



Vardhman

Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

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**SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN SPECIAL
STEELS LIMITED – 1QFY26**

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 July, 2025 to discuss the Company's business and financial performance for 1Q FY26.

Kindly take the same on record.

Thanking you,

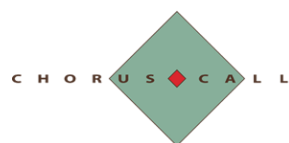
Yours faithfully,

FOR VARDHMAN SPECIAL STEELS LIMITED

(SONAM DHINGRA)
COMPANY SECRETARY



**“Vardhman Special Steels Limited
Q1 FY '26 Earnings Conference Call”
July 28, 2025**



**MANAGEMENT: MR. SACHIT JAIN – VICE CHAIRMAN AND MANAGING DIRECTOR – VARDHMAN SPECIAL STEELS LIMITED
MR. SANJEEV SINGLA – CHIEF FINANCIAL OFFICER – VARDHMAN SPECIAL STEELS LIMITED
MR. R. K. REWARI – EXECUTIVE DIRECTOR – VARDHMAN SPECIAL STEELS LIMITED
MS. SOUMYA JAIN – EXECUTIVE DIRECTOR – VARDHMAN SPECIAL STEELS LIMITED**

MODERATOR: MR. YASH UPADHYAY – IIFL CAPITAL SERVICES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Vardhman Special Steels' Q1 FY '26 Earnings Conference Call hosted by IIFL Capital Services Ltd. 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. Yash Upadhyay. Thank you, and over to you, sir.

Yash Upadhyay: Thank you. Good afternoon, everyone. On behalf of IIFL Capital Services Ltd., welcome to the Q1 FY '26 Post-Earnings Conference Call of Vardhman Special Steels Limited. I also take this opportunity to welcome the senior management team. On today's call, we have with us Mr. Sachit Jain, Vice Chairman and Managing Director; Mr. Sanjeev Singla, CFO; and Mr. R. K. Rewari, Executive Director; and Ms. Soumya Jain, Executive Director.

Now I hand over to the management for their opening remarks, which will then be followed by a Q&A session. Over to you, sir.

Sachit Jain: Thank you so much. Ladies and gentlemen, good afternoon, and thank you for coming to our conference call. Last quarter has been good and slightly tough on -- good that our volumes are intact in terms of our targets. And we've also implemented our Kocks Block very well, that is getting stabilized. In fact, it is in good operations from day one. We did not do lose any material because of any bad quality or anything. So it stabilized much faster than was anticipated. So that went well.

On the margin front, there is a pressure because there are big players from the outset, and therefore, price cutting continues. And as a result, our margins are at the lower end of our EBITDA range. We are at about INR7,000 EBITDA per ton for this quarter. Also, raw material prices are at a declining trend. And therefore, there's a valuation -- inventory valuation loss of roughly INR6 crores. So with that, actually, the margins are slightly -- actual margins are slightly better than what appears in the numbers.

On capex, as I said, the Kocks Block successfully commissioned. New heating furnace is in progress. It should get commissioned in the last quarter of this year. The solar plant is in the last stages. It should have got commissioned by the June quarter, but there is a small court case, which has come in for some of the line, which may delay this project. And it should come up -- it should be cleared by August, but that is still in progress, and the new NDT line is in progress.

On the Greenfield steel plant, I'm very happy to report that our partners, Aichi and the Vardhman team have started working together. RFQs for the equipment is going to go out this week, and land purchase is in progress. And we hope to commission this plant in July '29 as per an aggressive schedule as we had put forward.

For this, Aichi has already put in equity. INR385 crores has come in from Aichi with which their equity stake has gone up to 24.9%. So they -- this has gone in a significant vote of confidence in the company.

As the need of funds comes up later, there will be fund -- further fund infusion in the form of equity, which could come from either Aichi or Vardhman Group or a QIP or a combination of the three. And then there'll be a loan component, which will be taken from one of the commercial banks.

We intend to be conservative in the balance sheet. And even at the peak, we will be targeting a debt/equity of about 0.5:1 because it's important to be conservative while the plant is getting commissioned. Once the plant is commissioned, then you have more flexibility on the financial structures.

