“Hind Rectifiers Limited

Q1 & FY '26 Earnings Conference Call”

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MANAGEMENT: MR. SURAMYA NEVATIA – CHAIRMAN AND MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. A.K. NEMANI – CHIEF FINANCIAL OFFICER
STRATEGIC GROWTH ADVISORS- INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Hind Rectifiers Limited Q1 and FY '26 Earnings 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Suramya Nevatia, Chairman, 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 for the Q1 FY '26 Earnings Conference Call of Hind Rectifiers Limited. I'm pleased to be joined 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.

Hind Rectifiers was established in 1958 through a technical collaboration with Westinghouse Brake & Signal of UK. We began as a manufacturer of semiconductors. And over the decades, we've transformed into a leading provider of power electronics and traction systems for Indian Railways and diverse industrial applications.

We operate two advanced manufacturing units, both of which are in Nasik, one at Satpur and one at Sinnar. Along with dedicated R&D centers, the flagship at our Bhandup campus in Mumbai and R&D software center at Hyderabad.

Our product portfolio is classified into three broad verticals. First is traction transformers. We are the market leaders in this division at Indian Railways with a market share of approximately 40% to 45%. These are essential components in electric locomotives. Second is our Power Electronics division, which includes IGBT propulsion systems, hotel load converters, battery chargers, vehicle control units, driver display units and a variety of other power electronic equipments. Third is our electromechanical systems, which includes panels, traction motors and HVAC systems.

Beyond Railways, we also serve critical industrial applications through electrostatic precipitators for pollution control, industrial rectifiers and power supply solutions for sectors like cement, steel, mining, thermal power and more.

Our core customer remains Indian Railways, which contributes around 90% of our revenue. We supply directly as well as through leading OEMs, such as Alstom, Siemens and BHEL. While the domestic market remains our primary focus, we are steadily building our international presence.

Let me now take you through the key operational highlights of the quarter. Our order book reached an all-time high of more than INR1,022 crores as of June 30. This includes two major orders of INR127 crores and INR101 crores secured from Indian Railways for locomotive products. These wins are a strong vote of confidence in our technology and execution capability.

During this quarter, we have successfully commissioned our indigenously developed propulsion system. This marks a major step forward in our product road map. This system has now been assigned to Western Railways and is ready for field trials. This puts us firmly on track for scale deployment in the months ahead.

Further, we received a significant order from Indian Railways for the next generation of propulsion systems. These are designed specifically for passenger locomotives, while actively pursuing additional opportunities beyond the existing order book.

The Board of Directors has approved the preferential issue of warrants amounting to INR27.4 crores to the existing promoter group, subject to the approval of the shareholders of the company. This will facilitate to propel growth across the key business segments. With strong tailwinds from government initiatives such as Make in India railway modernization and electrification, we are well positioned to capture emerging opportunities and scale new heights in the power electronics and rail transportation sectors.

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 for Q1 FY '26. Revenue from operations grew 58.5% Y-o-Y to INR214.8 crores in Q1 FY '26. EBITDA stood at INR24.2 crores, reflecting a growth of 66.9% on a Y-o-Y basis. EBITDA margin stood at 11.3% in Q1 FY '26 as against 10.7% in Q1 FY '25, which reflects an increase of 860 bps (wrongly said kindly read it as 60 bps), PAT stood at INR12.8 crores, reflecting a growth of 85.5% on a Y-o-Y basis. PAT margin stood at 5.9% compared to 5.1% in the same quarter last year, which reflects an increase of 80 bps. The strong performance was driven by continued focus on order book execution and scale benefits, cost optimization, operational and financial discipline.

This is all from my side. I now open the floor for question and answers.

Moderator: The first question is from the line of Manish Goyal from Thinqwise Wealth Advisors.

Manish Goyal: Yes. I have a couple of questions. Sir, first one, just to understand better on the propulsion system. You alluded to two things. One is that the propulsion system is now approved for field trial. So while on the other side, you said that we have received orders for advanced propulsion system. So is this order for development order or the trial order?

