Vardhmān

Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

CHANDIGARH ROAD
LUDHIANA-141010, PUNJAB
T: +91-161-2228943-48
F: +91-161-2601048
E: secretarial.lud@vardhman.com

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BSE Limited, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI-400001. **Scrip Code: 534392**	National Stock Exchange of India Ltd, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), MUMBAI-400 051 **Scrip Code: VSSL**

SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN SPECIAL STEELS LIMITED – Q2 FY27

Sir,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on 28th October, 2026 to discuss the Company's business and financial performance for Q2 FY27.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN SPECIAL STEELS LIMITED

SONAM DHINGRA

Digitally signed by SONAM DHINGRA
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Date: 2026.11.02 14:00:39 +05'30'

(SONAM DHINGRA)
COMPANY SECRETARY

“Vardhman Special Steels Limited

Q2 FY27 Earnings Conference Call”

October 28, 2026

MANAGEMENT: **MR. SACHIT JAIN – CHAIRMAN AND MANAGING DIRECTOR – VARDHMAN SPECIAL STEELS LIMITED**
MR. SANJEEV SINGLA – CHIEF FINANCIAL OFFICER – VARDHMAN SPECIAL STEELS LIMITED
MS. SOUMYA JAIN – EXECUTIVE DIRECTOR – VARDHMAN SPECIAL STEELS LIMITED
MS. SONAM DHINGRA – COMPANY SECRETARY – VARDHMAN SPECIAL STEELS LIMITED
ADFACTORS – INVESTOR RELATIONS

MODERATOR: MR. PRATEEK SINGH – IIFL CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to Vardhman Special Steels' Q2 FY27 Earnings Conference Call hosted by IIFL Capital. 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prateek Singh from IIFL Capital. Thank you, and over to you, sir.

Prateek Singh: Thanks, Shauryaa. Good morning, and welcome, everybody. On behalf of IIFL Capital, we invite you to Vardhman Special Steels' 2Q FY27 Earnings Conference Call. From the management, we have Mr. Sachit Jain, CMD; Mr. Sanjeev Singla, CFO; Mr. R.K. Rewari, Executive Director; and Ms. Soumya Jain, Executive Director.

Before we begin, note that this conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

So, without any further ado, I will now hand over the call to Mr. Sachit Jain for opening remarks. Over to you, sir.

Sachit Jain: Thank you. Thank you so much. And in addition to the team mentioned, we have Sonam, our Company Secretary with us, and we also have the Adfactors team with us, our Investor Relations. And Mr. Rewari had to step out, so he has left the meeting. He's not there in this call.

So, we've had a good quarter last one. And one of the big highlights of this quarter has been the foundation stone of a forging plant was laid by the Honorable Chief Minister of Punjab, Mr. Bhagwant Mann, and that happened in July end this year. And in this quarter, we've had record sales.

Demand was strong. And partly demand has been strong because of the GST cuts, which happened last year on 2-wheelers as well as the smaller vehicles as well as SUV sales have been good and the other sales also have been good. So, there has been good demand.

I also we are getting the feeling that from the non-automotive space also demand has increased, which has started affecting various other of our competitors. So overall material supply for automotive segment was tighter. And there were 1 or 2 shutdowns, unscheduled shutdowns, from one of the large companies.

That led to also a slight shortage in the market, and therefore the pull. So, the demand supply imbalance, we got good price increases in the last 2 quarters which has led to good profits. Most of these have had settled the prices for Q2 and we are talking about price settlements for Q3. Not all have settled for Q2, so that's still ongoing.

In addition to that, we have work going on in our new steel plant. We have finalized the equipment for the plant part. Land has been finalized for the SMS and we should be filing for environmental approval within December this year. And we are on track as of now to complete the project by September of '29 and stabilization by March of '30.

In addition to that, the solar plant has been running well. And we are now expanding the solar plant by another 22.5 megawatts. 20-megawatt for this will be for the current plant and 2.5-megawatt will be for the NDT line, which is being set up in the forging plant.