This capital that has come in has gone largely to repay all our debt, and so we have become a debt-free company now. And remaining is in FDs, which will be used as and when we need funds for our capex. We also have a very important update, which happened in the previous -- in the just-concluded Board meeting. As most of you know, our partners, Aichi, are one of the world's leaders in forging. And in the area of specialized forging for automotive, they are perhaps the world's number one company.

And after years of studying the Indian market, they have finally decided to enter India. Of course, that will be through VSS. And we are looking for a specialized product where there is hardly any competition in India. And that line is being discussed together between our teams. And our target is that it should come up almost at the same time as the new steel plant comes up, maybe a little before, maybe a little after.

The detailed project cost, the detailed thing will be finalized in the next 6 months. But at this time -- at this point of time, I think it suffices that this kind of -- the new line of business, the forward integration is going to start. And we believe this is going to be a major business going ahead in the future.

So that's all from me at this point in the opening remarks. Mr. Singla will carry on with some financials, and then we can have the Q&A. Thank you.

Sanjeev Singla:

Thank you, sir. On the financial side, first quarter compared to the first quarter of last year, this quarter, we have achieved a total volume of 55,500 tons of sales, which is higher by about 10% over the corresponding quarter of last year. And revenue from operations is INR433 crores, higher by 5%. Some mitigated because of the decline in prices happened in the last year and this quarter also.

EBITDA per ton is at INR39 crores, lower by 18%, primarily because of two reasons that Jain, sir, has already explained that this quarter we have inventory valuation loss of about INR6 crores. That is one. And second, last year, our production was for the full quarter, whereas in this quarter there is a shutdown of 10 to 12 days because of Kocks. And last year, the fixed cost allocation was on a larger quantity.

As a result, EBITDA per ton for the quarter is INR7,077, still well within the range -- stated range but at the lower end. As a result, our PAT stands at INR20 crores as against INR26 crores in the corresponding quarter.

So that's all on the financials, and I now invite the questions. Thank you.

Moderator: The first question is from the line of Anil Kumar Sharma, an Individual Investor.

Anil Kumar Sharma: Congrats on a good number in a tough situation. Sir, I have one query regarding the coming expansion as you mentioned. Sir, when do you think it will be complete if '29 this will be started? And when do you think it will be completed, full benefit when can be started?

And what do you expect the return on capital implied as you have always stressed for a 20%-plus return on capital? What do you think on those lines? And what is the forging -- how much -- any estimate on the forging plant that will be separate from this greenfield project, I think.

Sachit Jain: Yes. So the new plant, we expect it to start by July '29. And full capacity utilization -- because approvals will all take time. Again, every plant will have to be approved again. But again, thanks to Aichi and their technical prowess, our approval process should not take as long as a normal new steel plant would take. And so we expect in between 2 to 3 years, the plant should reach to full utilization. That will be our target. So full benefits, I would say, in 3 years' time is what we will target.

And return on capital employed, we will -- once the plant is fully commissioned and fully utilized should be around the same figure that we have always said, between around 20% EBITDA on capital employed, company as a whole. And again, we'll be targeting towards -- we will reach - - we will hit 20%, hopefully, by then. And then our target will be to go back up to 25%.

Anil Kumar Sharma: One more question, sir. The last question...

Sachit Jain: And as regards the forging -- yes, regarding the forging, forging capex will be in addition to the capex already announced. Details and all as of now, as I said, in 6 months' time, all planning details and all will come up over the next 6 months and then we'll have more details to share, stricter -- what approximate time lines, revenue, expected investment. All those things, we should be able to share in about 6 months' time -- roughly 6 months' time.

Anil Kumar Sharma: One more question regarding this current ongoing expansion...

Sachit Jain: Can you come back? Anilji, can you come back once other people. We'll be happy to answer your question after that.

Moderator: The next question is from the line of Radha from B&K Securities.

Radha: Sir, in your opening remarks, you mentioned about pricing pressure being replaced on account of some larger competitors. So please give some more highlights in terms of what is the total supply and demand of our products in India today? And which are the key competitors who are creating such pricing pressure?

