



**“KRN Heat Exchanger and Refrigeration Limited Q2
FY-25 Earnings Conference Call”**

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DOLAT CAPITAL



**MANAGEMENT: MR. SANTOSH KUMAR YADAV - CMD.
MR. SONU GUPTA – CFO.
MR. PRAVEEN KUMAR - COMPANY SECRETARY**

MODERATOR: MR. KAPIL YADAV - DOLAT CAPITAL.

Moderator: Ladies and gentlemen, good day and welcome to the KRN Heat Exchanger and Refrigeration Limited Q2 FY25 Earnings Conference Call hosted by Dolat Capital.

As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes, should you need assistance during this conference please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kapil Yadav from Dolat Capital. Thank you and over to you, sir.

Kapil Yadav: Thank you Dhavan. Thank you very much. On behalf of Dolat Capital, I welcome all participants on the call and thank the Management of KRN Heat Exchanger and Refrigeration Limited for this opportunity to host this call.

I have with me the senior management of KRN Heat Exchanger Mr. Santosh Kumar Yadav who is the CMD, Mr. Sonu Gupta is the CFO, and Mr. Praveen Kumar is Company Secretary. With this, I now hand over the conference to the Senior Management Team of KRN Heat Exchanger. Over to you sir.

Praveen Kumar: Good afternoon to all. It’s a pleasure to connect with you all, and we thank you for joining us today for the KRN Heat Exchanger and Refrigeration Limited in our Conference Call to discuss the “Financial Performance” of the Company for the 2nd Quarter and First Half of the Fiscal Year 2025. We extend warm welcome to each one of you, especially considering the recent milestones of our listing.

KRN was founded in 2017 and we have quickly established as a trusted manufacturer and exporter in the HVAC&R industry. We specialize in aluminum and copper tube heat exchangers, water coil, condenser coil and evaporator coils. We serve diverse applications in heating, ventilation, air conditioning and refrigeration. Our current production facility spans over 100,000 square feet, enabling us to produce over 1 billion units annually. Approximately 19% of our output is exported during the Quarter 2 meeting international quality standards of our clients, including industry leaders like Daikin and Schneider Electric. KRN recently got listed on the NSE and BSE in October 2024 and we are grateful for the strong market reception. This platform will enable us to pursue further strategic growth. With that, I would like to present our financial performance for the quarter.

To start with, we achieved a significant milestone this quarter by surpassing Rs.100 crores in standalone revenue, reflecting a 39.41% year-over-year increase in total income for Quarter 2. For Quarter 2 Financial Year ‘2025 the company reported a consolidated total income of Rs.92.53 crore, making a 28.41% increase from 72.06 crore in Quarter 2 FY24.

Consolidated EBITDA rose by 36.38% year-over-year to 19.59 crore, resulting in an improved EBITDA margin of 21.7 up by 124 bps. Net profit for the quarter surged 42.98% to 12.37 crore with a net profit margin reaching 13.35% an increase of 136 bps. EPS also saw a 34.69 growth reaching Rs.2.64.

For the first half of Financial Year '25 total income was 189.52 crore, up by 16.24%. And net profit increased by 24.93% to 24.34 crore. With EPS rising 18.28% to Rs.5.24. On a consolidated basis, KRN achieved a total income of Rs.100.46 crore in Quarter 2 Financial Year '2025, up by 39.41% from the previous year Quarter 2. Standalone EBITA increased by 33.89% to 19.12 crore though the EBITDA margin slightly decreased by 78 bps to 19.03%. Net profit goes by 41.55% to Rs.12.13 crores with a net profit margin of 12.08% an improvement of 24 bps. The EPS for the quarter grew up by 33.85% reaching Rs.2.61.

For the half year, Financial Year '25 standard loan income grew up by 22.18% to Rs.199.19 crore, with a net profit increasing by 21.11% to Rs.23.76 crore. And EPS reaching Rs.5.13 reflecting a 15.02% growth. Regionally, our domestic market has contributed approximately 81% of our Quarter 2 consolidated revenue with international market accounted for 19%. This geographic balance enable us to capture diverse growth opportunities while maintaining a stable revenue. Overall, our performance highlights is its competitive positioning and strategic focus on market expansion and creating a strong foundation for continuous growth. Our listing strengthens our public presence and offers us a strong platform for sustained growth and hence viability and deeper market engagement. Investor confidence in our vision is very clear, and we are committed to leveraging just to fuel our long term growth ambitions. The management would like to express its gratitude to all our dedicated employees, customers, and stakeholders for their unconditional support. Their trust and support continue to be the backbone of our success. We are looking forward, and we are committed to driving sustained growth, enhancing our operational efficiencies, and creating enduring value for our stakeholders. Thank you for your continued support, and we look forward to a better, bright future together. Thank you.