For the forging plant, there will be solar power coming in by the time it starts reaching better utilization. The forging plant is expected to come up by March of '28. And then, of course, it will take some time to fill up the capacity.

A slight change or a thought process is happening on the financing structure of the new plant. We were earlier looking at debt equity for the company was 0.5:1, which would have been at max 0.75:1. More and more as we were talking to some financial experts and some well-wishers of the company, advisers.

We are now coming around with a conclusion, we are diluting a bit more than required. And therefore, we may look at a 1:1 debt equity. And therefore, the debt component will become a bit higher and the equity raising part will be a bit lower.

For the equity part, we'll be doing a rights issue, which will happen in the later part of next calendar year, second half of next calendar year. As far as the project cost is concerned, we are also looking at the project costs. Some aspects of the project have gone up in terms of cost. Land is definitely more expensive than we had envisaged as well as for the equipment.

The rupee has depreciated after the Iran war substantially. Sea freight has gone up, as well as metals have gone up. So, our commodities have gone up. So, the project cost is going to be higher than what we had envisaged. Also, certain equipment that we had planned in the second phase, we have preponed in the first phase. And we are also looking at some product reconfiguration to look at to better service the non-automotive parts.

So, all that, the project is being modified to the conceptualization. Everything will be finalized by March, April next year. But suffice it to say at this point in time that the project cost will be higher than the INR2,000 crores that we had envisaged. But we will also have the ability to have a higher production than 500,000 tons eventually.

So, we are building in scope to increase the production beyond 500,000 tons to at least 700,000 tons in the second phase. And further after that, also with some more additional equipment. The additional equipment that we'll have to add will not be of a highly significant quality.

The other thing we are examining, of course, the decision will be taken by the Board, is also to look at examining, suspending the dividend for 3-4 years. It does not make sense to give dividend, pay tax on that, and then ask rights issue for these same investors to put in money and rights issue. We are examining this. The decision, of course, will be taken by the Board in the April Board meeting.

So overall, I think the business remains good. The demand for the next quarter is also good, and we have finally received the approval from the European OE. Mass manufacturing for that has started. Also, on a major import substitution of domestic major, which is a large quantity and it was a highly very high-end quality.

We have successfully got approval and mass manufacturing for that too has started. Sales for that will start happening from January. So, we are on track in terms of all our workings. Our new NDT line will get commissioned by December, and the new peeling line will get commissioned by early November.

With this, we'll have some more capacity, more flexibility to service customers better. So, capacity increase will be for peeling. Overall capacity is still constrained by the environment approval of 300,000 tons.

We have applied for increasing the capacity to 360,000 tons. We seem to have got a recommendation. Maybe this may happen. But till we haven't received any letters so far. But till we have not received a letter, we don't have any further information at this point in time.

That's all for opening comments. And over to Mr. Singla, CFO; and then, of course, we'll be open for question-and-answers.

Sanjeev Singla: Thank you. Good morning, everyone. On the financial part, we have already circulated the media release. And as per this, our total sales for the quarter has increased on year-on-year basis by 27%. And revenue from operations is up by 39%, and consequently, EBITDA, PAT, they are up by about 50% for the quarter over the corresponding quarter of the last year.

The main reason for the increase in profitability, apart from the robust demand, which Sachit has already explained, is also coupled with the operational efficiencies which we have started deriving on the capex, which we have undertaken last year in the form of this putting up Kocks Block and the reheating furnace.

So really, we have started now getting some benefit in terms of cost saving from these capex in the second quarter and going forward it will further increase. And of course, this power plant is also yielding us the benefit.

So, this quarter, in other income also, GST benefit is a little higher than the corresponding quarter, because the GST benefit was sanctioned by the government for 7 years. And the 7-year period has over by August, '26. And now we are left with only electricity duty benefit, so which will continue for 10 years and the validity is up to August '29.

