



Ref. VSSL:SCY:MAY:2026-27

Dated: -04-May-2026

BSE Limited, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI-400001. Scrip Code: 534392	The 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 – Q4 FY-26**

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 29th April, 2026 to discuss the Company's business and financial performance for Q4 FY26.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN SPECIAL STEELS LIMITED

(SONAM DHINGRA)
COMPANY SECRETARY



“Vardhman Special Steels Limited
Q4 and FY '26 Earnings Conference Call”

April 29, 2026



**MANAGEMENT: MR. SACHIT JAIN – CHAIRMAN AND MANAGING
DIRECTOR – VARDHMAN SPECIAL STEELS LIMITED
MR. SANJEEV SINGLA – CHIEF FINANCIAL OFFICER –
VARDHMAN SPECIAL STEELS LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Q4 and FY '26 Conference Call hosted by Vardhman Special Steels Limited. This conference call may contain 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 a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants online 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sachit Jain, Chairman and Managing Director, Vardhman Special Steels Limited. Thank you, and over to you, sir.

Sachit Jain:

Ladies and gentlemen, a very good morning to all of you. It's my first annual investor call after taking over as Chairman of the company also. So it's and we are I'm addressing all of you as we close a record year, record profits, INR122-odd crores. Volume has been the highest, 225,000 tons, which was our budget. And also, we are poised for better times ahead.

As in the last year, interesting things have happened. One, of course, in the last quarter with the Iran-US war scare, raw material has shot up in prices as well as gas disruption was a concern. Luckily, for us, there was no disruption of gas, though the cost of gas has gone up substantially.

And I must say the government has handled the overall situation pretty well, that whatever disruption in LPG which was there for us and for some other people, some other commodities where disruptions were there, but they have not caused major chaos.

As far as our capex, reheating furnace was commissioned in March. It will improve our rolling capacity to 2,70,000 tons of finished product. I hope as we close to 2,70,000 tons, we might find ways to tweak it further to increase it a bit further. New NDT line is in progress. New peeling line is in progress.

And we are trying to see if we can increase our overall melting production beyond 3 lakh tons to maybe 3,60,000 tons. So our team has come out with a plan to do that. So we will soon be applying for environmental approval, which is not sure that we'll get. But if we get that environmental approval, we will increase the production in this plant.

The solar plant was commissioned also in this quarter. We will be getting 9 crore units of power per year. And a new section of 210X210 has also been introduced. Now what does this new section mean? That with this new section, our productivity of our cast goes up, which was a bottleneck and which is why we are more confident of increasing production.

And second, it improves the quality of our products. So our rework will come down. So first rejection of some of the critical parts, especially the bigger dia products, will come down, which will improve output as well as reduce some cost.

Also, we have increased the heat size from 37 tons to 40 tons. These will also help in improving productivity as well as reduce costs during the ride. Overall, I think we are on track. In the next 2 years, I think we are getting more and more confident that we'll be raising the guidance further.

So this year, our guidance is now up from last year, which is INR8,000 to INR11,000 a ton EBITDA. And from 2 years from now, I think we are confident now that this range can be increased further to 9,000 to 12,000. So we are seeing better times ahead as we move ahead.

A couple of other interesting things. I think our new steel plant planning is going on full swing. We seem to be on track that we will start our plant in July 2029 as of now. And our forging plant also, a lot of equipment has been ordered. So we seem to be on track in starting -- commissioning the plant in end third quarter of next year. And Jan-March of '28, we hope to start the production from the forging line.

We will also very soon start planning further expansion in the forging line as well as strategically now, we are looking at a newer direction. With the new steel plant, we will have a capacity of 500,000 to 600,000 tons. I think we had announced 500,000 tons, but gradually, after talking to manufacturers, we are able to see maybe we'll be able to reach 600,000 tons. So with 600,000 tons there and 300,000 tons here, we will have almost 900,000 tons of steel.

Now this is the time for us to start diversifying our special steels portfolio into non-automotive steels also. So we have taken a strategic view that over the next 10 years, we will be about 30% non-automotive steel, 70% will be automotive steel. And non-automotive steel has several categories, and we will do a deep dive into them as we go along in this year and next year. There is railways, there is oil and gas, there is bearings, there is windmill shafts, ship shafts and so on.

