



KRN HEAT EXCHANGER AND REFRIGERATION LIMITED

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

CIN No.: L29309RJ2017PLC058905

Contact No. 9116629184

Date: 12th February, 2026

To,
BSE Ltd
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai- 400001, Maharashtra, India

To,
National Stock Exchange of India Limited
Exchange Plaza, C-I Block G, Bandra Kurla
Complex, Bandra (East), Mumbai-400051,
Maharashtra, India

Script Code: 544263

Script Symbol: KRN

Subject: Transcript of Investors/Analysts Call held on 9th February, 2026

Dear Sir/Madam,

With reference to our letter dated 3rd February, 2026 in respect of Investors/Analysts Call, held on Monday, the 9th February, 2026, please find enclosed herewith the Transcript of discussion held during the said Investors/ Analysts Call.

The aforesaid information shall also be disclosed on the website of the Company at www.krnheatexchanger.com.

Kindly take the above information on your record.

Thanking You,

For KRN Heat Exchanger and Refrigeration Limited

Jitendra Kumar Sharma
Company Secretary



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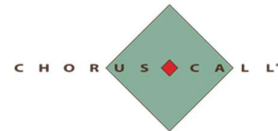


www.krnheatexchanger.com



“KRN Heat Exchanger and Refrigeration Limited
Q3 and 9M FY '26 Earnings Conference Call”

February 09, 2026



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**
**MR. JITENDRA KUMAR SHARMA – COMPANY
SECRETARY – KRN HEAT EXCHANGER AND
REFRIGERATION LIMITED**

MODERATOR: **MS. HIRAL PAREKH – DOLAT CAPITAL MARKETS
PRIVATE LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to KRN Heat Exchanger and Refrigeration Q3 and 9M FY '26 Earning Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Hiral Parekh. Thank you and over to you.

Hiral Parekh:

Thank you, Heena. Good morning, ladies and gentlemen. On behalf of Dolat Capital, I'm pleased to invite all of you to the Q3 FY '26 Earnings Conference Call with the management of KRN Heat Exchanger and Refrigeration Limited. The management is represented by Mr. Santosh Kumar Yadav, Chairman and Managing Director; Mr. Sonu Gupta, Chief Financial Officer; and Mr. Jitendra Sharma, the Company Secretary.

With that, I'll hand over the call to Jitendra sir, for the opening remarks, following which we will open the floor for questions. Over to you, sir.

Jitendra kumar Sharma:

Thank you, Hiral. Good day everyone. Thank you for joining us today on behalf of the management team of the KRN Heat Exchanger and Refrigeration Limited. I would like to warmly welcome all our investors, analysts, and partners to our earnings conference call for the third quarter and 9 months period ended FY '26.

We appreciate your time and your continued interest in the company. This has been a solid quarter for us, and we are pleased to share our financial performance and would like to outline our growth objective going forward.

KRN's journey over the last several years has been built on a simple and consistent approach. We have focused on doing the basics right, executing orders reliably, investing steadily in capabilities, and building long-term relationships with customers who value quality, customization, and delivery assurance.

From a single manufacturing facility and a limited product range, we have gradually scaled our operations, expanded our product portfolio, and strengthened our presence across multiple end-use segments within HVAC and refrigeration.

This steady evolution has helped us build a resilient business that can grow across cycles rather than chase short-term opportunities. The broader industry environment has also been supportive. The HVAC and refrigeration sector continues to benefit from strong structural tailwinds, including urbanization, infrastructure development, rising demand for energy-efficient cooling solutions, and increasing focus on indoor air quality.

Growth in data centers, commercial buildings, transport refrigeration, and industrial cooling applications is creating sustained demand for reliable heat exchanger solutions. At the same time, global customers are increasingly looking for trusted manufacturing partners with consistent quality and the ability to scale, which positions companies like ours well over the medium to long term.

During the quarter and the 9 month period, demand was strong across India and major export markets, including the UAE, the United States, Canada, and Europe. Coming to the financial performance, I'll first touch upon the standalone numbers for the 9-month period ended on the standalone basis.

Total income for the first nine months of FY '26 grew about 58% year-on-year to approximately INR485 crores. EBITDA for the period stood at around INR67 crores, reflecting growth of about 32%, while net profit increased by nearly 49% year-on-year to about INR54 crores.

On a consolidated basis for the 9 month period, total income stood at approximately INR428 crores, representing growth of about 40% compared to the same period last year. EBITDA for the 9 months grew up by 53% to around INR79 crores, while net profit increased by nearly 40% to about INR53 crores.

Looking specifically at the third quarter, consolidated total income for Q3 FY '26 grew by about 33% year-on-year to roughly INR155 crores. EBITDA for the quarter nearly doubled to around INR31 crores, and net profit for the quarter grew by 65% year-on-year to nearly INR23 crores.

