"Hind Rectifiers Limited
Q4 & FY'25 Earnings Conference Call"
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MANAGEMENT: **MR. SURAMYA NEVATIA – CHAIRMAN AND MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – HIND RECTIFIERS LIMITED**
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Moderator: Ladies and gentlemen, good day, and welcome to Hind Rectifiers Limited Earnings Conference Call for Q4 and FY '25. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 the conference call, please signal an operator by pressing the star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suramya Nevatia, Chairman and Managing Director and CEO of Hind Rectifiers Limited. Thank you, and over to you, sir.

Suramya Nevatia: Good morning, everyone, and thank you for joining us on our maiden earnings conference call to discuss the results of Q4 and FY '25. It is a moment of pride for us to directly connect with the investor and analyst community, and we look forward to building an open and informative channel of communication in the years ahead. We appreciate your time and interest in Hind Rectifiers. I am joined today by our CFO, Mr. A.K. Nemani and Strategic Growth Advisors, our Investor Relations Advisors. I would like to start with an overview on our company post which I will ask Mr. Nemani to share our financial performance.

So Hind Rectifiers or Hirect as we are affectionately known was established in 1958 with technical collaboration from Westinghouse Brake and Signal of U.K. We were initially formed to manufacture and assemble rectifiers and related apparatus and small semiconductors.

From being a semiconductor manufacturer in the early days, we've evolved into a systems and solutions provider for Indian Railways and industrial sectors. Today, we are at the forefront of India's rail electrification and modernization journey, designing and delivering mission-critical traction and power electronics products.

We operate 2 state-of-the-art manufacturing plants, one in Sinnar and one in Satpur, both of which are in Nashik and a well-equipped R&D center in Bhandup in Mumbai. In March 2023, we expanded capacity by commissioning a new plant at Sinnar spread across 26,930 square meters.

Hirect's products offerings are classified into three broad verticals. First of which is traction transformers. We are the market leader in locomotive and transformers with about 45% market share.

Our second offering is railway power electronics and propulsion systems. We design and develop and manufacture IGBT-based converters, auxiliary converters, vehicle control units, driver display units all it goes along with it and supply the propulsion system as a whole as a package. Propulsion systems help supply traction power to wheels of the locomotive and onboard the locomotive. We are targeting 20% market share in the propulsion systems in the near future.

Our third vertical would be electromechanical systems and panels. This includes a variety of different switchgear and locomotive panels, passenger coach panels, traction motors and HVAC systems.

In addition, we cater to select industrial applications such as electrostatic precipitators, which helps for air pollution control, industrial rectifiers and variety of power supply solutions for industries like cement, steel, thermal power and mining.

At Hirect, we are not just making products, we are building platforms. Our in-house R&D team based out of Bhandup has 107 engineers, including domain experts and PhDs, currently working on 42 product development. These include both new products and strategic upgradation of our core portfolio.

The focus is very clear to develop a full suite of power electronic systems required for locomotives and other modes of rail mobility, including brakes systems, different convertors and signaling solutions. Many of the solutions we are developing, are at advanced stages and expected to go commercialize from the first half of 2026. These products allow us to increase our share of wallet in each locomotive and move from being just a part supplier to offering more complete systems. This helps us to grow both revenue and profitability over time.

We are all seeking to these products with the required standards not only for Indian Railways, but also for such as metro, monorails and the export markets, giving us. room to grow beyond our current customer base. Our core customer is Indian Railways, contributing 90% of our revenues The emphasis on complete network electrification supports long-term opportunities in traction systems and power management solutions.

Additionally, the INR455 billion allocated for rolling stock and the need for electrical components in EMUs, MEMUs, insets, and locomotives reinforce demand for Hirect's offerings. Policy support under Atmanirbhar Bharat coupled with the move away from imported systems encourages domestic procurement, an area where Hirect is well positioned being an approved vendor with a strong legacy.

In FY '25, India produced 1,400 locomotives surpassing the combined output of U.S. and Europe. Alongside 2 lakh new wagons, reflecting sharp capacity expansion. Export momentum is building with passenger coaches shipped to Mozambique, Bangladesh and Sri Lanka and locomotive sent to 6 countries, including Myanmar and Senegal. Critical components like propulsion parts are now exported to France, Germany, Spain and Italy, affirming the global quality standards of Indian Railway OEMs.

For Hirect, which manufactures traction converters, aux power units and control panels. This global orientation opens new collaboration and supply chain opportunities. Moreover, the production plan includes 17,000 non-AC coaches, a 2.5x increase in general coaches, reflecting the government's commitment to affordable transport. With Railway revenues at INR2.78 lakh crores and expenditures nearly matched at INR2.75 lakh crores, Indian Railways is now sustainably funding its operations creating a stable, expanding market for suppliers like Hirect.

We ended the year with an order book of INR893 crores, up from INR534 crores in FY '24 and INR307 crores in FY '23. Key wins include an order of INR200 crores scheduled for execution in FY '26 and INR73 crores and INR98 crores contract from Indian Railways, highlighting our strong market position. This growth is underpinned by our leadership in traction transformers where we hold a 45% market share.