And then there is also a newer area, which is more sophisticated, of advanced alloys and advanced materials where we will start looking at aerospace, defence, very special steel, nuclear, die steel. So those are other areas which go into the more super specialized range. These are all in the next 3 to 5 years, you will see more planning and more thrust in that area.

Also, we are going to soon do an internal organization structure. We'll be moving into divisions. We'll be having a forging division where one of the senior Japanese people from Aichi will come in here. They will be posted here. So the President of the Forging division would be a Japanese gentleman from Aichi. We are now looking for a President of the automotive steel division. And then we will structure a separate non-automotive steel division.

So all this in the next 3 to 5 years, and which will again enable the company to grow further, look for further alliances and joint venture partners into more specialized areas. I think more and more of my time is now going to go into developing these strategies, these relationships and making the company stronger and serving what the country needs today.

To just give you an example, tool and die steels, there's about INR1,000 crores which gets imported into the country every year. And as we talk to the customers are the same. Most of the die steel customers all are our forging companies who are our customers. And each one that we talk to says there's a big headache importing these steels from Europe or from Japan or from Korea.

So there is a big opportunity in those areas also. So we have not decided on any one, but I just think these are the areas of opportunities opening up for us as this plant is becoming saturated. So at the beginning, we're going to start with ingot casting in this plant. We'll start in a small way, and then we will be increasing our ingot casting.

Now ingot casting is a different method of steelmaking. Melting is the same. It's just the casting. We have continuous casting, which really is a mass market, which goes into the automotive space. Ingot casting will be higher alloys and limited volume that we will be moving into.

And the specialized products will require the ingot, much bigger diameter products, which will maybe you may just forge it and it may be sold straight to forging companies rather than the whole process of rolling after that.

So those are the kind of, so I'm just sharing broad outline with you today that we have reached a possibility, we have reached now a stage where we can think of all these newer areas. So we are very clear, we will remain only in the area of special steels and automotive forgings.

But more and more, we want to see our vision now is to see us as a supermarket of special steels. This is a new term that we have started thinking about in the last couple of months. And I think today, in today's annual call is the first time I'm announcing this to our shareholder community, that we will try to be a supermarket of special steels. But we are very clear, we will remain only in the areas of special steels.

And of course, once we get into specialized alloys for defence and aerospace, then adjacencies come up where you can move into, gradually, in a slow process over the next 5 to 10 years, move into other alloys also. That all will be the job of the next generation of management after me. But we will lay the foundation of a strong company which can then grow into separate adjacencies with separate JV partners as we go along.

Overall, seeing the confidence in the future, our Board decided to recommend a dividend of INR3.50 a share. Frankly, I had gone into the meeting with the mind of INR3 a share, but seeing the results and seeing our plans and discussions, the Board decided that with these kind of plans and the confidence the entire Board has in the management and the company, then we all decided at INR3.50 a share.

One more thing. Last year, the important part was Aichi increased their shareholding to 24.9% which is a statement of tremendous confidence from their side also there. They're very happy with the partnership. And they want to see a bigger play in India as we go along.

Thank you. This has been my longest opening comments so far. I think Singla the figures are already uploaded. So we can open it to Q&A now.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question and answer session. Our first question comes from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Thank you for the opening remarks elaborating your plans ahead. So sir, now what should we look forward to in terms of our ramp-up in volume of rolled products? I think with the

commissioning and the handling of the new line I think we closed this year at 230 level. So what kind of.

Sachit Jain: Going forward, 225 we closed this year, last year. And this year, we would like to cross 250, maybe 255 we target. But let's say, for your calculation, keep 250 in mind.

Saket Kapoor: 250 is a sustainable number for the rolled product.

Sachit Jain: 250,000 tons for this year, you should please keep that figure in mind, though we will try to target to sell a bit more, but we will see as we go along.

Saket Kapoor: Sir, then you have also spoken about our Kocks Block commencement and then the efficiency and all kicking in. So, post factoring that also, we will keep our EBITDA per ton trajectory in that vicinity of 8,500 to 11,000 only?

Sachit Jain: Our range earlier was 7 to 10. We have now from this year, we are increasing the range to 8 to 11. And we said 2 years later, we would like to increase the range to 9 to 12.

Saket Kapoor: Okay. Sir, two small points.

Sachit Jain: We are trending upwards. That's what we are seeing that we are gradually going to be trending upwards.

Saket Kapoor: Sir, this year, we did average of 8,500 plus. Even with all the veggies of the market, we were able to close.