And on the other side, have we completed the 50,000 kilometer trial runs so as to qualify to get the orders? So that was one set of question. If you can give us more perspective on the propulsion system. And second question is, sir, on the two orders what we have received from Railways. So like what we see is that electromechanical segment has seen a jump in the order. So is it due to HVAC system orders we have received, number one? and number two, propulsion system order inflow, what was the size of that? How many systems have we received? And will it qualify under the electrical division? I have some more questions. I'll come back.

Suramya Nevatia: So thank you, Mr. Manish Goyal, for your questions. So firstly, the propulsion system field trials are to begin shortly. We have not yet finished the 50,000 kilometers trial. There are certain

procedures to be done before that, which includes approval from the bridge department and the signaling department, of which we have received approval of the bridge and now we are going to receive approval from signaling department maybe today, tomorrow, and then we can start the field trials.

The other order that we have received for advanced propulsion systems, the one that is for passenger locomotives, they are development orders. But actually, this is something which is new even for Indian Railways. and we have received one order and hopefully, we are targeting one more.

But while we are at this stage where we are eligible for the field trials, it means that your propulsion system has been designed and developed. So that is the key word that is being used by Indian Railways. And once you have that, let's say, that mark of approvals that you had designed and developed, you are in position to get such kind of orders.

Manish Goyal: So, sir, like with the recent tenders which have opened for CLW, we will be able to participate for the development orders?

Suramya Nevatia: Yes, of course, we will be able to participate.

Manish Goyal: Right, sir. Okay.

Suramya Nevatia: And that brings to your third question, which was regarding the 2 orders received. The orders received are largely for transformers, and that's pretty much what they were. There were some smaller components and all, but largely it was transformers.

Manish Goyal: Right, sir. And sir, what we probably given to understand that there is one more company, a north-based company, which is also probably successfully developed the propulsion system. So do you see the competition intensity increasing? And probably currently, who are the major suppliers for the propulsion system? Like last year, 1,400 locomotives were there. So just want to get a perspective from you on the market competitiveness.

Suramya Nevatia: So, the competitors in propulsion system are all the big multinational companies like Siemens ,ABB and Alstom. And apart from that, there are big Indian companies like BHEL and Crompton Greaves and Medha from Hyderabad. So I think that's fine. There's enough space for all of us to coexist. and yes, there are new entrants who are trying to build this technology, but it's not easy. and we will wait and watch how the newer entrants perform in this field. But even if they do, we actually have a lot of competitive advantage over everybody else. and we are not really worried about getting orders for propulsion.

Manish Goyal: Sure, sir. And sir, in hotel load converters also like recently, Cummins India announced their entry into it. And so again, my similar question like competition increasing and probably the market size is relatively smaller. So how do you see that?

Suramya Nevatia: So again, it's the same answer. We have a competitive advantage because of our backward integration, in-house electronics, own technology. There are a lot of factors that gives us a very strong position. and that will also come into effect once more guys try to enter this field.

Manish Goyal: Sure, sir. and, beyond locomotive, any product developments for Metro Rail or, say, like Vande Bharat, DMUs, EMUs, coaches? And how is it progressing? When do we see the order inflows from beyond locomotives?

Suramya Nevatia: So, for other rail applications, we are supplying to other OEMs such as Alstom, Siemens and BHEL who are making these different kinds of trains like Vande Bharat, metros and all different kinds. So we are a Tier 2 supplier there as of now, not Tier 1.

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

Prolin B. Nandu: I have a similar question to Manish ji's question, right, on propulsion system. So see, last time you mentioned that the trials are already going on, right, and you might be able to complete that 50,000-kilometer mark sometime in June, and that will help you to probably participate in some of the tenders, which will come, right?