During the year, the company continued to make strong strategic strides that not only enhance operational resilience, but also position us for sustainable margin -accretive growth in the coming years. One of the key focus areas has been backward integration and in-house production of critical components. This initiative is aimed at reducing dependence on external suppliers, ensuring supply chain continuity and ultimately improving gross margins. By having better control over input quality and lead times, we are also able to respond more efficiently to customer demand.

In parallel, we are steadily transitioning from being a component supplier to a more integrated systems provider. Our R&D team and product innovation efforts are central to this evolution. A strong pipeline of advanced product is underway, including next-generation converters and braking systems. These innovations are expected to expand our addressable market and increase our share in key accounts.

On the commercial front, we've adopted a more selective bidding strategy consciously moving away from low-margin orders. The focus is now firmly on projects that meet our internal return and profitability thresholds. This shift is already visible in the improvement in margin profile across the order book.

Recognizing the importance of digitization, we've also initiated steps to modernize internal processes. A newly formed IT and AI-driven subsidiary is tasked with automating critical workflows, optimizing resource deployment and enabling data-driven decision-making across the organization. This is expected to improve responsiveness and reduce operational redundancies over time.

Given our current asset base and improved asset utilization, we do not anticipate significant capex requirements to support growth of around 20% to 30% in the near to medium term. Our focus remains on sweating existing assets more effectively, thereby delivering higher returns on capital employed.

We are proud to report a robust order book of INR893 crores as of March '25, with a significant contribution from the railway sector, further supported by strong government initiatives. During the year, our Board approved the incorporation of two wholly-owned subsidiaries, Coincade Studios Private Limited which is aimed at developing next-generation solutions in the field of IT, AI and Web3 & other emerging technologies and Hirect FZ-LLC strategically positioned to expand our presence in the power generation, transmission and distribution sectors in the Middle East.

On the technology front, we have made remarkable progress, successfully completed integration tests for our indigenously developed propulsion system with Indian Railways with dispatch and commissioning finalized. We have developed our first rail product according to global standards for exports to Germany and the U.S.A.

We have designed, developed and commissioned our HVAC systems for LHB passenger coaches and we have delivered our 7-kilowatt battery charger for semi high-speed trains. That's another testament to our R&D and product capabilities. Lastly, our strategic focus remains on indigenous product development, innovation and execution excellence, which we believe will drive sustained long-term growth.

Let me now invite our CFO, Mr. A.K. Nemani, to walk you through the financial performance.

A.K. Nemani: Thank you, Suramya. Let me present a summary of our financial results.

Quarter 4 FY '25, total income grew by 22% on Y-o-Y basis to INR185.4 crores in Q4 FY '25 compared to INR151.7 crores in Q4 FY '24. EBITDA stood at INR20.2 crores translating to an EBITDA margin of 10.9% as against INR13.9 crores and 9.1% in Q4 FY '24. PAT came in INR10 crores with a net margin of 5.4% compared to INR5.1 crores and 3.4% in the same quarter last year.

FY '25 full year performance. Revenue for FY '25 reached INR 656.8 crores marking a 27% Y-o-Y growth over INR518.2 crores in FY '24. EBITDA stood at INR71.8 crores with a margin of 10.9%, up from 8.7% in FY '24. PAT stood at INR37.1 crores reflecting a margin of 5.7 % compared to INR12.5 crores and 2.4% in FY24.

Return ratio improved with ROE rising to 26.2% versus 10.6% in FY '24 and return on capital employed at 25.6% versus 19.4% in FY '24.

Working capital base stood at 196 days (wrongly said, kindly read it as 106 days), indicating continued focus on operational efficiency and improved working capital management.

The full year performance was supported by -- number one, improvement in return ratios reflecting enhanced strengthening of assets, which supported stronger top line growth.

Favorable operating and financial leverage has helped us to flow the top line growth into the EBITDA and PAT level. During the year, we incurred a capex of INR43 crores primarily to strengthen backward integration and accelerate new products manufacturing at our Sinnar and Satpur plant - an important step to enhance our manufacturing capabilities.

The Board has reviewed the company's backward integration facility at Sinnar, the initiative is intended to enhance operational efficiency by streamlining the supply chain, reducing dependency on external vendors, optimizing costs and ensuring timely delivery of the products. The expansion is expected to further strengthen the company's business, augment its manufacturing capability and improve responsiveness to evolve the market demand. The estimated investment for the proposed expansion is approximately INR52 crores.

Further, the Board has also approved acquisition of land within India and amount of INR50 crores in aggregate for potential future expansion. The Board has approved the incorporation of its subsidiary to facilitate global business in expansion and explore new business opportunities in international markets.

Board also considered to recommend final dividend to INR2 per equity share, that is 100 % of face value of INR2 per share for the financial year, '24-'25.

That is all from my side. I give to Mr. Suramya and any question and answer it is open for.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, my question is around the propulsion system, and you mentioned about 20% share that you want to gain in it. Just possible to check because I don't know. So there are these six pieces in propulsion systems. So do we make all of it and the entire set, which is traction motor, converter, auxiliary motor converter, vehicle unit and driver display. So the whole package, have we started -- have we got approval and supplying to railways?