So, that's all on the operational side. Now I request that...

Sachit Jain: One more thing, I think, is that our EBITDA per ton is on the highest part of our range. So, I will not expect I will request you not to treat that for now as a standard kind of a thing. We still believe the EBITDA range will be between INR9,000 to INR12,000 EBITDA per ton.

Sanjeev Singla: Currently, we are at the higher end of the EBITDA range.

Sachit Jain: Yes. So that's all from our side as initial opening remarks. So, we are open to questions.

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

Disha: Couple of questions. Firstly, sir, you so you mentioned our EBITDA per ton has sharply improved. How much of this has been driven by inventory gains?

Sachit Jain: Yes. So, we don't separate out those, but there is an element of inventory gains. As I said, these are not sustainable numbers. If we get it 1 quarter, maybe we get it get something next quarter. Those are not in our control. Our guidance remains INR9,000 to INR12,000 as EBITDA per ton.

Sanjeev Singla: I'm sorry, ma'am. Just to add that from last year, from 1st July, '25, we have shifted to SAP S/4 HANA. And in that, we are doing the valuation based on the each batch. And whatever the material has been issued, accordingly the valuation is done. So, there is no the earlier concept which we were revaluating based on the last 3 months of average.

So now it is on batch-wise costing. So, each batch is having its own costing at the time of production. And accordingly, that cost is carried till the sales, and accordingly the facilities gets it. So, there is no revaluation of the inventory at the end of the month or at the end of the quarter.

Disha: Okay. Okay. And sir, the volume growth for this quarter?

Sachit Jain: Sorry?

Disha: Yes. The volume growth for this quarter has been very stellar. So, you mentioned that the demand you see was very strong. So, do you see this momentum sort of continuing ahead and maybe will surpass the volume guidance that you've given? Do you see that as a possibility?

Sachit Jain: No. See, second quarter is always the best quarter because this is a buildup for inventory for the season the festive season. So unlikely that we've eaten up our inventories of finished goods and billets. So, this kind of volume is unlikely, but clearly we will be at the higher end of our be a little bit higher than our initial forecast. So, we expect sales of about 260,000 tons now for the year. Budget was about 260,000 tons.

Disha: Okay. Okay. And sir, also on the realizations, there has been a sharp improvement. Do you see that? You mentioned because of the demand, supply imbalance, so what sort of average realization should we expect for this year and going forward?

Sanjeev Singla: Average realization, I think it will continue at the same pace, because we are getting the price increase from -- in the first quarter also the price increase was the same, second quarter also, so third quarter also expecting some price increase. So, this average realization will continue for the 2 years or maybe little higher.

Disha: Okay.

Sachit Jain: The other companies have sent out letters for price increases, which are ranging between INR3,500 to INR4,000 a ton. Those are letters which have gone out. What will be the final settlements will be seen. So far, no settlement has happened for price increases.

Disha: Okay. Okay. And you mentioned, sir, for the forging are we expecting forging to be...

Sachit Jain: Can you come back to the queue, please?

Disha: Sure. Okay, yes.

Moderator: The next question is from the line of Juzer Haveliwala, an Individual Investor. Please go ahead.

Juzer Haveliwala: Am I audible to you, sir?

Sachit Jain: Yes.

Juzer Haveliwala: Thank you for the opportunity, sir. So, my first question is, sir, the capacity is at 3 lakh tons for billets and 270,000 for rolled bars and 48,000 for bright bars. Right? So, what are the current utilization levels and the bottle principal bottlenecks and the near-term opportunity to improve it throughout without any major incremental capex, sir?

Sachit Jain: Rolling mill capacity is also 3 lakh tons of input, which leads to 270,000 tons of output. After the new reheating furnace was commissioned, which was commissioned in March, after that the capacity has gone up to the full rate. So, this is the full capacity. We cannot produce more than this, because of environmental approval. So, if we get the environmental approval to go up to 360,000 tons, then we will be able to produce more.