So now I mean, is that trial underway because you mentioned that once you get an approval from, let's say, bridge and signal authority, only then you will go to trial. so, can you help me understand, what is the status of this propulsion system that we have supplied to the locomotive part? and then I'll probably have some questions on the passenger propulsion system as well.so where are we in terms of field trial? And when are the orders due? and will we be getting that approval at the same time completing 50,000 kilometers as well? Or it will start -- I mean, the field trial of 50,000 kilometer will start after we get the approval?

Suramya Nevatia: Sure. So let me clarify basically what has happened. Our propulsion system was commissioned in Eastern India in one of their divisions. and then we started the field trials, but then the Indian Railways decided to move our locomotive to Western Railway at, I think, Valsad shed, that's where the commissioning is going on. so, because of this, we had to wait and there was a delay since the locomotive had to come all the way from East India to West. and again, we'll have to start the process of the approvals of these bridge and signaling and stuff like that. and we now expect to restart our field trials where we need 50,000 kilometers to be done. And hopefully, we should be able to start this in the next 2- 3 days. And this 50,000 kilometers should take maybe 2 to 3 months' time to finish.

Prolin B. Nandu: Okay. But the orders would be coming before that, right, for this year in terms of propulsion systems...

Suramya Nevatia: Yes, orders are coming because we already have designed and developed the product. and we have already supplied the product. now it is not commissioned, but that is not in our control at the moment because it is already supplied to Indian Railways. unfortunately, it took them time to allocate the loco that was suitable for this propulsion at that time. But as far as Indian Railways is concerned, we have designed it, we have developed it and we have supplied it. so yes, I think development quantities is not a problem.

Prolin B. Nandu: so you will

Suramya Nevatia: We already have orders actually.

Prolin B. Nandu: You have orders already, but this will be for the development, right? Development would not be like an installation, right? It will still be trial orders, right? It won't go live in any of the locomotives. Is that understanding correct in terms of development orders?

Suramya Nevatia: No, that's incorrect. Development order basically means that you are restricted to 20% of the tendered quantity because you are not an approved source, you are a development source. But that does not mean that your products don't run full scale in the field. So that is not a roadblock for us.

In fact if you look at the market data, we are the strongest player in the development category. In fact, I doubt there is anybody else. and we can target 10% or even more of the total tendered quantity. so at this point, it is sort of an advantage for us to be in development because while there are maybe 5 or 6 guys in approved source, there's just maybe 1 or 2 in development.

Prolin B. Nandu: Okay. So when you say 10%, we are talking about around 1,400 locomotives and the cost of a propulsion system will be anywhere between 15% to 20% of the overall cost, right? So you are probably targeting 10% of that 15% to 20%. Am I correct in the target market for you that you are targeting?

Suramya Nevatia: I'm sorry, I didn't understand the 15% to 20%, what does that mean?

Prolin B. Nandu: So I'm saying that there are around 1,500 locomotives, right? So you will be targeting 10% of that, right? So 150-odd propulsion system is the target that should we work for, for the upcoming tenders. Am I correct?

Suramya Nevatia: Right. That's what we would be aiming for.

Prolin B. Nandu: Okay. Understood. And now on the propulsion system for passenger trains. So, in there, is the approval process same? And how big can be the market there, right? Because the market for locomotive is, let's say, 1,400-1,500 annually. How big can be the market for the propulsion system that you are developing for passenger trains?

Suramya Nevatia: So the total locomotive market size is about 1,500 locomotives. Of which maybe 300 to 400 are for passengers. so presently, they already have a propulsion system, which is the one that we make, the regular propulsion system, which is being used in passenger locos. now, this is an advanced propulsion system where they are doing a lot of changes, merging multiple technologies and this new propulsion system is going to benefit Indian Railways also in power saving efficiency and I mean, whatever it's helping them with. And since it's new, it's sort of a level playing field. and they want to try this product very quickly. so, we expect very quick and expedited approvals for this. since it is a new development for Railways, they want to try and experiment it. and if it works, then they will use this for all passenger locos going forward.