Moderator: May we proceed with the question-and-answer session sir?

Management: Yes.

Moderator: Thank you, ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Prateek Sen from Dexter Capital Advisors. Please go ahead.

Prateek Sen: Can you please share more details on the recently signed 1000 crore MOU with the Rajasthan government, and how will it be funded, are we going to raise more debt or equity. And is there a purchase agreement in place for specific type of heat exchangers as a part of this investment?

Management: No, this actually we signed with Rajasthan government under this Rising Rajasthan. So, government want to sign because we already have a project like KRN HVAC our new subsidiary, only subsidiary. And we have already, committed to invest on that same so they

asked, what will be the next five year plan. So, we signed the 1000 crore for future plan, so that already we 342 crore, we already received from our IPO, and rest we will invest from our internal approvals. And if need, then we will take from our banks and financial institutes.

- Prateek Sen:** Okay. So, the rest of the amount will be invested in a staggered way from internal accruals?
- Management:** Yes.
- Prateek Sen:** Okay. And sir for KNR HVAC, we had projected that commercial production will start in April of 2025?
- Management:** Yes, correct.
- Prateek Sen:** Are we currently on track with this timeline, and when can we expect the numbers to flow into our financials?
- Management:** No, production we are going to start on April '25 only. So, you can say sampling we will start in April, and then mass production will start maybe in coming one or two next months. So, Financial will start from 2nd Quarter of 25th.
- Prateek Sen:** Okay. And sir are we catering to some new clients via KRN HVAC?
- Management:** Yes, as we added new products so it's like bar and plate extender is the new, and then roll bond also is new. And also we added so these will be for sure there will be a new customer, and some also existing customers. So, because this existing products heat exchanger, so we are expanding the capacity and adding the new products. So, it means new customer also add, and new our existing also what capacity, as of now we have limited so we are on the 100% capacity as of now. So, whatever, existing customer ask for new growth we will add from HVAC, and then for new product, we will add new customers.
- Moderator:** Thank you. The next question comes from the line of Sagar Tanna from Alchemy Ventures. Please go ahead.
- Prateek Sen:** Thank you. I have two questions sir, as you said the production will start from April 25 and ramp up commercial production will start from 2nd Quarter. So, if I understand, if I remember correctly during our IPO discussion you had mentioned this 6x capacity will come all together. Is my understanding correct?
- Management:** Yes, correct.
- Prateek Sen:** So, year one how much capacity utilization we are expecting?
- Management:** Numbers cannot describe but however, we are trying to achieve this full capacity next three years we start from 25.

- Prateek Sen:** So, from April 25 within three years we can expect the full capacity utilization?
- Management:** Yes.
- Prateek Sen:** Got it. So, is it fair to assume sir, year one would be 25%, 30% kind of capacity utilization?
- Management:** No, actually to be honest, I cannot describe like that, because we are adding new product also. So, first we will go to our customer for new products, because sometime honestly, season how works, and the requirement is like that, so it can be more or it can be less, but it's depend on situation and our product quality, of course. So, we are trying for positive side.
- Prateek Sen:** Sir, my next question will be, of this new capacity, how much would be earmarked for exports, what target we are keeping?
- Management:** Yes, actually heat exchanger finance side is new machine side based on target for of course, Europe and North America because we are adding new geometry. So, new geometry, actually these are like 5 by 16 and quarter inch. So, there nobody using in India of course we will try to our domestic customer as well. But our target mainly customers of North America and Europe for current product and for your new product first we will start with domestic, and then we will target export.
- Moderator:** Thank you. The next question is from the line of Hardik Gandhi from HPMG Shares and Securities Private Limited. Please go ahead.
- Hardik Gandhi:** Sir, I am quite new to your company, I did go through the presentation which was shared, but I had a few questions. So, please pardon me for the initial one. Of all the manufacturing which you are doing how much is fixed price contract given that we use so much of the copper, as well as other metals?
- Management:** Like in tonnage?
- Hardik Gandhi:** So, usually do we fix the price in the starting or is it variable costing?
- Management:** Actually, we do like that, like last quarter average of the copper LME and aluminum LME, and USD to INR conversion. So, this we apply to our customer for last quarter to next quarter. So, it means, in a year we change our prices like four times and same we will pass to our customer if, in case of decrease or increase both we pass to our customer.
- Hardik Gandhi:** Understood. So, you mean to say that, use the prices of the last quarter, and then we use them to quote it for the next quarter for upcoming orders?
- Management:** Yes, it's like that also we have always two month inventory we carry and then we rolling. So, whatever we are using in a month, so we just rolling, so we use our average and we pass to our customers same.

