Date: 10th November, 2025

To,	To,
BSE Ltd	National Stock Exchange of India Limited
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Script Code: 544263	Script Symbol: KRN

Subject: Transcript of Investors/Analysts Call held on 6th November, 2025

Dear Sir/Madam,

With reference to our letter dated 31st October, 2025 in respect of Investors/Analysts Call, held on Thursday, the 6th November, 2025, 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
Digitally signed by Jitendra Kumar Sharma
Date: 2025.11.10 16:01:16 +05'30'

Jitendra Kumar Sharma
Company Secretary

“KRN Heat Exchanger and Refrigeration Limited

Q2 FY26 Results Conference Call”

November 06, 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
MR. JITENDRA SHARMA – COMPANY SECRETARY – KRN HEAT EXCHANGER AND REFRIGERATION LIMITED

MODERATOR: **MS. HIRAL PAREKH – DOLAT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the KRN Heat Exchanger and Refrigeration Q2 FY26 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. I now hand the conference over to Ms. Hiral Parekh. Thank you and over to you ma'am.

Hiral Parekh: Thank you Huda. Good morning ladies and gentlemen. On behalf of Dolat Capital, I am pleased to invite all of you to the Q2 FY26 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. Now, without taking much time, I hand over this call to Mr. Santosh Kumar Yadav for the opening remarks and then we will open the floor to the Q&A. Over to you Santosh sir.

Santosh Kumar Yadav: Good morning all. So, I think opening remarks will be by Jitendra. So, once we finish, I will answer for questions answers.

Jitendra Sharma: Thank you Santosh sir. Good morning everyone. I Jitendra Kumar Sharma, Company Secretary of the company. I am having with our Chairman and Managing Director Santosh sir and CFO of the company. I hope you are all doing well. It is truly good to connect with all of you again.

As we discuss KRN's performance for the second quarter and first half of financial year 26, I want to begin by sincerely thanking each one of you for joining in today. Your time and continued engagement with our story means a lot to us. The first half of this financial year has been a very encouraging period for KRN.

We have maintained a strong growth trajectory, executed well our plans and taken several steps that strengthen our foundation for the years ahead. Starting with our standalone performance, total income for Q2 FY26 stood at INR227.22 crores, showing a solid year-on-year growth of 126% compared to INR100.48 crores in Q2 last year.

EBITDA for the quarter came in at INR29.60 crores, up 69% from INR17.56 crores and net profit almost doubled to INR23.66 crores from INR12.11 crores, a growth of 95%. For the first half of FY26, standalone total income was INR344.35 crores, higher by 73% compared to INR199.2 crores in Half 1 Financial year 25.

EBITDA stood at INR49.38 crores, up 43% and net profit increased by 66% to INR39.33 crores. On a consolidated basis, total income for Q2 stood at INR154.46 crores, growing 67% year-on-year EBITDA, was INR30.25 crores, an increase of 67% and net profit rose to INR17.99 crores, up 46% compared to the same quarter last year. For H1 FY26, consolidated income was INR273.3 crores, up 44% over last year.

EBITDA stood at INR47.85 crores, up 34% while net profit was INR30.43 crores, higher by 25% compared to the same period in financial year 25. The standalone figures are greater than the console figures due to inter-company sales with our subsidiary companies. This growth came on the back of strong execution, better capacity utilization and sustained customer demand across both domestic and export markets.

Our export business in particular has seen good contribution this year with continued strength from markets such as the UAE, the United States, Canada and Italy. Our Neemrana manufacturing facility continues to ramp up well and has started delivering many meaningful efficiency gains. The plant's performance is helping us improve delivery timelines, optimising costs and maintain quality standards that KRN is known for.

Alongside this financial progress, we have also taken strategic steps that we believe will shape our future growth path. Our subsidiary, KRN HVAC Products Private Limited has signed a business transfer agreement to acquire the best air-conditioning division of spare refrigeration systems Private Limited. This is an important step that expands our presence in the automotive HVAC segment and adds new technological capabilities.

Additionally, we have recently assigned CRISIL A negative ratings with a stable outlook for our bank facilities. This recognition is a strong validation of our financial discipline, credit strength and operational consistency. Both these developments are recent and while they have not contributed to the H1 FY26 performance, they set the stage for the next leg of growth of KRN.

Looking ahead, we remain optimistic. The overall HVAC and refrigeration industry continues to strong demand momentum supported by infrastructure expansion, sustainability goals, and energy-efficient adoption. With our growing product portfolio, manufacturing strength and dedicated team, we are confident of maintaining this positive direction in the coming quarters.

Before I close, I would like to thank our employees, customers, and partners for their constant support and belief in what we are building. Each achievement is a collective effort and it is your trust that drives us to do better every quarter. We look forward to another great quarter ahead and now welcome your questions and thoughts. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question Vivek Patel from Ficom Family Office. Please go ahead.

Vivek Patel: Thank you. Thanks a lot for the opportunity. Please pardon my question as this is the first time I'm looking at the company. The first question was, what percentage of our revenue do we drive from the oil and gas sector? And if you're not doing it at this point in time, do we have plans to enter that segment?