Moderator: So we'll take the next question, comes from the line of Sanaa, an Individual Investor.

Sanaa: Sir, what is the current capacity usage? And how much can we see improvement in the next year?

Sachit Jain: Our current capacity, we actually sold full because our rolling mill capacity is close to 180,000 tons. And we have done a lot of outsourced rolling and therefore, we managed to sell 225,000 tons. In the year '26-'27, our rolling capacity is 270,000 tons. And we hope to sell about 250,000 hope is 255,000, but for your calculations, keep 250,000 tons.

Sanaa: 250,000. Okay, sir. And sir, one more question I have. Are we expecting any changes in our product mix going forward?

Sachit Jain: Not this year, but this year, we will see the beginning, just the tiny beginning, tiny shoots. As I said, we will start ingot casting in a small way. And so that's the change we will see, and we'll just be selling ingot products. Then gradually, as we learn and as we improve on this, we'll be improving the product mix.

So from next year, you will see small changes, but really the impact that you will see will not be enough. Impact will take about 5 years for the outside world to see the impact. And by then, the volume of the new plant would have come in. So again, you will not see an impact in terms of

proportions. For the foreseeable future, please assume the same product similar product mix of automotive steels.

Sanaa: Okay. So we can consider it a similar one for the next 5 years. And after 5 years, we can see a good number.

Sachit Jain: You'll start seeing changing, yes. There will be again, initially when the new plant is commissioned, there will be a small dip in the kind of products we are making because we'll be ramping up volume in the new plant. And therefore, we will be shifting to some commodity products to build up volume. So the product mix will be a bit changed. And then again, so it will remain similar, then deteriorate a bit and then again start improving from 5 years from now.

And 7 years from now, you should start seeing a change. I know it's a little longer perspective than most investors on this call. But to see changes in the stuff that I was talking about, the futuristic businesses, it will take 5 to 7 years to start making some impact. And for a change for investors to see, maybe 7 years onwards.

Moderator: Our next question comes from the line of Nishita from Crown Capital.

Nishita: So I just had a clarification question on the previous participant's question. I just wanted to understand when you mentioned that the new capacity that will commission, are you referring to the 500,000 ton capacity of billet production?

Sachit Jain: Correct.

Nishita: Okay. So I just wanted to understand when are we expecting that to commission?

Sachit Jain: We are expecting that to commission by July '29.

Nishita: Okay. And what is the growth trajectory that you can see going forward?

Sachit Jain: I'm sorry, can you speak a little louder? I couldn't hear that.

Nishita: Yes. What is the growth trajectory that we see going forward, like with Aichi increasing their stake and now with all the capex that we are doing, if you can give us a growth target, that would be very helpful?

Sachit Jain: The first target is to reach the full 270,000 to 280,000 tons that we can make in this plant. And so because our license is 300,000 tons of steelmaking. If we get a government license to increase the capacity, which is a 50-50 chance we get it, then there is scope to grow further. But as of now, please keep in mind 270,000 tons for the next 3 years. And then after that, there will be a sudden jump when the new plant commissions.

Nishita: Okay. So like for this license, have you already applied for the license? And by when can we expect to get some results on this?

Sachit Jain: So we will be applying in 2 months' time. We have some pending environmental work to be done before that, which will be done maybe in May itself. And June, we will apply, and we should know before March of next year.

Moderator: Our next question comes from the line of Shlok Bhartiya from Svan Investments.

Sachit Jain: Sorry, may I just say one more comment, that normally, if a 20% increase in capacity is applied for, you don't need a public hearing. Environmental approval, normally people say -- what I hear from consultants and other people is normally not that difficult to get. So we are reasonably confident that we will get it.

Why I'm still saying 50-50 is because Ludhiana still is in the critically polluted zone. Separately, from a CSR activity, I'm talking to think tanks to see how to work on getting Ludhiana out of the critically polluted zone. That's a separate topic, but that's just by the side, as an aside.

Moderator: Our next question comes from the line of Shlok Bhartiya from Svan Investments.

Shlok Bhartiya: First thing, on the commissioning of the solar power, which you indicated that will be generating almost INR9 crores units in financial '28. And with the installation of reheating furnace, what sort of savings one can see in FY '28?