Prolin B. Nandu: Okay. So then 300 to 400 is the size, right, in terms of propulsion systems that we are aiming to target, I mean, the market for this new development that we are doing, right?

Suramya Nevatia: Yes, but only for passenger locos. and the same advanced propulsion can be used for different types of trains.

Prolin B. Nandu: Okay. and so just one last question on propulsion system, right? so, are we doing anything for this Vande Bharat as well? Is this the latest one also targeted at those opportunities?

Suramya Nevatia: No. so as I mentioned earlier, we are a Tier 2 supplier to Vande Bharat type trains, and we are giving other components to OEMs who are doing Vande Bharat.

Prolin B. Nandu: And do we want to become Tier 1 there? Is that something which is there in the pipeline in terms of R&D, right, just like we did it in the other parts where we used to already supply some of these equipments that go into propulsion system to Alstom and other companies. Do we also want to become Tier 1? And is that something that we are aiming for, for some of the other EMUs and Vande Bharat trains?

Suramya Nevatia: Yes. Definitely.

Moderator: The next question is from the line of Naman from Niveshaay.

Naman: so firstly, I wanted to understand currently what is the capacity we used to have? And what is the revenue potential from the current facility you can do?

Suramya Nevatia: so we are not bound by any capacity constraints at the moment. Since these are not very machined products, we can scale up and scale down capacity as per product requirement as long as it is within reasonable limits. So I don't see any challenge for capacity at the moment. We will be able to fulfill our orders for next couple of years.

Naman: Means, it's fair to say that you can do around INR1,000 crore to INR1,200 crore of revenue from the current capacity and new capex, you are driving, I think, by next 1 year. You have already invested, I think, INR40-50 crore.

Suramya Nevatia: That is something else. That's not for existing products. That's a new product range. But yes, I mean, going to INR1,200 crores, INR1,500 crores. See, I can't put a number because it also depends on the product mix. But I don't see any challenge for capacity for the foreseeable future.

Naman: Okay. Yes. Understood. Secondly, on the industry size only. So as you mentioned that propulsion system would -- you will be targeting around 150 propulsion system, right? But on the Vande Bharat side, how big would be the industry size? Like I think 200 Vande Bharat train government target is there to launch every year. So how big the industry would be on that side?

Suramya Nevatia: I mean I think you just said it's 200 Vande Bharat train. So pretty much that is the industry size for Vande Bharat.

Naman: No. But I think in the Vande Bharat, there is a motor coaches also, right? If there is a 16-coach train, then 8 coaches are majorly motor coach. So the requirement for the equipment increases. So the opportunity size increases from the regular trains to in the Vande Bharat train?

Suramya Nevatia: The opportunity increases not in terms of quantum, but it increases in terms of value and the number of competitors are very less. so yes, I mean, it is -- and that's where the future is. I mean, Indian Railways is going to build more and more Vande Bharat type trains and different type of trains going forward. so it's going to grow. Right now, it's just starting.

Naman: Okay. Understood. And lastly, on the total opportunity size on the locomotive. So if we say that one locomotive cost around INR8 crores to INR10 crores, so how much percentage of the cost we will be able to cater means 20%, 30%, how much total cost we will be catering?

Suramya Nevatia: About 50% or so.

Moderator: The next question is from the line of Divyansh Gupta from Latent PMS.

Divyansh Gupta: I have actually on the 50,000 (kindly read it as 50,000 km Trial run) propulsion system that we have launched. I had a very, let's say, basic question, if you can just give the various processes involved. So we developed the propulsion system. We gave it to Indian Railways. Now they are going to test and they are going to test again. So how does it move into the whole commercialization and acceptance by Indian Railways?

And you had mentioned that, let's say, if we launch the field trials in a couple of days, let's say, 1st of August also. You said it will take 2 to 3 months for Indian Railways to sort of approve the system. Then how will we be able to participate in the September tenders that you had mentioned?