Overall, the quarter reflects steady execution and improving operating performance as the business continues to scale. As we look ahead, we remain confident about the growth trajectory of the company. The industry outlook remains positive, our order pipeline is stable, and customer engagement across domestic and export markets continues to be encouraging.

Our focus remains on disciplined execution, improving operational efficiency, expanding our product offerings in a calibrated manner, and building a sustainable business that can deliver consistent performance over the long term.

Before I close, I would like to sincerely thank our employees for their commitment and hard work, our customers for their continued trust, and our partners for their ongoing support. What we have achieved is the result of a collective effort, and that support motivates us to keep improving quarter after quarter. We look ahead with confidence and optimism.

And with that, we would like to be happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit from Subh Labh Research. Please go ahead.

Mohit: Yes, sir. My first question is, in my opinion, numbers are very good. We are already at INR150 crores run rate per quarter. But I was wondering with the new plant kicking in production, it could have been better than INR150 crores. Could you throw some light how does quarter 4 and FY '27 overall looks in terms of ramping up the production at new plant?

Santosh Kumar Yadav: Yes. So, actually, new facility, of course, is on ramping stage. And finally, full-fledged we are going to inaugurate our new facility on 11th of March. So I also inviting all investors to come on 11th March for inauguration ceremony of our new facility. Officially, actually, earlier office was not completed, but now finally final stage. So we are going to inaugurate on 11th of March and then we will shift to our new office, new facility.

So if just I want to share some numbers in term of new, like facility billing. So last quarter, we added almost 40 plus new customer from new facility only and we did FG sales to them. So it means number of customer increasing well. And of course, sales is ramping well in this quarter currently. You will get some good numbers including new products as well as our existing products.

And also bus air conditioning also started well. So this year, what we promise we are going to achieve some, of course not good numbers, but in term of starting phase, good numbers from bus air conditioning as well.

Mohit: Okay, sir. Got it. Sir, my second question is on input cost. We are seeing increasing volatility in aluminum and copper. I am wondering how is it affecting the current order book and the current purchase order we are receiving. In terms of our gross margin, I know the order book is short cycle probably 2 to 3 months. But can it lead to one to two quarter of depressed margin for us?

Santosh Kumar Yadav: So for us, I can say we are receiving some inventory gain of course because we always keep 2 and 2.5 inventory and some 20 days or 1 month inventory under transit. So of course metal is increasing, but we can change our price after quarter only. So last we change our price from 1st of December and now we will change from 1st of April 2026.

So as a particular in case of us, we have almost 2 and 2.5 month inventory in our hand always. So not direct impact to us, but it convert in I think gain only to us. And we change easily our Copper LME, Aluminum LME, and of course USD to INR in quarter basis. So that we are doing only with all customer.

Mohit: Oh, okay sir. That was very understanding.

Prateek: Hi Mr. Yadav. I was just wondering if I can continue with a few more questions, sir.

Santosh Kumar Yadav: Yes, yes, yes.

Prateek: Yeah. Mr. Yadav, this is Prateek this side, same team. Mr. Yadav, I was just wondering about the initial signals you have been getting from your team on our Bus AC pursuit. How has been the approval from OE customers? How is it going?

Also, in terms of you know, converting an OE from an existing supplier to KRN, how easy or difficult you are finding it because I am sure this is a new business for us, so it's there's a learning curve for you also. So if you can throw some light there?

Santosh Kumar Yadav: Yes. So in term of bus air conditioning, for us, of course, it's new product. But if you see main component of the bus air conditioning is like heat exchanger, then FRP and then tubing and of course compressor and controls.

So in term of backward integration, we are on the top stage if you compare with all Indian manufacturer, because we have our own heat exchanger and we are the best one. And then we have tubing and then we have in-house FRP. And of course control, fan and blower we have to buy from reputed supplier, same like our competitor buying.

So you can say we can maintain the right quality and of course right cost as well. And about our experience, because our partners have almost 12 year their own experience and before that also they have experience with OEM. So they have market contacts, they have reputation, they know the product and of course they are not selling well in previous time, but now with our support of finance and our product of quality, they are able to like convey to customer.

And of course we already started one OEM in last quarter only. And as I said we added almost 40 new customer in last quarter. So I think 10 to 15 only from belongs to bus air conditioning only. And however some big OEMs we did the NDA, but supply not started yet. So hopefully within this month -- this quarter, we will able to supply with two or three big OEM as well.

But all OEMs will take time, that is I am sure. So next year because as I understood market is almost around INR1000 crores plus for bus air conditioning in Pan-India base and is growing 20% to 25% year-to-year basis. So next year we expected at least cover the 15% of market of total top line of the India market with some OEMs and as well as some body builder and some aftermarket clients.

Prateek: Understood Mr. Yadav. This is very helpful. Just a follow up on this. So I was wondering, has the supply started to any of one customer or it will take some more time in the coming quarters?

