



Vardhman

Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

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**SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN SPECIAL
STEELS LIMITED – Q2 & H1 FY26**

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 03rd November, 2025 to discuss the Company's business and financial performance for Q2 & H1 FY26.

Kindly take the same on record.

Thanking you,

Yours faithfully,

FOR VARDHMAN SPECIAL STEELS LIMITED

(Sonam Dhingra)
Company Secretary

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“Vardhman Special Steels Limited Q2 FY '26 Investor Conference Call”

November 03, 2025



MANAGEMENT: **MR. SACHIT JAIN – 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
MRS. SONAM DHINGRA – COMPANY SECRETARY, VARDHMAN SPECIAL STEELS LIMITED

MODERATOR: **MS. SAMRUDDHI BANE – ADFACTORS PR INVESTOR RELATIONS TEAM**

Moderator: Ladies and gentlemen, good day, and welcome to the Vardhman Special Steels Limited Q2 FY '26 Earnings Conference Call hosted by Adfactors PR.

As a reminder, all participants' lines are 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 this conference call, please signal an operator by pressing “*”, then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Samruddhi Bane from Adfactors PR Investor Relations Team. Thank you, and over to you, ma'am.

Samruddhi Bane: Thank you, Sagar. Good afternoon, everyone. On behalf of the entire Management, I thank all the participants present on the call. And I wish you a very warm welcome to our Q2 and H1 FY '26 Earnings Conference Call.

To guide us through the Results today, we have with us the Senior Management Team of Vardhman Special Steels Limited, represented by Mr. Sachit Jain – Chairman and Managing Director, Mr. Sanjeev Singla – Chief Financial Officer, Mr. R. K. Rewari – Executive Director, Ms. Soumya Jain – Executive Director, and Mrs. Sonam Dhingra – Company Secretary.

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

We will commence the call with the opening speech by Mr. Sachit Jain – Chairman and Managing Director, followed by the financial highlights from Mr. Sanjeev Singla, Chief Financial Officer of the company. After this, we will open the forum for the Q&A.

With that, I will now hand over the call to Mr. Sachit sir to share his opening comments. Over to you, sir.

Sachit Jain: Thank you. A very good afternoon, ladies and gentlemen. Thank you very much for being with us on our call today. And apologies for postponing the call from last week to today, as all three Board members were traveling. Mr. Rewari and Soumya were in Thailand meeting customers, and I was in Chennai, again, meeting customers.

So, yes, last quarter has been a very eventful quarter:

- One, raw material prices have been trending downwards, and therefore, price reduction also has happened. October also will be a further price reduction, because costs have already come down. We will be discussing with the OEs how much will be

part of this reduction. The raw material position is quite benign, full availability of raw materials. We are not facing any problems anywhere whatsoever.

- The Board, there have been changes in the Board. Our Chairman, Mr. Rajeev Gupta, stepped down from the Board after three terms, two terms as Independent Director and one term of three years as Non-Independent Director and Chairman of the company. Also, Mr. Sanjoy Bhattacharyya, a long Board member, stepped down after his two terms as Independent Director ended. In their place, we have had two new Board members, Mr. Dinkar Gupta, retired NIA Chief of India, as well as retired DGP of Punjab; and Mr. Nishant Arya, a young industrialist in the auto-components space dealing with the major auto OEs in India as well as globally. And I have taken over as Chairman after Mr. Rajeev Gupta's wonderful term as Chairman.
- The other highlights have been the third renewal of the Technical Assistance Agreement for three years from 1st October, '25 to 30th September, '28. Now as you are aware that with Aichi our technical agreement is always for the stance of three years, for a period of three years to be renewed. And some changes are always done based on the requirements of the business at that point in time.

Now, for example, the technical parts of the technical assistance have come down, more of marketing support is required, as well as quality support is required to improve quality further for the newer requirements and the more sophisticated requirements with OEs. As well as we will be planning for the new project has begun, and Aichi's full support is there. So, that has also been added to the Technical Assistance Agreement.