Hardik Gandhi: What would be the current order book which we have, and if you could provide within how much time can we execute that given order?

Management: Actually, our order book is not like that project based, because we do B2B business, and mainly we develop with our customers. So, sometime this development time from two months to one year. So, after like develop the product, then we supply on their requirement, whatever they are making in a month we have to supply. So, we receive from some of customer like six month forecast, some from three months, some from two months. And from some we receive the PO only, so then its rolling the each month. So, you can see since last six years, we are working on the same pattern.

Hardik Gandhi: Sir, so what would be the peak revenue from the existing capacity if you could mention that?

Management: Now we are almost 100% capacity with existing 95% around the maximum can utilize and we are on the same page as of now.

Hardik Gandhi: So, the Q2 revenue you would say we are at 95% utilization and Q2 revenue reflects peak revenue at 95% utilization?

Management: Q2 we achieve 85%.

Management: Yes, production capacity.

Hardik Gandhi: And what is the additional CAPEX, what will be the additional capacity which we are putting in?

Management: Total we are expanding 6x capacity with new facilities. KRN HVAC Products Private Limited is the wholly subsidiary of the KRN Heat Exchanger and we are increasing 6x capacity.

Hardik Gandhi: Okay. And the project with the Rajasthan, the MOU which we signed that is separate or included in the same?

Management: Included.

Hardik Gandhi: And what would be our guidance for the upcoming years like, if you have some numbers in your mind?

Management: Number I cannot share.

Hardik Gandhi: Okay. And are you going to sustain the margin?

Management: Yes.

Hardik Gandhi: Okay, and who would be the key competitors in this space for us, given that a lot of players, like Blue Star and other players, they manufacture their own things in-house, and some people outsource. So, just wanted to have more visibility, on the.

Management: So, mainly OEMs, they make in-house for their mass production requirement, but they also buy from us for critical requirement or some special heat exchanger. So, our USP is like, reliable product, quality product, and you can say for commercial side. So, our industry is growing in a good way and also we are increasing our number of customer and the number of export side we are growing so both if we are adding then growth will continue.

Hardik Gandhi: Okay. And just a last question I would like to squeeze in, that given that there is a data center boom going on, and they will require the cooling systems are we tapping into that industry also through any of our partners or are we individually trying to get into is there a plan for that?

Management: Yes, our data center business we have two, three customers so if you see our last document, so like last year we achieved around 7% from revenue from data center only. So, main our data center we are supplying to Schneider Electric, and there is two other additional customer also to whom we are supplying for data center. So, we have three big OEM to whom we are supplying for data center, and also we are trying for export also to adding some customer from data center business. But there is good growth in data center you are right.

Moderator: Thank you. The next question comes from the line of Yashovardhan Banka from Tiger Assets. Please go ahead.

Yashovardhan Banka: Sir, can you apprise me of the industry tailwinds, the heat exchanger, and the growth we are seeing in the industry as a whole?

Management: Actually, we make fin and tube type heat exchangers, so there is some confusion, in room air conditioning also is our product, and commercial side like metro, train, bus air conditioning, data center is also product. So, room air conditioning you can see growth in India markets is around 8%, but commercial side growth is around 20% to 25% especially like data center, growth is more than 50%. So, some big OEM they make in-house for room air conditioning. But commercial side, they are buying from outside or special production from us. So, numbers I don't have exactly because of this reason, but from commercial side, I can say our growth is more than 20% in India and for export, especially for North America, we have good chance, because from China, they have anti-dumping around 25% on our product. And Europe and USA, of course they are working on China plus one policy. So, that is also good for us. So, we participate in exhibition in both Europe and USA. So, we have multiple customer in pipeline, but because of our capacity limitation, we are unable to serve them, but however, that's why we are increasing 6x capacity. So, we will able to supply them from new facility.

Yashovardhan Banka: Okay. Sir and the industry side, as we said we are in the fin and tube industry of heat exchangers. So, what is the industry size of the fin and tube heat exchangers?