Santosh Kumar Yadav: No, no. Already started with one OEM in last quarter only and this quarter is continuing going on with same OEM.

Prateek: Got it. And this is the final customer OEM himself, not some Tier 1 or Tier 2 vendor...

Santosh Kumar Yadav: No, no. OEM. Final user.

Prateek: Final user. Okay, great. That's great. Mr. Yadav, I have few more questions. I'll join back the queue. Thanks a lot. This was very helpful.

Santosh Kumar Yadav: Thank you.

Moderator: Thank you. The next question comes from the line of Rajat G from Fortune. Please go ahead.

Rajat G: So yeah, sir, I just had one question regarding the new acquisition of the bus air conditioning system from Spear -- from Spear. So I just wanted to know what was the cost of the acquisition? And secondly, what was the... I mean you had estimated the revenue it will bring will be around INR160 crores in the next FY. So do you stand with it now? And what will be the margin profile for it? Yeah.

Santosh Kumar Yadav: So cost of course we cannot disclose, but it's not much. If you can maybe study from balance sheet, it will be okay. About market share, what I said, total top line is INR1000 crores, so we able to achieve 15% of course from them in next year. It's on right track. Third, margins if I talk about gross margin, so it's better than our existing product because we do complete assembly and we have backward integration in term of sheet metal, FRP and then tubing and of course heat exchanger.

Rajat G: Okay, that's great. So it will be more than 20%? That's what I wanted to know?

- Santosh Kumar Yadav:** Yes.
- Rajat G:** Yeah, perfect, perfect. Thank you. That's all from me.
- Moderator:** Thank you. The next question comes from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.
- Manish Ostwal:** Yes sir, thank you for the opportunity and good set of numbers and delivering the good execution on a guided strategy. Sir, my I have only one question on the working capital side. Because of the rising commodity prices, do you see stress coming up for us and what is the net working capital days as on 31st December compared to March?
- Santosh Kumar Yadav:** So still of course both is increasing metal pricing and still we are not like -- we receive some samples from our local manufacturer, but still we are not buying majorly. Once they settle down in term of quality and I think price structure also not good for us because as of now in case of import, we have some credit limits from them, some with LC and some without LC as well.
- But domestic manufacturer, they are not open credit for us and of course I think for not all. So we are expecting they are settle down the things in term of quality and of course pricing and then payment term. So then we slowly we will start to buy from them for copper tube and as well as aluminum foil.
- So then inventory will be settled down because now our inventory in term of existing business of course is same way or maybe slightly up. But other business also we have to build the inventory for other component. So it's like bar and plate and then refrigerator component and then bus air conditioning.
- So we always do like in term of inventory, we always keep some stock, we called is minimum level stock in SAP and then we work based on our forecast. So first inventory we have to build -- almost build or some maybe going to build for these new components. So if I conclude, it will be maybe after like 1 quarter or 2 quarter you will get the things once domestic will start then it will be maybe some slightly downside, but still same or slightly up.
- Manish Ostwal:** Okay. And sir, on average input inflation for us of raw material compared to our price hike, what has been the action during the quarter?
- Santosh Kumar Yadav:** For us, as I said before, we always keep 2.5 month inventory on hand and then some 20 days or 1 month under transit and then quarterly base we can able to change to our customer. So directly hit not to us, even we are receiving some gain only.
- Manish Ostwal:** And last one long term question because now we are hearing a lot of investment proposal in the data centers in India. Even Airtel is talking about big data centers setting up in the recently concluded call. So do you see we are going to set up one facility in the Southern region also that which you talked about in past? Can you -- I mean the increase -- has the possibility increase for that investment to come up now?

Santosh Kumar Yadav: So for data center, we always like positive because as I said before also, so even in term of data center coil manufacturing or heat exchanger manufacturing, we are on the top because data center heat exchanger size is quite big and earlier in old facility we don't have such infra or space or you can say finance support that we can able to achieve big numbers from data center. But now we are on the leading stage because we have already new facility with big infra, big capacity.

And if I convert in like as of till quarter 3, so we achieved almost 15% of our top line from data center only. And since last 2 month, we are receiving good orders, some big orders from data center only. And of course inquiry is under pipeline. So we are hoping in next 3, 4 year, data center will be big numbers for us.

So whatever I said before also in last call, we expect at least whatever order will raise for data center particular for heat exchanger, so we will be contribute at least 50% of the total order for India market.

Manish Ostwal: So like you said 15% currently data center, it can go 40%-50% next 3 -- 2, 3 year sir?

Santosh Kumar Yadav: I think it will increase but other segment also increasing. So in term of percentage I unable to convert, but whatever order will raise we can achieve 15% of the India market. And because our other segment also parallelly going on.

So that maybe we can make some calculation or some sheet and then I can share. But I unable to convert in percentage, but however it will increase because if you last year I think we are only 7%, now it's 15%. And in coming year for sure it will increase.