Sachit Jain: We have not shared those figures, but the very fact that we are saying our EBITDA range, which has been stuck at 7,000 to 10,000 for some time, will go up to 8,000 to 11,000 this year and then 2 years from now, 9,000 to 12,000. Maybe next year itself, we'll feel more confident -- if the oil prices correct, if the economy; see, we are also facing a possible recession in the global economy.

So, a lot depends on what trends you see, but we are now again, for the first time, we are saying that 2 years from now, we should be getting 9,000 to 12,000. These figures were just aspirational figures. Now we are saying that we are now quite confident that we should be able to up the range. So yes, those cost savings, volume increase, all those things are being taken into account.

Shlok Bhartiya: So from 8,000 to 11,000 to 9,000 to 12,000 right now, which more looks like a reality rather than aspiration. So is it going to come with more of a cost efficiency or will it be driven by the change in the product mix?

Sachit Jain: As I answered in the earlier question, the product mix, I don't see much of a change just now. So it is volume, cost cutting, process improvement. Even this year, though we have had record profits, there are areas we saw that we could have improved further. So there is clearly -- you see, like some of you read my annual letters know that I'm a trekker. When you go trekking and you cross a mountain, it seems at a height.

As you reach that top, then you suddenly see newer vistas, which were not visible earlier. So you keep as you improve to reach a particular level, then you find newer areas which you didn't see earlier. Then you say you kick yourself and say, how come we didn't see it earlier. Then I have a famous saying for last 30 years. I don't ask people a question why they didn't see it, why didn't you think of it earlier. If you think of it today, great, implement it now.

- Shlok Bhartiya:** Right. Agreed. So one question on your forging plant, which is expected to commission in third quarter of financial '28. What sort of capex has been spent and how much is left? And secondly, what sort of ROCE one can assume only on the forging unit?
- Sachit Jain:** So as of now, not much has been spent. We have, of course, bought the land. And some initial LCs have started getting opened. So really not much has been spent on that. Maybe about INR50 crores. INR80 crores have been spent.
- Shlok Bhartiya:** And how much you will be spending in the next 9 months?
- Sachit Jain:** So total project cost was about INR475 crores, plus our NDT line is also in that same premises. Overall, the budgeted investment is more than INR500 crores. The NDT part was already part of the earlier Vardhman Special Steels expansion of INR350 crores. So that -- so let's not double count that. But for the forging project, INR475 crores was the budgeted expenditure.
- And the way we are going ahead, it looks like we may not be spending that much. We'll be spending less than that. We'll have a better estimate in 6 months' time of what will be the actual expenditure. But looks like we'll be clearly less than INR475 crores, which we had budgeted.
- Shlok Bhartiya:** And the plant is expected to commission in third quarter of FY '28.
- Sachit Jain:** Let's say, will be commissioned. So fourth quarter, finally, we'll start seeing some performance. So really, '28-'29 is the first year of performance that you will get realistically.
- Shlok Bhartiya:** And in terms of the payback or the IRR, I mean, is there any?
- Sachit Jain:** We don't disclose project by project. And one line, as you can make out, will not be sufficient. So we will soon be adding a second line and a third line. So we have plans to add at least 3 lines of forging. So that's when it will be completed. And we'll see by when we complete this entire forging project. But the first line will start operations in the first quarter of '27-'28.
- Shlok Bhartiya:** Incremental capex for the new line, assuming the same capacity.
- Sachit Jain:** Will be clearly lower.
- Shlok Bhartiya:** It will be at the same capacity, right, which we are in part 1, Phase 1?
- Sachit Jain:** Those things will evolve as we go along. As we are entering a new business, those things will take shape as we go along.
- Moderator:** Our next question comes from the line of Ritwik Sheth from One Up Financial Consultants.
- Ritwik Sheth:** Sir, congratulations on a great set of numbers. Sir, I have a few questions. So firstly, has the land acquisition been completed for the new greenfield plant?
- Sachit Jain:** We are in the last stages. It should happen in the next within May, we should be closing it.