Now, we will have five people from Aichi posted in India, earlier it was three. One new person, senior person for quality, as well as technical transfer from old unit to new unit, and one person for marketing will be joining from 1st January. So, also, Aichi's increase of stake by 25% signifies much stronger commitment, more than the capital infused it's the commitment to India and commitment to VSS, that is the important part. I was in Japan for the signing of the ceremony. We had very fruitful discussions with our partners, as well as we had a press conference in Japan. For me, it was the first time, having a press conference in Japan regarding our JV.

As regards to CAPEX, the Kocks Block was successfully commissioned earlier this year, and several productions now for almost six months production has been running. So, successfully this has been a very strong implementation by the Kocks team, as well as Danieli and the other machine manufacturing, as well as our maintenance direction team and the production teams.

As regards the new reheating furnace, which will increase our production. This is getting commissioned by last quarter of this year. So, from 1st of April, we will have full impact of the new reheating furnace which will enable increased production of our rolling mill, which means our job work quantum will start coming down, and therefore the loss of profit on the material that was sent outside for job work will come down substantially from first quarter of next year.

The NDT line is in progress, by June it should be commissioned. With this, we will have eliminated any limitation as regards making quality for four wheelers. As our first NDT line is getting nearer full capacity utilization, it was imperative to get the second NDT line. And that should be commissioned by June as per plan.

The other big change that happened last quarter is the new trend towards circular economy, and Maruti Suzuki has been the first company, in our knowledge, that has taken a complete step to this area, where we will be buying CRC scrap from Maruti plants, and we will make steel and send it back to the vendors of Maruti in a closed loop, which will be traceability of material. This process started in the month of September which will strengthen our relationships further with Maruti. And as they go towards their green initiatives and circular economy initiatives, we are there step by step walking along the way.

As far as the Greenfield steel plant is concerned, we are in the last stages of finalizing our land and planning for the plant is going on in full swing in terms of machinery s and layouts and specifications of all the machines. All that's going on and going on track. Solar power plant, this was supposed to have been commissioned by June of this year. As we had shared that the transmission line was still incomplete, because the farmer had gone to court and stay had been granted.

In the last four months, all the stays have been vacated and now all hurdles for completing the transmission line are over. And hopefully within this month, latest December, the transmission line will be complete, and we should be able to take advantage of the solar power plant, which will also lead to our carbon footprint coming down from 0.72 to above 0.48, and since the solar power is cheaper than the grid power, our power cost will also be lower, which will lead to enhanced margins moving ahead.

And we have already shared with you that we have been discussing with our partners Aichi regarding new forging lines, and we hope to finalize our plans by January. So, hopefully, in January concall we should be able to share details, timelines, what are we planning to do, investments and all that. As we had shared in the previous con-call that will take us about six months. We are on track and hopefully by January, we should be sharing details of that.

The other thing that we have done is we have done a carbon footprint study by DNV. Earlier we were done by CII, but we realized that CII is good as far as Indian customers are concerned. But for global customers, DNV is more recognized, so that has been done. The figures are almost identical with the figure that CII calculated, so 0.72 and 0.73 was the difference from one to the other. So, we are on track with that.

And our Aichi funds have been utilized to prepay our WCDL of Rs. 150 crores and the balance funds have been invested in money market funds and liquid funds, which has led to a reduction of finance costs, and therefore PAT improvement in the second quarter.

I will pass over the line to Mr. Singla – our CFO, to take you through the numbers, and then we are available for Q&A.

Sanjeev Singla:

Thank you, sir. Good afternoon, ladies and gentlemen.

First of all, I want to share that this Quarterly Results have been taken from our SAP system, which we have gone live with the latest version of SAP S/4HANA from 1st July, 2025. So, all the modules have been taken in this S/4HANA integrated solution. Earlier, we were working on two different solutions, one was SAP ECC and NOW, so it is now one integrated solution, resulting in more strong controls and effective management system.

So, coming to the numbers:

For this quarter, our total sales in terms of quantity is 55,500 tons as against 59,000 tons, resulting in revenue of Rs. 432 crores Year-on-year, 12.64% decline. So, it's a combination of both - One is quantity, which is down by 4,000 tons, and then price reductions, which is continuously happening from last year. Every quarter the prices are declining, because of decrease in the input cost also. So, as a result, our EBITDA including other income is Rs. 56 crores as against Rs. 48 crores in the corresponding quarter of last year, 16% increase.