Suramya Nevatia: Yes. So I'll answer your question. The propulsion system for locomotive comprises of four different components. There is traction converter, auxiliary converter, vehicle control unit and driver display unit. So these four, we are manufacturing all four products in-house and all 4 are done with our own technology. Of these four, we have supplied more than 2,000 auxiliary converters to Indian railways through Alstom exclusively.

Pritesh Chheda: Okay. So you haven't supplied a composite four unit package still to Railways? Or have you supplied any of it?

Suramya Nevatia: We have supplied. It is commissioned and it is running in the field.

Pritesh Chheda: Okay. So since when have we made these package of four?

Suramya Nevatia: This is a newly developed product for us, the entire system, which we have dispatched I think, two in September, and it is now under field trial.

Pritesh Chheda: Okay. So you will be basically eligible to a development order if you fulfill the higher conditions?

Suramya Nevatia: Correct. And that would entitle us to 20% of the tenders.

Pritesh Chheda: Okay. And when do you think you will be eligible for that 20% development order? Will it be in this year's tendering, next year's tendering?

Suramya Nevatia: No, no. This happens once the locomotive has run 50,000 kilometers, which could take anywhere from 45 days up to 90 days, and we expect that we will be eligible for the 20% from the next tenders onwards.

Pritesh Chheda: Next tender is basically whatever gets released in the calendar year 2025, there is a chance that you might become eligible for a 20% development order And this is a fully indigenized propulsion system set, right?

Suramya Nevatia: Yes.

Pritesh Chheda: And lastly, can you quantify the typical realizations of these sets? Composite set?

Suramya Nevatia: What does realization means?

Pritesh Chheda: Realization per set?

Suramya Nevatia: About INR1.75 crores to INR1.8 crores.

Pritesh Chheda: Okay. And lastly, I just want to finish here, what kind of players just like you are under develop, you are under a trial with railways? What kind of players are doing trial in railways? And how will the market share split up eventually?

Suramya Nevatia: As of today, we don't see anybody else in the development category, whose product has completed commissioning and are under field trials. There are others, if any, are still behind us.

Pritesh Chheda: So there is incumbents and you as a new entrant? So whatever the incumbents today, correct, and you are the new entrant? Is this the way I should say?

Suramya Nevatia: Yes,that's correct.

Pritesh Chheda: Thank you very much, all the best.

Moderator: Thank you. The next question is from the line of Jainam Jain from ICICI Securities. Please go ahead.

Jainam Jain: Congratulations on a great set of results. So sir, my first question is, are we planning to supply a propulsion system for Vande Bharat, locomotives and EMU? Either of any specific one?

Suramya Nevatia: So initially, our target is to supply the propulsion systems for locomotive. And once we obtain enough credibility, then of course, we will be moving towards EMUs, memos and train sets. But that's the entry point is locomotives.

Jainam Jain: Okay, sir. And whom are we planning to compete with?

Suramya Nevatia: All the big guys here whom we are competing with like Alstom and Siemens, ABB, BHEL, all the big guys.

Jainam Jain: Okay, sir. How big the market was last year?

Suramya Nevatia: Last year was 1,400 locomotives. So that's 1,400 propulsion systems. And this year will be pretty much the same, maybe around 1,500 locomotives, so that will be 1,500 propulsion systems.

Jainam Jain: Okay. And sir, how are we seeing the railway tendering for propulsion system for the segments in this year?

Suramya Nevatia: It is the same across all products. It doesn't matter whether it's propulsion or transformers or traction motors, it's the same format of tendering, which is being followed across all products.

Jainam Jain: Alright. That answers my question. Thank you so much.

Moderator: Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar: My question is on a broader aspect since I am very new to the company. So let's say, you have predicted the industry kind of a demand that will come for next 5 to 10 years. So in this circumstances like what is our opportunity? Are we thinking of adding any other verticals? Or like what is the plan to ramp up and get that opportunity?

Suramya Nevatia: So we are in the field of power electronic, electrical equipment, electromechanical products. We are not doing pure mechanical product but all the things on the electronics side of things. And we continue to build more and more products as we continue to grow new technologies, different variations, different applications. So as the demand keeps increasing, we will be there to cater to all of this, especially within the mobility segment. Is my answer clear?

Subrata Sarkar: Yes. But.

Moderator: Sorry to interrupt, sir, the current participant has been disconnected. We will move on to the next question. Its from the line of Prem Luniya from Astute Investment Management. Please go ahead.

Prem Luniya: First of all, congratulations, sir, on a great set of numbers in the first call. So what I wanted to understand was, what I understand that around April and May is the time when the new orders come in for the system and we have around an order book of around INR890 crores now. So what is the pipeline of orders we see as of now because there must be some in the bidding space?

Suramya Nevatia: Right. So all the big tenders start coming out in May and June, and we already have a list of tenders that are coming up. And we expect these tenders to be converted into orders, maybe 1 month to 45 days once the tender has been closed. So we expect in plus of new orders maybe from June, July onwards.

