INR2,500 crore. That is what CMD was mentioning.

Moderator: Thank you. The next question is from the line of Shubham from Investec. Please go ahead.

Shubham Jain: Congrats on a great set of numbers. Just one clarification. You reported about INR400 crores of peak annual revenue of order wins this quarter. Can you please share more details on this, for which products we have received this order, and what is the SOP date?

Bikash Dugar: SOP dates, okay. The order wins are mainly, there are one lighting business in India, four-wheeler lighting business, which we have won. There are two-wheeler lighting business also, which we have won in this quarter. So majorly it is coming from the lighting business this quarter. We do not name the customers from which we have won business

Tarang Jain: It is across. Largely, I think this year it is more to do with India, I think. Most of the business wins across, I think, our product groups. Major part of this is across two-wheeler and four-wheeler lighting. Then, of course, there are plastic body parts, and there are other such business in some electrical products also.

This is in the second quarter, but we expect also business wins also abroad going forward in the further six months. Therefore, I have put a bigger number in the second half, where we are expecting better results than in the first half.

Mahendra Kumar: This is not a guidance, this is our internal target.

Shubham Jain: Yes. Okay. On the traction motor side, I think in the past you have highlighted that you will start supplies to another customer, ex-Bajaj . What is the update on that? Is that supply started or is there any timelines on that?

Arjun Jain: Yes. We are very close. To be frank, we expected to have started by now, but unfortunately, I think we have had a late-stage hiccup. It is something that we expect we will get past quickly, and we should be able to start very quickly now.

Tarang Jain: It is not really a hiccup, but it is just something, an alignment with the customer where there were some issues from their side, not from our side. That is what we are working on, but we will be starting production soon.

Arjun Jain: Yes. Okay. To further clarify, I think when you finally integrate on the vehicle, there are always observations. That is what we saw till now.

Shubham Jain: Okay. On the restructuring part, what was the drag on margins as of now? When should we expect this restructuring to stay close?

Mahendra Kumar: You are talking about the Italy part?

Shubham Jain: Yes.

Mahendra Kumar: In fact, drag in terms of profits is not very significant. I think the key benefit here is moving from high-cost markets to, I mean, high-cost manufacturing locations to low-cost manufacturing locations. In terms of benefit, whatever cost we are incurring, we will get it back in three years. After that, it will start flowing to the bottom line.

Shubham Jain: Okay. When should this restructuring be completed fully?

Bikash Dugar: Should be done by, Yes, six months from now, but yes, from next financial year, we should see the benefit flowing.

Mahendra Kumar: Benefit will start flowing into P&L from next year itself, next quarter itself. The only thing for us to recover the investment, it will take three years.

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

Mihir Vora: Thank you for taking my question, and festive greetings to the management. My first question was broadly more of industry-wide, where currently we are seeing lot of our peers also getting into the battery assembly segment. Just wanted to understand what is driving the excitement around this segment? Is it the content value margins?

The question around this is mainly because in China, we see majorly OEMs doing the battery assemblies also in-house. What makes us think that in India, OEMs will continue to outsource the same? Is it that we are in discussions with the OEMs and we are seeing that traction?

Tarang Jain: See, basically, frankly, we want to be a one-stop shop for two and three-wheeler EV powertrain as a system, and going forward, including also the gearbox and everything. That is our strategy because, see, we see the fastest adoption when it comes to India, which is the largest market in the world. The fastest adoption on EV, firstly now on the scooter side, and again it will happen on motorcycles. So the scope is huge, and we want to be over the length and breadth of the whole two and three-wheeler EV powertrain business. We want to be a big part of it.

We also see that, so this will really help a growth year- on- year exponentially. Of course, the content also is quite good in this product, and it is not that margins are quite low. Yes, a heavy product like battery pack cannot match with, okay, other EV powertrain components on margin, but still as a quantum, the profits are not that small on a big value product like the battery pack.

Today, see, we have our also very strong relationships in the two and three-wheeler segment across all customers in India and abroad. So we feel that being a big part of the EV powertrain and encompassing everything to do with the EV powertrain, I think we have a better chance as a one-stop shop to all our customers going forward.