- Management:** I am unable to actually, in term of data I have to check, because if we add room air conditioning and completed commissioning then data will change for sure. So, I don't have this data on my hand now, I will come back to you maybe or we can give you on one-to-one call I can share.
- Yashovardhan Banka:** Okay. Just on the margin expansion, are we looking at increasing our margins to say around 20% to 25% moving ahead?
- Management:** No percentage of course cannot target, but however we are trying to increase our margin because of new facility because we are putting solar facility on this new facility, so it's a 8 megawatt facility which means our electricity growth will be less. Secondly, this new facility is new income tax scheme. So, there will be 10% less, 15% scheme. Secondly, we are trying to increase our export so our margins are quite good compared to domestic margins. And also, there is new policy by our Rajasthan Governments RIPS '24 so that also you will receive some incentive. So, if we I club these all regions, then for sure we will able to increase.
- Yashovardhan Banka:** Okay, sir. And sir what is the execution timeline that we are looking at for the Rajasthan project, the order we recently received?
- Management:** So, this is the new facility only so it will start from early next year, April or May from 25.
- Yashovardhan Banka:** And sir the execution timeline as in, in how much time are we looking to complete it?
- Management:** So, our this facility is still under construction. Machine we are buying, already ordered. So, some machine also we receive, some trial is going on. So, I am talking about this April, 25 for sample process only. And this we are trying to achieve this complete facility, capacity within three, start from 25.
- Yashovardhan Banka:** Okay. And sir the margins on the same on the project, what margins are we looking at that there?
- Management:** We will try to increase slightly because of reason I described earlier.
- Yashovardhan Banka:** Okay. So, somewhere around 18% to 20%?
- Management:** Honestly, I cannot be providing numbers.
- Yashovardhan Banka:** Okay, sir. And sir lastly with the industry growth that we are looking at, and are we in expecting to grow faster than the industry?
- Management:** Yes, actually we make heat exchanger for commercial side. So, if you see the Indian market also is growing much better compared to this room air conditioning. So, the room air conditioning industry is growing around 8% to 9% but our commercial side is growing more than 20%. Especially like data center growth is more than 50% than bus air conditioning, metro, train, heat pump, all the industries are growing well.

Yashovardhan Banka: Sir just last question. I was going across the new arrivals review, I came across this bar and plate heat exchanger that we are expanding, this is a new product. So, can you just help me with the application of the same and is it like a higher margin product?

Management: This is the one like another type heat exchanger so bar and plate. So, mainly we will targeting this electric loco for Indian railway, because earlier diesel loco that not required of this type of product, but electric loco is mandatory. And also, we targeting this heavy earth movers, core lift products and compressors industry, so they use as an oil cooler. And also there is a scope of the export for North America and Europe. But first we will start with the Indian railway and domestic requirement, and then we will add export as well.

Moderator: Thank you. The next question is from the line of Prakash Chandalia from Finvestors. Please go ahead. As there is no response from the current participant, we will move to the next question, which would be from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Sir my first question is on the data center side, if I understand it right, Schnieder Electric contributes like 90%, 95% of our data center business. So, just to understand it, do we have an exclusive agreement when it comes to supply of the specific part when it comes to the data center business that Schnieder gets?

Management: Actually we have purchase agreement, but we don't have exclusive agreement that we can on supply. But just for example, we started with Schnieder four year back only, and that time our share was only 5% to 10% of their total volume. But this year, we are going to achieve more than 90%, 95% of their total volume. So, it means our share is almost standalone, but some products they are buying from one Indian supplier and as well as they are buying from outside also. So, we are developing with them also. But now we are not single, but we are the major supplier for them.

Vignesh Iyer: So, their earlier supplier was it a import of that part, or it was some local competitor?

Management: Both importing also earlier and from the bank from domestic also both.

Vignesh Iyer: Okay. So, it terms of export part of the business currently, can you give me the top two products that contribute to the revenue?

Management: For export mainly, we are supplying two fan coil unit product, and then secondly for heat pump, for swimming pool heat pump, and also for transportation business truck refrigeration and bus air conditioning also.

Vignesh Iyer: Sorry, sir the first product what did you say?

Management: Fan coil unit.

Vignesh Iyer: Okay, fan coil unit and the pump part. And just one last question before I get back in the queue. Can you tell me for our newer facility what would be the normal timeline to get the validation from customers that is the export side of the, because if I understand there would be a reasonable chunk of revenue that comes from export from our new facility. What is the normal timeline because, if I understand if we are starting our commercial production in Quarter 2, but it would be possible that by the time we land the clients, it will be quarter three, quarter four. So, just to get the timeline, understanding of the timeline?