Santosh Kumar Yadav: Yes, Mr. Patel. Actually, oil and gas basically use a different type of heat exchange like a salient tube type, but we are making only salient tube type. So, our scope in oil and gas is limited. Like some refineries is there may be refrigeration cycle or something used. So, basically, that we are supplying, but main heat exchanger use are this salient tube type. So, our scope is limited in particular this industry. However, whatever is needed in this industry, we are trying to like use the same.

Vivek Patel: Okay, understood. And secondly, I just wanted to get your view on heat exchanger segment or sector as a whole, not just finned tube, but heat exchanger as a whole. What we think is the competitive intensity of this industry? When we compare it across size, say, for example, intensity in less than 1 ton to 20 tons per tons per sales, 20 to 100 tons and 100 plus tons, for example, how do you think that intensity is amongst these segments?

Santosh Kumar Yadav: Actually, we have not like have data or something like that what you asked, but we like to believe there is a segment like industry-wise, maybe data centre cooling or refrigeration side, then automotive side and then like refrigeration, then room air conditioning. So, also depends on tonnage.

It's linked to like room air conditioning have less tonnage and then commercial side have multiple tonnage, including then power plant cooling or maybe thermal cooling and something like that. So, it depends on the case like room air conditioning segment is quite big compared to in term of percentage, but commercial side is less in term of value or maybe in percentage.

So, mainly we are solving on the commercial side, very less in room air conditioning side, but especially now commercial side growth is compared to room air conditioning is quite good. Room AC we believe around 10%, but commercial side around 20% to 25%.

Vivek Patel: Okay. And other than the HVAC industry, which other sectors do you think they will contribute to our growth within the next three to five years?

Santosh Kumar Yadav: HVAC growth in India, because it's linked to like infrastructure, then AI or data centre cooling, then automotive, especially bus air conditioning, then train, metro. So, it's of course linked and we believe it will be continued in term of commercial, it will be continued around 20%, at least for next 10 years.

Vivek Patel: Okay. And just last question, if I can squeeze in about the exports. In the previous call, you had mentioned export target revenue share of 50% in three years time. I just wanted to know what would be your strategy to achieve that export revenue share and more importantly, what is our right to win in the international segment? Thank you.

Santosh Kumar Yadav: Yes. So, internationally actually requirement compared to India, especially in commercial is huge, especially in North America and Europe. And earlier we have like limited capacity with less infra. So, a new factory we try to build good infra in term of internationally, maybe compared to internationally almost the same and we have good space now, almost 600,000 square feet. So, we build factory, try to achieve like export only.

And for that, now we are already started the production. So, we are supplying sample and we are receiving some order also. Secondly, we hire team also. So we hire one person for export sale only, still today in Europe also. So, now we will be only responsible for export sales. So, what we said in particular heat exchanger segment, finned and tube type, we will achieve 50% in the next three years.

Vivek Patel: Thanks a lot for your time, sir. All the very best. Thank you.

Santosh Kumar Yadav: Thank you.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Okay. So, just clarification first up, you just mentioned that 20% growth for next 10 years. So, I mean, we are talking about industry level or company level?

Santosh Kumar Yadav: Industry growth in term of commercial air conditioning or package air conditioning.

Deepak Poddar: Okay. For that particular segment?

Santosh Kumar Yadav: Yes.

Deepak Poddar: Okay. And any kind of CAGR we are looking at for at the company level? I mean, next three to five years, what sort of CAGR we are looking at?

Santosh Kumar Yadav: So, of course, we have now new capacity. So, like new capacity is almost our 6x compared to our before one year balance sheet. So, this year we are trying to achieve around 20% and then of course, 50%, 80%. So, for us, I think it's much bigger compared to industry target.

Deepak Poddar: No. So, I missed it. I didn't get it. So, this year we are looking at 20%?

Santosh Kumar Yadav: For new capacity, we are trying to like achieve 20% of capacity utilization, what we added.

Deepak Poddar: Okay. For new capacity, we are trying to utilize 20% in the current year?

Santosh Kumar Yadav: Yes.

Deepak Poddar: And 50% in FY27?

Santosh Kumar Yadav: Yes. Next year.

Deepak Poddar: Okay. And what is our current capacity utilization?

Santosh Kumar Yadav: So, we have two like factories. One is listed and one is subsidiary. So, listed KRN Heat Exchanger, we are almost full and this new subsidiary this year, what we said 20%.

Deepak Poddar: Okay. So, the existing one, we are almost full utilization level?

Santosh Kumar Yadav: Yes.

Deepak Poddar: Okay. And for the new one, we are targeting anyways 20% that you mentioned?

Santosh Kumar Yadav: Yes.

Deepak Poddar: And what was the capex that got into this new capacity, which made it 6x for us?

Santosh Kumar Yadav: So, total is around INR350 crores, but from IPO we claim INR241 crores, but balance we have also invested. So, it should be maybe by end of this running quarter, it will be concluded. But it's tentatively INR350 crores.