EBITDA per ton is Rs. 10,000 per ton and our PAT is Rs. 34.5 crores as against Rs. 26 crores in the last year. It is proportionately higher than increase in EBITDA, because our financial cost has come down because of the funds infusion by Aichi Steel. And on half yearly basis, our total revenue for the half year is Rs. 865 crores, and total EBITDA is Rs. 96 crores, almost same as in the last year. EBITDA per ton is Rs. 8,600 per ton and PAT is Rs. 54 crores against Rs. 52 crores last year.

So, that's all on the numbers. And now I request to open for the question-and-answer session.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Deepak Pandey from Shagun Capital. Please go ahead.

Deepak Pandey:

Hi, sir. Congrats on a good set of numbers. Sir, a few questions. Firstly, on the forging plant that we are putting up, can you throw some color on what sort of business segmental demand are you looking to cater? Is it going to be focused on autos only?

Sachit Jain:

Yes. As of now, as far as this plant is concerned, we are only in auto, and therefore, our forging line that we are looking at will also be focused on auto. And we will be trying to see that if we can make a part that is going into EVs as well. So, but all those are in discussion just now. Beyond this, at this point, we do not have more details to be shared.

- Deepak Pandey:** Got it. Secondly, sir, some light on where do we stand in terms of market share for bright bars in terms of capacity and then the sales volume? And are we seeing any tailwinds currently with the auto sector kind of growing? Any green shoots from the customers?
- Sachit Jain:** Yes. So, market share-wise, we will be amongst the smaller players. There is enough scope for us to grow as we go ahead. But we would be very strong in market share with the high-end customers. So, there are customers at the top end where we will be 60% to 70% share of business of some of the key customers. And some of these customers deal with the entire gamut of automakers. So, that way, wherever high-quality, sophisticated products and reliability is concerned, we would be the vendor of choice. The other question you had was, there is enough scope for us to grow. And the second part of the question, can you repeat that, please?
- Deepak Pandey:** Are there any green shoots from the clients in terms of auto sector deal wins that currently we are having?
- Sachit Jain:** Yes. Those are signals we are getting that two-wheeler sales, of course, have increased. Therefore, demand for two-wheelers will remain good, as well as demand for smaller cars will remain good. This year, the benefit is not too much because the sales were lower initially waiting for this GST reduction. So, the full impact of these changes, we hope to get next year. But yes, these are all very positive changes. And I think the government has done its bit in giving the industry a fillip. And overall, there is optimism in everybody that the next financial year, volumes should be pretty good.
- Deepak Pandey:** All right. Sir, in the last Earnings Call, we mentioned that there is some competition that we are seeing of undercutting of prices. Is that still the same, or has it eased up a bit in this quarter?
- Sachit Jain:** That continues. That continues, and the only way for us to counter that is to continuously improve our quality, get in better products, as well as look internally to reduce costs further. As I said, with this new reheating furnace coming in, we will ourselves see a major cost reduction. One, because of the outside material, which is currently going on job work. The profits that we are passing on to our vendors, we will be able to take those inside, as well as costs of loading, unloading, transportation, and so on.
- And secondly, with this new reheating furnace coming in, our yields will become better because of two reasons. Our losses on heating and scale loss will come down, as well as losses on end cuts because we are going to have bigger billets. So, all told, we are going to have -- we are going to see a decent cost reduction, as well as enhanced capacity because after this reheating furnace, our rolling capacity will hit 2,70,000 tons of output, which is what our target is.
- Deepak Pandey:** All right. That's very helpful. Sir, last question would be on the split between bright bars and the black bars for Q2 and any color on the split for FY '26 in total.