- Sachit Jain:** I think this is a detailed kind of market research kind of answer. Please send us a mail and we will answer that separately. But the main -- as you can see that our sales have already increased. So we are able to maintain our sales as per our targets. And I'll be happy to announce also that we have entered into some pricing formula with some of the key OEs, after which we will be now safe from the pricing pressure because of any other large companies' desire to undercut prices.
- Radha:** Okay. Actually, I was asking because until the new plant is going to get commissioned, so we can expect about 5% to 10% volume growth. And given the price correction that is happening, what kind of...
- Sachit Jain:** No, we have already announced that our target -- before the new plant is getting commissioned, our attempt will be to reach 260,000 to 270,000 tons of sales from the last year's 215,000 tons sales. So from 215,000, we'll go up to 265,000 to 270,000 in the next 4 years.
- Radha:** That's on the volume front. But considering the pricing scenario, any highlights on how do you see this...
- Sachit Jain:** Pricing scenario depends on raw material prices. Pricing scenario depends on raw material prices. Raw material prices fall further, then prices will also fall. Raw material prices rise and prices will rise. So we do not -- that is why we talk about volume. We do not make predictions on sales.
- And we talk of EBITDA on tons and there are 3, 4 factors, which will increase the EBITDA per ton from next year. One is our solar plant, which should have kicked in by June, but we have started getting the benefit partly in second quarter and then second half and full performance of that next year. That is one factor.
- The second factor will be with the new reheating furnace getting commissioned, the material we sent for job work outside will all be done in-house -- not all, pardon me, largely done in-house and therefore a large part of that cost will get saved.
- And the third part is with the new reheating furnace, our billet size is going to increase, and hence, the yields are going to improve. And the fourth benefit is as volumes increase, there are other hidden costs, which include power cost reduction, yield improvement, other things happen with increased volume. So -- and there's a benefit of the Kocks Block coming in because Kocks Block till we get the final approval from customers, the full benefit of the Kocks Block is going to come in only in the next year.
- So those are the four factors, which will lead to better margins from -- coming up from next year. As you all would recall, our new reheating furnace was originally expected to come up by June, but because of delay in the equipment supply and other factors, so this is going to -- got delayed by about 6 months.
- Radha:** Sir, actually, all the margin improvement measures...
- Sachit Jain:** Radha, can you come back in the queue, please?

- Moderator:** The next question is from the line of Ritwik Sheth from One Up Financial Consultants Private Limited.
- Ritwik Sheth:** Sir, just following from the previous question, should we partly assume that the pricing pressure is behind -- because you mentioned that we have taken a pricing formula with certain OEMs and we do not expect further price cut, so this pricing pressure should be the worst in Q1 and things would abate going forward? Would that be a reasonable assumption?
- Sachit Jain:** So let me put this way, it'll not get worse than this.
- Ritwik Sheth:** Okay.
- Sachit Jain:** When will it get better? Very difficult to say at this point in time. But a couple of factors which are, I would say, tailwinds in our favor. One is this area of green steel, sustainability, carbon footprint, more and more customers are talking about it. And we feel in the next year or two, this could start translating into even more business coming our way. So which means as you get to choose to a better product mix -- customer mix, and therefore, the possibility of margins improving on that front.
- The second thing is this concept of circular economy, which is the scrap coming in from the OE comes to the steel company. Steel made by us go to Tier 1s or Tier 2s of the auto companies. So with this concept, which is getting gradually more -- again, more and more people talking about this. And one OE has started moving on a concrete plan with somewhere in the next 6 months, they want to test this concept and then increase this concept. What this will give us is a sustained business, protection of business, and hence, protection of margins also as we go along.
- So this is something which we have been banking on. And with this -- and we are the company best -- by far the best suited amongst the auto-approved companies. Though there is one company, Saarloha Steel of Kalyani Group, which is a private company, which is ahead of us in this journey of green, but we would be the second best placed company in the country, and by far, at this point in time. So none of our competitors come anywhere near us in this area of green and carbon footprint.
- So the day this becomes law as the government intends to do, we will stand to have a major advantage and there'll be a major pressure on us to supply more quantities and therefore possibility for us to drop the less profitable products and improve our margin mix.
- Ritwik Sheth:** Sure. And sir, any sense what could be the green steel EBITDA per ton margin versus current what we are selling right now is INR7,000 to INR10,000? What could...
- Sachit Jain:** No, no. We are anyway selling green steel. For us, it is green steel. The question only is once there is a pull in the market, there are products that can be dropped from the current product mix, we feel easily INR1,000 to INR2,000. We don't know where, but INR1,000 to INR2,000 increase in EBITDA per ton is a possibility.