Juzer Haveliwala: Okay. Okay. And sir, basically borrowing has been increased to INR162.93 crores as of 30th September, which was INR92 crores at the end of Q4. While our trade receivable rose to INR410 crores from INR277 crores. So, what explains this moment, sir? And what are the actions we are planning to take to improve the cash conversion cycle and the working capital efficiency, sir?

Sachit Jain: Actually, in this there is a reclassification this time because of the changes in the Ind AS. Earlier, there were some creditors which were against discounting of the LCs were clubbed under trade payable. So now because of the changes the Ind AS, those have been reclassified in the borrowing, sir. So otherwise, in total, if you will see, taken together, borrowing and the creditors, there is no increase. Rather,there is a decrease.

Juzer Haveliwala: Okay. And then, our raw material inventory carried forward from the previous quarter supported the...

Sachit Jain: Can you come back to the queue, please?

Juzer Haveliwala: Okay.

Moderator: The next question is from the line of Ritwik Sheth from One Up Financial Consultants Private Limited. Please go ahead.

Ritwik Sheth: Yes. Congratulations on a great set. Sir, two questions. Firstly, on the brownfield expansion, you mentioned that the EC has already recommended, but you are awaiting final approval, right?

Sachit Jain: There has been a recommendation of a committee. Now, when the final approval will come, whether some conditions will come, those are all awaited. So, till we have something in our hand, we don't know.

Ritwik Sheth: Right. And sir, once this final approval comes, say, January 2027, hypothetically, how long can we take to increase our capacity from 300 to 360?

Sachit Jain: There is not also a when, there is also an if question. If the approval comes and when it comes. It will take about a year or December next year, whichever is later.

Ritwik Sheth: Right. Got it. Got it. And indicative capex for this?

Sachit Jain: Why I'm saying December, if the let's say, the approval comes in October end itself, in the next 1 week. Still, it will be December because we need a 15-day shutdown. And shutdown cannot be taken in the season. So, we have to look for a lean period for a shutdown.

And typically, the leanest period is December end, when the OEMs go on a shutdown, major shutdown for a week, 10 days. That is the leanest period. So most probably we will plan a shutdown at that point in time. Again, if the approval comes and when the approval comes.

Ritwik Sheth: Right. Got it. And sir, my second question is the EU OEM approval. What kind of contract is this going to be? Is it going to be on a spot basis or it's a long-term contract? And what kind of volumes is possible?

Sachit Jain: Auto industry does not work. I mean, we don't operate on any spot contract. Prices are fixed, and every quarter those prices change, based on the negotiation that various steel companies have with various OEMs. So, the prices change as per that.

Now this European OEM is new to the Indian market, so they will figure out with us, whether they want to go with the Indian system or they'll go with the European alloy system, because Europe has a difficult set of pricing. We are flexible. We are open to both because with a lag, both match eventually.

Ritwik Sheth: Okay. Sir, actually, I was asking from the volume perspective. Sorry. Like, is there any fixed volume that they've committed?

Sachit Jain: We don't disclose volumes of each customer like this. Since we are anyway running full, so eventually, if the volumes increase, we will reduce our less paying customer.

Ritwik Sheth: Okay. Okay. Sir, and I have a couple of more questions. I'll get back in the queue.

Moderator: The next question is from the line of Divyansh Gupta from Latent PMS. Please go ahead.

Divyansh Gupta: First question regarding financials. So, the incentives that we receive from the government, right? In the other income, is it recognized based on accrual or only when we receive the money?

And what is the and if it's on accrual, then what is the typical timeline between accrual and receipt of the money? And any delays in government that we have experienced?

Sanjeev Singla: There are two types of incentives. One is GST and another one is electricity duty. So, electricity duty, regularly we are getting in our monthly power bill. Secondly, GST refund. GST refund is, basically it is managed by the central government. So, GST refund is received by the state government. So normally it is a lag of 2 to 3 years time lag. So, we are recognizing on accrual basis, but it takes time to get the money in cash from the state government, normally it takes 3 years.