I do not see, frankly today, that the customers would like to invest in EV powertrain. They did not do it for ICE powertrain also, except for the engine assembly. Here, I do not see them getting

into these kind of products. I do not see that happening. I see that it's being outsourced only, and whatever little bit was happening inside, also I think going forward will be outsourced. I don't see them doing more of manufacturing and being so much in the manufacturing side of things.

Mihir Vora: Okay. Just one clarification here that when we look at this kind of JVs, do we also maybe some kind of a pre-discussion with OEMs or something to just garner whether what kind of interest this product can generate? Do we do that kind of checks as well?

Tarang Jain: Yes, definitely. Without that, we cannot get into it unless we have that level of confidence.

Mihir Vora: Sure. Okay. My second question is on the European side, wherein in terms of margin, if we see this quarter, we are closer to break-even or we are at a break-even levels. However, given the current increase in the price of these electronic components, do we expect the similar trajectory in the near term or in the shorter term we'll see some kind of a margin decline again because of the increasing electronic pricing? Are we able to basically pass on the increased commodity prices there?

Dhruv Jain: Yes., similar to India, of course, in Europe, it is a global phenomenon, the war impact and the AI demand-related impacts, particularly on electronics. I think, so of course, even on the European side, we have faced some of these negative effects, but we are of course managing the recoveries with the customers, and certainly going forward, we do not expect the situation to worsen. We expect the situation to improve in subsequent quarters.

Mihir Vora: All right. Lastly, sir, onto the Romania electronics number, we have been seeing a good improvement there. Just wanted to get an idea whether this trajectory in the second half will improve or we will be at the quarterly run rate of INR75 crores, which we have done this quarter only.

Mahendra Kumar: No, like how I explained earlier, this also includes a design income which we received this quarter, so we should not go by this number alone. But Yes, so we will see gradual improvement, but we should not be guided by this number alone.

Mihir Vora: Okay. Lastly, just one clarification that given the restructuring of the Italy operations, are we also planning on restructuring some other operations into the overseas part, which we may see ahead, or this is something which would be the last one here?

Mahendra Kumar: Nothing at this point in time, but we also mentioned in the previous calls that IMES is one opportunity which we will continue to explore, the forging business which we have in Italy. But there is nothing which is at a concrete shape as of now, but we will continue to look for opportunities.

Moderator: Thank you. The next question is from the line of Sagar Shetty. Go ahead.

Sagar Shetty: My first question was actually regarding the note discloses an ICC arbitration of OPmobility. With the claims of $66.4 million. If you could explain what are the breaches of OPmobility that they are alleging, and what is the expected timeline for the resolution, and what is your assessment of the- Is there any potential financial exposure we are getting through this?

Tarang Jain: So, see, basically, you are right. See, we have got two legal cases going on. One is with TYC in Singapore courts tribunal, and then there is also one with OPmobility in Europe. So, yes, these are on, and there are, of course, discussions on. See, we will definitely be striving that we close both these legal cases before the end of the financial year.

So, we are going to be striving to see that we close this and we just focus on our business, because we also do not want to kind of continue with this kind of an arbitration or legal cases for too long. So, both these cases, once we are trying to see how we can reach a conclusion on the resolution and conclusion on both of them before the end of the financial year.

Sagar Shetty: So, should we expect any financial impact after we close this, or is there anything like that we should consider?

Mahendra Kumar: We cannot comment one way or the other, but all that I would like to say here is, of course, there is a claim and there is a counterclaim also, so which is also equally big. But finally, it depends upon what happens in the final settlement. But as of now, we cannot give any kind of direction to it.

Sagar Shetty: Okay. Yes, my second question is actually regarding, as we kind of restructure our entire foreign base. What are the EV products that you are targeting with your base in Romania and Poland now? What are the products you are targeting to capture? Are you trying to capture any momentum in Europe and U.S.? Are there any customer interaction you are beginning with?

Dhruv Jain: Yes. When it comes to our European manufacturing footprint, the fastest growing plant is in Timișoara in Romania. This is, of course, our electronics plant. Here, the main focus for us is on passenger vehicle electronics, and it is an answer we had given also in a previous investor call that, in general, of course, in this industry, there is, of course, more, or in the passenger vehicle industry.