Deepak Poddar: INR350 crores. And which month this got commissioned, the 6x capacity?

Santosh Kumar Yadav: Oh, it's commenced 30th of May this year.

Deepak Poddar: 30th of May. Okay. Understood. And on the financial front, our gross margin saw a big improvement. So, just wanted to understand what led to the improvement and how sustainable we see it?

Santosh Kumar Yadav: We said before also, so our like gross margin is similar to like around 20%, but it's sometime quarter-to-quarter it can be changed because we change price in each quarter. So, if material up and then we can get some maybe price or raw material, something like that, but it is like 20% is sustainable.

Deepak Poddar: Okay. So, this quarter was around 32%, right – 31%, 32% gross margin?

Santosh Kumar Yadav: No. So, I'm talking about EBITDA. So, that's why gross is similar to EBITDA.

Deepak Poddar: So, EBITDA margin, I think this quarter was close to 20%. So, that is sustainable, that's what you are mentioning?

Santosh Kumar Yadav: Yes. That's my mistake gross and EBITDA.

Deepak Poddar: So, we are talking about EBITDA margin. And just one final thing on this acquisition front, can you throw some light on its, I mean, revenue and margin details and what, how much we had to pay for this acquisition?

Santosh Kumar Yadav: So, what happened is actually now we have earlier we are supplying or now also supplying some of special bus air conditioning. And we thought there is a good scope in coming years. So, as of now market is around INR1,000 crores for total bus air conditioning, including conventional and electric bus both and there is three major in player in India. So, they are sharing almost one computer, you can say 50% and the rest of 25-25 including export.

And if we compare to all three, so we have much backward integration in compared to all of three. So, we have new facility, but we don't have technology that time and know-how. So, that's why we acquired this company. Basically, they are running by three of professional earlier they are working in same industry and they are running this company since I think 12 years from now, 12 to 13 years.

So, now we try to not give some value, but we merge this company in terms of like their technology know-how and all employee, their asset and their store. We just paid for asset and their technology and then we merge, but value is not much. But now it will run by this same team only. We already started the production and we build some like 10 to 20 members as of now and coming year, we will achieve good numbers from this business as well.

Deepak Poddar: So, basically what you're trying to say, this acquisition is more from the perspective of technology know-how and team that we are getting through the acquisition. Right now, they're not doing much revenue, but next year we are expecting some kind of revenue jump up to happen from this?

Santosh Kumar Yadav: Yes. Because industry also, this bus air conditioning is growing 20% to 25% per year.

Deepak Poddar: Okay. And I mean, next year, how much contribution can come from this acquisition? I mean, any ballpark number?

Santosh Kumar Yadav: So, as per our plan it's around INR160 crores we are planning, but as of now like merge in same what we have told before. So, top we are not changing. So, it's because backward indication means we will make heat exchanger and then tubing and then our heat metal part from same facility. So, it will be like mixed.

Deepak Poddar: And the margin profile will be similar, what we are getting?

Santosh Kumar Yadav: It is similar to our heat exchanger or slightly up.

Deepak Poddar: All right. Okay. That's very helpful, sir. I mean, that would be it from my side all the very best to you.

Moderator: Thank you. The next question is from the line of Jayshree Bajaj from Trinetra Asset Managers. Please go ahead.

Jayshree Bajaj: Hello, sir. First of all, congratulations on the good set of numbers. My question is for in the H1, FY26, the UAE contributed almost 47% of export revenue and followed by USA 20% and Canada 18.86%. So, what specific investment is planned for the North American market considering its strong contribution to sustain the growth momentum beyond Asia, that's my first question?

Santosh Kumar Yadav: So, actually, when we started export, we started to UAE first. So we have customers so same customer their buying is increasing. So, that's why its percentage is increasing, but now we are more focusing on especially for Europe and North America. So, now whatever growth we will receive, we will receive from North America and Europe only. UAE, I think it will remain same, but in terms of percentage, it will be down once the number will increase from North America and Europe.

Jayshree Bajaj: Okay. And can you elaborate on your R&D initiatives and the role of Thermotech Research Laboratory subsidiary?

Santosh Kumar Yadav: Yes. So, since like last year and before, I think from now I think one year. So, we have new companies, 100% subsidy of our listed companies, Thermotech Research Laboratory. So, mainly try to make like as a separate identity and third-party lab. So, it's almost now ready. So, hopefully, next month it will start from like in terms of testing. Installation almost completed. Now, some fine-tuning is going on.

So, once it will start, so we will test our existing heat exchanger and now we are sending PP to our existing customer and new customer because if they need some value engineering or value addition on existing product or if they want to some new product development, so that we will help to develop together. Because earlier, we can like use simulation by software only or customer have to test, but customer already have some new development in pipeline.

So, it will be delayed much less compared to our expectation or sometimes they can take heat exchange from our competitor. So, to like make the plan particularly that thing, we added new geometry. Now, we have almost 20 geometry in terms of finned tube heat exchanger and then we have laboratory. So, now we can offer to our customer, you just come to us and for you we can design, we can test and then we can supply our product.