Prem Luniya: Okay. And there will be new propulsion system orders, which will be submitting in this phase and there's a possibility you can get because I understand that you are in the field trial and it may go along for some time, and you are eligible for 20% or flat. So will it be in the next tendering system?

Suramya Nevatia: Yes. Actually, we are trying to complete the 50,000 kilometers before the tender start coming out. And I think we should be complete with the field trials, at least the 50,000 benchmark, perhaps by middle of June, and that's when the propulsion system tenders come out. So it will be a touch and go, but then there are more tenders coming up forth after that from different production units. So if we miss out on 1 production unit, we will definitely be able to get the other one.

Prem Luniya: Right. And also on the orders which you have been executing on the aux converter for Alstom. Now I understand that Alstom is also a competitor in the complete propulsion system, what kind of order particularly from Alstom were they getting for aux and, let's say, the services business which we do in the last year?

Suramya Nevatia: So there is absolutely no disturbance in our relationship with Alstom because they don't make the aux converter by themselves. And as I mentioned, we've supplied more than 2,000 aux converters. It's not very easy to switch your aux partner after having so much quantity in the field because you want uniformity with your software, communication with the traction converter. So there is no change. And as Alstorm keeps winning tenders, we keep getting the orders for the aux. And that will continue.

Prem Luniya: And just a last question on R&D. I understand around 107 people, and there was a view that these people R&D employees may grow and you have been spending around 2% - 3% of sales in the last 2- 3 years on R&D. Can you specify some of the major products, which are being developed here and I understand you told about braking system and converters, but can you elaborate on that?

Suramya Nevatia: So without going into specifics, I can just give you a broad perspective. So we are developing different types of converters, different types of power electronic equipment. Some components which are backward integrated that go within the converters to stop importing them or to buy them at high cost. So there are multiple initiatives that we are taking at R&D.

Prem Luniya: Sure. And also on the new -- just a small question on the new products, which we recently launched, and that was the hotel converter. I understand can you tell me about how it is growing now because I guess this must be the first half when that was launched.

Suramya Nevatia: So the hotel load converter is used for passenger locomotives and it is used for providing power to all the passenger amenities. And the requirement is maybe about 150 to 200, maybe sometimes a little more annually. And there's less competition in this. I think there are maybe 3 or 4 people. So yes, we have enough pending orders for our hotel load, and we are dispatching it consistently every month, and we have participated in some tenders, and we expect more orders coming for hotel loads.

Prem Luniya: So what would be the realization per converter?

Suramya Nevatia: It's about INR1 crore to INR1.15 crores depending on standard.

Prem Luniya: Thank you so much.

Moderator: The next question is from the line of Rahil from Crown Capital.

Rahil: Sir, firstly, this order book of INR893 crores, which we closed as of March. So what is the execution time line for this one?

Suramya Nevatia: It's within 12 months.

Rahil: Within 12 months. And you just mentioned that the new tenders will be opening in May and June. Sir, so far, you have not bid for anything, right? You will be only bidding in May and June?

Suramya Nevatia: No, we have bids. The thing is tenders come out every month. There are about 55 to 60 tenders every month that come out. These tenders are for some short supply of somebody else or maybe regional railways or some other products, which they're not able to give time. What happens now in May and June is the bulk of the tenders come out, which is now 1,500 locomotives or what they're planning to manufacture. So these are all huge tenders.

So maybe it will be a tender for 850 transformers coming from Chittaranjan, which then matches everything else. So 850 propulsion systems and that many traction motors. So these are the large ones. And then after that, it's the regional requirements and small tenders, they keep coming continuously.

Rahil: Okay. So far, like in the last month of April, there might have been some small value tenders for which you already did?

Suramya Nevatia: That continues. So there are about 50 tenders every month, which we are participating.

Rahil: Okay. Now apart from this propulsion systems, which you're betting bid on is going to be really good for the company. Other than that, what will be the key growth drivers for the next 2 years?

Suramya Nevatia: So we are doing a lot of backward integration, which will help us to reduce import dependency and also reduce our costs, which will enable us to be more competitive with higher profitability and margins. And with that, we will take more market share of existing products that we already have. And that's all going to help us to grow. And apart from propulsion, we have a lot of other products, as I mentioned in my opening remarks, that are now coming into the field. So you start getting orders of those new products as well.

Rahil: Okay. So traction across all the product categories look strong, other than propulsion?

Suramya Nevatia: Yes.

Rahil: Okay. And lastly, would you like to share any guidance for FY '26 revenue and margins?

Suramya Nevatia: We don't really have any guidelines as such.

Rahil: Okay. But comparatively much better than last year?

Suramya Nevatia: Yes, yes, definitely.

Moderator: The next question is from the line of Sudhir Bheda from Bheda Family Office.

Sudhir Bheda: Heartly congratulations on a super set of numbers. Sir, my question are three questions. Am I audible?

Suramya Nevatia: Yes, please go ahead.