But it's only heat exchanger segment because we are doing other component, complete Air Conditioning, Bar and Plate and then Refrigerator component. So on total top line what will be the percentage, I have to calculate and then I will share.

Manish Ostwal: No problem, sir. Thank you so much and for answering all my questions. Thank you very much.

Moderator: Thank you. The next question comes from the line of Meet Shah from Finance 360. Please go ahead.

Meet Shah: Thanks for the opportunity and congratulations on the great set of numbers. So sir, my first question is on overall demand, I mean in domestic and international market. Also if you have seen, last one month is full of events. We have signed -- India has signed a trade deal with European Union which is I guess the biggest markets. So what kind of demand are you expecting from this markets? Because since your export percentage is also increasing in terms of revenue, so how price competitive are we in terms of our peers like China or Vietnam? If you can throw some light on this.

Santosh Kumar Yadav: Yeah, so if I summarize your question answer. So actually what happened, we added like new geometry especially for Europe and, of course, USA markets. So, of course, because of tariffs, there was some pause because new inquiry we had, but they unable to convert in order because

of tariff. But finally USA have, of course, reduce and now final numbers on what component what will be the percentage still we don't know, but it will be the maximum 18%.

So we had one exhibition in USA last week only and it start from they announced, so that is good. So still my team is in USA and they will be at least for one month to meet our existing customer. And we have good inquiry, good RFQ from both market for USA and Europe. But finally, some we received of course from new customer some sample order and some like pilot like order. So it will be convert soon.

Secondly, our laboratory also started initially. So now we can test the heat exchanger also in our laboratory. Even last week, we did for one of our customer. So existing was it like if you can say INR100, so we able to achieve same capacity in INR90 as well. So we can save at least INR10 on same capacity of heat exchanger with change the tube diameter. From earlier, it was 7mm. Now we converted in 5mm.

So if you see USA and of course Europe, so both market we will going to target. And based on that, we built our capacity or like in term of capability like number of geometry and number of tube. So both, we hoping good and number will see in coming quarters from both of the market. And what you said earlier, so I think maybe I missed -- is it okay or there's some existing?

Meet Shah:

Yeah, so the question was more on how competitive are we on pricing terms? I mean my understanding is after net of tariff, we would be 15% to 20% lower than our peers like China and Vietnam.

Santosh Kumar Yadav:

So in term of our peer, of course, we are not Vietnam. There is no manufacturer who can able to supply to Europe and USA market. And of course, some Chinese you can say in term of mass production, but we not targeting to as a peer to Chinese supplier. So we always target to our European supplier or USA supplier. So from them, of course, 15% was quite high, but now we can able to on same tariff of course Europe almost zero. So it is okay.

So if I compare to European supplier to my price, it will be maybe 15% to 20% less landed price. And of course, USA on same way. So if I to like conclude like target to Europe and USA with European and USA supplier, so we can able to like give to our customer 15% to 20% of value on our product.

Meet Shah:

Sure sir. Got it. Sir, my next question is on the newer capacity utilization. I think for this quarter, it is around 6% kind of a number. And we have earlier guided to 20% to 25% for Q3 and Q4. So even if we are doing 20% for Q4, it comes around to INR100 crores of revenue from newer capacity. So is your guidance still intact or is there any change?

Santosh Kumar Yadav:

No actually -- no the guideline is same, it's 20% we are going to achieve and it's a numbers because consol you can able to see. But actually, we are doing inter-billing, inter-company for raw material and then because some of our export customer and domestic customer we are making product in HVAC but we are supplying from KRN due to vendor code not open or like formalities of quality process is not completed.

So HVAC, we achieved till now INR100 crores plus already in last three quarter for finish goods. So, this quarter number will increase and I think guideline will same that we can able to achieve around 20% of capacity from HVAC. But this number, if you consol, I think you can able to see HVAC number is seems less but actually it's upside because of inter-billing.

Meet Shah: Okay sir. Got it. And sir, my next question is on bookkeeping. If you see the effective tax rates of this Q3 compared to the last year's Q3, it is coming around for this Q3, the effective tax rate is around 12% and for the last it was 28%. And also a follow-up question on EBITDA margins as well. For consolidated EBITDA margins, we have seen the improvement while for stand-alone, it has contracted, right? So I was thinking it should have been other way around because lots of cost are coming up, so it would drag consolidated margins and stand-alone margin would remain intact.

Santosh Kumar Yadav: So what we analysis there is the three reason. For tax, of course, the calculation of the deferred tax that's why tax rate is low. And margins EBITDA, so you can mainly two reason. One is the inventory gain and second one is the backward integration because now earlier, we buying product from outside of some like in term of header and sheet metal, but now we are 100% making in HVAC and then we are billing to KRN Heat. So that is the reason only.

Meet Shah: Okay. But sir, in stand-alone, the margin has contracted by 2.7%. So what's the reason for that?

