



# KRN HEAT EXCHANGER AND REFRIGERATION LIMITED

(Formerly Known As KRN Heat Exchanger And Refrigeration Pvt. Ltd.)

Registered & Work Office: Plot No.: F-46,47,48,49, EPIP, RIICO Industrial Area, Neemrana-301705 (RJ)

CIN No.: U29309RJ2017PLC058905

Ph No.:9116629184

Friday | February 07, 2025

<b>To,</b> <b>BSE Ltd</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001, Maharashtra, India Script Code: 544263	<b>To,</b> <b>National Stock Exchange of India Limited</b> Exchange Plaza, C-I Block G, Bandra Kurla Complex, Bandra (East), Mumbai-400051, Maharashtra, India Script Symbol: KRN
--	--

**ISIN: INE0Q3J01015**

**Sub : Transcript of earning conference call held on February 03, 2025, for the quarter and nine months ended December 31, 2024**

**Ref: Regulation 30 and 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations')**

Dear Sir/Madam,

In furtherance of our letter dated February 03, 2025 informing that the Company has uploaded the audio recording of the conference call and pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, please find enclosed the transcript of the Earning Conference Call held on Monday, February 03, 2025 to discuss the operations and financial performance for the quarter and nine months ended December 31, 2024.

The transcript of the earning conference call is also being uploaded on the website of the Company at:  
<https://krnheatexchanger.com/>

Kindly take the same on your records.

Thanking you,

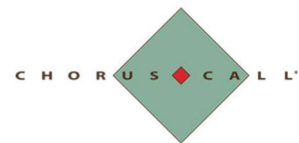
**For and on behalf of**  
**KRN Heat Exchanger and Refrigeration Limited**

**Praveen Kumar**  
**Company Secretary and Compliance Officer**  
**ACS: 32631**



“KRN Heat Exchanger and Refrigeration Limited  
Q3 FY '25 Earnings Conference Call”

February 03, 2025



**MANAGEMENT: MR. SANTOSH KUMAR YADAV – CHAIRMAN AND  
MANAGING DIRECTOR – KRN HEAT EXCHANGER AND  
REFRIGERATION LIMITED  
MR. SONU GUPTA – CHIEF FINANCIAL OFFICER –  
KRN HEAT EXCHANGER AND REFRIGERATION  
LIMITED**

**MODERATOR: MR. KAPIL YADAV – DOLAT CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to KRN Heat Exchanger and Refrigeration Limited Q3 FY25 Results Conference Call, hosted by Dolat Capital.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

**Kapil Yadav:** Thank you so much. On behalf of Dolat Capital, I welcome all the participants in this call and thank the management of KRN Heat Exchanger & Refrigerator Ltd for the opportunity to host this call. For today's call, I have with me the management side, Mr. Santosh Kumar Yadav, Chairman and Managing Director, Mr. Sonu Gupta, CFO.

With this, I now hand over the conference to Mr. Santosh Yadav ji for the opening remarks, then we have a question and answer session. Thank you sir and over to you.

**Santosh Yadav:** Good afternoon to all. Thanks to connect for today's call. Our CFO will give the brief and then I will answer the question and answer. Thank you.

**Sonu Gupta:** Good evening everyone. It's my pleasure to welcome you all to KRN Heat Exchanger and Refrigeration Limited Q3 & 9 months FY25 Earnings Conference call. I truly appreciate your time and interest in joining us today.

The world around us is changing rapidly with the rising demand for energy efficient cooling solutions, increased investment in data centers and push towards rectification in key industrial like railways and automotive. At KRN, we are not just adopting, we are driving this change. Our relentless focus on innovation, expansion and customer centric solutions is enabling us to build a strong and resilient business capable of delivering sustained growth.

Expanding our position transformationally, one of the most exciting milestones in our journey is our transformational capacity expansion in Neemrana, Rajasthan. This INR 300 crores plus investment under our subsidiary KRN HVAC Products Pvt. Ltd. is progressing at full pace with civil work nearly complete and machinery trials underway. We are on the track to begin sample production in April 2025.

This plant is more than just an extension, this is a game changer with a 6-fold capacity increase. We are not only strengthening our core HVAC and refrigeration business but also entering high growth sectors like railway, electrification, heavy earth movers and industrial cooling. Once this facility will fully be operational, we expect to generate peak revenue of 5x to 6x of current level.

Our exports have been growing steadily increasing from 9.57% to 14.68% and we are actively expanding into Europe and North America. With the global shift towards China plus one especially and favorable trade policies, we see significant opportunity ahead.

Our entry into the Bar and Plate heat exchangers will further enhance our reach, both in domestic and export markets. We are closely tracking the government PLI scheme for wide growth where our subsidiary company applications refer to the committee of experts. Management is hopeful for final shortlisting, this will provide a substantial boost to our earnings and accelerate our growth plan.

Alongside this, we are driving margin expansion through advanced coating and manufacturing efficiencies to enhance durability and cost savings. Solar energy adoption at our upcoming plant to reduce power cost, export-driven growth which offers higher margins than domestic sales, government incentive under Rajasthan RIPS 2024 policy enhancing profitability.

Now turning to our financial performance, I am pleased to share that our return on investment focus on the execution and growing demand for our products having translated into strong results. In Q3 FY 2025, we achieved a revenue of INR116.36 crores, reflecting a 73.67% year-on-year increase.

Our EBITDA grew to INR15.81 crores, up 34.76% year-on-year, while net profit surged to INR13.73 crores, making a 74.44% year-on-year growth. For the 9-month FY 2025 period, our total income reached INR305.88 crores, growing 32.96% year-on-year, with net profit rising to INR38.01 crores, an increase of 39.02% year-on-year. This result reaffirms our strong momentum and the effectiveness of our strategy and initiatives.