- Sachit Jain:** So, a lot of the bright bars were actually going in for exports to the US not directly from us, but from our customers. And as the US exports have got affected because of the tariff issue, so that has affected our volume in bright bars. Therefore, our bright bar volumes are down. If things were normal on the bright bar front, we would have had higher sales this quarter than what we were able to achieve.
- Deepak Pandey:** Got it, sir. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Parth Patel from Patel Investment. Please go ahead.
- Parth Patel:** Thank you for the opportunity, sir. I just wanted to check that, EBITDA per ton has been improving sequentially. So, for the coming quarters, can you give me a stable EBITDA per ton that we can take into the modelling?
- Sachit Jain:** So, our declared range was Rs. 7,000 to Rs. 10,000 a ton. And we have said that from next financial year, we should be upping the range to Rs. 8,000 to Rs. 11,000. So, we stand by that as of now.
- Parth Patel:** Okay. Got it. Just for the sake of repetition, can you let me know how the Aichi collaboration is going on, and is there going to be any sort of internal technology transfers, and what's the status of land that we were looking?
- Sachit Jain:** So, the collaboration actually is going very well. That is why we have signed the third agreement. We have increased the number of people who are posted here. They have invested Rs. 385 crore to increase their stake to 25%. So, all these are signals that they feel that the partnership is going very well.
- And in terms of specifics let me share with you, what has changed. Our product quality has improved because of know-how transferred by them. Problem-solving approach has improved. Our understanding of certain specific aspects of quality has improved. The overall culture has improved, and customer acceptability and access has improved significantly. So, for example, the Toyota approval for global operations happened, I would say, only because of their availability. Plus, all the other OEs, they are fully helpful, and they are helping us get those approvals.
- Even some of the other Toyota Group companies, which are Tier 1s, which we are supplying to other Indian OEs like Tata and Mahindra, those all are coming basically thanks to Aichi. So, a lot of support in marketing is coming in. Maruti also, the localization project of Maruti, where we will be replacing imported steel with steel made at VSS, that project also, I do not think without Aichi support, that project we would have made much headway. All in all, we are having significant benefits thanks to all them.

- Parth Patel:** Got it, sir. And about the land parcel?
- Sachit Jain:** Land parcel we are in the last stages of finalizing. So, hopefully by the time we have the next con-call, we should have the land with us.
- Parth Patel:** Okay sir, got it. Thank you so much and all the best to you.
- Sachit Jain:** But please understand, this is land that we are purchasing from farmers. So, with the best of intention, best of plans, sometimes this could get furthered off because there are a large number of farmers and a large number of landowners. So, within each land parcel also, within each family, there could be two or three family members, somebody may be overseas, and so on. It is a slow and tedious process, cumbersome process. You have to go through 30-year records of each land parcel and you need land contiguity, and you need land of a particular length. We put a new rolling mill. We need half a kilometer in length and 300 meters in width. So, you need that kind of land parcel also. So, all those things have already been seen, and we are in the process of finalizing this land.
- Parth Patel:** Got it. So, we can expect two quarters --
- Sachit Jain:** Yes, but in all probability, this quarter it should be done.
- Parth Patel:** Okay, sir. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Ritwik Sheth from One Up Financial. Please go ahead.
- Ritwik Sheth:** Yes. Hi. Good afternoon.
- Sachit Jain:** Sorry, Ritwik, before you raise your question. The timeline of our project completion as of now remains July'29. So, that does not change with the little longer time it has taken us to get the land. As of now, we are quite committed to July'29 for commissioning of this plant. Yes, Ritwik, go ahead, please.
- Ritwik Sheth:** Yes. Hello. Good afternoon, sir. Sir, a few questions. So, firstly, just continuing from the previous question have you spent anything on the new plant in the current half? Because of CAPEX?
- Sachit Jain:** Not for the plant, but we have bought a parcel of land for 50 acres, which we could not complete further. So, yes, we have bought some land, which will be disposed of at the right stage, or we are talking to a couple of forging companies who want to come into India because a lot of other global companies are also getting very excited with the idea of this kind of steel plant and are examining putting up forging plants near us. So, yes, for now, we will keep this land for some

more time so that this land parcel can be sold to a prospective forging company. There are other buyers approaching us for this land. So, this land that we bought will be disposed of suitably.

Ritwik Sheth: Okay. And what is the amount that we spent on this?

Sachit Jain: So, we have invested about Rs. 70 crores.

Ritwik Sheth: Okay. Rs. 70 crores. Okay. Sure. And sir, my second question is on the deemed exports for Aichi. So, if you can give us a brief color on what was that in H1 and any signs of higher volume going forward?