Santosh Kumar Yadav: Stand-alone, if you see because that is including raw material on a top line. So, of course, raw material we unable to make the margins.

Meet Shah: Okay sir. Sure. Got it.

Moderator: Thank you. The next question comes from the line of Mitesh Bhandari, an Individual Investor. Please go ahead.

Mitesh Bhandari: Sir, good afternoon. My question continues in line with some of the earlier questions though I was not able to get the exact guidance. So what will be the guidance in terms of top line and bottom line for Q4 and at the same time next financial year? And when you say there is some inter-billing, if you can give a little more clarity on the inter-billing that the subsidiary numbers are also included in the guidance which is being given?

Santosh Kumar Yadav: So there is two things going on inter-billing. One is because we have some limited like LC limit in HVAC and some vendor code is not opened well, so we raw material we buying on KRN Heat Exchanger and then we billing to KRN HVAC some material what they need. Secondly, like semi-finished product like sheet metal component and header we are making in KRN HVAC and then we billing to KRN Heat. So this is the main reason of the inter-billing.

Second, guideline of the capacity utilization is remain same. So we are going to achieve around 20% of the capacity from HVAC and next year we are going to achieve around 50% from HVAC. Of course, KRN Heat almost full so there we no able to increase on capacity.

Mitesh Bhandari: So in terms of total numbers, what is the revenue which we should expect for Q4 and for next financial year, sir?

- Santosh Kumar Yadav:** Number, of course, I cannot share but capacity utilization I already describe, so maybe you have to calculate.
- Mitesh Bhandari:** Okay, okay. Fair enough, sir. And with respect to the exports, you have clarified now that the US and Europe market, etcetera, are now -- a little better position now the tariff positions are clear. But we've also been doing some export to Saudi and Middle East, etcetera. Are we seeing any growth and continuity in orders, repeat orders in that market or further penetration in the Middle East market as well?
- Santosh Kumar Yadav:** So Middle East market actually, we have same customer and we are supplying to them and you can see number is increasing well from UAE as well because UAE market also doing good. And even last quarter, we already declared the news we got one, almost INR20 crores single order from UAE market only. That is this quarter we are going to supply.
- Mitesh Bhandari:** Okay. So we further continue to tap the UAE market or our focus is going to be initially more on US and Europe?
- Santosh Kumar Yadav:** Actually, UAE market for us is not so big. So whatever customer we are supplying, of course, they will remain same, whatever they are increase we will enjoy. However, our main focus is on Europe and USA market.
- Mitesh Bhandari:** Okay. Fine, sir. Thank you.
- Moderator:** Thank you. The next question comes from the line of Jitesh Thakur, an investor. Please go ahead.
- Jitesh Thakur:** Yeah, good afternoon. Can you hear me?
- Santosh Kumar Yadav:** Yes, yes.
- Jitesh Thakur:** First of all, Mr. Yadav and team, congratulations to the management team on a strong and more importantly consistent execution. I have a larger vision to share on to just know as the company is clearly on a strong growth trajectory, good governance and strategic guidance has become very important. Could you share some insights on how you are strengthening the role and composition of independent directors for the expedited growth that we can see in the coming years?
- Santosh Kumar Yadav:** So, as of now, whatever we have four, of course, experts from like CS side and Finance side, so we are taking advice on the meetings from them. And coming years, we will try to add some more experts or more industry experts or you can say professionals much more we will add maybe one or two, three. So maybe next year you will able to see on our Board. So, as of now, four independent directors they have expert in two in finance, one is CS side.
- Jitesh Thakur:** Okay, okay. But yes, that is my strong suggestion because as I see as you are growing on a very as per your guided trajectory, a strong and able independent directors would really help you in that effective checks and balances in the company as the company is scaling up. Thank you.
- Santosh Kumar Yadav:** Yeah, thank you. So we noted down your suggestion but, however, we are working on same as well.



Jitesh Thakur: Yes, please.

Moderator: Thank you. The next question comes from the line of Manan Goyal from ICICI Securities. Please go ahead.

Manan Goyal: Thank you, sir, for the opportunity. Just wanted to check like you mentioned -- hello, am I audible?

Santosh Kumar Yadav: Yeah, now you are audible.

Moderator: Yes, sir, you are.

Manan Goyal: Yeah. Thank you, sir, for the opportunity and good set of numbers. Just one question, you mentioned that you will be able to achieve capacity utilization of 20% in FY '26 and the maximum revenue peak revenue from this new capacity will be around INR2,000 crores. So if I do the math, then around INR400 crores will be coming from the new capacity, right, in FY '26?

Santosh Kumar Yadav: No, I think there is some maybe confusion because our earlier was because numbers, of course, I cannot share in detail. But our total what we said when our turnover was like INR300 crores and then 6x if you compare to. So the total capacity of the including existing and new facility is like that. And from new facility, we are going to achieve around 20%. So that is the calculation.