Management: I got your question, actually depend on customer type and product type, because some of customer if we are replicating the product like whatever they are using and we have same geometry or same design, so we can change very quickly, but sometime we design also product, it means maybe they are using that product maybe more than 10 year or 15 year. But now technology has been changed, so we request to that type of customer key. We have new design, you can save the money and we can offer the new design. But for that validation process, must we have go so it means that process will sometime, maybe they complete, maybe six months, or sometime eight months, and sometime one year as well, and whatever our existing customer approval side so we have already many customer in our pipeline, and we are developing with them with our existing facility. It means the development process will be complete once our new facility will be start. So, this development we are like doing with some of our customers since last one year, with some of seven to eight months, but we are unable to supply mass production because of capacity constraint. But however, once we have new capacity, we can immediately start from the facility.

Moderator: Thank you. The next question is from the line of Alisha M from Envision Capital. Please go ahead.

Alisha M: Sir, just wanted to know, what is our revenue split between room AC and commercial currently?

Management: Actually we call like commercial data center and then automotive. So, if I consider all commercial, so room air conditioning last year, we achieve only 2.5% and rest is only commercial side.

Alisha M: And what would be the share of data centers within this?

Management: 7% last year.

Alisha M: So, bulk of it is going to the auto industry?

Management: It's like commercial side, like truck refrigeration, bus air conditioning, fan coil, heat pump, swimming pool heat pump, VRV and then power plant coolings, so that there is a multiple segment.

Alisha M: Understood. And we are increasing our capacity by 6x and we are saying that we were targeting to use it in three years. So, what is giving us this confidence, is there some client which is maybe

given some softer commitment, or is there a newer applicant, what is giving us the confidence to use 6x capacity in three years?

Management:

If you see, or maybe checked our history, we started six years back only. So, we started with one facility, and then each like last six year is our record like that. We added one new land so we added three facilitating in KRN Heat Exchanger and then we started with KRN HVAC. So, now we have three land in HVAC. So, total, we have six properties. And this big capacity is around 72,000 square meter. So, each year we added the land, building and machine also. So, increase in the capacity but this nuts and peanuts we are unable to cater our customer, our requirement because of the capacity constraint or market requirement. So, based on that, we decided to cater the right things to market especially for Europe and the USA. We need one idle facility or one of the best art facility maybe we can comply our layout, single piece flow, everything process like as MNC. So, we have decided these things and then we go for the 6x capacity other side. Like our growth is you can maybe see last six years on the same page, because we are growing each year and then we have in pipeline like we have total customer as of now around more than 200 in our pipeline. But our major revenue is 80% we are receiving from top 10 customer. So, it means, if I added some similar and new customers, then we can double the requirement. So, we have in pipeline almost more than 100 customer from the domestic and export side, we had developed some samples but unable to supply because of capacity. So, there are multiple reasons, that's why we decided to go with the big capacity, and we can achieve the right things, reliable products, and best quality to our customers.

Alisha M:

Understood. So, with the new capacity, are we expecting any change in our revenue mix between domestic and export because you did say that we wanted to keep some capacity ideal for US, Europe and over there are they part of the (+200) customers that you said we may not be actively working with them, but maybe we supply samples or have some softer commitment so these will be absolutely fresh customers that we will have to approach, we will have to.

Management:

These 200 is not new customer there are some working maybe we developed some maybe small supply or some sample we already developed many of them, but unable to convert in mass production because of capacity concern. Second, our target will be for sure, export side more, but we have to cater our existing customer for domestic supply as well. If you see our growth with domestic like when we did, 85 crore revenue that time my Daikin big customer, total percentage is 33%. Last year we achieved 308 crore then also Daikin is 33%. So, it means my domestic customer requirement also growing on same page. So, I have to supply to my domestic customer on same page and then I will add new customer as well, both side domestic and export.

Alisha M:

Understood. And this new capacity you are saying will come from Q2 of FY26 correct?

Management:

Sample we will start from April 25 only, but mass production we able to start or maybe before or later from Q2.

Alisha M: Okay. And mass production at least to existing customers we should be able to scale fairly quickly?

Management: Yes.

Alisha M: Okay. And what is the CAPEX that we have incurred totally for this new facility?

Management: More than 300 crore.

Alisha M: And what is the expected asset turn against this CAPEX?

Management: Same way which we achieved till now.