Sachit Jain: We have not shared. No, no we have not shared those figures, what business we are doing with Aichi. But overall, suffice it to say that, the exports to Aichi are a bit lower than what we had estimated because of Thailand market being subdued. And within Thailand, Toyota's sales are also subdued compared to their original plans. And the third factor which came in is the Japanese yen weakened significantly compared to when we started this deal. So, yen has moved to JPY 145, JPY 150.

Then steel from India is almost as expensive as Japanese steel in Thailand. And our Indian steel, there is a 5% custom duty. So, yes, it's taken a little more time. So, therefore, seeing that the listing of product was not up to the mark, we are bringing forward the forging plan to see that the amount of steel that Aichi had said that they will be able to use from VSS, we will partly make up through the forging business.

Ritwik Sheth: Okay. Got it. And sir, a few quarters ago, you had mentioned that we had given material for approval to a European OEM. So, any update on that further? How was the first response from their end, any signs of any orders coming in?

Sachit Jain: The initial feedback is very good. So, they had a further visit again. I had visited Europe this year. They visited us again this year, audited again. They are very happy with the way things are going. They have suggested some technical changes for us to make, which will be made by March of this year, and then we will be ready. So, hopefully, next financial year, the business should start.

Ritwik Sheth: Okay. Great. And sir, this would be on a long-term contract basis, or it would be on a rolling basis?

Sachit Jain: Normally, on a rolling basis, I do not think we have any contract with any OE as of now. Businesses are all regular, because these are all repeatable businesses.

Ritwik Sheth: Sure. Sure. And just one last question. The recycling that we will start from procuring scrap from Maruti's scrap plant, would there be any cost savings for us? Apart from the synergy and getting new business from Maruti, would there be any?

- Sachit Jain:** No. No, cost savings.
- Ritwik Sheth:** Okay. So, scrap would be at market.
- Sachit Jain:** Sorry, this is not scrap from their scrapping plant, this is scrap from the manufacturing plant.
- Ritwik Sheth:** Okay. Got it.
- Sachit Jain:** Scrap that is generated through the manufacturing process.
- Ritwik Sheth:** Okay. Got it.
- Sachit Jain:** From their scrap plant of Maruti, they are anyway consuming 100% of their scrap that they generate.
- Ritwik Sheth:** Sure. And sir, any guidance on volume figures for FY '27 and CAPEX figures?
- Sachit Jain:** FY '27, as of now, we hope to do about 2,45,000 tons.
- Ritwik Sheth:** Okay. And CAPEX?
- Sachit Jain:** I am sorry? No, there is no major CAPEX. The existing CAPEX plan already announced, and only the implementation of that.
- Ritwik Sheth:** Okay, for the new Greenfield plant, right?
- Sachit Jain:** No. New Greenfield, we have not announced anything, no plans of investment. This is for the existing plant. We already had announced CAPEX plan. Now only that is ongoing. The major chunks of that were, one, the Kocks Block, which is done, so no more CAPEX on Kocks Block. The reheating furnace will also be done by March of this year, March of this financial year.
- So, again, no further CAPEX on the reheating furnace. And the NDT line was announced already. So, that will be done by June. So, that will be continuing. There will be certain other investments in the R&D lab, ETP plant, and as well as there will be some investments being made in the fume extraction system, improving the fume extraction system to handle the increased production. And marginal CAPEX here and there will be there. But all bigger CAPEX will be finished in the ensuing financial year. There's no new announcements.
- Ritwik Sheth:** Okay, sir. Got it. Thank you and all the best, sir.
- Sachit Jain:** Yes. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Radha from B&K Securities. Please go ahead.