Sudhir Bheda: Sir, my first question is like, is there any plan to go for Kavach and some defense products also?

Suramya Nevatia: So Kavach is not something that we are entertaining right at this moment. We have our eyes on some other signaling products that we're working on. And we have already started making our breakthrough into defense. We have a couple of orders from HAL. And we are in touch with DRDO as well to see how we can service them in the defense segment.

Sudhir Bheda: Great. So HAL, if you can quantify what kind of product or maybe on a broader scale, if you can?

Suramya Nevatia: These are just prototypes since we've just started in this domain in a more decisive way. Once we have these prototypes delivered, then we will get more serious production from them.

Sudhir Bheda: And my second question is any plan to monetize Bhandup land in the near future?

Suramya Nevatia: Not at the moment.

Sudhir Bheda: Okay. And sir, my last question is like you have just mentioned to the previous participant that this order book of around INR900 crores is executable in the next 12 months. Sir is it fair to assume that the kind of growth you have seen we have done INR650 crores. So 30%, 40% kind of growth will be there in the current financial year? Is it fair to assume, sir?

Suramya Nevatia: Yes. So our statement is that we will target 30% growth conservatively. That's what we are making as an official statement.

Sudhir Bheda: Great. And with the kind of backward integration you were mentioning, so margin also will get boost?

Suramya Nevatia: Margin will get?

Sudhir Bheda: Increase in the margin with the backward integration you are doing?

Suramya Nevatia: Yes, I think that's the whole idea to improve the margin and to improve supply chain.

Moderator: The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: A couple of questions from my side. First is this clarification that you mentioned on aux converters, right? So if I understand correctly, when you in the future will bid for propulsion system, Aux converter can go into our total propulsion system, and we will continue to supply to Alstom. So even if Alstom wins the tender about at least we'll be able to supply Auxconverter. Is that understanding correct?

Suramya Nevatia: Yes, yes, definitely.

Prolin Nandu: Right. So then in a way, we are competing and also supplying to Alstom, right, when we come to propulsion system?

Suramya Nevatia: Yes, correct. So if you see our industry is very small, we all work with each other, and we all compete with each other. I mean we are competing with BHEL in almost every product category and yet we are working with them. We are buying things from them and they are buying things from us. So everybody is working with each other in all different formats. Because the industry is so small.

Prolin Nandu: Interesting. Thank you for that perspective. The second question would be -- if I take an example of propulsion system, now you are typically -- I mean, here the competition is more from the multinational right, global leaders, so to say. I have a feeling that in most of your other products also so is similar.

So just wanted to understand from your learning with this multinational, what are the pluses and minuses? Or what are the advantage, disadvantage that you have? And how do we bridge the gap, right, let's say, advantage would be that led a lot of focus on localization and that might be working in our favor.

But to meet your standards in terms of product quality and efficacy, it takes times. Can you just help us understand -- is this like -- is my assessment correct that in most of the other products as well, you typically end up competing with some of the multinationals? And how do we build an R&D capability or the culture within the organization to meet the standards, which are very high, which are set by some of the multinationals?

Suramya Nevatia: Right. So yes, we are competing with multinational in almost all product segments. And we have been doing this for the last decade. And we have our own strength. I would not say is this the strength of a domestic company versus an MNC, but this is what our strengths are. We are able to take decisions quickly if we have to sort of maneuver some technology or some strategy, we have a very good deeply penetrated supply chain.

We are able to source vendors locally and who have good quality products. We are quite accurate in our costing and our pricing strategy, and we are able to turnaround from tender received to dispatch very quickly. So we have our own strength. And with that, we are very comfortably able to compete with big multinationals or even big local players.

Prolin Nandu: That's very clear. Just last one from my side. You also talked about backward integration right you depend on imports on -- for the product side. To just help us -- I mean to an example of any one product and help us understand what is the level of imports that we use in terms of, let's say, bill of materials and what it could be right in, let's say, a couple of years' time. Just to understand the opportunity for this backward integration or indigenization of any component that go into these final products?

Suramya Nevatia: Okay. So I can give you one example. This is the backward integration that we have done for the transformers, where we were importing the aluminum tank from Switzerland and that constituted about 30%-35% of the BOM cost. And we developed the entire aluminum tank and we fabricated in-house. And now we're using robotics for the welding of this aluminum tank and we are manufacturing maybe 60 in a month.

And it's because of this one single backward integration that we have 45% market share in the in traction transformer industry today. Now like this of this magnitude, we have other backward integration plant. And the first of which will be rolled out in Q1 and the second one maybe in Q2. And all that impact will start coming maybe from Q3 and Q4 of this year, but more so from the next year onwards. So you will see these coming into play as we go along.

Prolin Nandu: Great. Thanks a lot and all the very best.

Moderator: The next question is from the line of Garvit Goyal from Nvest Analytics Advisory. Please go ahead.

Garvit Goyal: Good morning, sir. Congrats for different numbers. My first question is on the order book side only. Like you mentioned, this order book is having execution period of around 12 months. So I want to understand what is the kind of order inflow are we expecting based on whatever tenders we have applied or are going to apply in FY '26?