Divyansh Gupta: Got it. And therefore, the second related part to the question is, if we see the financial, we see a large jump in the account receivables. What is driving such an increase in account receivable if I just look at it from a number of days perspective? I know sales have increased or amount should increase, but on days basis also it has increased.

Sachit Jain: Yes. It is directly proportion to the increase in sales. Because if you will see the sales numbers are also, during this quarter, is more than 70,000 tons of sales, which in quarter 1 was only 59,000 tons. So, the difference the incremental sales of 11,000 tons, which happened in the last 2 months, August and September, is leading to this high receivables. And some effect.

Divyansh Gupta: Got it. So, there's no increase in days. It's just the matching of...

Sanjeev Singla: In number of days, it has increased by 4 to 5 days only because of some sales to customers who are having a high credit period.

Divyansh Gupta: Got you. Got it. And the second question is, what would be the export sales deemed or direct in this quarter?

Sanjeev Singla: It is almost in the same ratio as was there in the last year. So, 6% to 7% is direct and another 6% to 7% is indirect through ASC.

Divyansh Gupta: Understood. And sir, just the last question, I know that there's a limit of two, but just the last question…

Sachit Jain: Can you come back in the queue, please?

Divyansh Gupta: Sure, no worries.

Moderator: The next question is from the line of Anandh Dharshan from 360 ONE Capital Markets Private Limited. Please go ahead.

Anandh Dharshan: Congrats on the great set of results. Sir, my first question is regarding the new revised capex. You have mentioned there has been an upward revision for the capex numbers, sir. So, what is your revised capex for both the new steel plant and forging plant, and what payback period we will be assuming for the new numbers, sir?

Sachit Jain: As I said, we will be we are still revising all those things. This has not been declared as yet. So, we are not this will all be done by March, April. So, we'll have a better idea, because we're still

reconfiguring some of our things to service the non-automotive segment, which are becoming very attractive now.

Anandh Dharshan: Sir, did you see like maybe 20% upside of cost or something like that, sir?

Sachit Jain: We are not as I said, we're not sharing any information at this point in time.

Anandh Dharshan: Okay. Okay. Right, sir. Sir, my next question is regarding the forging facility?

Sachit Jain: Forging, the cost will be lower than what we had budgeted.

Anandh Dharshan: Right, sir. Okay. So, regarding forging facility, sir, we had around INR475 crores of capex planned. So, can it roughly absorb like around 65,000 tons of steel, sir, from our facility?

Sachit Jain: No, no, no. Initially, it will absorb about 15,000 tons annually at full capacity. And it will take some time. Because we are entering new business, it will take some time to build up the full capacity.

Anandh Dharshan: All right, sir. This is the Phase 1, right, sir? 15,000 tons it will be absorbing?

Sachit Jain: That is the first time that we're putting up. That's right.

Anandh Dharshan: Okay. Okay. Sir, on the EBITDA per EBITDA range, which you had mentioned as INR9000 to INR12000 per ton. Is it for the next 2 quarters or what's your guidance for the next year also, sir?

Sachit Jain: No, this is our guidance for the foreseeable future. When we change the guidance, we will change it. We don't look at quarter-to-quarter. We look annually.

Anandh Dharshan: Great. Sure, sir. Sir, regarding the import subscription, which you have mentioned...

Sachit Jain: Can you come back in the queue?

Moderator: Sir, I request you to come back in the question queue. The next question is from the line of Akash Rawal from Sanghvi Family Office. Please go ahead.

Akash Rawal: Congratulations on great set of numbers. Sir, I just want to understand how much capex is budgeted for the next 3 years, so like FY27, FY28 and FY29? And in proportion to that, how much debt we are going to take?

Sachit Jain: It will be about INR150 crores for the existing plant. And for the steel plant, as I said, we are still considering the final figures that will be investing.

