**Q&A Transcript**

**Moderator:** Any updates on the portfolio?

**Speaker:** As of now, we are not supplying to the nuclear sector. However, if a customer requests it, we can manufacture heat exchangers based on their design and specifications. At this moment, there are no further developments in this regard.

**Moderator:** Understood, thank you. Next, we have a question from Reina Gatani. Ma'am, please go ahead.

**Reina Gatani:** Am I audible?

**Moderator:** Yes, please proceed.

**Reina Gatani:** Earlier, you mentioned an opportunity in cooling systems for data centers. Could you provide insight into the potential market size for domestic and export segments?

**Speaker:** The demand for cooling systems in data centers is significant. OEMs with manufacturing facilities are operating at full capacity with booked orders. Just last week, we received an RFQ from a European customer with orders secured for the next two years.

The Indian market is experiencing a growth rate of 60-70%, while exports, particularly to the U.S., are also expanding significantly. Data center cooling is a strong market, both domestically and internationally.

**Reina Gatani:** Are we currently generating revenue from this segment?

**Speaker:** Yes, we have ongoing business in the domestic market with existing customers manufacturing data center equipment. On the export side, we have RFQs and have received approvals from some customers, but due to capacity constraints, we haven't been able to convert them into orders. With the new facility, we will be able to address this demand.

**Reina Gatani:** What percentage of our revenue currently comes from the data center segment?

**Speaker:** This year, we expect approximately 50% of our revenue to come from data centers.

**Reina Gatani:** How much do you anticipate this will increase?

**Speaker:** While we can't provide exact figures, we have new customers in the pipeline, both domestically and internationally. With the new facility, we are targeting an export contribution of at least 50% to the data center segment revenue.

**Moderator:** Thank you, Reina. Next, we have a question from Rat Mali.

**Rat Mali:** Am I audible?

**Moderator:** Yes, please proceed.

**Rat Mali:** In previous calls, it was mentioned that we don't work on a project basis. Our customers provide forecasts for the next 3-4 months, and we receive purchase orders on a monthly or bi-monthly basis. Given this limited revenue visibility, how do we justify a 6x capacity expansion? Have we ever faced situations where capacity utilization dropped due to order cancellations?

**Speaker:** Our business model primarily serves OEMs, which provide forecasts and open orders for about a month at a time. While we do have some project-based orders, they are minimal—for instance, the Pune Metro project, where orders were based on confirmed train orders.

Regarding demand fluctuations, our business has remained stable, with 80% of our revenue consistently coming from our top 10 customers over the past three years. Their growth directly translates to ours. For example, if a customer manufactures 100 bus units per month and increases production by 30% over three years, our supply to them also increases proportionally.

**Rat Mali:** Is there a seasonal impact on revenue, similar to the RAC industry where Q4 and Q1 are strong, and Q2 and Q3 are weaker?

**Speaker:** No, our revenue pattern is uniform throughout the year. We sometimes receive immediate orders during seasonal peaks, but due to capacity constraints, we have been unable to fulfill them. With the new facility, we will be able to address this seasonal surge as well.

**Rat Mali:** Given the strong industry growth, what is driving such a surge in demand for heat exchangers, particularly in the B2B segment?

**Speaker:** The global market for heat exchangers is vast. Our competitors, such as Modine and Luvata Group, have revenues exceeding INR 50,000-60,000 crore globally. In comparison, we are still at a much smaller scale.

Additionally, heat exchangers require high levels of customization and performance efficiency. Large OEMs prefer reliable vendors capable of delivering high-quality, customized products on time. This is our key strength, and it has been driving our growth.

**Moderator:** Thank you, Rat Mali. The next question is from Soraja.

**Soraja:** I reviewed your detailed project report, which states that your new HVAC subsidiary, with an investment of INR 250 crore, is expected to generate INR 1,000 crore in revenue by FY29. Is this still accurate?

**Speaker:** That report was based on our DRHP, which initially included only two new products. Since then, we have added four more products, increasing our investment to INR 350 crore. With these additions, we are now targeting a 6x capacity expansion compared to our current capacity.

**Soraja:** Given that INR 250 crore was expected to generate INR 1,000 crore in revenue, should we now expect INR 1,500 crore with the INR 350 crore investment?

**Speaker:** We anticipate reaching INR 1,800 crore in revenue, based on our 6x expansion. Initially, we expected to achieve these figures by FY29, but with the current pace, we now aim for FY28.

**Soraja:** Previous reports showed that fin and tube products had a realization almost 3x higher than our current product portfolio. Is this due to a shift in product mix?

**Speaker:** There is some variation in realization, as we produce items ranging from INR 500 per unit to INR 15 lakh per unit. The differences arise from product complexity and application.

**Soraja:** Your MOU mentions INR 1,000 crore in planned investment. Is this INR 350 crore part of that amount?

**Speaker:** Yes, this is part of the INR 1,000 crore investment. After achieving our current targets, we plan to invest an additional INR 650 crore, which may include existing or new products.

**Soraja:** Are there plans to enter the room AC market?

**Speaker:** While there is demand in the room AC segment, the margins are not attractive. Instead, we are considering entering the commercial side with complete assembly solutions for OEMs in the future.

**Moderator:** Thank you, Soraja. The next question is from Vijay Raa.

**Vijay Raa:** What percentage of revenue are we targeting from exports in FY26?

**Speaker:** For existing products, we are aiming for at least 50% of revenue from exports, particularly in the fin and tube segment.

**Vijay Raa:** And for FY27?

**Speaker:** I would need to calculate the exact projections, but I can share the details later.

**Moderator:** Thank you. That concludes our Q&A session. If any participants have further questions, they can reach out to Ory Capital for clarification. Thank you all for your time and insights.

**Additional Update:** The company has recently secured vendor approval from Indian Railways for oil cooler radiators used in converter transformers. The market size is 3,000 units annually, with each unit valued at INR 3.5 lakh. Competitors include Modine and Luvata Group (INR 50,000-60,000 crore revenue) and other approved railway vendors. The company is also expanding into off-road vehicles, heavy earth movers, and exports, aiming for a significant market presence.