Suramya Nevatia: So the tenders that are coming out now, so we have our own strategy and we know what we are expecting. As I mentioned earlier, we are very fixated on having a 30% growth year-on-year. With that strategy in mind, we will participate in the tenders. We don't know what the other competitors have in their strategy, but we will take it as it goes. I mean we cannot really say that okay I will get a INR1,500 crores from these tenders. But I mean, we'll see what we can do. But we have our targets and that's what we are going to try to achieve.

Garvit Goyal: Perfect. Secondly, on the margin front, if you see like last 2 years over the last 2 years, we have been able to improve our margin profile and reason you have given because of some backward integration and you are able to gain the market share as well. So how do you see this margin profile to shape up over the next 2 to 3 years like we are entering into newer areas for backward integration and at the same time, the scale will also kick in.

So considering all these factors and also considering that you mentioned other players are also behind us for the category in which we are already a leader. So considering the kind of competition we might face over the years, what kind of margins do you think the kind of sustainable margins we can get over the next 2 to 3 years?

Suramya Nevatia: So we have an ambitious plan that we would like to have at least our EBITDA, maybe in the range of mid-teens to late teens. That's what we're working towards. It will not happen immediately, but that's what we keep working towards in the next few years and that's what we would like to reach. And it's not just backward integration. It's also value engineering and technology advancements that we're doing.

So we -- I think I mentioned in the opening remarks, we are working on new versions of hotel load converter, new versions of aux converter, new versions of propulsion system. Already, we started working on that. That will help us to further substantially reduce cost, either by localizing the vendors, which we are today importing.

We might be able to get those vendors in India or by value engineering in such a way where if we are using, let's say, 50 numbers of one component can we reduce that from 50 to maybe 35, thereby reducing the cost without compromising on the quality. So there are a lot of different avenues that we are working on to keep improving the margins, keep reducing the cost, also keep improving the quality of the product.

Garvit Goyal: Understood, sir. And sir, lastly on the debt side, our debt equity is higher than and our interest cost is rising over the next -- over the last 2 years. So how do you think from here onwards, like we are also looking for the some capex on the backward integration side. So how will it get funded? And how do you think like are we going for more elevated levels of debt over the years?

A.K. Nemani: We see that our net interest cost as a percentage is continuously coming down. It was basically, I can say above the 6 percentage few years back. Now it has come around 2% of our which we have to target to reduce it further. Debt will be always costlier than -- sorry, equity will be always costlier than the debt. So I can say we have still the compatible ratios. So for the -- in the normal course of business and normal expansion, we don't plan to raise any equity in the market.

Garvit Goyal: And you're saying that further expansion will be debt funded only?

A.K. Nemani: Yes, it will be debt plus internal accruals.

Garvit Goyal: Got it, sir. Thank you very much sir. All the best for the future.

Moderator: Thank you. The next question is from the line of Manish Goyal from Thinkwise Wealth Managers. Please go ahead.

Manish Goyal: Thank you very much and congratulations on a very good set of numbers, sir. Sir, I just wanted to get a perspective on the order book growth what we have seen in last 2, 3 years from roughly INR300 crores to almost INR900 crores. So I would like to get a perspective like what is driving it. Number one, is it due to increasing requirement from the railways in terms of locomotives, how has it increased in the last 2, 3 years? Second is probably have we gained market share and third is how much is it also driven by increasing addressable market and how should we look going forward, sir?

Suramya Nevatia: So there are three reasons for our growth in pending orders. First is, yes, of course, Indian Railways has increased the market size. I think 3 years back, maybe it was, maybe 900 locomotives or 800 locomotives I'm not exactly sure. And today, they have reached 1,500. So yes, there is definitely an increase in that.

Second, we have increased our contribution within the products that we have 3, 4 years back, we had maybe one or two products that we were in approved source. Today, we are an approved source of almost all products. And thirdly, we have increased our product offering to the railways and with that, we are able to further increase our order input. It's the number of products and the market share within existing product portfolio that is enabling us to achieve this growth.

Manish Goyal: So would it be possible to give a perspective that maybe 3 years back, what was your addressable market within Indian Railways and that addressable market has grown to how much now and how should it grow further, sir?

Suramya Nevatia: Three years back, I mean we had to say two approved products may be transferring without the backward integration.

Manish Goyal: Sir, sorry, we can't hear you clearly. Sorry, we're not able to hear you.

Moderator: Sir, just come closer to the mic and speak. Can you?

Suramya Nevatia: I'm actually right in front of the mic. Is it still not clear?

Manish Goyal: Now it's better. Please go ahead.

Suramya Nevatia: Yes. So I was saying 3 years ago or 5 years back, we had maybe two products that we were approved source. One was the transformer and the other was panels. But because we did not have any competitive advantage, we were all sort of in the same boat as our competitors and it became sort of a pricing war, whoever reduces the price more gets more orders.

But the costing was just not matching that price, but we had no options, so we had to opt it like that. But today, we have a lot more advantage, and we are able to take these strategic decisions by tendering. And that helps us to get more orders at better prices. Hope that answers your question.