Manan Goyal: Okay. Understood. Got it, sir. And I see that your gross margin on a consol basis...

Santosh Kumar Yadav: Your voice is not clear. Can you loudly?

Manan Goyal: Hello? Am I audible?

Santosh Kumar Yadav: Yes, yes.

Manan Goyal: Yeah, I see that your gross margin on a consol basis has contracted by around 5% year-on-year. If you can give me the reason for this regarding.

Santosh Kumar Yadav: So, as I said before, so there is two reasons which seems to visible clearly; one is inventory gain, and second is the backward integration in term of sheet metal and header component.

Manan Goyal: Yeah, I just want to know like they are contracted -- they are contracted on a consol, on a stand-alone basis, but they have expanded on a consol basis. So the main reason is inventory gain, right?

Santosh Kumar Yadav: So consol basis, because in HVAC, we are making this backward integration and also new component like Bus Air Conditioning and Bar and Plate also from HVAC and there is our margin is slightly up compared to existing product.

Manan Goyal: Okay, got it. Thank you, sir.

Moderator: Thank you. Next question comes from the line of Mohit from Shubh Labh Research. Please go ahead.

Prateek: Hi, Mr. Yadav. Thank you for the opportunity again. This is Prateek this side.

Santosh Kumar Yadav: Yes.

Prateek: Mr. Yadav, I just wanted to understand the behavior of suppliers at this point of time, because I know you have alluded to this question earlier but just wanted to get some more sense on it. Since the volatility is so high, are the suppliers working on as and when basis or are they honoring the commitment or they are revising it very quickly? How has been the behavior of the suppliers at this point of time, particularly for aluminum and copper? And will it be possible for you to break up the bill of material, BOM, roughly how much aluminum consists of it and how much copper contains?

Santosh Kumar Yadav: So for us, of course, aluminum foil we have like you can say top of the supplier from the world, so they are reputed. So they can't do nothing. Whatever contract we have, they are honoring in well. However, in copper, there is one slightly change that earlier LME, we can book like settlement during the day, we called CSP, but now they send the letter to all OEM not to us that they have to charge some premium because volatility is too high and they backward I think from there buying cathode.

So they have to charge as a premium particular I think USD200. So that they want to add to us as also. But, however, as a supplier because we have for copper three to four suppliers, they are also top one in the world so they can't -- because our buying is also good so they are keeping as well. Secondly, main containment in our cost sheet is, of course, copper which contribute I think 40% to 50% based on like product and aluminum contribute 10% to 15%.

Prateek: Understood. This is very helpful. Aluminum 10% to 15%, copper is 40 to 50% of our BOM. This is very helpful. Mr. Yadav, the second thing I had in mind you know I would like to get your opinion also, this is not an ask from you at this point of time since business is evolving and graduating from here. Will it be possible going further to share some order book status or some number there, you know, what can be the execution in say next six to nine months or one year timeframe, given these are very hard coded contracts from the customers?

Santosh Kumar Yadav: I said before also because our customer is not project base, so of course slightly project base also like 1% or 2% you can say. But our order book is like rolling base. Like our main customer, they share us almost six month of their total forecast and then one month is firm order and then it's rolling.

So, of course, data center we are receiving some big orders, like single PO you can say earlier it was less number but now it's really good number of single PO. That is we are going to achieve good numbers from data center.

Prateek: Got it. No, understandable. One small question, so talking to many capital good companies, Mr. Yadav, we get a sense that to a certain extent, few customers are also in a wait and watch position to an extent where they have kept the orders on furlough where they are just waiting and

watching because of this raw material thing and then second, the geopolitical issues also. Are we also facing any of this challenge in our business, Mr. Yadav?

Santosh Kumar Yadav: No, because our customer is not project company, like I said, of course, if data center like main company like Google, they not release the order to our customer so, of course, they will not come to us. But once they have order, so they of course sent order to us because delivery they need some time, two or three months. So maybe main customer can wait the metal maybe settle down the things, but our customer is not on the same page.

Prateek: Understood. So it might trickle down, but as of now it's not happening. If Google stops the PO or let's say puts anything on furlough, it might trickle down to us but as of now you are saying is not happening?

Santosh Kumar Yadav: Yes, for us is not happening. And of course, this price is slightly up because we work on average, so directly not hit to our customer as of now.

Prateek: Understood, very helpful. Just last question from my side, Mr. Yadav. Any new significant hire at the top management level we have done? I know we are working on it, so just wanted to get an update. Nothing more than that.

Santosh Kumar Yadav: If you see, of course, on the last call, I think before last quarter is happened so we have Export Sales President and we have one President for Food and Non-Food business for like this Dry Cooler and Ammonia business. And then three directors we added as Operation Director like in Bus Air Conditioning and earlier team was quite old. But now still some middle management or some maybe one or two top management still we are searching. So, hopefully, within this quarter also we will fill whatever is required.