- Ritwik Sheth:** Okay. Okay. Sir, my second question is related to the capex for FY '27 and '28. With the forging plant and also with the new greenfield plant and potentially expanding capacity of the melt shop at the existing site, what can be the capex for FY '27 and '28?
- Sanjeev Singla:** '27-'28 for that steel plant and forging plant we will be incurring maximum capital expenditure in that year. So ballpark figure so we don't have a calculation, but the ballpark figure will be more than INR700 crores to INR800 crores.
- Ritwik Sheth:** Okay. In the current year?
- Sanjeev Singla:** No, INR700 crores, INR800 crores you are saying.
- Ritwik Sheth:** No. Current year and next year, I'm asking.
- Sanjeev Singla:** Okay. So in current year, it will be very less expenditure, only on procurement of land and some development work. But the major capex will happen in '27-'28 only.
- Sachit Jain:** And we are also having replacement items as our old peeling line needs a replacement. We are adding to our testing line and so on. So roughly about INR100-odd crores of normal capex and replacement and quality upgradation and so on. Those will be done in the next 2 years for normal work for this plant.
- Ritwik Sheth:** Okay. So INR100 crores this year and INR700 crores to INR800 crores next year?
- Sachit Jain:** For the expansions. And for the existing plant, about INR100 crores more. And if we get the environmental approval, then we will take maybe another INR80 crores to INR100 crores.
- Ritwik Sheth:** Okay. Got it.
- Sachit Jain:** But those figures are all very, very ballpark, rough figures. So once those things come up and then we will take clear decisions and then will be announced at that stage.
- Ritwik Sheth:** Sure. Got it. And sir, just one question on the brownfield expansion, the melting shop, which we are planning to take from 300 to 360 MTPA. Once we get the approval from environment from EC, what would be the time line for this expansion to get completed?
- Sachit Jain:** If things work out well, our target will be again, these are very rough ideas because some of these equipment have a long delivery. We would expect sometime in later part of calendar year '27.
- Ritwik Sheth:** Okay. Okay. And EC, you mentioned in 6 to 9 months, you can get the EC clearance.
- Sachit Jain:** Yes. So yes. So we are discussing with the suppliers how to shorten the time. Otherwise, these equipment take 1, 1.5 years for delivery. So we are talking to the suppliers, and we have good relations, and we'll figure out how we can get it earlier.
- Moderator:** Our next question comes from the line of Manav Gogia from YES Securities Limited.

- Manav Gogia:** Most of my questions are more or less answered. I just have a couple of follow-ups. So first one being, sir, you just guided for the EBITDA per ton to be around INR8,000 to INR11,000 and further going ahead towards INR9,000 to INR12,000 on a per ton basis. My question comes — I mean, what sort of realization assumptions are we building out over here? Is it the current spot prices or the average for FY '26?
- Sachit Jain:** No, no. So we always look at — it's consistently true whatever you take. If you take the average of last year, even that is fine; you take the current, even that is fine. Because in auto industry, we don't work as a commodity pricing. So pricing will change based on scrap going up. So our spreads are more or less protected. A little bit here and there, it changes, which is why we keep a range in our EBITDA.
- So which is why when the commodity steels have gone up substantially, alloy steel prices will not rise up to that extent. And when commodity steel prices fall, then alloy steel prices don't fall that dramatically either.
- So which is why; so as I said in my earlier opening remarks that the scrap prices have gone up. And therefore, we are asking for a price increase from Q1, and we are likely to get those price increases in Q1. Those discussions are ongoing.
- Manav Gogia:** Got it. Got it. So basically, in a nutshell, it's much more cost-driven growth that we are coming out with, along with some operating leverage also kicking in?
- Sachit Jain:** Which is why we always talk about spreads. We don't talk of actual selling price. I mean, for example, the average selling price of steel was lower in the previous year in '25-'26 than in '24-'25. So despite a higher volume, our sales are actually lower on a higher profit. So EBITDA margin looks much better than normal. Net profit margin looks much better than normal. That's why I don't look at those figures. I always urge our investors, please look at EBITDA per ton and volumes.
- Manav Gogia:** That is quite helpful. So for the greenfield plant, I mean, for the run rate that you have given for the capex over the course of the next couple of years. So just to check again, we have sort of INR100 crores to INR150 crores of maintenance capex and then incremental INR400 crores, INR500 crores of growth capex. Is that.
- Sachit Jain:** Figures are more. What we will do is, I think these questions are coming up. We will have exact, better calculations after the next 3 months when we negotiate all the machines. We'll have a much better idea. And once we have that, we'll update our presentation and post it on the company website, year-wise capex.
- Manav Gogia:** Sure. That would be quite helpful. Just one last question out of it here. For the greenfield plant that we are targeting for July of 2029, what sort of ramp-up period do we expect to reach the peak capacity utilizations over there?
- Sachit Jain:** Very difficult to say that today because you are talking of 6, 7, 8 years into the future. Who knows what the market is going to be then. But now if I can hazard a guess, and please take this with a very, very big pinch of salt. Our attempt will be within 3 years to reach full capacity. It

could take 5 years. And for all our budgeting, we have taken 5 to 6 years to reach full capacity utilization.