Whether we'll get there or not, I don't know. It will happen in 2 years' time, 1 year's time, 3 years' time, all difficult to predict. But this is the tailwind. So the point is if -- when the change happens, it's in our favor. We have not taken this into our forecast anywhere.

Ritwik Sheth: Sure. Got it. And sir, one more question on the forging capex. So it will be in the new plant that we are acquiring?

Sachit Jain: We are trying to see if we can put it in the existing plant, but all that in the next 6 months, please. For forging, we don't have more information at this point in time, but -- this is under discussion. But we are examining if at least one line of forging, the first line, the pilot plant can come up in the existing plant.

Ritwik Sheth: Okay. And sir, just 1 more question. You mentioned that...

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

Moderator: The next question is from the line of Rudraksh Gupta from Navneet Investment Trust.

Rudraksh Gupta: This is Rudraksh Gupta from Navneet Investment Trust. Especially related to forging segment, since you are suggesting forging is a very large opportunity and Aichi is the largest company in the world in specialties forging, are any of those forging capabilities available in India? And what are the limitations that have restricted investment in this space?

Sachit Jain: So again, as per our partners, okay, I'm saying as per them, for the products that are thinking of getting into India, there is no competition. So -- and the second question for you is what took them so much time. They have been studying the forging market in India and planning to enter from before the steel plant because they saw the opportunity in forging much earlier. But getting the right partner has been difficult, and therefore, they could not enter.

But once with Vardhman, we started in steel and after 6 years of working together, the confidence that they have developed in us as partners has prompted them that now is the time. And since it's been on their agenda for the last 15 years, that's why the hurry to now -- once they have decided after their stake has gone up. So I would say, finding the right partner, which, in this case, is Vardhman, the confidence of 6 years of working together.

And third, with the equity infusion; and fourth, since the last 1 year, I mean, they were not sure about our desire for forging. And once we started telling them also that we are also keen for forging, all those factors combined together. And finally, in this Board meeting, it was decided that yes, we will now go ahead.

Rudraksh Gupta: Okay, sir. And what is the kind of profitability that the Japanese and Aichi makes in this business? And what is the profitability that you...

Sachit Jain: No -- as I said, we have no information as of now. This is just a strategic decision. In the next 6 months, all this will be finalized. A lot of discussions have to happen. A lot of information will be exchanged and decision taken. So about 6 -- roughly 6 months will take for all this thing, and we will be able to share that maybe in 6 months' time.