Akash Rawal: Okay. So, sir, the debt amount...

Sachit Jain: Less than the INR475 crores budgeted.

Akash Rawal: Okay. So, sir, if I assume cumulatively, INR1,000 crores debt can be taken in the next 2 years?

Sachit Jain: When we finalize everything, we will share in the next year, as we said in April. Don't make any assumptions, though, that we have no comments at this point in time.

Akash Rawal: Okay, sir. And sir, I just wanted to understand your strategy around the non-automotive OEM part. So, what are the steps taken by the company over there?

Sachit Jain: So, we are starting with ingot casting, which is the route to make specialized steels. This is something that we will start in the end of November, it will start. It will take a couple of months to stabilize, and then we'll figure out the markets. There are attractive segments, and we will gradually get into those segments.

Tool and die steels is one, oil and gas is another, railways is a third, then bearings later. Eventually, there will be aerospace, defense. So, there are several sectors which open up. But today, we don't have much capacity. So, we are just going to be seeding some of these segments.

And then when the new plant comes up, we will have the capacity to have higher diameter blooms. Some of that will go into automotive for sure. But we'll also be able to make steel for railways, for the windmill sector. So, we are seeding those sectors now, and the real volume will come when the new plant comes up.

Moderator: The next question is from the line of Chaitanya Ramesh Rao, an Individual Investor. Please go ahead.

Chaitanya Ramesh Rao: Hello, can you hear me?

Moderator: Yes, sir, please go ahead.

Chaitanya Ramesh Rao: Yes. Congratulations on a good set of numbers. Sir, my question was regarding the entry of VSSL into the ring gear section that you had mentioned in the last con call. So, what is the quantum that we are looking at?

And I suppose there was a timeline given of completing the commissioning till next October, that is 1 year from now. And what will be the capacity and what is the competitive environment currently in India? And like what is the plan of VSSL regarding that sector?

Sachit Jain: So, we fully stabilized commission and so on by March '28. And this is something which is a highly automated line. This is a specialized line, which gives us an advantage in terms of better quality and much better yields compared to the normal methods of manufacturing in India. And so already, we have got approval and orders from one of the big global Tier 1s. So, the process has started. But this is a new business we are getting into. So, it's a slow process.

And we do not have any certain plans. Steel, we'll have certain plans. But forging, there is no Aichi, our partner, they have 9 such lines. So, they are experts in this method of steelmaking forgings. And they have dispatched a senior level person who is going to be -- who has been appointed as President of the forging business. So, Aichi, the Japanese, will be driving this business.

Chaitanya Ramesh Rao: So, sir, is there any indicative tonnage that you're looking at and expected EBITDA levels from those?

Sachit Jain: At full capacity it will be 15,000 tons. And it will take some time to build up to that capacity.

Chaitanya Ramesh Rao: And the EBITDA realization will be higher than the current level?

Sachit Jain: We don't see, this is a new business. Give us some freedom to start learning this business before we start committing something.

Moderator: The next question is from the line of Ritwik Sheth, One Up Financial Consultants Private Limited. Please go ahead.

Ritwik Sheth: Sir, on the greenfield plant, is the land acquisition completed, the entire...

Sachit Jain: The land acquisition for melting part is completed. And for the rolling is ongoing, and we should be completing it by January of next year. Plan or roadmap.

Ritwik Sheth: Okay. And then we'll have to apply for the EC, right?

Sachit Jain: EC will be applied within this year because EC for the steel, for the melting part takes a longer period. So that will be applied within this year. By December we would have applied for the EC.

Ritwik Sheth: Okay. Got it. Okay. And sir, any ROCE or EBITDA to capital employed for the forging plant you would like to lay out for the INR450 crores...

Sachit Jain: Forging, we're not making any comments at this point in time. It's one line, which is a small line, it is suboptimal. It is an entry into a business. We have the advantage of our partners who are experts in this area. So, we are relying on their knowledge.