Manav Gogia: Got it. So that is actually helpful. No worries.

Sachit Jain: Yes. Because again, we are not in commodity steels that you just put up a plant and then start producing and selling. The advantage in the new plant will be that our costs are going to be much lower than the existing plant. And therefore, some of the commodity -- within the alloy steel, the commodity end of the business like tractors and trucks, which we normally stay out of, because of lower cost of steelmaking in the new plant, we may be able to access those markets. And therefore, we will be -- we will try to ramp up earlier.

Moderator: Our next question comes from the line of Avdhut Joshi from Trivantage Capital.

Avdhut Joshi: Okay. So my question was on the exports. If you look at our exports, it has remained in the single digit. But earlier our guidance was to reach up to 20% of exports by the end of FY '27. So with the new capacity coming in, I would like to know how we are thinking about the exports going forward.

Sachit Jain: So you are right that we had a guidance at that point in time. Exports are going to be a much lower proportion of our business. But we are seeing exports in the form of components increasing from India.

So more and more, our attention is towards serving OEs from component exports from India, including from our new forging line. We'll be targeting through some more vendors in India, some global companies coming in who will use our forged products and machine them and export them. We'll be looking at that possibility.

We are talking to a couple of other global forging majors to expand capacity in India, that we will supply steel to them. We are talking to some global OEs who are wanting to source big quantities from India, but they will all be sourcing more and more of components from India.

Europe, as you know, is having a much higher cost of operation because of the gas cost, energy costs being high, wage costs also becoming higher, unavailability of young people to work in the night shifts and in hard-core manufacturing. And with an FTA which has been signed with EU, they are expecting much bigger imports of components from India.

And in CBAM, which is there for steel imports into Europe, we stand very well placed in CBAM calculation. Within a year or two, I think even components are going to come under CBAM. So once components and some components have already come in, some will come in the next few years. Because of our abilities in green steel, we will be able to take more and more advantage of this. So exports for us will be more and more indirect exports rather than direct exports.

Avdhut Joshi: Okay. Do we see realization or the EBITDA better in this kind of exports?

- Sachit Jain:** It depends customer to customer and part to part. Clearly, for a customer like -- if you're in the luxury end, if you're able to serve a customer like BMW or Mercedes-Benz, the prices are normally a bit better. In some cases, yes, prices are better.
- Avdhut Joshi:** Understood. And secondly, on the forging part, when we are building the capacity, which will come on stream by beginning of, say, January '28. But on the other side, the customer approvals how long will that take for us ramping.
- Sachit Jain:** So I think it's a very valid point. We are strategizing because our partners, Aichi, are amongst the world leaders in the kind of forging we're going to enter into. So we are talking to customers if they can start supplying from Japan initially to get those approvals. And since Aichi is the partner here and Aichi people are going to be heading the forging, the attempt will be to reduce the approval process and approval time.
- Avdhut Joshi:** Okay. So on ballpark, what's our product validation or the process validation period for products like forging for us?
- Sachit Jain:** Very difficult to say. It will vary from customer to customer. So some customers that we are talking to, all these are just talks because everyone says, we haven't seen the product, we haven't seen the factory just now. These are all talks. But hopefully, for a couple of customers we have talked to, we should be validated before our plant starts production.
- Avdhut Joshi:** So we are integrating those 2 things.
- Sachit Jain:** Through our partners, because of our partners. Otherwise, it will be very difficult. Because of our partners, Aichi, we should get better approvals for some customers. For some customers like Maruti Suzuki, they very clearly said we will first see the factory in operation here, then start the validation process.
- Avdhut Joshi:** So is it fair to say that the forging ramp-up will happen in FY '28 or by the end of FY '29?
- Sachit Jain:** No, no, no, no. '28-'29. We very clearly said if we're going to start operations in Jan to March of '28, ramp-up will be '28-'29.
- Moderator:** The next question comes from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Sir, just to take the chronology of events, for this financial year we are modeling in or factoring in a 10% volume growth with a higher EBITDA range by INR1,000. And then when are we expecting. How will the forging and the new steel plant commensurate to each other? Means if you could just explain the chronological events. And this 10% volume will be flattened out for the coming 2 years. That means we will be reaching the peak for this year and even for the next financial year. Is this understanding correct?
- Sachit Jain:** No. So 250,000, 255,000 that we reach now, the next year will be 270,000 or 275,000. We will have to see the exact numbers. And then we will try to see we will target some outsourcing and so on. So we'll keep seeing that we are trying to grow, that we will not stop growth. To figure that out 2 years later, what kind of model we will have is difficult to say just now.