Jayshree Bajaj: Okay. Got it. Thank you.

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

Hardik Gandhi: Yes. So, congratulations on a good set of numbers. Just wanted to know that are all phases operational in the new subsidiary?

Santosh Kumar Yadav: Sorry, can you repeat?

Hardik Gandhi: So, are all phases operational in the new subsidiary? I think we had multiple phases in the new plant. So, are they all operational?

Santosh Kumar Yadav: Yes. Now, bus air conditioning, you can say we are trying to add some new assembly line because earlier they have some conventional or small lines. So, this line we will try to set up by end of December or early January. Rest other components already we started the production and we started the supply to our customer. However, now we are adding new customer as well as some supply to new sample to additional OEMs for all new components.

Hardik Gandhi: Understood. And what was the reason for inter-company sales because I saw that although the standalone numbers, top line was way higher than the console numbers? So, can you help?

Santosh Kumar Yadav: Actually, what happened because as per our earlier plan, we have to start this new subsidiary before two months, three months when we started before May. So, especially for imported raw material like especially for copper and aluminium, we have to give to plants to our vendors almost six months or four months before.

So, based on our plan, we already ordered to them and they have to open our new company vendor code and sometime like in August, we are receiving open account OA. So, they can have sign-ups or maybe insurance back side especially for China and then Vietnam factory. So, especially in new factory, they have not opened at all, not opened the vendor code. So, that's why we decided that we can buy the material in KRN Heat Exchanger. So, once we receive the material and then once we started, we ship this material to new entity. So, that is the reason mainly.

Hardik Gandhi: Understood. So, going forward, I am assuming this will not be the trend?

Santosh Kumar Yadav: Now, this is not much for sure, but particular this quarter and next quarter, some small number will be there because some are still not open. So, some material we are still buying in KRN Heat Exchanger and we will, but by the end of this year, it will finish and from next year, almost it will be zero.

Hardik Gandhi: Understood. And are we already experiencing the additional margin from the PLI scheme as well as the state government scheme which we were benefiting from or they are yet to kick in for the new subsidiary?

Santosh Kumar Yadav: No. So, for new subsidiary, as of now we are not receiving any incentive scheme. So, PLI, what they have ruled, eligibility criteria we will receive in next year only because we entered in mid of the scheme. So, what top line they are asking, if we will not achieve, then for sure we will achieve in next year. So, we are assuming PLI will benefit, we will receive next year for sure. And RIPS, we already applied. So, hopefully next four to six weeks, we will have approval. So, once we will have approval, that day it will start. So, still RIPS also not started and PLI also not.

Hardik Gandhi: Understood. And just on the ramping up side, are we given that such big expansion we have done, are we seeing any big player entering our segment or second is, are we very positive about our future demand at least for the new capacity in the next two to three years?

Santosh Kumar Yadav: So, you can see in new segment like we added multiple part numbers. So, I can maybe explain one by one. So, particularly finned tube heat exchange, so for sure we are seeing the growth is export and domestic as well. So, just for example, data centre like this Google they announced almost INR50,000 crores investment in Visakhapatnam for data centre cooling.

So, we are assuming almost INR1,000 crores to INR500 crores value exchange that we use on particular this project only. And as of now, what capacity we have, so we are expecting at least 50% we will receive. So, like this, all segment growth is there. So, we are expecting almost 20% to 25% growth from existing OEMs for India market. And additionally, we are adding new customer from especially for export for North America and Europe side.

About refrigerator, because this is a new product for all three. So, we already started supplying for small OEMs or like also we approved by Havells recently, because Havells also going to start production for the refrigerator factory near to us from January this year, next year. So, we already approved by Havells. So, parallelly we are trying to other OEMs also. So, it will for sure will ramp up and then other than this, bus air conditioning, we recently added.

So, mass production we already started, not in big numbers, but from January there will be big numbers. So, next year for sure we are expecting good numbers, because we already have experienced team and even sales we have as of now almost 15 people for bus air conditioning business only. Other than this, bar and plate.

So, we already supplied these small numbers to Indian Railway. And by March we will complete our prototype like 6 months, we will achieve and then after six months, we will enter in tendering for at least 20% of feasibility criteria. And then parallelly, we almost developed I think 35 customers. We already signed the NDA for warranted business. So, this business also will ramp up in next year for sure.

Hardik Gandhi: Understood. Thank you so much. Just a small last question from my end. I think for the copper bought out parts as well as on the imports we were looking to source them locally from the new, I think so two new vendors were there domestically who started production. So, are we going to do that and reduce our working capital days for the inventory or we are still going to import only?

Santosh Kumar Yadav: As of now, we are 100% importing. So, because industry is like quality-wise or supply-wise or price-wise, we still have to settle. So, of course, we asked some for sample. So, as per my personal opinion, it will take at least another six months to settle down the things because Hindalco is still not started. And MetTube and Adani have joint ventures.

So, Adani industry also not started, only MetTube started. So, they are mainly, as of now they are supplying plain copper tubes while IGT also they are trying to supply in less numbers. So, once they will settle, so for sure, we will ask them for sample and then approval and then mass production.