- Radha Agarwalla:** Hello, sir. Thank you for the opportunity. Sir, this quarter, steel prices are down by 11% on a Y-o-Y basis hence, we can see the benefit of that in the raw material prices. However, the realizations are down only by 3% Y-o-Y, which shows that the pricing benefit is not yet passed on to the customers. So, will it be passed on in the next quarter, and hence the next quarter gross margins are expected to be lower than this quarter?
- Sachit Jain:** So, prices will be lower in next quarter than this year, that part is correct. And it would be correct to assume that there's a possibility that the EBITDA margin for third quarter will be a bit lower than second quarter. That part is correct. That's why we always give a range of that rather than a precise amount. We will be within the range and there will be a reduction.
- Radha Agarwalla:** Okay. Sir, second question is that what are the extra processes that is required to make bright bars over black bars? And because of these extra processes, what is the incremental EBITDA per ton that is made in bright bars?
- Sachit Jain:** So, the extra processes is that first we have to straighten the material, then there is a turning operation, we call it peeling, which is what gives the color, which we call it a bright bar. Then there is settlers grinding after that. And then normally we have an inspection and testing, and then we cut to size and then pack.
- There is no defined increase. We have not shared what is the increase in EBITDA, thanks to bright bar because there is no way to compute that because the prices are specific to customers, and they are not necessarily linked to the black bar prices. There is a standard increase in EBITDA because of bright bar. Sometimes it is the cost of being in business, and sometimes it adds to the profitability.
- Moderator:** Radha ma'am, does that answer your question? Ma'am, we are not able to hear anything from your line.
- Sachit Jain:** We can move to the next question, then she may come back, if she has any doubt.
- Moderator:** Thank you. Our next question comes from the line of Meera Mittal, an investor. Please go ahead.
- Meera Mittal:** Thank you, sir, for the opportunity. Sir, could you please elaborate on the key growth drivers that you foresee over the next three years, like domestic demand revival, export opportunities, or any aftermarket segment contributing to your growth strategy?
- Sachit Jain:** So, overall market growth because Indian auto steel is expected to go up to about 10 million cars, or that's one estimation, or 8 million cars is the other estimation by 2035. So, going towards those numbers, the numbers will keep growing with the growth of the economy. So, that's one part.

Second driver will be some more approvals that are the development process coming in. So, that will be the second driver. The third driver will be export of components, again coming back, as I said earlier in an earlier question, that in the second quarter, we have seen a drop because of drop in exports to the US because of the tariffs. So, as they get resolved in the next three to six months somewhere, that would be another driver. And lastly, some of the things that have already been approved, they are going to start from sometime next year and beyond.

Plus, we were also going a bit slow because we had capacity constraints. After June of next year, those capacity constraints would largely have gone, and therefore, we can also a little freely produce material. Our subsidy is going to become better. Today, we have long lead times because of shortage of rolling capacity. All those problems will get resolved by June. So, we should have a better chance to sell.

And the other major drivers are going to be green steel. That is very clearly something that most customers are talking about. And circular economy, which we already started in a small way with Maruti Suzuki. So, as Maruti Suzuki increases the percentage of business they want to cover under circular economy, that'd be one driver. Other OEs, they want to start this circular economy. That would be the second driver and green steel is the third driver.

Meera Mittal:

Okay. Thank you, sir.

Sachit Jain:

We would be the best placed among the auto-steel companies as regards green steel. The European companies coming to us are coming to us only because we have green steel.

Moderator:

Thank you. We will move on to the next question. Our next question comes from the line of Nimesh Pandya, an investor. Please go ahead.

Nimesh Pandya:

Thanks for giving me this opportunity. So, basically, I have two questions. My first question is, what portion of your H1 revenue was contributed by the exports? Which regions and product categories were the key drivers of this export growth?

Sachit Jain:

Export is not a very large amount, I think it's about 6% to 7% or 8%. It does not change from quarter-to-quarter.

Nimesh Pandya:

Right, sir. Okay. Sir, my second question is, you had earlier mentioned plans to raise debt for the upcoming plant. When do you expect to complete this debt raising?

Sachit Jain:

Yes. So, there are no plans of raising debt for now, because we have enough equity aligned with us. So, when we need the cash, the cash flows are required. So, in all probability, the debt will get raised in the year 2027, partly 2026, and but mostly 2027.

Nimesh Pandya:

Got it, sir. Thanks a lot.