For your calculations, please assume static at 270 or 275. And then if we get this government approval, environmental approval, then yes, then this sales will increase. So it's very difficult to commit today.

So as far as this plant, existing plant is concerned, 270 is the figure you should take where we remain static at. And then in '28-'29, we will start seeing results of the forging business, but it will be a very small volume to really not see any impact.

And the new steel plant will get commissioned in '29-'30 also; July '29 is the target. And then you'll see volumes coming in towards the second half of '28-'29. So '29-'30, we will start seeing a better impact of the new plant.

Saket Kapoor: Okay. And the government clearance is for the existing melting shop of 3 lakh, and we are contemplating a 20% increase on the same.

Sachit Jain: No, no. Currently, we are producing less than 3 lakh tons. So we will -- our first attempt is to quickly go to 3 lakh tons, which will happen next year.

Saket Kapoor: And the government clearance is for?

Sachit Jain: 3 lakh tons. So we'll be at full government capacity level.

Saket Kapoor: When we look at our plant and property closing balance for the financial year '26, it is closer to INR550 crores. And that is a significant increase from the last year closing balance. If you could just give us understanding of the breakup of how the capex has been.

Sachit Jain: I think in a specific e-mail to the CFO, this will be answered. But largely, we have had capex going on. The Kocks Block was commissioned. Reheating furnace was commissioned. Some warehouses were built, currently being built. And land has been bought. So those are the things which are there.

So as you know, we bought some land initially where we started buying the land for the steel plant. We are stuck at about INR50 crores. That's one area we have for some possible expansion. And then we bought land and constructed sheds for our new forging line. This is all largely for the new capex for the new plants as well as the Kocks Block and the reheating furnace.

Saket Kapoor: Okay. Sir, two more questions. Firstly, on the incentive part for the current financial year, what should we factor in for a quarterly run rate in terms of the government subsidies, whether it is electricity or the other tax subsidies, if any, for the full year, if you could share the number? And also for the new steel plant, does it fall under any government incentive or PLI benefit that we are going to accrue going ahead?

Sachit Jain: The new plant will not be under any PLI. However, it will be under the Punjab government subsidy scheme. So again, we will have a similar set of subsidies of electricity duty as well as GST refunds and some capital subsidies, some on work. There will be subsidies in the new plant also. Singla, this year, what is the subsidy position?

- Sanjeev Singla:** So currently, we are getting 2 types of subsidies from the Punjab government. One is electricity duty exemption and the second is the GST refund. So electricity duty exemption will continue until August '29. And GST refund incentive was for 7 years and will end on August '26.
- Saket Kapoor:** Okay. So for next financial year, Singlaji, what should be the number, incentive.
- Sanjeev Singla:** So for next financial year, it will be close to INR12 crores to INR13 crores for both the incentives, because electricity duty exemption will also come down because of the solar power commissioning. The total incentive will be close to INR13 crores.
- Saket Kapoor:** In this financial year?
- Sanjeev Singla:** In this current financial year, yes.
- Saket Kapoor:** '26-'27. And how much have we factored for financial year '26?
- Sanjeev Singla:** It is INR24 crores.
- Saket Kapoor:** It will be half for the next financial year.
- Sanjeev Singla:** Yes.
- Saket Kapoor:** One more understanding, when I joined the queue. In terms of the forging unit, the forging unit will serve the products from our current facility and the new steel facility both or will it just cater to the 5 lakh ton new plant that we are contemplating?
- Sachit Jain:** All of the volume will come from the existing steel plant to start with. Once the new steel plant gets established and the quality gets in, then more and more of the volume for the current products that we are putting in will come from the new steel plant.
- Moderator:** I'm sorry to interrupt you, Mr. Kapoor, you may rejoin the queue. Our next question comes from the line of Priyankar Sarkar from Square 64 Capital Advisors.
- Priyankar Sarkar:** Sir, a couple of questions on the balance sheet front. What are the plans of funding in terms of debt, equity and internal accrual? That's one. And also, do we have any figure in mind that we don't want to cross a certain debt-equity ratio that we won't be comfortable crossing?
- Sachit Jain:** Yes. At the peak, debt-equity, we will keep it below 0.75 total debt to equity. And we are comfortable at 0.5. There will be an equity infusion. There will be a further equity infusion sometime later part of next year.
- At that point in time, we'll see how we will fund that equity. Clearly, our partners Aichi are able to invest more. Vardhman Group has committed INR300 crores to INR400 crores. So we will have that also. And at some stage, we might do a QIP or something for outside investors.
- So roughly, we see about INR1,200 crores of equity infusion, out of which INR385 crores has already come in. About INR800 crores or so roughly equity and about INR1,200 crores of debt which will be raised.