Manish Goyal: Okay. Fine. Probably I'll take it offline. Thanks, sir.

Moderator: The next question is from the line of Rohit Ohri from Progressive Shares.

Rohit Ohri: Good to see the company grow from INR120-odd crores to INR650 crores currently. I have a couple of questions. The first one being on the new developments. Can you take us through the developments, which probably must have happened for HVAC motors or in case of the electrical, electromechanical solutions for aviation?

Suramya Nevatia: Okay. So we have done the HVAC system for locomotives, which we have more than a few hundred running in the field to date. And using that credentials, you were able to do the HVAC systems for LHB coaches. We are building credentials here. And once we have it here, then we can approach different segments like Vande Bharat and Metro for the HVAC systems.

Regarding traction motors, we are now an approved source, which we were development until a few months back. And now we have our approval status. And using these credentials, we can now target to approach other applications for traction motors, same as HVAC maybe EMUs, MEMUs and beyond. And that's what we are looking at.

Rohit Ohri: And anything on the electromechanical solutions for aviation. So would you like to share something on that? Any approvals or anything that has come through?

Suramya Nevatia: For aviation, we are just at the starting point and we are exploring opportunities where the railway is something we bid because we really know how it works. Aviation, we are still exploring. But I would like to mention that we have a lot of certifications and credentials here, whether it's DRDO or ISRO, all these different defense agencies. In fact, all the scorpion submarines that the government has made at Mazagon dock, the battery chargers have been given by us. So we have a lot of legacy credentials, and we're trying to see how we can use these approvals and credentials for getting breakthroughs within defense.

Rohit Ohri: Is it possible to share the blended capacity utilization that we have currently?

Suramya Nevatia: Can you repeat your question? I couldn't hear you.

Rohit Ohri: The blended capacity utilization that we have currently?

Moderator: Sir, I couldn't hear you. Could you please repeat?

Suramya Nevatia: We are not constrained by the capacity, we are able to manufacture requirement as that is by the customer. With minor capex we are able to have enough capacity to cater to customers additional requirements

Moderator: Mr. Rohit, does that answer your question?

Rohit Ohri: Yes. A lot of muffled voice, but I get the sense that. Okay. The next question is that while you also say that you're trying to sweat the assets, but you also want to go for a potential INR50 crores kind of an expansion. So what is the rationale behind that?

Suramya Nevatia: That is for new products, completely something new that we're doing. And because our existing plants are all full with existing products, and we don't have any more land bank available. So in case we get an exciting project, I mean, we have some in pipeline, where do we manufacture that. So it's just better to have some land available for us to start construction and take on projects.

Rohit Ohri: And by when do you think that you'll be able to finish the construction and the commercialization of products that you're working on?

Suramya Nevatia: Initially, we will do it in our existing premises. So we actually have each plant or each line that we have is very product specific. And the new ones that we are working towards, we'll do the prototyping and maybe the initial production from the existing factories. But when we want to take that to serial production, we will need space. That's what we are looking for. And yes. So let's see, let's at least get the land first, and then we'll decide when to construct it and what to construct.

Rohit Ohri: Last question from my side. We had some association with GRZ Switzerland. And we were trying to work on some green hydrogen kind of technology. Is that project still on? Or are you going to take some time for venturing?

Suramya Nevatia: That relationship is going on with GRZ. We are working for hydrogen storage solutions with them, and we are bidding across all different NTPC projects and it's all ongoing. But it's going to take some time to start commercializing on that.

Rohit Ohri: And what proportion of the revenue do you expect in the next 3 years from this initiative?

Suramya Nevatia: From hydrogen?

Rohit Ohri: Yes.

Suramya Nevatia: We have not taken the revenue from hydrogen into our targets as of now. Whatever comes from that will be additional bonus.

Moderator: The next question is from the line of Mahesh Attal.

Mahesh Attal: So just wanted to know, this propulsion system, what kind of margins are we looking from the entire set suppose if we supply an entire set to locomotive and what kind of margins you are looking at? That's my first question.

And second question would be on the replaceable demand. So whatever the locomotives that are running. So once we get an approval as a development vendor, do we also have the replacement orders? Because what kind of life does this propulsion system have individually because there are 4 units of it, right? If you can elaborate on that.

Suramya Nevatia: Okay. Sure. So firstly, I cannot give away product-wise margins. So that is something that I cannot share today. Secondly, there is no replacement as such of propulsion system. There is a warranty period of 3 to 5 years, after which there is AMC. And there is a rule by Indian Railways where we cannot scrap a locomotive or we cannot sort of convert it until it has run, I think, 25 years or something like that. But yes, there will be AMC continuously. There will be spare parts being delivered. So that will continue.

Mahesh Attal: So this AMC could be like what percentage of the realization amount if you could -- if you have any idea on that. The realization amount is somewhere around INR1.8 crores, what I understand. What could be the AMC on that?

Suramya Nevatia: It will be somewhere around between 3% to 5% or something like that.