At KRN, we are building for the future with a major expansion underway, a growing global footprint, and the return on investment focus on innovation. We are confident in our ability to create long-term value for all stakeholders.

I would like to express my sincere gratitude to our employees, customers, and investors for their continued trust and support. Thank you and I look forward to an engaging discussion ahead. I request to open the floor for questions and answers. Thank you, sir.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Reet Ranawat from Aventus Capital. Please go ahead.

**Reet Ranawat:** First of all, congratulations for the numbers. I have seen a trend in the share of evaporator coils increasing and condenser coils share in the revenue decreasing. Is there any particular reason for that?

**Santosh Yadav:** No, I think in an earlier call also I said that for us evaporator and condenser are almost the same product for us. So, we just add the product portfolio then by condenser or evaporator. So, if the same customer sometimes asks for a condenser and some evaporator or maybe vice versa. So, that's why as a manufacturer, for us it's both the same part.

- Reet Ranawat:** So, no particular reason for that?
- Santosh Yadav:** Yes, no.
- Reet Ranawat:** Another question, are we seeing increased adoption of bar and plate heat exchangers in data centers or in comparison with fin and tube? So, that's why we are starting with the new manufacturing facility?
- Santosh Yadav:** No, this data center cooling, our existing product will grow but for bar and plate application is different. So, first application in bar and plate is like electric loco and off-road vehicles and then earth movers or like compressors or lifters. So, these are applications for bar and plate like as an oil cooler. For data center, our existing product as a heat exchanger will grow.
- Reet Ranawat:** Okay, last question. So, how much of the MOU which was received from the Rajasthan government will be reflected in the financials? Like could you give a time frame?
- Santosh Yadav:** No, we signed like 1000 crores MOU with government and we will try to meet this 1000 crores in next 5 years.
- Reet Ranawat:** Okay, next 5 years.
- Santosh Yadav:** Yes.
- Reet Ranawat:** Alright. Thank you.
- Moderator:** Thank you. The next question is from the line of Shubham from Dexter Capital Advisors Pvt. Ltd. Please go ahead.
- Shubham:** Hi, thanks for the opportunity and congratulations, Santoshji, for a great set of numbers. I had a couple of questions here. So, the first question was, what was our volume growth this quarter and what is our current capacity utilization rate?
- Santosh Yadav:** The total volume like in terms of like consol may be HVAC also includes our standalone KRN Heat Exchanger. What is the total numbers? So, standalone is the reflecting like air and heating and consolidated reflecting including HVAC. So, HVAC like phase 1 is already started. So, that's why total numbers is 116.
- Shubham:** So, volume growth is 116% is what you are saying?
- Santosh Yadav:** Year on a year basis, total.
- Shubham:** Okay. So, sir, basically and our capacity utilization levels this quarter?
- Santosh Yadav:** KRN heat actually we almost on the peak. So, there is no more further like available capacity, but HVAC like phase 1 we started. So, there is some spare capacities available.

- Shubham:** So, sir, basically what I was trying to ask was on our condenser and evaporator coils capacity, right? What I believe is, it is the same as last year, right? The March ending FY24. Our capacity is similar for those, right? Because our subsidiary KR and HVAC, it is to start commercial production from April 2025. Would that understanding be correct?
- Santosh Yadav:** No, KR and HVAC have two phase. So, first phase already started last year with same product and phase 2 will start from April.
- Shubham:** And for phase 1, what were the products that were started for phase 1 in HVAC?
- Santosh Yadav:** It is the same product, KR and like heat exchanger only.
- Shubham:** Same. And so, what would be the total capacity for evaporator and condenser coils including both our standalone and HVAC?
- Santosh Yadav:** As of now, total capacity like we achieved is maybe 85% to 90% including HVAC. So, you can say if I club totally, so only 5% or 6% we can increase till April and April we will going to add new facility for both heat exchanger and as well as other product.
- Shubham:** So, sir, my question was basically on our March 2024 ending financials, right? So, was there a significant capacity increase between this 8 months to 12 months, 8 months so that due to which we were able to increase our revenue by 70%? Like what was the main reason behind 70% increase in revenues this quarter for year on year?
- Santosh Yadav:** So, there is two reasons. One, we added HVAC as a phase identity. Secondly, we added some machine also in KRN Heat Exchanger. So, you can say we did like some line balancing. So, that is why we were able to increase some turnover..
- Shubham:** Understood. Also, sir, just last question and I will again join back the queue. So, basically for the bar and plate heat exchanger as well as the oil cooling units, right? Are we doing any testing with our customers? Basically, I believe local manufacturers would be our key clientele here. Are we doing testing for those products with them?
- Santosh Yadav:** Yes. So, testing is there almost 6 to 8 months. So, we already got the tender like from BLW for 10 piece or like as a development order. Now, we are waiting for their visit to us and after their visit, we will supply to PROTO as a trial. So, they will trial almost 6 to 7 months and then we will enter in the main phase for bar and plate. So, it means our bar and plate facility is almost ready for production.
- So, we already made some PROTO as well. Now, we are waiting for government side. They will visit and we will offer to PROTO and they will test like 6 months and then we will enter in main phase. Meanwhile, we will do like other, this compressor and then JCB forklift trucks and off-road vehicles. So, we will align with these clients and we will try to achieve some production from there.
- Shubham:** Sure, understood. Thank you. That would be from my end.