- Sachit Jain:** So, as you can see, we plan to keep a conservative balance sheet with the new plant because we have seen many companies who go aggressive on their funding and go on high debt-to-equity and then land up into NCLT and so on. So, taking a lesson from that, and as a group, we have a long-term approach, conservative approach, so we will have a lower debt. We have already shared that we will never allow debt-to-equity to go beyond 1:1. Our comfortable figure is 0.75x as the upper end, and the target will be around 0.5x. So, even with this new plant, we expect to be only touching 0.75x for a brief period, if at all, and then coming down quickly to 0.5x.
- Moderator:** Thank you. Our next question comes from the line of Prateek Duggar from Intelsense. Please go ahead.
- Prateek Duggar:** Okay. First of all, congratulations to the management for a great set of numbers. And I think a lot of initiative has been taken with the Aichi partnership to give us a good growth path for the company. I would just like to ask the management, like what are the sustainable margins that we see for our business? That's the first question.
- Sachit Jain:** As you said, from next year, we hope to have between Rs. 8,000 to Rs. 11,000 EBITDA per ton.
- Prateek Duggar:** Okay, sir. And do we see like right now --
- Sachit Jain:** All going well. In the next two years after that, we hope to increase it further, but we cannot. But that is the hope. At Rs. 8,000 to Rs. 11,000 there is a reasonable confidence that we will be in that range from next year.
- Prateek Duggar:** Okay, sir. That's it. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Vinit Thakur from Plus91 Asset Management Company. Please go ahead.
- Vinit Thakur:** Hi, sir. Good afternoon, sir. Thank you for the opportunity. I would just like to know the outlook of our industry as a whole. What do you think would be down next two years with the green steel demand going up or no? What do you think about that, sir?
- Sachit Jain:** Very difficult to predict in the next year or two, but over the next five-year period, we expect good demand because of all these factors. Year or two, very, very difficult to predict because these are trends which everybody is talking about. The first action we have seen is from Maruti for the circular economy initiative, which we started last month. This is the first initiative from any OE that we have seen. And secondly is the European OEs that are coming to us. That is happening because of green steel. But till the Government of India cracks the whip a little bit and gives some targets, very difficult for us to predict when the movement of these green will have an impact.

So, when I am saying that we will be improving our EBITDA per ton from Rs. 8,000 to Rs. 11,000 or a little beyond that, we are not taking any impact of these factors which are beyond our control. If green steel becomes a reality in India and becomes a requirement as it should, then there will be a massive boost in terms of demand and therefore ability to improve margins. But that is not in our control. That may happen three years from now. That may happen five years from now. It may just remain talk. We do not know. As of now what we do here is that there is seriousness towards this.

Vinit Thakur: Okay, sir. Thank you. Sir, I have one more question. So, since the government has given the target of 300 million tons by FY 2030, do you think how would that affect you positively or would it have any incremental impact on your revenue, on your cost margins?

Sachit Jain: These questions are more relevant to a JSW or Tata Steel or ArcelorMittal, which are at 40 million, 50 million, 60 million, bigger target. We are a small company, our target tends to reach up to 0.8 million tons.

Vinit Thakur: Okay, sir. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Aniket Ratkar, an investor. Please go ahead.

Aniket Ratkar: Good afternoon, everyone, and thank you for the opportunity. So, sir, I just want to understand in terms of the strategic outlook, can you throw some light on the reheating furnace upgrade? Hello?

Sachit Jain: The reheating furnace, it is a part of the process. We already have a reheating furnace. So, basically, when you make steel, it comes out from the casting in the form of billets. Those billets then get cooled down. But you cannot roll cold billets, so they have to be heated again. That machine which does the reheating of billets is called the reheating furnace. So, we already had a reheating furnace. There were two issues with that. One was it had a smaller capacity, and that was the bottleneck, which would not allow us to increase production in our rolling mill.

And second, it had a walking hearth furnace, which leads to some quality issues. So, we are moving to a bigger furnace and a walking beam furnace, which means the quality will improve, which means our rejections and rework costs will come down, and our rejections should also come down. That is one part. And our capacity will go up.

The third, we will be increasing our billet size from 4.2 meters to 5.2 meters. And both sides of a billet are cut as scrap. So, on 4.2 meters, we were cutting out scrap. We will be cutting out scrap at 5.2 meters, which will reduce the total amount of scrap that we generate internally, and therefore our yield will go up, which will all lead to cost savings. There is production improvement, quality improvement, and cost reduction, all three aspects.