Hardik Gandhi: Understood. Thank you so much, sir. All the very best for the future.

Moderator: Thank you. The next question is from the line of Shubham from RV Investments. Please go ahead.

Shubham: Sir, as you said that we have extended our capacity.

Santosh Kumar Yadav: Can you speak loudly.

Moderator: Shubham can you speak a little louder.

Shubham: Hello. Am I audible now?

Moderator: Yes, perfect.

Shubham: So, as you said that we have extended our capacity 6x, so can you give some guidance in terms of revenue for the coming years?

Santosh Kumar Yadav: Actually, that question, Shubham, we receive on multiple calls, but the exact number we cannot say now of course. So, but in terms of capacity, I think you can calculate by yourself it would be better.

Shubham: Okay. Can I know the current capacity of both the plants of the main company and the subsidiary?

Santosh Kumar Yadav: So, main facility, our capacity compared to if you see our last budget is almost full and new capacity, what we added. So, this year we are trying...

Shubham: Sir, I'm not asking about utilization. I'm asking about the manufacturing capacity in terms of volume?

Santosh Kumar Yadav: No, actually, heat exchanger because -- so there is two types of capacity you can say. One is in numbers. Second is in terms of maybe usage of the tonnage of the material. Because we make heat exchanger like a small one, maybe INR200 one heat exchanger and other side almost INR20 lakhs of one heat exchanger. So, that's why it's better to maybe calculate in terms of tonnage. So, that numbers I don't have in front of me. So, maybe we can send you after the call.

Shubham: Okay, sir. Thank you.

Moderator: Thank you. The next question is on the line of Mohit Chugh from Shub Labh Research. Please go ahead.

Mohit Chugh: Mr. Yadav, so my first question is on the ramp up side of the new facility. We had this question last quarter also where probably we have been writing about 20% capacity expansion of the new plant itself in FY '26, this current financial year?

So, Mr. Yadav, I know you don't give guidance, but if I do a rough math of around INR1800 crore revenue potential from the new capacity, which leads to around INR350 crore revenue from the new facility in FY '26 itself. And the existing facility already generating around INR440 crores-INR450 crores. So, is it fair to assume that FY '26 will be a year of around INR750-INR800 crores revenue for our company?

Santosh Kumar Yadav: Again, actually, numbers, I can't comment much, actually. So, for that, honestly, this is a legal point, so I can't comment much. But capacity-wise and utilization-wise, I already, I think, answered.

Mohit Chugh: Right, right. Now, Mr. Yadav, we've certainly answered about it, but I'm sorry to press again on it, because if we see the newer capacity, which is probably 6x of the last capacity, and at a time when the last capacity was INR300 crore. I mean, we were generating around INR300 crores from the older capacity?

So, from there itself, I am, you know, trying to infer that what will be the ramp up potential for the new capacity in FY '26. So, sorry to press again on it, but that's how I was calculating it?

Santosh Kumar Yadav: I think we are maybe similar thought. So, what I said, the new capacity, we are trying to achieve 20% this year and 50% of capacity utilization next year.

Mohit Chugh: Understood, understood. No, this is helpful. Probably, we'll reach out after the call to the team. Secondly, if my question is on the, you know, standalone versus console number, I think it has been asked earlier also, but I have a follow-up on the question that our consolidated revenue is lower than the standalone revenue. So, is it fair to assume, Guptaji, that the subsidiary sales this quarter was very low? That is why the purchase which subsidiary has done from the parent company has been cancelling out and yet the console numbers are lower than the standalone numbers?

Santosh Kumar Yadav: That is the same because mother company have raw material. So, he's sold to a subsidiary and subsidiary have, of course, revenue less, but once we console, then we have to reduce inter-company billing by auditor.

Mohit Chugh: Okay, okay. It means probably a subsidiary has buyed - bought raw material from the parent company, but subsidiary has not done material sales and that is why net-net revenue is coming down?

Management: Yes, yes.

Mohit Chugh: Understood, Guptaji. I've been very helpful. My last question, Mr. Yadav, is on the recent acquisition which we have done. So, you know, I just wanted to understand because if you look at the company's website and, you know, try to understand what the company has done so far in its history of existence, it seems that the revenue of that company is not material?

So, first of all, is that assumption fair? And then secondly, you know, how much revenue potential do you see given the technology we are buying from the company? And will it give us an entry to railway coaches, passenger coaches segment also from this acquisition if it materializes further?

Santosh Kumar Yadav: So, I think I not clearly heard, but however, I try to reply once it's not complete and I can reply again. So, this company actually, this promoter, I think they left, there is a Sparrows Motherson, they work with Sparrows Motherson. So, the two guys within sales and one guy in operations.

So, they came out and they founded two companies. One is Spare Thermal Refrigeration and one is Spare Refrigeration System Private Limited. So, main company was Spare Thermal System Private Limited.