- Moderator:** Thank you. The next question is from the line of Amit Rajput from Rits Capital. Please go ahead.
- Amit Rajput:** Thanks for the opportunity, sir. So, almost all of the questions were being answered and I have just two questions left. First is your revenue guidance, as of we have completed three quarters in this year. So, what will be the range of revenue we will be closing FY25?
- Santosh Yadav:** This running quarter is almost same or maybe we will try to increase like 5%-10% on last quarter. Because our capacity is almost full.
- Amit Rajput:** So, my last question regarding the debt side, like you have said that you have signed MOU with the Rajasthan government regarding INR1000 crores and I guess you have raised around INR342 crores rupees from IPO. So, rest of the funding will be from, you will be doing through debt or?
- Santosh Yadav:** So, as of now, first we will start our existing facility like with this INR300 crores plus investment and then we will review after 6 months from like our internal profits or maybe from working capital from bank. So, that we will decide after 3 or 4 months.
- Amit Rajput:** Okay. So, when will be your capacity will be operational? If you could give me the date or month?
- Santosh Yadav:** Like as I said, this bar and plate is almost ready but other facilities like construction is pending and machine is coming. So, fully we will try April and like as a PROTO sample manufacturing and then we will need like 4-5 months to set all things like people training, quality systems, customer visit. So, mass production will start in second half of next year.
- Amit Rajput:** That's all from my side sir. Thank you. Thank you for answering all my questions.
- Moderator:** Thank you. The next question is from the line of Mansi Nene who is an individual investor. Please go ahead.
- Mansi Nene:** Actually, most of my questions are answered. This one question is government has announced a big boost for the nuclear energy in this budget. Is KRN has any plan to enter this as heat exchangers are used in the nuclear energy also?
- Santosh Yadav:** Actually, we are manufacturing like all type of heat exchangers. So, including like we are going to add heat exchanger with SS tube as well in new facility SS tube. So, we will have to study this nuclear requirement what type of heat exchanger like they need with material. So, for sure in our range then for sure we will add this as well in our portfolio.
- Mansi Nene:** So, it's possible in future?
- Santosh Yadav:** Yes. As of now, we don't have any specific reason. So, like in deep we cannot comment but sure we can make it in our range.
- Mansi Nene:** Okay. Thank you so much sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Rucheeta Kadge from iWealth. Please go ahead.

**Rucheeta Kadge:** So, my question is mainly on the gross margins for the quarter. So, you know we have seen quite a dip. So, what was the reason for the same?

**Santosh Yadav:** Actually, what we analysed is there is two reasons. First is like our employee cost is increased because now we have almost 850 people against last quarter it was 700. So, because now we hired 150 manpower for our new like facility. So, they are under training because we have to train them before shifting to new facility. So, this is the slightly increase.

And second small portion is like actually earlier China government on mainly this copper and aluminum they are giving subsidy almost 13% to their manufacturer. So, I think two months back they will take back that facility. So, then they increase the price and compared to that this Malaysian and Thailand vendor also increase. So, this is the slightly impact on us on this last quarter. Actually, we like -- we passed over customer in next quarter. So, from 1<sup>st</sup> January we already passed this impact to our customer and slightly difference this USD to INR conversion also. So, I club these three reasons then it is slightly down.

**Rucheeta Kadge:** So, sir just to follow up on that. So, you know in the earlier call we have mentioned that you know we usually book the contracts on one quarter prior to that and we have an inventory for two months. So, even after that would there be this kind of disruption on the margin side?

**Santosh Yadav:** No, like one month impact will be there. So, it is two months inventory we can keep. So, one month. So, that is why. If you compare like main employee cost then raw metal side like this USD to INR and raw metal is very, very thin, very thin. But reason is there.

**Rucheeta Kadge:** And sir other than that you know do you get like your order book? What kind of order book do you have currently?

**Santosh Yadav:** So, order book we have always rolling type. Secondly, your first question I remember I said but that is like this China that 13%, that impact we are not aware because it is the first time they did. So, this actually not covered in our contract. So, they did first time. So, we have to pass on when our price will renew on 1st of January.

This LME portion and USD to INR of course we covered in last quarter but this China like anti-dumping or maybe this incentive they take back that not covered. And your second question order booking actually we have order booking continue with rolling actually because we do regular production based on customer requirement not project based actually.

**Rucheeta Kadge:** Okay. And sir you know when we say that in the next 3 years, that we should reach our peak revenue in terms of the capex that we are doing. So, what gives us this confidence? Like do we have any kind of soft commitments that are in place or we have done the testing of our products with these clients and we are just waiting for the manufacturing to start so that we can start supplying to them? So, just wanted to understand a bit on this.



**Santosh Yadav:** So what you said is almost origin. Some of the customers, we have like soft commitment and some of customer we already like they approved our sample, so just we are waiting to for new facility to install them in mass production. And also we will add some new customer as well. So in recent, like this month like in February we are doing two exhibitions, one in the USA and second in India, like Bangalore aircraft and third in March we are doing in exhibition one in the USA and second in India like Bangalore aircrafts and third in March we are doing in Germany for ISH.

So that we will add new customer. We will like increase our like demand from existing customer and then some customer we are waiting for projects to start. So if I club these all three, four regions, so then there is a requirement actually.

**Rucheeta Kadge:** So, just one more follow up on that sir. So, these customers, how big are these customers, would be for us? Like who we have already done testing for and from whom we have already received soft commitments. How big are these people?

**Santosh Yadav:** So they are quite big, even one customer is you can say they are like buying heat exchanger compared to our existing top line maybe 4 times they are buying from other country or maybe other supplier. So they are quite big. Even some of like more than 100 crores and some of like around 50 crores or 60 crores in a year requirement.

**Rucheeta Kadge:** So, how much of this do we expect to acquire like from them like if their demand is so much? How much of it can we take? What is the pie that we can take?

**Santosh Yadav:** Actually base story is like that, when we started our facilities or facility like started with one floor, then we had second, third, fourth floor. So it means our existing facility is the optimized facility. So when big customers came to our facility, they can just by themselves, they cannot meet our big requirements. So that's why we are coming with big facility, almost six check.