Prateek: Got it. I just missed the second part after the Chief of Sales Exports, the second position you discussed about?

Santosh Kumar Yadav: There is one Sales President for Food and Non-Food business for complete product like Dry Air Cooler and Ammonia.

Prateek: Okay. You mean the chillers or the freezers which are inside the shops, etcetera?

Santosh Kumar Yadav: No, no if you see our websites, we give now -- we updated our website and there is the detail about all our products. So there you can see we added refrigeration and complete HVAC system so there is the you can detail with photographs so maybe you can study.

Prateek Desai: No, no I'll definitely go through it. Very helpful Mr. Yadav always pleasure speaking to you.

Moderator: The next question comes from the line of Vignesh Iyer from Sequent Investment.

Vignesh Iyer: So my first question is on -- so the current order book that we have, just wanted to understand with so much volatility when it comes to raw material are this orders cost plus orders where we pass on any rise in the raw material cost or how is the agreement in general with our customer?

Santosh Kumar Yadav: So our order of course not linked to material volatility because we work on average. So now we are applying like October, November and December and we able to supply January, February and March. So now our price will change from 1st of April based on this running quarter average. So same contact we have almost with all customers and they agreed on that and they are continuing with orders because they -- main customer is not project based.

They are running whatever output they have to achieve so they have to order heat exchanger of course we have to supply on the same bit. And it's not linked to they are waiting for material to settle down the things. And then they will release order to us and then we will execute because we work on average only.

Vignesh Iyer: So how do we book our raw material I mean when we get the order, do we book the raw material immediate basis when we get the order to hedge ourself?

Santosh Kumar Yadav: No, no. So actually so roughly like if I need like 300 ton copper tube in a month. So we like plan our full container load, so one container like 20 ton and then based on then size and based on that we make the container full one size or sometime two size in one container. And then weekly basis we settle down the LME.

And then we like before, we raise the order to our vendor. And then once shipment is ready or before shipment start we can book the LME based on that they apply the LME and then they supply to us. So it's you can say like similar average way.

Vignesh Iyer: Okay. So sir it would be fair to assume right sir that there is some risk of raw material in our books when it comes to such contracts right? Because the order that we have booked and the average price would have some difference in terms of value?

Santosh Kumar Yadav: So sometime if ordered like, we not linked to our booking with order. So we like linked to whatever we has to use in three months. And then we apply to our customer this three-month average. So in term of total if you see it's link maybe some order if you link to -- we are doing on 11,000 but we booked on 13,000 but next month we will bill maybe 13,000.

And of course we buy maybe 12,000 or it can be 14,000. But quarter-to-quarter basis settle but it's not hit to because we always keep 2.6-month inventory. And of course, 20 days or maybe sometime two week or three week in under transit so it's direct not hit to us and of course not to our customer.

Vignesh Iyer: Okay sir. Sir just one more question I might have missed a commentary earlier regarding Sphere Refrigeration Systems. Sir can you tell me what is the total revenue of Sphere Refrigeration Systems and what kind of growth can we see from next year probably.

Santosh Kumar Yadav: So the Sphere Refrigeration and there was the two company they have one is the Sphere Thermal and one is the Sphere Refrigeration. So main business they do in Sphere Thermal but they already like had some agreement with some other guy and they already sold that company before six months with like aligned with us.

But we bought Sphere Refrigeration so they have not good numbers in Sphere Refrigeration, very less I think top line maybe INR2 crores INR3 crores only. But Sphere Thermal they did, I think INR40 crores or INR50 crores and they did this business around 12, 12 years plus. But market scenario is like that market is total almost INR1,000 crore plus in India as of now.

And growing 20% to 25% year-on-year basis. And both for electric bus air conditioning and conventional bus air conditioning. So we are making both electric bus air conditioning and conventional. And of course, this business main things is, you have to open service center PAN-India based because customer need service on immediate basis.

So we already opened four service center in like one is in Indore, one is in Noida, Delhi and Ahmedabad we are going to open. So our target is next six to seven month we will able to open at least 20 to 25 numbers service center in PAN-India based. And sorry we already hired almost 10 to 15 sales team.

And going to going to hire already hired some numbers I think 50 plus service technician but still we are going to hire. So if you can say in next six month we will have complete PAN-India base service center with technical team, service team and the sales team. So that is the main criteria of this bus air conditioning business which we are going to achieve 15% sales of top line from next year.

Vignesh Iyer: 15% sorry I missed the part?

Santosh Kumar Yadav: For top line of the bus air conditioning complete business so we are going to achieve around 15% in next year.

Vignesh Iyer: Of our total sales is what you mean?

Santosh Kumar Yadav: For total sales of bus air conditioning in India.

Vignesh Iyer: Okay and this this product primarily would be manufactured in our new facility right?