So, they started and I think they achieved maybe top line, I think maximum, I think 40 or 50 crore only, but they are unable to convert this business because of a lack of working capital. And then this, before six to seven months, they come, this company, they sold to another guy because now to enter in railway business, complete railway HVAC.

Somebody wants to enter new, so he needs some experience, especially for cab air conditioning or maybe if you have some bus air conditioning, then also you can enter. So, one company bought that company, complete for this system, this spare system refrigeration - Thermal Private Limited.

And then they promoted three, they buy back bus air conditioning from their old company to this spare refrigeration. So, actually we bought spare refrigeration, bus air conditioning, but this company, I think revenue is not much, I think they top line only two, three crores.

So, now our target is because we have backward integration in terms of all competitors, we are now maybe number one and we see market is good and we have expertise, especially in heat exchanger, tubing, sheet metal, and then of course they have technology to work on this one and electricity. And market is growing at least 20% to 25%.

Third, we will enter in HVAC system for complete railway towards this business. So, once we have 500 buses experience, then we can apply for railway complete HVAC system. And this thing happening without any big investment for this business.

So, we have already like facility, including like space. So, you can say given very less investment, we added this business and of course, this will come as a complete our product. So, first bus air conditioning and then this battery management system, and then railway air conditioning for railway and then metro.

Mohit Chugh: So, it is fair to conclude that revenue from this acquired company is not very high, as you said, because of working capital constraints it has in the past, but probably technology which we are getting is the value here in this acquisition?

Santosh Kumar Yadav: Yes, because this bus air conditioning is like a little tricky, because you have to complete Pan-India based service and you have to knowledge about like dealer base or maybe bodybuilder knowledge key. So, that is a little tricky. So, that's why we need the experienced person and team who can handle this complete entire ecosystem.

Mohit Chugh: Understood. Fair enough. In fact, congratulations for this. This seems like a very meritful forward integration of the business at such an early stage. So, congratulations on that. And good numbers. Thanks a lot.

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

Shivkumar Prajapati: Hi, sir. First of all, congratulations on great set of numbers. My first question is, did we book any inventory loss or inventory gain during this quarter? And if you can help me understand, if suppose we take 20% EBITDA margin as a median, so would you be able to share the split between the products offering higher margin than 20% and products offering lower than 20% kind of margin?

Santosh Kumar Yadav: So, I think we not calculated that way. Actually, we change price each quarter. So, like mainly four times in a year. But once like metal trend is upper side, then of course, a gain is there always. But I think what we promised and what we are trying to say about this EBITDA is around 20% is, I think, sustainable for us.

And especially in next year, once we will have incentive from REITs and then PLI, and then of course, in new facility, we will have this income tax also 15%. So, of course, that will be, we can improve with adding the incentives and that we can maybe with income tax. So, both will improve from new facility.

Shivkumar Prajapati: So, will you be able to share the breakup of other expenses?

Santosh Kumar Yadav: We can share. So, maybe after call, you just maybe write down your mail ID. We will try to share.

Shivkumar Prajapati: Sure, sir. Sure. And sir, in this quarter, I came to the point that you have mentioned 26 crores was still unutilized towards the project, whereas the proceeds from IPO has already been utilized. So, can you explain where did we utilize this extra funding?

Santosh Kumar Yadav: So, mainly, this is what we like not utilize. So, down payment, actually what machine we bought, especially for import and domestic. So, some vendors have 10% balance or some have 20%, because once machine like perfectly run and everything like certifications, installation or running certification signed by our team, then we will pay. So, that is our agreed term with the vendors, and some I think still pending on solar side and the office, I think. So, this is only that.

Shivkumar Prajapati: Understood, sir. And sir, what would be your outstanding order book and how many new clients or say how many new clients we added during the quarter and did we enter any new geography or are we planning to enter some new geography?

Santosh Kumar Yadav: Geography, I think same, still same. Of course, North America, Europe and the UAE and of course, I think, Sri Lanka we added recently, last quarter. So, we already started supply some of container and about new customer, I think, because now we have multiple products.

So, I think in last quarter, I don't have exact number, but as per my opinion, I think we added at least 40 to 50 customers, but it's in compared to all components.

Shivkumar Prajapati: Okay, understood. And what would be your outstanding order book right now?

Santosh Kumar Yadav: So, order book actually, I said always in all calls because we don't have projects order actually. So, it's the rolling actually.

Shivkumar Prajapati: Understood. And sir, like UAE forms our major portion of our export. So, what is driving growth in UAE? I mean, which segment?

Santosh Kumar Yadav: Actually, in UAE, my customer is same, but their requirement is increasing. So, that's why its number is increasing. But we not added some new customer, it is only old customer only.

Shivkumar Prajapati: Understood sir, understood. And sir, like now we are presenting most of the heat exchangers. So, can you explain bit and can you explain the margin profile of this kind of heat exchangers? Like we are already in, if you can speak more of a rule bond or the bar and plate heat exchangers. So, what sort of margins does this product offer?

Santosh Kumar Yadav: So, refrigerant side like roll bond and frost free and WOT condenser, of course, margin is slightly thin compared to our existing because of big commodity and numbers are big. But the bar and plate and bus air conditioning, this both business margins are good compared to our fin and tubes.