Moderator: Thank you. The next question comes from the line of Manoj Jaitwa from KSA Shares and Securities Private Limited. Please go ahead.

Manoj Jaitwa: Sir my first question is pertaining to the exports. So, how do you see the exports of our products in US and European markets as you had mentioned that there is huge scope for our products during the time of the IPO meeting which you have mentioned. So, could you please add some colors on that sir?

Management: Actually, like we participated in division in Europe and the North America both. So, we started, four year back to both market, and we feel they need reliable and right quality product in single go. But if we able to meet these two things, they are ready to pay good margins, and they have continued big order, because earlier they are buying from Europe, America, or of course from China, from China now they are especially for North America they are facing antidumping 25% and if they are buying from local North America, Europe, so they have to pay more. So, if we able to supply reliable, right quality product to them, so they able to save at least 10% to 15% of the money of their total buying. And also, I understood like that in commercial side or customized product. We are better than China, because China I feel they are good in mass production and less price. But when you ask to Chinese people, you customize the product based on customer requirement. So, sometimes they are like blind, they are unable to understand your customer requirement. So, we are quite good on that part and I am sure that is a good market for me especially commercial side of customized products, especially North America and then Europe.

Manoj Jaitwa: Yes, thank you. Sir my second question is, during the time of the IPO you had mentioned that you are expanding your team in the finance, marketing, exports, markets, production, purchase, engineering. So, from one man show to diversified division of duties or lead by..... So, could you please add some color on that sir?

Management: First, there is no one man show as of now, because now my operation side and my production engineering, maintenance, HR, account side, sales marketing side, I have all HOD. But however as of now we have limitation of the space on existing facility because my office space is of 70

people, only who are the completely full. So, new office we are building on new facility for 500 people. And of course, I have to increase my sales, marketing team and other team as well, based on our growth, based on our turnover. And we for that, of course daily basis we are connect design through and we already have the agency for this process, so it's under process, and hopefully it will be complete before this facility will start.

Manoj Jaitwa: So, my third question is regarding, currently almost around 33% of the revenue comes from Daikin, and it's good that we have a steady state of revenue visibility from Daikin. But on the flip side also, there is some concerns and challenges also, if something may happen with your contractual agreement with the Daikin, then it may affect our growth story significantly. So, are we have got any brief plan B to de-risk or to add more customers like Daikin, where we have a good revenue visibility, request you to share some color on it sir.

Management: First of all, we are continue adding new customers, both domestic side and export side. Secondly, with Daikin, we are not working only single product actually, we are working on commercial side, multiple SKU. So, as of now we are supplying them more than 100 part number each day. So, it means mass production we are doing in-house, but like commercial side or small batches or customized coil they are buying from us. So, off it will be continue because volume is not good for them. If volume will okay, then for sure they can see or they can think for in-house facility, but in our case we feel because we are supplying to them right quality, right delivery, and, of course right cost, and we are very near to them. So, their freight cost is almost zero. So, it means we packing also we do recyclable, so it means packing and freight cost for them almost zero, and we are supplying right quality, right delivery. So, there is the reason, because which I understood Japanese people, they do if you in-house facility then for one product, they put one line and they do the investment is huge. So, ROI cannot be meet for multiple SKU. So, for sure we will continue for their facility and what supplying to them.

Manoj Jaitwa: Sir what could be our working capital cycle date in terms of inventories, debtors trade payable?

Management: As of now it's around three and a half month.

Moderator: Thank you. The next question is from the line of Aditya, from Relicare. Please go ahead.

Aditya: My question is regarding the data center. Can you touch upon the products which goes into the data center, are they used for air cooling or liquid cooling or immersion cooling?

Management: No, data center actually complete product they make like indoor size and outdoor size. So, mainly for air cooled chiller, so it's our fin and tube type heat exchanger in air cooled chiller. So, they mainly use for data center cooling. Secondly, indoor side, whatever they are making complete machine. So, indoor, the coil we are supplying to them, this immersed cooling and whatever this is the different technology, they are using heat exchanger, but of course they are using fin and tube, then we have to supply to them. So, final technology, we are not much aware,

but this air cooled chiller we are supplying to them, fin and tube and the operator side, indoor side, --41:17 we are supplying to them.

Aditya: Got it. And apart from Schnieder Electric which are the two other companies that we are supplying?

Management: The other two companies actually we don't have received signed documents. So, that's why, unable to describe name.

Aditya: Okay. And here you said that we are targeting the exports as well. So, what steps we have taken in this direction to you can say start heat exchanger?