So when they visit this facility, they can see by their, they can meet from there our requirement in terms of like building, machinery, layout and everything. So based on that actually, many commitment or many visits had already happened. So we are working on that and then it will, for sure when they will start, we will meet their quality standard with delivery and quality and then slowly they will increase the requirement

**Rucheeta Kadge:** Got it understood. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Shivkumar Prajapati from Ambit Investments Advisor. Please go ahead.

**Shivkumar Prajapati:** Thank you sir for having my question. First of all congratulations for such a great set of numbers. So, my first question is on the revenue front. So, I think we are operating at the optimum level since last 2 to 3 quarters. So, this time we did around INR111 crores. So, is there any change in product mix or something that made us to reach this level because hardly INR90 to INR95 crores of revenue was expected.

- Santosh Yadav:** Can you repeat again question?.
- Shivkumar Prajapati:** So, sir actually we are operating at the optimum level since last 2 to 3 quarters. So, is there any change in the product mix or high value product being sold this quarter that made us to reach this INR110 crores of revenue this quarter?
- Santosh Yadav:** No, like our old customers remain same. Of course, their requirement is increased. So, then also is added value in our system and also we added some like 1 or 2 customers from North America. So, they give us like some big order. So, that is why we are able to increase that and also honestly unable to provide to all customers. So, some of new customers just in queue.
- Shivkumar Prajapati:** Okay. So, my second question is on other income. I see the other income is too high in comparison to other quarters. Could you throw some light or could you please throw some light on this?
- Santosh Yadav:** Other income is there. I think two parameters are there. One is our incentive from government and second interest post because we received money from IPOs and then we received some FD amount interest. Okay.
- Shivkumar Prajapati:** So, my next question is on this North America and Europe. We are planning to expand in these regions. So, do we have any competition or competitor operating over there, that we may face any challenges?
- Santosh Yadav:** No, actually competitor one is from like Europe and one is from North America but some of them like operating in Mexico maximally. So, now we have like for us is one good news. USA put the duty 25% on Mexico as well. So, for us I think now we can easily compete to Mexico and Canada vendor as well, if they want to supply in USA.
- So, Chinese actually our company is not there with Chinese earlier also and now not. So, we have to compete to European and North America manufacturer. So, we can easily like able to compete very easily. Even they can get almost 10% of like their bottom line of saving if they receive our product.
- Shivkumar Prajapati:** And for post this regime change in USA, do we like anticipate any challenges after Trump coming in over there?
- Santosh Yadav:** No, for us I think it is better that I said because earlier we have some threat that some of manufacturer they shifted their facility in Mexico especially and then they are manufacturing in Mexico and supplying to USA because Mexico also labor cost is quite low compared to USA. So, for us I think Trump from first day he put duty on Mexico as well as Canada. So, for us I think it is better chance compared to Biden.
- Shivkumar Prajapati:** Great. And sir my last question is on the Indian geography. So, I think more than 40% of our revenue comes from Rajasthan state which is obvious that we operate over there. So, sir any

strategy to expand in other states because I realize that other states hardly contribute around 10% each. So, what is the strategy to penetrate in Indian markets?

**Santosh Yadav:** Yes, actually we are thinking to open one facility for South India but it is still under planning. So, fully in next 6 months we will conclude on same and then we will update.

**Shivkumar Prajapati:** Great sir. Thank you so much. Best of luck.

**Moderator:** Thank you. The next question is from the line of Amit Rajput from Rits Capital. Please go ahead. Mr. Amit I would request you to unmute your line and speak please. There is no response from the current participant. We will move on to the next participant. The next question is from the line of Prerak Gandhi from Neumerc Research Lab. Please go ahead.

**Prerak Gandhi:** Hello sir and thank you for this opportunity. So, I just wanted a few clarifications with respect to the new facility. So, sir in April the new facility will be operational or will we be just laying the bricks for that? And what will be the current capex involved in that with respect to that new facility and what does that new facility inculcate?

**Santosh Yadav:** So, this new facility like actually there is total 4 SAD 1, 2, 3, 4. So, like 2 SAD almost complete, 3 SAD maybe will complete by this month and 4th one will complete next month. So, like SAD 1 and 2 already machine will be installed like bar and plate, especially bar and plate. So, we also made some Proto and we received one Proto order from government as well.

Secondly, like all SAD we will complete in March end and that is why we have said April and we will be able to make Proto complete. Then office block will be slightly delayed like it will complete maybe July or June end. We have like 4 weeks maybe totally if I club and 4 week we have problem with this grab also because we are in NCR.

Let me list facility wise. So, we said like total our production volume will increase by 6X compared to existing facility and mass production will start from second half of next year.

**Prerak Gandhi:** Okay, perfect. Thank you, sir.

**Moderator:** Thank you. Thank you. The next question is from the line of Yashwanthi from Kojin Finvest. Please go ahead.

**Yashwanthi:** Thank you so much for the opportunity and congratulations for the great set of numbers. So, just one query, why we have seen a dip in EBITDA margins?

**Santosh Yadav:** Can you repeat again? Your voice is not so clear.

**Yashwanthi:** I just wanted to understand what has gone wrong or why our EBITDA margin has shedded from around 17% to almost 13% plus for this quarter?

**Santosh Yadav:** Percentage I have to calculate but actually if compared to like last quarter to this quarter so there is only 2-3 things what I said. Like one is our employee cost increase because we have hired 150 people for new facility. So, they are under like training.

And secondly, some impact on the -- for one month for raw material because earlier China giving subsidy to their vendor. If they export then they receive 13% of the total amount. So, they almost 2 months back they already take back that facility. So, that's why they able to increase their price and suddenly they increase other country price as well. So, that slightly impact on us on raw material price. The rest is the same.