Mahesh Attal: And this has to be done by the development -- I mean, the vendor itself, right?

Suramya Nevatia: The manufacturer, yes.

Mahesh Attal: Okay. All right. My second question would be on -- we as a company are having so many products. So one is propulsion system that you have come up with -- I mean, could be adding decent to our top line.

Now when I say that, what kind of products are you looking at in this financial year and the next financial year, which could be like revenue boosting products for you? So if you could actually throw some light on what we could look at on product side.

Suramya Nevatia: So all the products that we have in our portfolio today are category A items when you look at, the railways, I mean, in terms of the Electrical segment, so transformers, traction motors, propulsion systems, different types of converters, brake system. These are all category A products. And all of these will be giving a boost to our revenue top line or bottom line all of it.

Mahesh Attal: I'm talking about a new product, like propulsion is under development, right? So anything that is under development, which could add I mean, significant to our revenues, maybe in the next couple of years down the line?

Suramya Nevatia: So propulsion system, of course, contribute and then we have hotel load converters. We have different newconvertors that we have. We have battery chargers of different ratings and different applications. So there are a variety of different products, and we have the HVAC division that is now under development for passenger coach. So all of these will significantly attribute to our growth.

Mahesh Attal: I have one last question.

Moderator: I'm sorry interrupt, Mr. Mahesh.

Mahesh Attal: Just one question, if I could squeeze in. It will be very fast. I remember you talking about your margins going to double digits, which you have delivered. So what kind of numbers like, let's say, take 3 or 5 years down the line? I would like you to give a light on what kind of margins you want to take it to after having all these propulsion systems and all this into account next 5 years, maybe?

Suramya Nevatia: Yes. So I mentioned this earlier as well. I would like the margins to be at mid to late teens. That's what we keep working towards.

Mahesh Attal: You seem that to be happening thing in the next 5 years?

Suramya Nevatia: Yes, definitely.

Mahesh Attal: All right. Thank you. All the best.

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

Naman: Good morning, sir. Thank you so much for the opportunity. Firstly, I wanted to understand what is the percentage cost of the propulsion system of the total cost of the locomotive.

Suramya Nevatia: So cost of a locomotive is about INR9 crores to INR11 crores, depending on what locomotive it is and propulsion system is INR1.7 crores to INR1.8 crores.

Naman: Okay. And secondly, on the order book side, if you can tell us that if you bid around INR2,000 crores to INR2,500 crores of orders, then you are able to get how much percentage of order? Means the current orders are around INR890 crores. So you have bid for how much percentage order? So what's your success ratio? Just wanted to know that.

Suramya Nevatia: That depends on whether you're L1 or L2 or L3. It depends what your strategy is at the point of the tender. Are you looking at taking more quantity? Are you looking at taking less quantity? How are you positioned? So there are multiple factors that we consider when we quote for a tender. It is very difficult to quantify how much worth of tenders we have quoted. So that's not something that we keep track of.

Naman: Okay. Okay. Understood. And lastly, on the competitive side. So I wanted to understand how it's hard to get an approval from the railways and how big is the process? It used to take means if any new player want to enter into the railway side, even though it's a very small industry, but if any new player want to enter into that industry, so how big it will take to get an approval? So just wanted to know on that side.

Suramya Nevatia: It all depends on what kind of quality and technology you have because railways is very serious today about having good quality products, delivery on time, proper costing. So if you have all of these things, you can get approval. That's fine.

Naman: But means how much time it used to take? Means for you how much it take your time to get approval from the railway. Initially you started with the industrial system then into railway. Then how you get approval from the railway? Just wanted to know that.

Suramya Nevatia: The delay is not from railway side. The delay is from manufacturer side. How long do companies take to build the technology and to build the product. Railways is a few weeks or maybe a few months. It's not a problem from their side.

I mean, it's about us. How much we can keep perfecting and improving the technology that we are offering. If there are failures, then it will not get approved. So you have to build a good product.

Moderator: Thank you, Mr. Naman. Due to time constraint, we'll take this as the last question. It's from the line of Kush from Beanstalk Advisors. Please go ahead.

Kush: Thank you for the opportunity. And first of all, congratulations for great performance, not just this quarter, but since several quarters now. I just have one question. Since a large portion of manufacturing is now shifted to Nashik, are there any plans to monetize the Bhandup plant?

Suramya Nevatia: No, not at the moment.

Kush: Okay. Thank you very much.

Suramya Nevatia: Thank you.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today's conference call. I now hand the conference over to Mr. Nevatia for his closing comments.

Suramya Nevatia: Well, thank you, everyone, for joining the call today. FY '25 has been a landmark year for Hind Rectifiers, marked by strong revenue growth, meaningful margin expansion and strategic realignment. We have built deep competencies in railway power systems and we continue to establish ourselves as a full-fledged power electronic systems company in the mobility space.

I once again like to thank everyone for joining the call today. In case of any further queries, please reach out to us or to Strategic Growth Advisers, our Investor Relations Advisors. Thank you all.

Moderator: Thank you. On behalf of Hind Rectifiers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.