- Moderator:** The next question is from the line of Vaibhav Gupta from Orient Research.
- Vaibhav Gupta:** So I wanted to understand on the demand side, sir. So demand which we are getting, is this demand sustainable in the coming quarters as well, sir?
- Sachit Jain:** For steel, yes, I don't see much of a problem in meeting this demand.
- Vaibhav Gupta:** Okay. And second, I have like a...
- Sachit Jain:** Our target for this year is 225,000 tons is our budget for this year. So as of now, we feel we will be able to meet this target.
- Vaibhav Gupta:** Okay. And secondly, what is the update on our export side, sir, how that side is performing?
- Sachit Jain:** That side, as we said earlier, because of pressure in Thailand, which is our main market. The exports are not taking place to the extent we had envisaged together. And therefore, the pressure that steel uptake that Aichi had forecasted from exports, they may substitute that with the uptake in the consumption of steel in the forging business, which would be focused on the domestic market. But clearly, it's a new consumption, which Aichi will support.
- Moderator:** The next question is from the line of Natasha Gupta, an Individual Investor.
- Natasha Gupta:** Sir, my question is that currently you are running at close to full capacity. So how do you plan to grow over the next 2, 3 years? Are there any expansion plans in the pipeline?
- Sachit Jain:** No. So capacity for us has 3 elements. One is melting, which is billet steelmaking and billet making. So we have tested a capacity of 45,000 tons in 1 month, which would translate to 300,000 tons of billet making if this was equally spread out. But I would say 280,000 tons to 285,000 tons is the billet making capacity as of now. So we have the capacity there.
- The constraint is in the rolling. Now rolling also has two parts. This constraint was -- one constraint was through -- eliminated by the Kocks Block. And the second constraint is with the reheating furnace. The reheating furnace is going to get commissioned by -- in the last quarter of this year. So after that, the capacity of the rolling mill will also be about 270,000 tons of output. So after that, there will be no constraint as far as production is concerned.
- The constraint then will move to the NDT because for the high-quality products, NDT may become a constraint. But the second NDT line has already been approved, already ordered and under construction. So that should get commissioned by June, July next year. And we have capacity to move up to then. So really speaking from the next financial year, which is '26, '27, right from the beginning, our capacity will be around 265,000 tons of rolled products. So we have the capacity.
- Natasha Gupta:** Okay. Yes. Sir, any capex plans you have for the year?
- Sachit Jain:** Next 2, 3 years is already announced, the reheating furnace, the NDT line, the tube extraction system from Kocks Block is already done. So -- and some R&D equipment. So these are the

capex, which is already announced and already undergoing. And there will be some more investments will happen for improving quality further, but this is already announced in ongoing.

The new capex announced is INR2,000 crores for the new steel plant. And there will be a third capex announcement, which is as and when the forging plans get finalized, there will be a capex announcement for the forging line.

And if it comes up in the existing plant as we are trying, there will be no capex for -- additional capex for land. And if one of the proposals that we have in mind, then even the existing buildings may work. So we may not even have a building, major capex, except for some minor alterations and some changes.

So those are things all we are examining, which proposal works, which lines, the lay out, all those things are being discussed. But we are hopeful and our full attempt will be that it can come up in the existing lines. As you recall, we had bought 5 acres of land last year. So we have some additional land, which will be used either for this or shifting something from here to the new -- that site to get the forging here. So all those things are being finalized in the next 6 months.

Moderator:

The next question is from the line of Sarvesh Shah, an individual investor.

Sarvesh Shah:

Just one question on this new corporation that you have done. So just wanted to understand, is there any significant revenue contribution we can expect down the line, 1 or next 2 years from this collaboration?

Sachit Jain:

As far as the steel plant is concerned, there is no new steel collaboration. As far as forging is concerned, the forging plant, as I said, will come up by '29. So any revenue after the -- from the forging will happen only after that.

And this is just to start. We will formulate specific plans, but I visualize this business going up to 60,000 to 100,000 tons a year of forging capacity in the next 10 years. So we will see continuous growth once this business starts. But provided the first line is successful and we stabilize and learn this business and able to do a job, do a good job.

And the interesting part about forging is incremental capital required for growth is not as much as for steel and you don't need large capex to start this business. So it is a modular business. You can put in one line and the second line and the third line and keep on adding lines rather than a new steel plant that one line itself is going to cost us INR2,000 crores.

So it's going to be more capital efficient, and we hope to have -- be closer to the final customer. And we hope to improve our return on capital employed as we go ahead. But again, these are all hopes. At this point in time, I don't have concrete numbers to back this up at this point in time. This is just a directional statement that we are making that strategically we are entering the forging business.

We will start with one line. And what we have gathered, together, we have studied the product that is being thought of, there is sufficient demand in the country. As we have talked to a few

customers, they are eagerly waiting for this product to start in the country. So selling this product in India to our existing customers is unlikely to be a problem.

Sarvesh Shah:

Okay. That's helpful. And sir, second question more on the industry side. So are there any initiatives taken by the government for the green steel?