Shivkumar Prajapati: And sir, maybe my last question. So, it's from the annual report. So, just went through it and I saw that the freight and carriage inward as a percentage of other expenses, it was around 22% for FY '25, whereas for FY '24, it was close to about 14%.

So, there was a sharp jump in this freight and carriage inward. I understand that most of our raw material are imported, but still, it's a big delta between these two years. So, can you explain the difference, why it is?

Santosh Kumar Yadav: So, I don't have exact reason, but what I remember, I think freight cost almost maybe changed almost two times compared to both years. However, we can maybe maybe find the exact reason for both years and maybe we can share.

Shivkumar Prajapati: So, thank you so much.

Moderator: Thank you. The next question is on the line of Ajay from Niveshaay. Please go ahead.

Ajay: Congratulations. Encouraging to see the new facility getting ramped up. So, my question is, is the higher uptake mainly like increased volume from existing customers or are we successfully penetrating newer markets or securing new customer addition?

And is it like the growth has been driven by traditional application like of these products like the HVAC or and the new emerging high growth sector like data centre where you mentioned like maybe India has announced like a significant size of opportunity.

So, is it like the newer growth is being driven by these high growth area and on that data centre comment which you made like 50,000 crore opportunity? So, what would be the addressable market for KRN and what sort of market share are we targeting to that market?

Santosh Kumar Yadav: So, actually heat exchanger of course our existing customer like their buying is increasing, their demand is increasing and we are also adding new customer and then revenue we receive from existing as well as new component as well. So, especially for this refrigerator and then some bar and plate and then bus air conditioning and some tubing side. So, if we close and then we totally can safely increase.

Secondly, of course we are trying to achieve all industry, our revenue especially data centre of course, they are because their growth is quite good. So, we have already customers and what we don't have. So, we are trying to like taking board also for these customers

And the second like third one especially for this Vishakhapatnam project. So, as per my opinion heat exchange requirement will be I think INR1,500 crores for this project and we are expecting at least 50% of order to us, because especially data centre pooling requirement is a big heat exchanger and we can say proudly as of now we have only such facility to make big heat exchanger with good infra. So, we have capability, capacity and space.

Ajay: Sir, so on the data centre side like is there any technological advantage that we have or any mode that we have which maybe that allows us to like maybe forecast such a higher market share in the market. So, if you can comment on that like any technological difference which we have between like maybe a normal HVAC for industrial system and that for the data centre system, like, is there any technological difference?

Santosh Kumar Yadav: So, actually I cannot say directly technology difference, because these designs maybe do by OEMs only. So, but now we have our design centre also our lab. So, if customer want to then we can help to them to design or maybe we can help to test them quickly.

So, they can save their time but of course I cannot say due to this they cannot buy but especially because if you need numbers big. So, you must be you have capability to make in term of capacity, in term of infra, because to make big coils you need good space with overhead cranes, you need multiple station in term of space and that capability.

So, that we have now if I say earlier of course we will also don't have earlier because of space constraint, and you know not invested in much in machinery, but now we invested based to on these especially for big heat exchangers. So, that's why I am saying we are expecting at least we can get 50% by default.

Ajay: Got it, and sir, like because we project the facility to ramp up. So, maybe if you can, like going forward and maybe next one two years, how is the mix that we are seeing, like between fin and tube and the bar in plate and then the bus HVAC?

So, if any sort of mix which you can maybe provide, because margins are higher on the bar in plate and the bus air conditioning. So, what sort of mix should we envisage going forward?

Santosh Kumar Yadav: So, I said before also. So, like now we are trying to achieve or expecting 12% of PAT, but from new facility because we have in term of capacity in term of incentive like PLI then REITs and electricity saving and new income tax scheme.

So, if I club all at least for two or three years so we can have much much data, but what we are saying to market, we can try to improve at least one or one and one and a half percent of PAT, because other side about our depreciation and then these overheads will increase.

Ajay: No sir, my question was on the product mix like currently, because we have the sheet metal, evaporator coil condenser coil. So, these are existing products and then we have the newer products like bar and plate where we already got the approval and then we expect ramp up in this like Q4?

So, going forward in one two years like I wanted to know how are we projecting the revenue mix of the company in terms of the existing product category the newer products like bar and plate and the acquisition like for bus HVAC which we have recently done. So, any sort of product mix which you can share?

Santosh Kumar Yadav: So revenue, I got your question. So, actually revenue wise we not defined like product wise. However, because we have like mix also inside between, because bus air conditioning like sheet metal also we will make in house, then tubing also we will make in house and ejection also we make in house.

So, this is the like mix we have to sell inside also. So, what we like try to say we will achieve total plant capacity of 50% including all components, including our existing as well as new. However, if you need like segment wise, so we can make the paper and we can share.

Ajay: Got it. And sir like just one question on, because we like, even in previous calls we mentioned for a healthy EBITDA margins, but previously, because China had like removed the export duty on Chinese exports for aluminum and copper coils? So, like I just wanted to know some more thoughts on like how do you plan to manage these raw material fluctuations like because even recently there has been some increase in the metal prices?