- Aniket Ratkar:** Okay. So, sir, you were saying the capacity is fully utilized in terms of the reheating furnace and grid. So, is there any plan to expand the capacity in this?
- Sachit Jain:** Yes. That is what I am saying, with this new reheating furnace, then from 2,00,000 tons, which is our current capacity, we will be able to go up to 2,70,000 tons.
- Aniket Ratkar:** Okay. And sir, in terms of our revenue and our margin --
- Sachit Jain:** Our rolling mill will go up and therefore, revenue will also improve because we will be able to produce more material. And two, our margin will go up because our cost will come down with the new reheating furnace.
- Aniket Ratkar:** Okay. Got it, sir. And sir, one last question. In terms of revenue and margin mix, how do you envision that revenue and margin mix evolved by FY '28 across our rolling mills and bright bars?
- Sachit Jain:** FY '28, we expect to hit 2,70,000 tons, which is our capacity. And EBITDA per ton, Rs. 8,000 to Rs. 11,000 we are quite confident and then we hope by then we will be able to increase this range from Rs. 8,000 to Rs. 11,000, maybe Rs. 8,000 to Rs. 12,000 or Rs. 9,000 to Rs. 12,000. So, we expect to see a bigger margin, but very difficult to predict so far in advance. So, the confidence level that we have is Rs. 8,000 to Rs. 11,000.
- Aniket Ratkar:** Got it, sir. Thank you, sir. Thank you so much from my side.
- Sachit Jain:** So, if you see the lower end of that, that means 2,70,000 tons if we are able to achieve that figure. So, Rs. 216 crores at the lower end is what the EBITDA should be. On 2,70,000 tons, it will go up to about Rs. 300 crores. But I think but I think by then we will be able to give a better forecast and we get closer to that figure.
- Aniket Ratkar:** Got it, sir. Thank you, sir. This is from my side.
- Moderator:** Thank you. Our next follow-up question comes from the line of Radha from B&K Securities. Please go ahead.
- Radha Agarwalla:** Sir, what is the incremental cost per ton of the extra processes that happens in bright bars over black bars?
- Sachit Jain:** We do not share those numbers.
- Radha Agarwalla:** Sir, generally for the industry, how much --
- Sachit Jain:** I have not looked at industry numbers, so I do not know. And roughly, our bright bar is between 20% to 25%, and black bar is about 75% to 80%, roughly.

- Radha Agarwalla:** Sir, last question. In your previous calls, you had indicated that you will start supplying to auto OEs directly. So, sir, actually the product --
- Sachit Jain:** Yes, we already discussed that -- that. I am sorry?
- Radha Agarwalla:** So, OEs usually buy this.
- Sachit Jain:** For gears.
- Radha Agarwalla:** For gears?
- Sachit Jain:** Yes. And this is what we discussed a little bit earlier in the call of import substitution. So, where the OE was directly importing steel from Japan, that steel is likely to come to us. So, that approval process has been done. Now the question is, we have to make a decision when will they do the switching over.
- Radha Agarwalla:** Understood, sir. Thanks and all the best to you.
- Sachit Jain:** And this will be the first case where we supply directly to these Tier 2 and OEs. Otherwise, normally we supply to Tier 1 or sometimes Tier 2s.
- Radha Agarwalla:** Yes, sir. Thank you and all the best to you.
- Sachit Jain:** Thank you.
- Moderator:** Thank you. 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 having interest in our company. One thing which is very interesting for us is that since I came to this business in 2010, we have been continuously investing in this plant. Now thanks to those continuous investments, we have reached from 50,000 tons of production, we hope to reach 2,70,000 tons of capacity by next year and filling up the capacity in two to three years. After this, we should hopefully end our CAPEX cycle as far as this plant is concerned.
- There is one idea which we are working on, which is if we can go even beyond this capacity level. But that idea, once we are able to test it out, then we will share that we require further CAPEX. But that is only if this idea works out, otherwise, as far as we are concerned, this plant is now largely done. The future CAPEX will largely go into the new plant and the forging business, the announcement of the forging business will happen by Jan.
- And as of now, the target commissioning of the forging line is also before July'29. So, both these things which will happen simultaneously, forging line as well as the new plant should happen simultaneously. But we will have more details when we have our January conference. Thank



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you very much and we look forward to you all remaining with us as we continue on this journey.
Thank you.

Moderator: Thank you. On behalf of Adfactors PR, that concludes this conference. Thank you all for joining us. And you may now disconnect.