Sachit Jain:

Yes, the government already announced the norms for green steel. They have set a carbon footprint of below 2.2 is green steel. They have taken a rating, star rating. 5-star rating is below 1.6, and we are at 0.73. So we are significantly better than the government norms of 5-star rating. And after our solar plant comes up, we will be at around 0.45 to 0.48. So we'll be way, way better and our major competitors, all of them, will be in the range of 3 to 3.2. So our competitors will be between 3 to 3.2. Government norm is 2.2 is green steel. And we'll be at 0.5 to 0.48.

And the government is contemplating a carbon trading mechanism also to come up. So it's clearly the government intends to give some benefits to the companies, which are at a lower carbon footprint. And there is going to be -- there is an announcement from the government that there will be preference for green steel in government procurement.

Now as far as government procurement is concerned, for us, the main interest would be railways, especially from the new plant, but some from the existing plant. And once the government puts preference in government procurement, at some stage, it will ask the major OEs also to come in because government already has a target to reduce carbon footprint. They have made global commitments. And the target is to bring down the carbon footprint of steel industry to below 2 by 2030.

So very clearly, people like us with much lower carbon footprint, some advantage will flow our way. Now what specific advantage will come, when it will come is very difficult to predict, but this will happen in the next 5 years. Again, I'm repeating, for us, the main thing to see is the trend is in our favor whenever the change happens, it's going to benefit and has not been taken into account in any of our forecasts.

Sarvesh Shah:

That's helpful, sir. One more question on the update...

Sachit Jain:

There will be a forecast when it comes. Sorry, go ahead.

Sarvesh Shah:

Sir, I just wanted to know the update on the solar panel, which we are expected to start. Any update on that?

Sachit Jain:

Yes. We said it was supposed to have got commissioned in June. The solar plant is ready. It is ready. They have got all the approvals. It's just the line laying. Just a few transmission lines, there's a problem. Some people have gone to court, some farmers, which should get vacated in the next -- in the month of August. So hopefully, the month of August, we should have this plant running.

Moderator:

The next question is from the line of Radha from B&K Securities.

Radha: Sir, I wanted to understand for the INR2,000 crores capex that you have announced, how much is the breakup -- what is the breakup of equity and debt? And in equity, what is the breakup of equity funding plans? I'm asking this because after the Aichi stake inclusion, the promoter stake has come down to 51%. So what is the minimum promoter stake you want to have in the next 3 to 4 years?

Sachit Jain: Yes. So the project that we are planning as of now is going to be one -- roughly 1:1 debt/equity, so which will mean a INR1,000 crores of new equity being raised. And with INR1,000 crores net worth, which will be the situation of the existing plant by then, so this will mean INR2,000 crores net worth and INR1,000 crore debt, which is 0.5 debt/equity, which is what we are targeting.

Promoters are not hell-bent on any particular equity number. As of now, we intend to remain above 50%. But at some stage, if Aichi wants to increase their stake beyond this 24.9% in the next 5, 10 years, whenever they decide, that is something that we have already committed. As Vardhman Group, we will support the increase of their share in the company.

So as of now, we have no desire to go beyond 51%. If Aichi decides to increase their stake, we will facilitate their increase in stake. There could be a possibility of a QIP coming in, but that is something that we will examine when we need the funds. As of now, the major need of funds we envisage is going to be in 2028.

Radha: Okay. So out of INR1,000 crores equity, it could be INR385 we have already got. So the value is about INR600 crores. The QIP would be to that amount or...

Sachit Jain: No, no, no. There will be -- see all those in QIP will be decided. Aichi intends to retain their stake at 24.9%. So whatever is the further equity that is raised either from promoters or from QIP or both, Aichi will make sure that they retain 24.9%. So they will also put in more equity.

Radha: Understood. And sir, for any new...

Moderator: Ms. Radha, can you return to the question queue for a follow-up question. The next question is from the line of Saket from Kapoor & Co.

Saket: Sir, firstly, on the forging line, which we are alluding to in the earlier conversations, so what kind of capacity and to which sector which you will be catering to, sir? And if you could just give a peer comparison, whom we will be directly competing?