We are seeing more electronics content both for high voltage and low voltage electronic parts, and this is the trend that we are trying to capitalize. We have won a good amount of business for high voltage electronics so far. There is some more electronics to do with the e-powertrain. But yes, in the future, we are also targeting on the low voltage side as well.

Sagar Shetty: Yes. Sir, on the Forsee side, Forsee Power India, what is the, how do you see how large is the battery pack industry and the BMS opportunity for Varroc over three to four years? I do not know if you have answered this question, but Yes.

Tarang Jain: It will be at least, over the next two to three years, it will be at least about INR1,000 crores of revenue.

Sagar Shetty: For Forsee Power?

Arjun Jain: No, sorry. I think let me clarify. I think there was two parts to your question. One is what is the market size, and second, what is the potential revenue. Every battery pack generally goes integrated with the BMS.

Now, the total market size, I mean, you could imagine, let's say anywhere between 35,000 - 50,000 bucks a pack for a two-wheeler, and double that number maybe for a three-wheeler. Multiply that by EV penetration to come to an understanding what is the two-wheeler, three-wheeler alone, let's say, market size. I think what our CMD mentioned is what we expect to be able to capture over the next two to three years.

Sagar Shetty: Yes. What kind of run rate are you expecting to close at, like 2027, by 2027? Any ambition for closing it? Are you upgrading your guidance going forward?

Mahendra Kumar: It's too early to comment on EBITDA and all. First, let's complete the acquisition and then infuse money. Once we take over, then we'll be able to come back with some kind of reason.

Sagar Shetty: No, no, I'm talking about the overall business. I feel your earlier ambition was 20%-25% growth rate, and this H1 has been really good. Are we seeing a similar kind of traction in H2 as well? What kind of seasonality are we seeing? Yes.

Mahendra Kumar: Generally, Q3, after festival season, generally the demand moderates, but this time we're expecting that it will continue. We should wait and see what happens.

Moderator: Thank you. The next question is from the line of Kaustubh Agrawal from Spark Capital Private Limited.

Kaustubh Agrawal: Thank you for the opportunity and greetings to the management. Sir, I had a question regarding the EV and its margins. You have said earlier that the EV content per vehicle is about 5x the ICE at around INR35,000 for E2-wheeler. EV revenue has just more than doubled and is about 19% of the sales. Yet our EBITDA margins have fallen 47 basis points year-on-year.

Has war-related costs and inflation been so high that it has more than offset the EV mix benefit? The second part of it would be, how much content per vehicle would you expect the battery pack JV, which we have from Forsee Power, to add from this INR35,000?

Arjun Jain: Yes, so I will go one by one. I think what we have always maintained is that at a PBT level, our e-mobility components are comparable to, let's say, anything else that we do, and the threshold that we think about is really from a PBT level. From a product mix perspective, of course, yes, I think there has been, when you look at, let's say, our gross margin deterioration, there will be, let's say, some level of small impact due to EV, or due to e-mobility being a larger part of the product mix.

But as we have stated before, the much larger impact is really the war impact, which affects commodities, whether they go into electric vehicles or whether they go into ICE vehicles. So, that is really a broad spectrum impact across the board.

Kaustubh Agrawal: Okay, sir. Sir, and my next question was regarding the aftermarket. We could see that historically, our aftermarkets have grown around 25%-35%. However, in this quarter, we have grown around 10% year-on-year. Anything specific you would like to mention that drove this slowdown, and when do you see the growth coming back specifically?

Mahendra Kumar: I mean, there is some impact because of the war, there is inflation, and there is some kind of moderation, but we do not think this is a long-term issue. The journey should continue towards stronger growth.

Tarang Jain: The journey will continue, and we also launched new products also in our portfolio. We do expect a good level of growth in our aftermarket segment, like we have been doing in the past.

Kaustubh Agrawal: Okay. My last question would be regarding the revenue growth. We have had a 33.6% revenue growth, but in terms of volumes, I wanted to understand how much of the volume, how much of the revenue growth has come from the commodity pass-through and the war-related recoveries out of it?

Mahendra Kumar: As we mentioned in the slide, about 5%-6% of our growth came from commodity inflation. The rest of it is the volume growth.

Moderator: Thank you. The next question is from the line of Nikhil Chowdhary from Toro Wealth Management Limited. Please go ahead.