Suramya Nevatia: So once the field trial starts for 50,000 kilometers, and once 50,000 kilometers are complete, they give us a letter saying that the initial field trials of 50,000 kilometers are done, but they keep continuing to run the loco. And then that's how it gets commercialized in the field.

Actually, even when it's going for 50,000, it is in the field because the trials in the yard and in the sheds and all have been completed. So this is actual commissioning and commercialization of the loco. And as I answered earlier that irrespective of this 50,000 km, participating in tenders and targeting orders is not a challenge.

Divyansh Gupta: So the follow-up question is, let's say, the test goes and hopefully, it is all positive for us. But doesn't only tender actually say that you should be already approved for, let's say, I mean, basically, 50,000 is still yet to be completed, right? So, the question is that if we are not

Suramya Nevatia: No, we are not targeting approved quantities any which ways. We are only targeting development.

Divyansh Gupta: Okay. So how does the development versus, let's say, an approved differs, the tenders...

Suramya Nevatia: Development sources get 15% to 20% of the tendered quantity.

Divyansh Gupta: Basically, 20% they come from market?

Suramya Nevatia: Yes.

Divyansh Gupta: Is that -- and once we have, let's say, approved – I mean, once the approval comes, then we can target the whole 100% but then we'll also be competing with the customers that we also supply to

Suramya Nevatia: Yes, but that's fine. But getting that approval to go into approved category, that's a long process, that you have to complete the full field trials where Indian Railways have separate rules for separate products, which is why the barrier to entry is quite high, even in the products that we do now, is not very easy for new entrants to come in.

Divyansh Gupta: No, I was not asking for the new entrants. I'm just saying, let's say, Siemens and ABB, Bombardier and all of these guys at whom we currently supply as T2 to Indian Railways. We can only, let's say, target their pie only once we are approved. Till we are not approved, we target the 20% of development order. That is a fair understanding, right?

Suramya Nevatia: Yes.

Divyansh Gupta: And for, let's say, targeting the whole bunch, how much of further testing or time does it take?

Suramya Nevatia: It will take about a year's time.

Divyansh Gupta: Got it. And does the testing need to be done by each of the Railway zones? Or once you are approved by the Western zone, it is at par for all other zones? Or I mean, basically, does it become...

Suramya Nevatia: No, it doesn't matter which zone it is. It is actually controlled by the central authority, which is RDSO. It's just that the commissioning is happening at Western Railway, that's all.

Divyansh Gupta: Got it. So once Western approved, we can target all the markets in one shot. There's no reapproval by another...

Suramya Nevatia: Approval is not from Western Railways. Approval is from RDSO, the centralized governing authority.

Moderator: The next question is from the line of Akshay from Envision Capital.

Akshay: So just wanted to understand on the capacity bottlenecks. In your sense in terms of bandwidth and in terms of utilization, what could be the bottleneck we are facing currently? Or there is no bottleneck currently?

Suramya Nevatia: So the bottlenecks that we face are not related to capacity. The bottlenecks are related to components. We are not able to get enough components or the right quality or the right price. So it is actually the supply chain, which is a problem for us because of the scale and the growth that we're trying to achieve, our vendors or at least reliable vendors are not able to have that

same growth. so that is the challenge that we are facing. and because of which we are taking a lot of initiatives for backward integration to make sure that our growth is not affected by external or by other companies or our vendors. Internally, there are no bottlenecks in terms of manufacturing or capacity or space.

Akshay: Okay. And what sort of margins -- EBITDA margins can we make on the propulsion system side?

Suramya Nevatia: We don't disclose margins product-wise.

Akshay: Okay. Now you did mention that propulsion systems have 4 subcomponents: traction converter, auxiliary, vehicle control, driver display unit. Now out of these, traction converter is the most critical one. Is my understanding correct?

Suramya Nevatia: Yes, that's true.