Sachit Jain: So this line is going to be purely for automotive business. And the capacity is going to be about 12,000 to 15,000 tons per year, the first line. And as we said, there is no real direct competitor because they have a far superior process and far superior product than their products being used in the country.

So final customers will be customers like Sona Comstar, Aisin and other such customers. So all who are -- so we are talking to several customers who are -- all of them are existing customers of VSS because we are also very careful. We do not want to compete with any existing customer.

We want to be supportive to our customers' needs and give them a product which enhances their capabilities rather than competing with any of our customers.

Saket: So the first line, as you mentioned, about 12,000 to 15,000 per ton, what kind of investment and what are the turnover...

Sachit Jain: Please, as I said earlier, all these things will be finalized in the next 6 months. As of now, we have made the strategic decision to start -- as of now, we have taken a decision that strategically, we're entering this area with the idea of specialized forgings, which will not compete with our existing customers, which will support our existing customers. And so really, there will be no competition in India for the product that we are contemplating.

We will start with 12,000 to 15,000 tons, first line. And we are trying to see if it will come up in the existing plant facility itself. The details will all be finalized in the next 6 months. And then moment they are finalized, it will be shared with all of you.

Saket: Sir, on the volume front, you mentioned we have budgeted for this financial year for 225,000. Is that understanding correct, sir?

Sachit Jain: Yes, that is correct.

Saket: We did around 55,754 tons for the first quarter. So annualizing it, there will be almost a similar kind of volume for the remaining part of the year. That is what should be the linear trend, barring here and there...

Sachit Jain: Business doesn't follow a linear trend, so -- but yes, you're right.

Saket: Sorry, I did not get it. Come again?

Sachit Jain: I said the auto demand does not follow a linear trend in the year. Second quarter is normally the highest sales. So second quarter will be higher. Third quarter will be a little lower. Fourth quarter is the lowest.

Saket: Okay. And I was coming to the customer feedback condition which -- yes, please.

Sachit Jain: This is typical, but sometimes this is changes. So these things are -- which vary depend. We are an intermediate supplier. So our sales are dependent on auto sales.

Saket: Correct, sir. My second -- my question follow-up is on that front. What are the current feelers from our major customer, taking into account the deemed export from the customer side to the other nations where tariffs is the ~~axe~~ overhanging. So how are things lined up in terms of our customers' commitment to exports? We are -- how are we -- what are the feedback currently that we are getting from them?

Sachit Jain: Mixed feedback. So some customers feel that business is going on and some customers are in a very strong position. So they are able to -- their customers are going to pay the differentials. But those are discussions we don't go into too much detail with our customers about how their business is faring because please understand, if they start saying, oh, we are under a lot of tariff

pressure, etcetera, so please reduce prices. Please understand why we don't want get into those discussions.

Saket: Correct. And lastly, sir, on the EBITDA per ton guideline, I think so last year, you alluded to the INR7,000 to INR8,000, correct me there also, and that will be moving up to INR8,000 to INR10,000. So for this financial year, what should be the EBITDA per ton ballpark number which we should be fencing in?

Sachit Jain: So as I said, INR7,000 to INR10,000 has been a range that we've been speaking for some time, and we are within that range. And we also said that the rate should move up to INR8,000 to INR11,000. The factors that would have led to the range going up have partly because of the pricing pressure that came in has delayed it by 1 year.

Plus, as I said, the solar plant was one factor, which has led to the margins going up, as well as the new reheating furnace. So I would say this year we'll remain in this range of INR7,000 to INR10,000. It's next year that we hope -- we will hope to raise the range from INR8,000 to INR11,000.

Moderator: The next question is from the line of Sanaya Jain, an Individual Investor.

Sanaya Jain: Just a few questions. Like what is the revenue breakup of rolling mills and bright bars? And also, like what is the margin difference in both type of products?

Sachit Jain: We don't share the revenue breakup in terms of sales, but roughly 75% is black bar. So all process goes through the rolling mill. Bright bar is a further value addition to the black bar. So our bright bar capacity is about 50,000 tons a year. So roughly 25% is bright bar and 75% is sold as black bar roughly.