And once we add 2, 3 lines, that is when EBITDA on capital employed and all this start coming in. For now, our focus is only successful implementation of the project, gaining the production lines operating, and getting quality right and the throughput right. Those are our objectives.

Ritwik Sheth: Got it. And sir, just one last question from my end. Sir, the brownfield expansion, if and when we get the approval from 300 to 360 KTPA melting capacity, what kind of capex will be required approximately?

Sachit Jain: It's not substantial, but about INR100 crores, INR115 crores.

Ritwik Sheth: INR100 crores, INR115 crores. Okay, sir. Thank you and best wishes for the upcoming festival.

Moderator: We have the next follow-up question from the line of Divyansh Gupta from Latent PMS. Please go ahead.

Divyansh Gupta: Sir, the land acquisition we just answered was one of the question. The other question was, we were hearing that one of the other listed specialty steel player is in the process of increasing its capacity by about 40% to 50%. The last time when we discussed, it was that the industry is

capacity constrained. So just wanted to understand how do you see, let's say, the request for price increases in view of upcoming capacity by competitor impacting our realizations, or even EBITDA per ton?

Sachit Jain: I don't waste my time on trying to forecast what price increase will come or not. I focus on our operations, and the price increase will depend on market situation at that point in time. Previous quarter, we got more than more a better price increase than what we were anticipating. So, we can easily get wrong here and there. We focus on INR9,000 to INR12,000 EBITDA per ton.

But my understanding is, any new plant which gets announced will take 3 years to 4 years after announcement for it to start. So, I don't know which company you're talking about and when they made the announcement and what is the status of their project. So, I have no idea. So, I but to my understanding, next 2 years, no new capacity is coming up. That is my understanding. But I may be wrong.

Moderator: The next question is from the line of Naimish Pandya from NP Investments Management. Please go ahead.

Naimish Pandya: Congratulations on good set of numbers. Am I audible?

Moderator: Can you be a bit louder, please?

Naimish Pandya: Am I audible, sir? Now?

Sachit Jain: Yes, yes. Now, you are.

Naimish Pandya: Okay. First of all, sir, congratulations on the good set of numbers. So, I have a couple of questions. So, first thing, what measurable benefits have been realized from the Kocks Block and reheating furnace capex through I mean, throughput yield, energy consumption, product quality, and cost per ton. What further benefits remain to be captured?

Sachit Jain: So, with the combination of Kocks Block and reheating furnace, we have been able to increase our capacity to 300,000 tons. And we can actually increase this capacity even beyond this, but that depends on once we get the environmental approval, but we can now go up to 330,000 tons. So that is one.

The second is that quality has improved all around. So, our rework and rejections have come down. Third, we were doing job work from outside. So that has come back in largely. So that is why the job work area of our expenditure has come down.

And therefore, the margin has gone up. And yields have become better because from a 4.2 meter billet, we have gone to a 5.2-meter billet. So, the wastage happens at each end of the billet. So now the wastage is happening at the end of a longer billet, and therefore the yields have improved.

Naimish Pandya: Understood, sir.

Sachit Jain: And also, because of the better quality, we have been able to stabilize our production at 1 billet size. So, this will be fully implemented in the next 6 months. This will give better flexibility. That means we can service customers better using the combination of the billet as well as billet size as well as the Kocks Block.

Naimish Pandya: Absolutely right, sir. Sir, my next question is, which end markets are contributing most to incremental demand passenger vehicles, two-wheelers, tractors, bearings, engineering, or other applications? And sir, are any customer segments showing signs of slowing?

Sachit Jain: Across the board, the demand is there. And tractors, what I'm hearing from some of the customers seems to be slowing down a bit.

Moderator: The next question is from the line of Dipesh from I Wealth Management LLP. Please go ahead. Dipesh, kindly unmute your line, please. Dipesh, requesting you to unmute your line, please. As there is no response, we move on to the next participant.