**Yashwanthi:** And when you expect it to all these issues to settle down, the labor costs are contributing and when we can go back to our earlier margin of around 17%-18%?

**Santosh Yadav:** Raw material price of course we already passed to our customer from 1st of June but this 1st of January. But this like employee cost is still we will have some maybe next 4-5 month program with HVAC because we have to hire people, we have to train them until we start mass production.

**Yashwanthi:** Okay. Can you just shed a light on the competitive landscape in HVA and HVAC industry and how does we differentiate ourselves or what are our competitive advantages as compared to our competitors?

**Santosh Yadav:** Can you repeat this question again?

**Yashwanthi:** Basically I just wanted to understand how is the competitive landscape and what are our modes or our competitive advantages that differentiate us from others.

**Santosh Yadav:** Actually like if you see as on today, our maybe gross block is around INR70 crores of KRN Heat exchanger actually. So, it means last 6 years we invested only INR70 crores and we achieved probably this year around like INR350 crores like that. So, this new facility in 1st row we are investing more than INR300 crores plus and we are adding new product as well as existing product.

So, it means this new facility will be like latest facility with the latest machinery, latest technology including like we are importing some machine from Europe, even from USA, even from Japan, even from China. So, as of now you can see as a professional heat exchanger manufacturer maybe we will be the largest facility in India -- other than OEMs.

So, based on investment of course result will also come and we will call to our all customers as well as our export customers. So, based on facility I think if I compare to my competitor and our distance will be quite long.

**Yashwanthi:** Okay. And now when these new capacities are coming up which investments you are putting in the facility?

- Santosh Yadav:** So, new facility like April we will start like sampling for all products and then mass production will start from 2nd half year or next year.
- Yashwanthi:** So, in that case what kind of growth you project for FY26, on the top line and the bottom line basis?
- Santosh Yadav:** That exact number I cannot give you but like total.
- Yashwanthi:** Ballpark number in terms of the percentage growth you can say.
- Santosh Yadav:** Actually like 6 months we will have very less number but for 6x1 capacity mass production. So, if I add all product then for sure growth will be there.
- Yashwanthi:** Okay. So, in your opening you mentioned that once this new capacity is coming up and it is operational at a full capacity you will see around 6 to 7 times turnover which you had reported and which is your current turnover. So, as you see, what is the industry growth driver you are -- sorry what is the industry demand driver you are seeing currently? And likewise have you seen any demand or the product expectation from your existing clients or the new verticals region wise you are expanding? You can see some demand growth for that. I mean you are expanding the capacity but then how it is getting sufficed or meet the demand?
- Santosh Yadav:** I got your question. So, actually there is 3-4 parameters. So, we are increasing our capacity including other products as well. So, it means existing products and other products. So, we are adding like 4-5 new products as well. So, total we are expanding like 5-6x.
- Secondly, we will -- like our existing customer growth is there. So, 20%-30% we are like receiving growth from their side even especially data center growth is more than 30%. Secondly, we will add some domestic customer to whom we are not supplying now. Secondly, we will add export customer to whom we are not supplying now or maybe we will supply some samples only. So, they are waiting for mass production.
- So, it means if I conclude from domestic existing customer then domestic new customer then export existing customer and export new customer. And then fifth one is new products. So, if I club all things then we will be able to increase 5-6x.
- Yashwanthi:** Just now you said that you are not able to meet the export demand which is currently there or you are not supplying to the export which is currently there. So, is that the capacity was the constraint for us?
- Santosh Yadav:** Yes, existing we don't have capacity actually. So, for export actually like whatever we are supplying so we are supplying like 3-4 years. So, they are growing. So, we are also growing but new customer we are unable to supply because of capacity constraint.
- Yashwanthi:** Okay. And how much is current export contribution to our revenue and post these expenses where do you see going forward?

- Santosh Yadav:** Can you repeat this question again?
- Yashwanthi:** What is our current contribution coming from the export? In the revenue how much export accounts for?
- Santosh Yadav:** Now percentage around 20% of total top line and next like shortly we will try to make like more than 50%.
- Yashwanthi:** Okay. So, domestic with the existing client and the new client it will contribute around 50% and again export existing and the new region and the new clients it will be contributing towards 50% in the 5-6x revenue growth. Am I understanding it correctly?
- Santosh Yadav:** Yes, correctly.
- Yashwanthi:** And just quickly last two questions you might have mentioned or I might have missed out, our current order book and the executable period.
- Santosh Yadav:** No, order book we have not like that actually we have like rolling actually. So, like one of may be customer they are making their machine may be 100 piece in a month. So, they give me like forecast may be for 2 month and for PO for 1 month only. So, each month it is rolling. So, we have to supply to what they are making. So, based on our order book always there.
- Yashwanthi:** Okay. And what is our current working capital cycle?
- Santosh Yadav:** Can you repeat this again? Your voice actually very less.
- Yashwanthi:** Okay. What is our current working capital cycle?
- Santosh Yadav:** Current working capital cycle is 90 days approximately.
- Sonu Gupta:** 90 days.
- Yashwanthi:** Okay. Thank you so much and wishing you the best for the coming quarter.
- Moderator:** Thank you. The next question is from the line of Mithun from Kiva advisors. Please go ahead.
- Mithun:** Just wanted to understand your current capacity and how is that going to change in the next 6 months or a year's time once you put up this new capacity or some rights issue also you are subscribed to your subsidiary. Could you just take us through that capex plan and how capacity will change?
- Santosh Yadav:** Like adjusting our one capacity in KRN Exchanger and second capacity in KRN HVAC Phase 1. So, these both capacity we are almost full and Phase 2 of KRN HVAC we will start like Proto from April end or May early. Then for our existing product of course we will pick capacity very quickly.