So, what sort of confidence do you get to maintain a 20% EBITDA margin, because even in last one to quarter maybe because when our utilization was low and the industry was maybe suffering, we had suffered from margins. So, I wanted to know more from you, like what gives us this confidence on the margin guidance?

Santosh Kumar Yadav: Not actually material risk is not our side. So, like of course impact can be quarter-to-quarter, because if like suddenly jump or maybe some impact from duty side or maybe some anti-dumping duty side. So, we cannot pass to our customer immediately, but however next quarter we always pass and customer also always agree.

So, what your difference to see in especially in the EBITDA, like two or three percent up and down. So, it's because of this only, because sometime we can gain inventory margins or what we have impact then we can pass to our customer and next quarter. So, we will like just you can say one quarter to next quarter. So, that's why this slightly fluctuation there, but risk is not our side, we just always pass to our customer.

Ajay: Got it, and sir just one book-keeping. So, like because it has been asked like the standalone revenue is higher than the console. So, is it for some sort of a backward integration where the standalone entity is acting as like manufacturer for the subsidiary or like maybe sheet metal?

Is it something like that or it's just that we have just transferred the material as in how it is received on, like whatever the cost, and that is why, because in the standalone the margins are just lower compared to the consolidated margin? So, is this some sort of backward integration?

Santosh Kumar Yadav: Yes, this quarter mainly from, raw material only, but what you said backward integration also because in new facility we are making new bands and then sheet metal and manifold also. So, this component of course we will buy to this holding company also, but it will be not much compared to what we will this quarter, because it's quite high number, because we have all raw material, we bought in our holding company and we shift to this subsidiary.

Ajay: Understood sir. All the very best for future.

Santosh Kumar Yadav: Thank you sir.

Moderator: The next question is from the line of Yogesh Patil from Dolat Capital. Please go ahead.

Yogesh Patil: Thanks for taking my question and congratulations for the good set of numbers. Sir, in this quarter Q2FY '26, we have reported a consolidated revenue of INR150 crores approximately. How much was it from the new facility? Any idea in ballpark number, if you could give us?

Santosh Kumar Yadav: I think it's around INR33 crores.

Yogesh Patil: Okay. And what was the EBITDA contribution from the new facility during the quarter?

Santosh Kumar Yadav: EBITDA I don't have number, but of course, I think around we did minus I think around INR4 CR because interest and then depreciation. But EBITDA margin, I have to check.

Yogesh Patil: Yes, no worries. Sir, on a capital expenditure side can you help us to read the capital expenditure in terms of what is the nature of the capex, how much of the IPO process are pending for the deployment, and what can we expect going forward for FY '26 and FY '27. So, in the second half of FY '26 what amount of capex one can assume and in FY '27?

Santosh Kumar Yadav: So actually, that is still under consideration. So, I can't describe now. However, what we, like I think already did or somewhat is pending around INR25 crores. So, it's tentatively around INR350 crores in new this capex. So, I think INR25 crore is still pending. We have to invest or we have to pay to our vendors. And about next year, next to next year, we have some plans in pipeline. So, but once free then we will let you know. So, it may be in another we need 4 to 5 weeks.

Yogesh Patil: Sure sir. Thanks a lot for taking my question. Best of luck.

Santosh Kumar Yadav: Thank you.

Moderator: The next question is on the line of Heta from Monarch AIF. Please go ahead.

Heta: Yes. Hi sir. I had two questions. One is regarding the solar investments that we were planning to take up in KRN HVAC. So, by when would that be operational and what would be the cost advantage, we would have because of that?

Santosh Kumar Yadav: Solar actually there is two types. One is the like what we are making we are directly using. So because I think in house manufacturing I don't know what is the name. And second is the like on grid system. So, there is two segments. So, one is already started.

Second is another installation with government because we have to contact with grid and then transportation and then supply chain completely. So, it will I think it will start maybe next two weeks for both. So, then we will have at least benefit in terms of our, I think around half percent of saving we can say maybe in terms of revenue.

Heta: Okay. And so, I just wanted to understand how would the working capital now shape up going forward? Do we plan to keep higher inventory levels?

Santosh Kumar Yadav: No actually what happened because now we added the new components, especially for refrigeration and then bar and plate and then bus air conditioning. So that's why we have to keep some minimum level of the stock. So that's why now it's increased.

But going forward it will settle down because now we already started the SAP so we can monitor it smoothly. Secondly this Make in India copper tube and aluminum file starts so then also we can control something. So maybe in this quarter it will maybe same or slightly up but from next quarter we will try to control.

Heta: Okay. All right, so that's it from my end. Thank you so much.

Moderator: Thank you. We will take that as our last question for today. I now hand the conference over to the management for closing comments.

Santosh Kumar Yadav: Hello, yes, so thanks for attending call and still what is the guideline. We still remain same and we really appreciate our team efforts and then our stakeholder supports. So, thanks from our side and we appreciate for attending the call.

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