- Moderator:** Our next question comes from the line of Anil Kumar Sharma, an Individual Investor.
- Anil Kumar Sharma:** First of all, congratulations on the wonderful job you are doing. Sir, my question has already been answered to some extent. I want some clarification. As you recently said that our capex -- equity will be INR1,200 crores and debt will be INR1,200 crores. So what are the total expenditure capex you are thinking about? It means just now it was INR2,600 crores. But how much capex are you planning up to FY '30?
- Sachit Jain:** So the total capex that we have planned for the new steel plant is about INR2,000 crores. For the forging project, it is about INR475 crores which has been announced. We feel that capex would be a little lower than that. Then there is some internal capex. Plus we will also start some replacement capex and normal capex.
- And then as I said, we are going to start a process of ingot casting and then moving into specialized alloys. As those plans get formulated, there will be investments in electroslag refining, vacuum arc refining, vacuum induction melting. So all those areas we have to study. But I'm saying that's the directional area; we will be investing in those. These have not been discussed fully or planned fully. So in the next 1 year, we'll be finalizing those and announcing our plans in that area. Suffice it, it will be smaller investment to start with. We are a risk-averse move. Then we enter into newer area. We will start with a smaller area, smaller investment and then gradually build up. But as of now, the committed investment is about INR2,600 crores.
- Anil Kumar Sharma:** Okay. Right, sir. Sir, my only second question is, sir, after all these established capex plans already committed, what ROCE are you keeping in mind? Actually, you always talk of some sort of target of ROCE. What can we get some figure after FY '30?
- Sachit Jain:** So after the plants are established and running towards full capacity utilization, EBITDA on capital employed, we hope to continue to be above 20%. This is a very, very futuristic figure because we are looking into the future. But yes, below 20%, then it doesn't make sense for us to continue investing.
- Moderator:** Our next question comes from the line of Sriram, an Individual Investor.
- Sriram:** Sir, what will be the components that will be made in the forging plant? And what will be the capacity? Like if you can also give in terms of asset terms of the forging plant, it will be helpful?
- Sachit Jain:** See, we are entering a new business. So it's very difficult to give all those numbers. We are entering into the area of ring gears. So that's the area we are entering into. Each car uses one ring gear. So that's the potential volume for car manufacturing in India and exports. It's a superior method of making ring gear.
- So it's not a new product. It will be replacing an existing product which customers are already using with a far more efficient process. All customers we have talked to are very excited with the announcement of the project that we are bringing into the country.
- Now Aichi is one of the world leaders in this method of gear making. And that same know-how is going to come into India to Vardhman Special Steels. As of now, as per their study, there

really is no viable competition for this process of gear making as per Aichi's knowledge. We are still new in the area of forging. So we are relying more and more on their knowledge and their confidence in this process. They have 9 lines of this product. We are putting in only 1 line just now.

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

Sachit Jain: So ladies and gentlemen, thank you so much for the interest that you've shown in our company today. Today, I did lay out some futuristic thinking. Again, now as management, our job is to look 5, 7, 10 years in the future, which may be longer than the horizon for some of you. But I also see some of you on this call are HNIs and individual investors who may have a longer-term perspective also.

Our job is to show the direction in which we are going while maintaining existing performance. Existing performance to be maintained is very, very important and to continue to enhance and make the company stronger as we go ahead. So thank you so much for your interest, and we look forward to your continued support. All the best.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of Vardhman Special Steels Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.