Nikhil Chowdhary: Yes, hi. Did I hear it right that on the disputed provision that we have made, we expect the resolution, the timeline should be year-end?

Tarang Jain: Yes, financial year-end is that's what we want to strive to do.

Nikhil Chowdhary: Okay. Just one more follow-on. What gives us the confidence in recoverability? Because I read the footnote that auditor has qualified it, but probably we are reasonably confident. Could you just spend probably a few seconds on that? Because just want to know probably if this could materialize into actual hit or there is a possibility of reversal now that you have provided in Q2 numbers.

Taranga Jain: We have been in touch with our legal team, and they feel that there is a possibility of a resolution. Going by that, I do feel that probably before the end of the financial year 2027, we can reach conclusions on both these cases. That gives us a certain level of confidence that we can close it.

Nikhil Chowdhary: Okay, and once the resolution is done, this would probably lead to a reversal of what we have provided in this quarter?

Mahendra Kumar: No, sorry. There is no provision which we did this quarter for any of those disputes. If you refer to the exceptional item, it is referring to the Italy closure and the tax dispute of a different kind. It is not about these two.

Moderator: Thank you. The next question is from the line of Prince Goenka from Narnolia Financial Services Limited. Please go ahead.

Prince Goenka: I have a couple of questions. That is, first one, overseas revenue has grown 100%. My first question is related to the overseas revenue. Overseas revenue has grown more than 100%. How much revenue growth was driven by new programs ramp-up? Can the momentum be sustained in the second half?

Mahendra Kumar: Most of it is driven by new programs only, but the fact of the matter is, the base was also a lower base because of the de-growth we had in the previous years. We can't expect 109% growth from this level. But Yes, there will be growth, sequential growth also to some extent. But Yes, definitely we should not expect 109% kind of growth every quarter.

Prince Goenka: The second one is two-wheeler lighting business. The two-wheeler lighting business witnessed revenue decline primarily due to lower volume of Piaggio. What is the current business outlook with Piaggio, and how much of the lost revenue has been offset through new customer addition?

Dhruv Jain: In this quarter, it also contained August month, and August month is a holiday month, because for this business, the main customers are European customers. This is the reason why, with these two-wheel lighting customers outside India, and it's more in Europe, and that's why there was some lesser revenue. But in general, there is no de-growth that we are facing. We are expecting actually to be certainly at this level of revenue, maybe even some increase going forward, because we have won some new business when it comes to two-wheel lighting outside India.

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

Apurva Mehta: Congratulations on great set of numbers. Just wanted to know on this battery pack business, where are we going to source the raw material and the technology? Going forward, how is the technology going to evolve for us?

Arjun Jain: I think in terms of technology, of course, the partner that we have brings the technology. They have a fair level of experience of supplying battery packs across different classes of vehicles, from two-wheeler, three-wheeler, all the way to buses and heavy commercial vehicles, and honestly, even railway battery packs. So, technology is not a concern. In fact, technology is fairly established. In terms of the sourcing of, when you say raw material, I assume you mean cells.

Apurva Mehta: Yes.

Arjun Jain: Sourcing of cells, of course, again, we have in the JV, we have relationship with cell manufacturers, and also we are very happy to work with our customers where they have specific cells that they want to use.

Apurva Mehta: Okay. On the margin front, when can we see, on what level we can see break-even, or when can we see meaningful profitability coming on this type of business?

Mahendra Kumar: Battery pack?

Apurva Mehta: Yes, battery pack. Yes.

Mahendra Kumar: I think we should discuss that maybe in the future calls. First of all, let's complete the transaction, then talk about it.

Apurva Mehta: Okay. On the under-recoveries, which were war-related there, if realistically we get it, that means the margin should go up similarly at INR114 crore, the EBITDA will go up?

Mahendra Kumar: Basically, there are two parts to it. One is the under-recovery, which of course should improve the margins. That's close to about 0.6% year-over-year. The remaining is more like an arithmetic impact, because we won't get margin on inflation, right? To that extent, the base increases. As a percentage, it may theoretically remain the same.

Bikash Dugar: That INR114 crore, what our Chairman spoke about, is the recovery pending from the customer where they have already agreed for the price revision. That's a cash flow impact.

Apurva Mehta: Okay. But on the under-recovery, on the margin side, we'll be close to 0.8%, what you have mentioned?