For other product we have to go through line the customer approvals or proto testing and like that. So, that is why we are claiming our mass production restarting second half year of the next year. So, total capacity if we compare to existing we are targeting 5x to 6x of top line.

**Mithun:** Sorry, 5 to..?

**Santosh Yadav:** 5x to 6x

**Mithun:** Okay, of the current capacity?

**Santosh Yadav:** Yes.

**Mithun:** That will be ready by when?

**Santosh Yadav:** Like trial will be ready by April end but for mass production second half year of next year.

**Mithun:** And your existing products capacity is going by how much and new products is how much?

**Santosh Yadav:** So, if like new product we added like 5 new products and 1 existing. So, if I total like half and half may be. So, existing will be 3 times and 3 times will be other product.

**Mithun:** So, other products is the first time you are making it?

**Santosh Yadav:** Yes, but they are also heat exchanger actually, not different line only this line of business. So, customer is almost same and the product is also heat exchanger.

**Mithun:** You are saying 5x to 6x of the current capacity meaning you can do 5 times the revenue of FY25 or?

**Santosh Yadav:** We will -- like we are assuming or we are planning to achieve in next 3 financial year start from April.

**Mithun:** Sorry, I did not understand it sir.

**Sonu Gupta:** FY'25 end of the year results, we have assumed that we will multiply by 5 times in the coming 3 years time.

**Mithun:** Okay, And these products that you are manufacturing the end consumers would be which of these companies because you mentioned these orders are based on the requirement of the client. So if there is a demand shortage or something would there be a problem that you would face?

**Santosh Kumar:** No, like it is a B2B business. So, whatever like part we develop for some of customers. So, we are supplying 100% to them. But if like we are asking some new development then of course we are taking time. Secondly, we are unable to add new customer or new part number due to capacity constraint.

**Mithun:** And how much would your top few clients contribute or top 5 clients in terms of orders?

- Santosh Kumar:** Top 3, I do not have any tips but it total top 10 is contribute 80%.
- Mithun:** Top 10 contributes 80% but top 3 would be how much?
- Santosh Kumar:** Top 3, I think I am not correct maybe roughly it is around more than 50%.
- Mithun:** Top 3 is it?
- Santosh Kumar:** Yes. Like top 1 is our Daikin. So, they contribute almost 25% to 30% and then Schneider 15%. So, that is why I am telling 50% around.
- Mithun:** I am just trying to ask you, for example, if Daikin or one of your clients sees an issue in terms of demand, then what happens is my question, because you are putting up so much of capacity?
- Santosh Kumar:** Then our as of till now we are adding 2 new customers each month. So, this is our average actually. So, as of now it is not seems to us that their demand will reduce. However, if it reduced, then we will add new customers as well. So, we are working on both verticals now.
- Mithun:** So, it is mainly the AC industry. There is no other industry that you are targeting?
- Management:** It is HVAC&R, heating, ventilation, air conditioning and refrigeration.
- Mithun:** Okay.
- Santosh Kumar:** So, this includes all commercial sites like automobile, bus, air conditioning, metro, train, then data center cooling, power plant cooling, then heat pump, then swimming pool heat pump and then.
- Mithun:** Got it.
- Santosh Kumar:** VRV, yes all.
- Mithun:** Understood.
- Moderator:** Thank you. The next question is from the line of Ajay Surya from Niveshaay.
- Ajay Surya:** So, my question is sir on the margin. Sir, if I look at our past financials, even before financial year 2022, the gross margins were around 20%. But in last couple of years, the gross margins have suddenly moved up to 29%-30%?
- So, wanted to understand, what has changed in the industry, which has led to the increase in the gross margin. And also sir, in the current quarter, we have seen a dip in gross margins. So, going forward, how should we look at the gross margins?
- Santosh Kumar:** So, first actually when we started business, so we started with small OEMs or aftermarket clients only. So, that time our margin is slightly very thin. So, then we asked to big OEMs to visit us or we adopted to start with them.



So, then we have on board big B2B customer or even export also we started from second year. So, then we have order from big clients or export side. So, then now we are not working with small OEMs or maybe in aftermarket.

So, then you can see that we are able to increase after 3 years and then now we are on same level. And this particularly slightly down because of the main reason is our manpower cost increase, because of our new facility. We added more than 150 people for new facility. So, now we are giving the training to them to shifting before them, so, that is the reason.

**Ajay Surya:**

Sir, but also wanted to understand, because we are also expanding such rapidly and such hugely like 6x capacity expansion. So, what is the capacity expansion that is happening across the industry? And I mean what gives us the confidence to, like we will be able to maintain the margins going forward?

**Santosh Kumar:**

Now, this capacity, I think I already replied confidence. Secondly, about margin actually new facility of course next 6 months, we will have some need from manpower cost. But after 6 months we will have 3 to 4 regions to able to sustain the margins.

So, first number one is, we will increase our export side. So, our margin is slightly good compared to domestic in export. Secondly, our electricity cost will be very less because we are putting solar.

**Ajay Surya:**

Sir, my question is on like, because in last call also, we mentioned, that roughly we have a market share of around 20%-25%. And we are now expanding 3x in the existing products. And I mean, is there no capacity expansion done by other players, like, any other competitor who is expanding?

So, just wanted to understand, like, how is the capacity expansion happening across our peer group? Like how are they looking at the going forward demand? Are they not expanding or like just wanted to know more on that?

**Santosh Kumar:**

No, honestly, about peer we cannot comment they are expanding or not. But for us we can see the visibility in the market. We can see the demand. So, that is why we are expanding. So, peer we cannot comment. Secondly, about industry of course everybody is growing.