But it changes because those are all dependent on specific customers, which customers because some customers buy primarily bright bar or largely bright bar. If their business gets affected slightly, then the bright bar, the swings are bigger in bright bar business.

Moderator: The next question is from the line of Saket from Kapoor & Co.

Saket: Yes, sir. Firstly, sir, for the Aichi strategy for us, as you mentioned that going ahead they would be more inclined to keep the stake at 25% even when we further -- if and when the other fundraising exercise happened through the equity route. So what is so sacrosanct of this 25% number from the Aichi or what...

Sachit Jain: That's a question you need to ask Aichi. I can't answer on their behalf.

Saket: Okay. Since you have laid down the commitment from their side, I thought they have given the feedback also.

Sachit Jain: No, no. So very clearly, they intend to have a higher stake than even this in the future because, for them, India is a strategic market and a very important market for the future because for Indian market itself and as an export hub to export to Europe in the future, Africa in the future and be a support to Japan because as Japanese population ages over time, over the next 20 -- see, they

think 40, 50 years as Japan's population shrinks, as it ages, demand in Japan will go down. Their ability to keep producing steel competitively in Japan may go down. All those things are much longer term placed to happen.

So to derisk Toyota's business, please understand this is Toyota's strategy, it is imperative to have a very strong second plant out here. Now if it is important for Toyota's strategic plan, then Aichi logically, as a world leader, would like to have a clearly larger stake in this business.

So first, they started with 11.3%, which was a bare minimum just to test the waters. After they have tested us as a partner, tested India as a market and seen that the partnership is going well, the next stage is to go up to the maximum possible before triggering an open offer. And therefore, 25% is that limit, so 24.9% is where they are and they will stick at that level.

And at the right time when they think there's the right time for them, I believe that at some stage, they will -- that some stage could be 5 years from now, it could be 10 years from now, I don't know, but they will, at some stage, increase their stake. And Vardhman Group has already indicated, if they want to increase their stake, then we will support.

So that is an easy friendship that we have with them and partnership with them that we are as if it's Aichi India and they are as if they are Vardhman Japan.

Saket: Correct, sir. Sir, when we look at your presentation, wherein we have this strategic alliance with them, as of now, sir, we are -- correct me here, as of now, are we in the only product development phase? Or what percentage of our sales are directed -- are directly towards the Toyota base through this collaboration with Aichi?

Sachit Jain: Toyota still remains a smaller customer. But please understand, Maruti is a far more important customer as far as Aichi is concerned. And there are other Japanese customers. So for example, there's Yamaha, there is Kubota, there is Isuzu. So there are other Japanese customers also, which are on the target of Aichi.

And they have far more specialized products. They have some patented products also, which all those products will step by step as our manufacturing capabilities increase, all those products will eventually come into India through us. It's a step-by-step process.

Please understand, Japanese don't work very fast. They are cautious, stable and they look at consolidation at each stage before going to the next level.

Saket: Right. And one question for our CFO, sir. The tax expense shown here is around INR6 crores 20 lakh. If feasible for you, can you share the advanced tax number for the June quarter, how much cash we have paid as advanced tax?

Sanjeev Singla: I think we do not share these advanced tax figures, but you can calculate at your end, we fall within the bracket of that 25% corporate tax.

Saket: Okay. But that is paid on what we are anticipating for the entire year, 15% of that. That was my reason for asking this question.

- Sanjeev Singla:** Yes, yes. Exactly, as per the calculation.
- Sachit Jain:** As per the estimates for this year, yes.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Sachit Jain:** Ladies and gentlemen, thank you so much for your patience, and I can see very clearly a lot of questions on forging. Apologies that we don't have enough information at this point in time. But as soon as we have information and within the next 6 months, we'll have far more information after the talks are concluded with our partners.
- And then we'll be happy to share all that information with you. But we are excited that your excitement on the forging line gives us confidence that strategically we're on the right track. Thank you so much, and we look forward to seeing you in the next call.
- Moderator:** Thank you. On behalf of IIFL Capital Services Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.