Santosh Kumar Yadav: Yes it's already started so last quarter also we did some billing and this quarter is also we are doing to billing including one OEM.

Moderator Thank you. The next question comes from the line of Aditya Sharma an Individual Investor.

Aditya Sharma: Sir considering the recent investment in the bus AC segment could you provide some guidance on its expected revenue contribution over two to three years?

Santosh Kumar Yadav: So this earlier question is the same because this coming year we are to see revenue 15% of the bus air conditioning industry total market size. And then of course there will be 30% to 40% of the growth because industry also growing on same way. And we are the new so based on our backward integration and our like quality of the product so we will be the one of the key vendor for bus air conditioning industry.

Moderator: Thank you. The next question comes from the line of Tej Patel from Niveshaay Capital.



- Tej Patel:** Sir just wanted to get an idea on the data center side of the business. So today if you look at the major HVAC suppliers, are we -- you know, are they customer to us maybe let's say I mean just wanted to understand today all of the data center HVAC suppliers are they customer to us. And then when you say 15% of the revenue in this quarter came from data center is it India or is it some other country?
- Santosh Kumar Yadav:** So as of now major from India only. Slightly we did export also for one of our customer in Europe for data center. And so you can say main revenue in India and as of now we have almost all except one. And for one also we did like NDA and we they asked last week for bidding and we did the bidding and we have L1 position on bidding. So we are expecting, hope we will start from this one customer also who is in majorly in data center.
- But other than one already we are supplying to all for data center. And that's why I am saying, whatever revenue will come in coming year from data center so our percentage will increase and expecting 50% of total revenue to us based on our quality and of course infra and new facility and our cost.
- Tej Patel:** Got it. And sir so sir when you say L1 is it project-to-project basis or then when you say you L1 so you entered the supplier list and are you the sole supplier for that HVAC system supplier or it will vary?
- Santosh Kumar Yadav:** No actually so they have some process to year-on-year basis whatever their total buying so they complete bid I think with more than I think 80 or 90 SKU. So they did quantity and then price and then total price comes and then we did the bidding and then based on that we L1. So now consolidation is going on for bidding. And then I think we have to supply two samples and then supply will start. So L1 means they have already existing supplier and they enter to us to as a new supplier.
- Tej Patel:** Okay so is it right to assume for any projects that your current HVAC supplier gets you would be the sole supplier in India?
- Santosh Kumar Yadav:** No. We are not like based on project-to-project but we are not sole supplier for all of course you can say some of customer we are the major supplier. So maybe 80% we and maybe 20% they are buying from our competitors some small quantity. So it's based on like project or their regular requirement they decided and then they offered the order.
- Tej Patel:** Got it. And sir for the 20%-30% of the suppliers who are competing with us is it all imported or is it manufactured in India by some MNC?
- Santosh Kumar Yadav:** In India manufacturing in India but one MNC you can say but other is Indian supplier only.
- Tej Patel:** Sir is it possible to name the peers?
- Santosh Kumar Yadav:** I think as of now unable to share however we will share yeah.
- Tej Patel:** And sir when you say you are receiving inquiries you know incremental inquiries from -- for the data center is it the India market or the European or the UAE markets because what we



understand UAE also pushing hard for the data center capex. So just wanted to get your view on the inquiries part of the side is it India or exports as well?

Santosh Kumar Yadav: So majorly we receiving from India only however we have inquiry from USA one of customer for data center and Europe as well. For UAE I think there is no local manufacturer there to make the data center however whatever is top 10 so almost 6 to 7 we already supplying to them. So I think if they have new facility in UAE of course we can able to supply to UAE. But as of now we didn't have inquiry from UAE for data center but we have from Europe, USA and of course majorly from domestic.

Tej Patel: Okay got it. And sir for liquid cooling do we have solutions because I think there is different kind of heat exchangers are used right? Just wanted to understand that part of the business as well because...

Santosh Kumar Yadav: So liquid cooling have like two option one is the, we called CDU and CDU have I think plate heat exchanger which we are not manufacturing. But outside is the same heat exchanger maybe chiller or dry air cooler. So for chiller we are making and of course, for dry cooler we are making heat exchanger as well we are making complete dry air cooler as well.

Tej Patel: Okay but for D2C we are not making the heat exchangers like the air one okay got it...

Santosh Kumar Yadav: CDU we are not making yes.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Santosh Kumar Yadav for closing remarks.

Santosh Kumar Yadav: So thank you all to joining. And I again -- I request to come to like all investor on our -- this opening ceremony of new facility on 11th of March. So if possible please book your calendar and send the information by mail to our CS or maybe to me. So we will maybe -- the logistic part we will take care. And of course, if you need some timing we will share. And expecting same like good numbers in coming quarter including data center and of course, from export side. So thank you, thank you to all.

Moderator: Thank you. On behalf of Dolat Capital Markets Private Limited that concludes this conference. Thank you for joining us. And you may now disconnect your lines.