Management: Just for example Schnieder we are supplying to their Bangalore facility. But they have another facility in Italy, and they are buying almost more than 100 crore of heat exchanger. So, they suggest us you can approach to them. Then they introduce us, so we went there, we wish them, then they visit us. And then we have, some agreement signed, and then we supply the sample, they approved our sample, but mass production not started because of capacity, so hopefully we will start with them for Europe market, other some of customer also similar types.

Moderator: Thank you. We have the next question from the line of Nitin Gandhi from KIFS Trade. Please go ahead.

Nitin Gandhi: Can you just share what's the percentage of revenue contribution from Schnieder?

Management: I don't have the data, but around 10% approx.

Nitin Gandhi: And with existing unit, you can have peak revenue of somewhere around say, 100, 110 crore per quarter. And with six times capacity which you are generating, so that will have effectively another 2000 crore addition, is it a right peak potential or are you planning some other high value items which could take the revenue further higher from 2000 crore?

Management: Actually, we are adding new product as well. So, this one of the bar and plate of course this is the higher value and some low product also this role bonding operator, but in number, to be honest, I cannot convert, it will be around similar.

Nitin Gandhi: Okay. No, because I just walked out from you replied, asset turnover is likely to be more or less same from the existing. So, I just converted from that and so I thought 2500 crore could be the peak revenue from all put together existing and the new that might of working. Thank you very much.

Moderator: Thank you. The next question is from the line of Hardik Gandhi from HPMG Shares and Securities Private Limited. Please go ahead.

- Hardik Gandhi:** Sorry to bother you again. Sir just one small question, that going forward as we said that we are expanding into multiple segments, and by what time do you think that we will reach a considerable 80%, 85% peak utilization in the expanded capacity like existing as well as the expanded capacity, by what time are you envisioning that?
- Management:** I already replied this question, we are targeting our capacity next three year start from '25.
- Hardik Gandhi:** And, sorry I might be confused but are we starting the mass production by Q2 FY25 or Q2 FY26?
- Management:** Actually mass production means, like sampling we can start from Q1 so three months will be like some small approval. So, of course, for big volume we will be start from Q2 only.
- Hardik Gandhi:** But, Q1 which year sorry?
- Management:** Sorry?
- Hardik Gandhi:** Q1 which year, FY25?
- Management:** Next year Q1, 25-26.
- Moderator:** Thank you. The next question is from the line of Nikhil from Oswal Investments. Please go ahead.
- Nikhil:** So, I just had a question on the market share. What's your market share in India, and who would be a major competitors in each of the product lines if you can just elaborate?
- Management:** As of now, the markets are still, we are unable to change in numbers. The reason is because fin and tube used in room air conditioning as well as commercial also. So, mainly room air conditioning they, mainly big OEM they make in-house only. So, commercial side, you can say as Indian supplier we are the leading supplier. However, there is another company called Spirotech Heat Exchanger in Rajasthan only now is acquired by the one of the Italian companies called Lua Group. So, now it belongs to Europe, and they do almost more than 90% export to Europe and, of course, America. Second one of our competitor you can say Prajai Heat Exchanger Bombay based company, Indian company they are supplying to near to Bombay customer. So, I feel there is only two.
- Nikhil:** Okay. Sir, if you could just repeat that name of the competitor who exports 90%.
- Management:** Spirotech Heat Exchanger.
- Moderator:** Thank you. So, the next question is from the line of Deepak Agrawal from Param Capital. Please go ahead.

Deepak Agrawal: Sir my question comes back on this, so obviously we are adding a lot of capacity and our margin profile is likely to remain similar or actually improve. So, can you talk a bit about our USP in terms of looks like at eight, nine times asset turn, and the kind of 19%, 20% EBITDA margin, and maybe 12%, 13% PAT margin. It looks very, very profitable. So, one question comes is, why are others not adding, if we are adding so, I am sure you have that first mover advantage, and maybe the empanelment's with the clients, anything there. So, in terms of, how do you ensure this kind of margin profile stays in the longer run?

Management: No, this Spirotech I mentioned. So, Spirotech is doing more than top line from us on a per square gross margin is similar to us. So, they do almost 90% export. So, it means there is a good chance to export, but we are specializing it commercial side, because we are making big heat exchangers. So, as of now still we are making up to 12 meter heat exchanger. So, you can see, like 12 meter heat exchanger, and some machines they use four numbers so some machine they use eight numbers, so 12 meter, eight numbers, if use some customers. So, you can see, you can maybe feel machine site. So, it means they need reliable product actually, because our main strength is, USP you can say we are able to customize the product as per customer requirement, and we are able to give the feel that you can have, feel like this product will must be reliable from our side. So, you can say reliability, and of course quality and delivery and customization. So, and my background is operation side. So, we are able to do these things based on customer trust, and then we are able to trust on big OEMs, and then this story is going on continue.