Bikash Dugar: Yes.

Apurva Mehta: Okay. That should be subsequently recovered in Q3, Q4?

Bikash Dugar: Yes. We'll continue to make the efforts, but Yes, it should happen.

Tarang Jain: It will, Yes. We'll make that happen.

Moderator: Thank you. The next question is from the line of Naman from Shanghvi Family Office. Please go ahead.

Naman: Great. Sir, one thing which was frighteningly good, our EV space revenues grew roughly about 130% year-over-year. I am assuming that this is majorly two-wheeler, three-wheeler combined. When we see two-wheelers per se, the growth has been close to about 100% for the industry, and for our anchor, it has been about 104%. There is a meaningful delta between 104% and 130%, which is our growth.

Is it because we are winning some new customers in EV that are also going to become sizable? Is it because of some new products that we are selling which we were not selling previously, that is a two-wheeler iteration that we are doing, or is it a combination of both? Just wanted to understand that.

Mahendra Kumar: Yes. So basically, these are not directly comparable point to point. I think we should see only the direction, because one is the volume growth, the other one is the content growth, which we have.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Haitong Securities Private Limited. Please go ahead.

Jyoti Singh: Thank you for the opportunity. Sir, just two questions. One, I wanted to understand that in our ICE powertrain, what kind of growth that we are expecting going forward compared to our e-mobility segment, going forward? Because we are seeing a mode of EV penetration increasing going forward. Another on the four-wheel lighting plant that we are doing in Thailand. When we can expect to start?

Arjun Jain: Yes. Directionally, like we said before, and I think as we see in our numbers also, I think e-mobility will definitely grow exponentially faster than ICE powertrain for us, driven by a couple

of reasons. I think one, I think the content we have for EV, for e-mobility product versus the content we have in ICE for ICE powertrain-only products, the difference is huge. We are talking about 7x, 8x almost. Right?

Simply put, the more EV penetration we have, the growth rate will be in line with what we are seeing right now. Having said that, I think even in ICE powertrain, I would say we, especially as the industry moves to the next set of emission norms, we will see some level of growth in technology continue to take place, and that will essentially create an incremental level of content for us, and those are the opportunities that we will pursue. We would still expect to see growth there, but yes, for sure, the e-mobility growth will be far quicker than the ICE powertrain growth.

Dhruv Jain: To answer your second question regarding when we will start production in our Thailand 4-wheel lighting plant, this will be in the middle of next year. Let's say middle of 2027 is when we will start production. We have several launches that will be happening next year, but this will be mid-2027.

Jyoti Singh: Okay. Just one last question around aftermarket. So why we are lagging here, and are we losing any market share in the aftermarket?

Tarang Jain: We are not. See, what has happened is that there have been some challenges, especially in the first quarter, where we recovered something in the second quarter because of this inflationary situation, because of the war. So therefore, yes, our revenues were a little bit impacted in Q1. But Q2, it has returned. But yes, compared to the growth we have had in the past, obviously it is more subdued.

But going forward, we do expect a return to the kind of growth levels we experienced in the past. Plus, also now in this quarter, we have also added a number of new products to our aftermarket portfolio, which will also help us return to our growth. Because aftermarket division is a very important division for us, also a profitable division, so we do expect it to grow in a very meaningful way going forward.

Moderator: Thank you. The next question is from the line of Shubham from Investec. Please go ahead.

Shubham Jain: Hi. Just a quick clarification. On the two-wheeler Italy reshoring part, you mentioned cost savings should begin in FY 2028. If you could please also confirm the amount of cost savings that we should expect in FY 2028.

Mahendra Kumar: No. We mentioned the investment amount and said three-year payback, so you can calculate based on that. Savings will start starting from next year.

Moderator: Sorry, the line got disconnected for the participant. We take that as the last question. I now hand the conference over to the management for closing comments.

Tarang Jain: Thank you. Thank you, everyone. I would like to reiterate that Varroc today is not only growing, but also taking decisive actions to strengthen the quality and sustainability of that growth. Our objective is very clear, to build a stronger, more profitable, and a more technology-led Varroc,

capable of converting growth into cash flows and cash flow into sustainable value creation. With this, thank you once again for joining the call and for all your continued trust and support to us.

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