So, you can see new HVAC hub in Sri City. So, everybody put their facility there like Daikin, Voltas, Havells, Blue Star all. So, industry growth is there and like OEM of course they are expanding.

But our competitors, they are not much aware. We cannot comment on that. Secondly, confidence, I think that question I already answered, why we are expanding?

**Ajay Surya:**

And sir last question on, so we are now moving into bar and plate heat exchanger, which we will supply to locomotives. So, I got to understand, it is a tendering process for which we will have to bid and get the orders right. So, sir wanted to understand, like because to win we will have to

build L1 or be the L1. So, how will the gross margin differ from our existing product and in bar plate?

**Santosh Kumar:** So, yes you are right. There is the bidding process. So, we got the like 10 number for as a proto development under bidding only.

And what we studied are compared to raw material and EBITDA or maybe gross margin. So, there is the - if we compare to our existing product. So, margin is better even L1 if we like last 2 or 3 year which we study. So, margin is better compared to an existing if we compare to L1 prices.

**Ajay Surya:** Got it sir got it. So, all the best for future, and also wanted to ask like can we have a plant visit arrangement to know more about the company and the expansion plan.

**Santosh Kumar:** Yes, that is I am requesting to all. So, this is the best idea honestly if you see our facility. So, we are making like world best facility, even like, this will be the largest facility for our product in India as well as South Asia.

So, you can connect with our IR agency Mr. Sunil. So, and then you can plan. So, we are near to Delhi airport around 2 hours from Delhi airport. So, for sure, we are most welcome to all you can visit us.

**Ajay Surya:** Okay sir thank you and all the very best for the future.

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

**Hardik Gandhi:** Nice numbers for this quarter. So, just wanted to ask a few questions, first, there was a dip in the export numbers. We said that there is a huge demand on the export side, but there was a on a consolidated basis, there was a dip in export numbers. So, can you help with that?

**Santosh Kumar:** Actually, as of now we are exporting to our existing client only. So, last like we added one customer from North America only. So, now we are accepting order from there only.

So, it means we are unable to start mass production to new clients. So, there is, maybe, if you compare to whatever order we receive, we achieved the delivery for same. Secondly, December end there is some delay for one or two weeks because of this Christmas festival. So, then we dispatched in this January month. So, if you see like January month our export will increase for sure.

**Hardik Gandhi:** Understood. Makes sense. And so second thing is we received a PLI for roughly INR140 crores and along with that we have an MOU with the Rajasthan government. So, if you can just help me understand the economics of it how will it help us?

**Santosh Kumar:** So, this Rajasthan government, actually there is no impact on commercial side. Actually just we like signed the MOU under INR1000 crores for next 5 years. We can invest in Rajasthan and we give the employment. This is the just.

Secondly, there is another policy called RIPS, Rajasthan Investment Promotion Scheme. So, this policy is there. So, we can like it is 24 policy, year 24. So, there is the like provision we can receive 1.4% to 1.6% of the top line for next 10 years. So, whatever we will do the top line, a government give you the incentive or subsidy for 1.4% to 1.6% and for 10 years.

Secondly, about PLI. So, PLI actually we applied and then they forwarded our application of the COE like this committee of the expert. So, they called us in this Monday only. So, just brief about our product or our company. So, fully they will announce the final result may be 1 or 2 weeks.

So, if we will receive the PLI then there is some calculation. So, I don't have much idea like on that. They will give 6% to 4% for next 3 years on the top line of the production or incremental on the last year. So, this we will maybe more brief on in next course.

**Hardik Gandhi:** For how many years?

**Santosh Kumar:** Actually, they started this PLI before 2 years. So, that I am not sure they will like consider us say from phase or from like as expansion. So, if they will like consider as expansion they will give us 3 years and if they will start from 0 then it is 5 years. So, that rule is not clear as of now. Once we will receive the approvals then same application we will receive this thing also.

**Hardik Gandhi:** Understood. And for RIPS that was 10 years, correct?

**Santosh Kumar:** RIPS is 10 years. Actually, RIPS also there is 2 options. So, we will choose option this for 10 years.

So, there is 1.4% to 1.6% of top line for 10 years. But if we receive like HGST deposit and then we can claim, that is for 7 years. So, we will choose this top line one.

**Hardik Gandhi:** Understood. And this will be added to the other income or how will this be accounted for?

**Santosh Kumar:** It will be other income.

**Hardik Gandhi:** And the last question is on the gross margin. I will not ask all the previous questions. I just wanted to know from you what would be a good approximate blended gross margin or EBITDA whatever is comfortable going forward we can assume on the products?

I understand for the next 2 quarters we have pressure from the employees because we are training them and other things because of the production ramp up. But I am asking you after 9 months period or 10 or a year from now that once all the things are normalized what would be a good gross margin?