Moderator: Thank you. The next question is from the line of Prakash Chandalia from Finvestors. Please go ahead. We will proceed to the next question, which will be from the line of Mohit Chu from Subh Labh Research. Please go ahead.

Prateek: This is Prateek from Subh Labh Research. Sir most of my questions are answered. Just wanted to understand a bit about the current financial year FY25, since we are already at around 85%, 90% capacity utilization, is it fair to assume that for Q3 and Q4 our revenues are going to be in the range of 110, 120 crore only or can there be an upside scope to this?

Management: Sir, honestly numbers cannot be shared, but growth will be similar way last year, if you compare to.

Prateek: Okay, no that's fine. So, let me reframe it, we are at 85% capacity utilization. And what's the peak capacity utilization we can hit in this business, in the current capacity sir, can we reach?

Management: Maximum, actually it's also capacity you can understand because we calculated based on like our lines because some lines, still we are achieving 100% but some line like we have 80% or 85% so overall, we can achieve 85% to 90% maximum.

Prateek: Okay. So, on a blended basis you are saying the peak you can hit is 85%?

Management: Yes.

- Prateek:** Which we are currently at, okay I get that.
- Moderator:** Thank you. The next question is from the line of Preet from Almonds Global. Please go ahead.
- Preet:** And, I just get to the questions. Most of my questions are answered, but I just had to add on to it, with the diversification of the product offerings. So, when will these new products start reflecting in the revenue, and what kind of revenue growth can be expected from this?
- Management:** Overall plant including new products it will start from April 25 only, so including new product as well, and domestic like our existing as well. And this oil cooling and then roll bond is like one of type other heat exchanger only, but they are only heat exchanger. So, it means, our strategy like that, we are going to all type of heat exchange in one roof. So, as of now we also fin and tube, then this also heat exchanger then this bar and plate also another type of heat exchanger. Then roller bond also is another type heat exchanger. So, this will come on 10 times and our capacities, including all around 6x and then we are going to achieve in next three years start from 25.
- Preet:** All right, thank you so much. And I also wanted to ask, is the 100% revenue coming from OEMs, or is after sales also contributing to it?
- Management:** Aftermarket, is almost zero maybe some samples, maybe we sell. But of course, 100% from OEM only.
- Preet:** Okay. And are there any plans on expanding into the aftermarket?
- Management:** No.
- Preet:** Alright. And one last question, with a significant proportion of revenue coming from B2B clients and growing exports to US and Europe. Can you elaborate more on the strategy for securing new international clients, especially with the anti-dumping tariffs against Chinese products in the USA?
- Management:** I already replied. However, I can come again, because this European and USA, they need reliable product and of course their commitment also must be good, because earlier they feel as Indian supplier we are not able to supply right quality and right delivery of course sometime – but now market is changing, of course we are supplying to some of our customer like since last fourth year, and they are quite happy we received very good appreciation mail also and then we participate in exhibition. So, then some of customers, we are meeting with them last four year, but now I am going to supply as a mass production because of capacity. So, in our pipeline, there is good customer from both regions like Europe and North America, and now in our market also good reputation after listing as well, of course so because our B2B, and then you can say marketing, of course we have good clients and of course our future will be bright based on that.
- Preet:** Okay. And other additional industries or companies, countries that you all are targeting?



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Management: Yes, company for sure additional customer like in exhibition whatever inquiry we are receiving we are replying to them. And first we study the company size and what we are buying. So, based on that, we select and then we continue with them. But region like, as of now we are targeting only Europe, North America, including Canada, and then UAE.

Moderator: Thank you. Ladies and gentlemen we will take that as our last question for today. I would now like to hand the conference over to Mr. Kapil Yada for closing comments. Over to you, sir.

Kapil Yada: Thank you Dhavan and thank you KRN Heat Exchanger management for taking our time for this call, and thank you all the participants. As I can see, there are few questions lined up. We can take it offline later. Thank you, sir. Thank you very much, thanks for the time.

Management: Thank you Kapil.

Moderator: Thank you. On behalf of Dolat Capital that concludes this conference. Thank you all for joining us. You may now disconnect your lines.