The next question is from the line of Vansh Rathore from JJ Advisory. Please go ahead.

Vansh Rathore: Congratulations on a great set of numbers. I have a few questions. Sir, as the management mentioned that they are targeting a mix of roughly 70% automotive and 25% to 30% non-auto revenue by FY35. Among these verticals among the non-auto verticals, railway, oil and gas, bearings, and tool and die, which segment are we particularly prioritizing first for the near-term scale? And do we see any growth in the near term?

Sachit Jain: Near term, there is very limited that we can do because we are running at full capacity, and we are focused on our current business, automotive. So, we are taking trials and we will start taking trials in tool and die steels. We are taking trials in each one of these segments. Then we will have the products ready. And really, once and when the new plant comes up, we'll be able to start expanding the product.

Vansh Rathore: Okay. Okay. Sir, the next part of my question would be what does the management think that the about the outlook for the domestic automotive segment in the country over the next 1 or 2 years? How do you what do you think about the sector?

Sachit Jain: We are too small a player to start focusing on what the automotive sector will do. You all have better access to the auto company and their con call. But my understanding is the auto companies are bullish on growth. So, we don't see any problem. And more so, the some of the auto companies are diverting better shares to us for the more sophisticated qualities.

We don't see any problem in meeting our volume targets. And we don't see a problem in filling up the capacity. Of course, giving it 2, 3-year time to fill up the capacity with the new plant. So, we don't see much of a problem in sales.

Vansh Rathore: Sir, have you identified any downside scenarios such as any risks that you factored in for your growth outlook? Any downside scenarios?

Sachit Jain: There are several risks. One, there's a project implementation risk. Two, I think that's the biggest risk that we have.

Vansh Rathore: Okay. Apart from risk?

Sachit Jain: Everything else is secondary.

Vansh Rathore: Okay, sir. Noted. Thank you so much for taking my question, sir. All the best for your future, sir.

Moderator: The next question is from the line of Manasvini from Oracle Investments. Please go ahead.

Manasvini: Congratulations, sir, on the good set of numbers. My first question to you is revenue growth has outpaced volume growth. So then how have realizations changed, say, by product category? And what is driving the price? Is it customer mix, value-added grades, market prices, or probably contractual resets?

Sachit Jain: So, the largest impact is market prices, which means contractual reset, because we don't sell in the spot market. So that's the largest element. The price increase, because of commodity prices going up, the price increase has been substantial, which has led to over the last 2 quarters, the prices have gone up, for some OEMs, around INR8,000, some OEMs, a little less because they settled with a lag. And some OEMs are in the middle of settling, so which has not yet fully settled. So, second quarter is still not fully settled just now.

Manasvini: Okay. That makes sense. Also, I had another question. Realistically, what market share or tonnage can VSSL capture here over the next, say, 3 to 5 years?

Sachit Jain: We are too tiny to have a large market share. We are our capacity is 200 this year, we do over 265,000 tons. The market size is about 8 million tons, and there are several products that we are not even present in.

Manasvini: That makes sense.

Sachit Jain: So, again, these are all questions when you're a larger player, then you look at market share and so on. For us, it is just how much capacity we can put up and fill that capacity.

Manasvini: That makes sense, sir.

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

Sachit Jain: Thank you so much for showing so much interest in our company. And your questions are all well noted, and we will have more precise answers in the next 6 months. With this capacity that we are putting up, we will become a substantial player in the alloy steel bar market. We still will not have wire rods, which is a very large segment of the alloy steel market. We will not be in that segment.

And in the bar segment, for cars and 2-wheelers, we will be a major supplier in India. But overall, we remain optimistic. The business is strong, and there is the tailwind of green steel. More and more customers are coming to us talking about green steel. No price benefit as yet, but share of business benefit clearly seems to be visible as far as the trend is concerned. Beyond that, we remain optimistic for the future. Thank you so much.

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