- Santosh Kumar:** I got your point. So, actually as per my personal opinion, I think I replied region of the key why we can able to increase. So, if I include all these 3, 4 regions. So, we will able to increase 1% to 2% on existing.
- Hardik Gandhi:** Okay. Perfect. 1% to 2%. Thank you so much sir. I hope to see you in the plant region. All the best.
- Moderator:** The next question is from the line of Lakshay Agarwal from GrowthSphere Ventures LLP.
- Lakshay Agarwal:** So, I had just one question. Like you had earlier mentioned that the fluid and steel which is a finned tube heat exchanger. It is something which is required in the data center. If you could help me with what percentage of revenue do we get from in this current year?
- Because FY'24 you had mentioned that it was 7% of our revenue. And what is the anticipated revenue going forward in the next 2 to 3 years?
- Santosh Kumar:** So, actually we didn't prepare that data, so, unable to answer. But however there is one thing I can tell you. This increasing is in good condition. So, maybe if you give your maybe drive we can prepare and then we can forward to this data. But it is increasing for sure.
- Lakshay Agarwal:** Okay. Sure. I will reach out to the IR for the same. And secondly, what could be the margin profile? Like is it similar to what the existing products we have or for this the margin profile is different?
- Santosh Kumar:** Actually it depends on customer and product type. So, we have like cost sheet actually customer wise. So, like if one customer we already free the cost sheet.
- So, whatever product will come then same cost sheet will follow. So, if you will add new customer, and if export, then of course we will slightly charge more as compared to domestic. So, it depends on customer, and of course product and then volume also. If they need one piece or multiple or something like that actually.
- Lakshay Agarwal:** Okay. Understood. Currently which are the customers to which we are supplying this product?
- Santosh Kumar:** So, we have almost 3 to 4 customers. So, they are using our product in data center application.
- Lakshay Agarwal:** Okay. If it won't be any problem can you mention names of these 3 to 5 customers?
- Santosh Kumar:** I can mention only one Schneider Electric. So, they mainly we are supplying to them for data center.
- Lakshay Agarwal:** Okay. And do we also have a product mix in terms of how much of the total revenue do we have currently of the evaporator and condenser coils or is it something which needs to be prepared?

**Santosh Kumar:** That also needs to be prepared, but honestly there is no meaning of condenser in our product because both product for us is same. Our manufacturing is same and only for like application customer wise is different. So, if still you need we will provide.

**Lakshay Agarwal:** Okay. So, thank you. All the best.

**Moderator:** The next question is from the line of Hitesh Bhandari from CJ Shah Family Office. Please go ahead.

**Hitesh Bhandari:** Thanks a lot for giving me the opportunity. One question is on the revenue side like you suggested we would be able to do 6x in 3 years. So, wanted to understand the bridge for the 3 years once we get to 6x. What could we expect for 25 and 26 if you have some rough numbers that you can maybe guide us to?

**Santosh Kumar:** Actually numbers, I think we are unable to provide, but like total, we will try to achieve.

**Hitesh Bhandari:** So, roughly on the capacity side how much of the capacity we will be able to utilize of the total 6x capacity that we are thinking. How much each year would we progress on the utilization path?

**Santosh Kumar:** So, roughly I can give you an idea, like that we will start the proto from early next financial year and then mass production will enter in mid of the year, and then full capacity we will try to achieve next 3 years. So, then same percentage you can calculate.

**Hitesh Bhandari:** So, basically sort of a linear growth in terms of utilization growth.

**Santosh Kumar:** Yes, actually we will add new customers. So, some customers will need approvals, especially for new products. Of course, we will have less effort to increase our growth in our existing products. But for new products, we will start for small OEMs, and then still after market and then we will enter in.

**Hitesh Bhandari:** Right, So, like we mentioned, that from mid of next year we would be able to enter mass production. So, now looking from there, like, we do have some soft commitments and a few customers whose demand we are not able to fulfill right away.

So, how much of the demand would be available right away, say, once we get into mass production of the 6x capacity? How much say 1x or 2x we would be able to supply right away and rest we would need to grow?

**Santosh Kumar:** That percentage I can maybe just we have to make a document and then we can tell you. Secondly, like we already hired our domestic sales head. So, now we are hiring some more people.

So, now we are going to customer for each product, and we are like some customer also they visited, and some they may be visited in coming week or months. So, based on that we are doing meeting with all of customer, and then we are showing our facility. So, of course soft

commitment is there, but we cannot give the wrong commitment to market. So, first we will have complete data then we will let you know.

**Hitesh Bhandari:** Understood. So, and sir last question on the margin side. So, just wanted to understand like you mentioned, there is a cost sheet kind of a structure.

So, does it work on a cost plus margin model or is there like sort of fixed pricing and then it changes. So, if it is a cost plus margin model, then ideally we would want to have a fixed margin in our mind that this is something we want to make. So, what is that percentage?

**Santosh Kumar:** No, like we have a customer like old type of customer like some maybe running mass production, big customer, some may be small quantity, some may be special application. So, based on customer or based on application, we like have customer base, and then their cost sheet is fixed. So, if we fix one cost sheet with one customer, then if we will add like new product, then of course same cost sheet will follow.

Then other than like domestic cost sheet we have different and for export of course we have different. So, based on that we already confirmed our margin will slightly increase compared to our existing margin in coming years.

**Hitesh Bhandari:** Right. So, this cost sheet it is revised once there is a revision in the pricing or how does it happen?

**Moderator:** Sorry to interrupt Mr. Hitesh, your voice was not clear. I would request you to please repeat your question.

**Hitesh Bhandari:** So, this cost sheet is revised say on a monthly basis or once there are changes then only we intimate the customers on the revision in pricing?

**Santosh Kumar:** No, we have some of customer like one month average, but very less, but mainly 95% customer we do average change quarterly basis. So, it means we change our price with the existing customer four times in a year. Alright.

**Hitesh Bhandari:** Thank you so much.

**Santosh Kumar:** Thank you.

**Moderator:** Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Kapil Yadav from the Dolat Capital for closing comments.

**Kapil Yadav:** Thank you Operator. Santosh sir, you would like to make any closing remarks?

**Santosh Kumar:** No, I think from my side all okay. I am again requesting to all to visit us actually so you can see our facility what we are building up, and then based on that maybe your 90% of question of course by default will be answered. Rest of you will answer during the visit. So, if possible connect with Kapilji or maybe Sunilji and then make a plan in group maybe 5 to 10 people and visit to us. It will good for us.

**Kapil Yadav:** Thanks a lot sir. Thank you very much and all the participants, thank you very much. If any question is being unanswered, do let us know. We will provide offline sessions with the management. Thank you Santoshji and thank you CFO sir for taking out time for this call. Thank you everyone.

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