Akshay: Okay. And currently, do we supply traction converter to any of the OEMs or Railways?

Suramya Nevatia: No, we don't supply traction converter to anybody else. we supply auxiliary converters. I don't think Railways will allow you to outsource traction converters from anybody because that is the main heart and soul of the entire locomotive. So it has to be yours.

Akshay: And is there some sort of seasonality in terms of tendering of these propulsion systems by Railways, wherein -- or is it throughout the year?

Suramya Nevatia: So, the big tenders come out around this time. and then throughout the year, you get tenders from different zonal railways. You get tenders for somebody who's not able to supply, so their quantum is retendered. So the big tenders come out now in Q1 and Q2. And then small tenders keep coming out throughout the year.

Moderator: The next question is from the line of Yash Banka from Tiger Assets.

Yash Banka: Sir, I just wanted to understand what sort of fixed investment are we looking at in the next couple of years?

A.K Nemani: At present, in this year, we are targeting around INR50 crores capex. This is mainly for our backward integration, which we have declared earlier also.

Yash Banka: Okay. And this is funded via debt or...

A.K Nemani: Yes, partially by debt and partially by internal accruals -- yes, I can say approximately two third by debt and one third by internal accruals

Yash Banka: Understood. And sir, on the current order book of around INR1,000-odd crores, what sort of is the execution time line for the same?

A.K. Nemani: 12 months.

Suramya Nevatia: It's about 12 to 18 months.

Yash Banka: Right. Got it. Sir, just one last question about the propulsion system. So what is the average, I mean, order size that we're expecting? And what is the market share that we're targeting?

Suramya Nevatia: So initially, we will target a much lower market share, maybe 10% is what we are looking at. And I think propulsion system is, on average, sells for about INR1.8-odd crores, something like that, INR1.8 crores something, maybe sometimes INR1.7 crores, sometimes INR1.9 crores. And yes, so that's what we're looking at.

Moderator: The next question is from the line of Ananth Shenoy from AS Capital.

Ananth Shenoy: Okay. My first question is on the propulsion system. so, you mentioned that we are targeting 10% share. So, is it only for the passenger loco, which is around 300 to 400? So are we targeting some 30 to 40 locomotives? Is that the right understanding?

Suramya Nevatia: No, we are considering 10% of total tender quantity, which would be between 1,400 to 1,600.

Ananth Shenoy: Okay and like if the trial happens for all kind of locomotives? Or do we like there are some specific locomotives like WAP-4, 5 and WAP-7 and all? Like the trial is for any specific? And do we have to apply for the separate approval for each kind of locomotives? Or is it a single approval for all locomotives?

Suramya Nevatia: No, you don't apply separately. It's just one approval for all kinds of locomotives.

Ananth Shenoy: Okay and do you see that the locomotive produced per year will increase over the next 5 years? Or will it be at these kind of levels do you see at around 1,500 per year?

Suramya Nevatia: It will be at sustained levels. We have the plan that Railway Board gives us and gives out to all the companies in the industry. I mean it's pretty much 1,500 to 1,800 is what they are targeting over the next 4 to 5 years.

Ananth Shenoy: Okay. My next question is on the traction transformer. So are our traction transformers approved for all kind of locomotives, also EMU and MEMU? And what is the replacement cycle of the traction transformer?

Suramya Nevatia: So traction transformers, we are predominantly doing locos, but we do EMUs as well. Again, EMUs as a Tier 2 supplier, which we have supplied to multiple OEMs because, again, EMUs and train sets are all bought as kits. They're not bought individually like the locomotive. So we are supplying it to the others. And your second question was regarding replacement. I think there is a rule for over 25 years or 20 years.

A.K. Nemani: 25 to 30 years.

Suramya Nevatia: 25 to 30 years, you have to run the locomotive and you are not allowed to scrap it before that.

Ananth Shenoy: And do you see the traction transformer grow every year, like at around 15%? Or do you think it will grow at 5-10%? What kind of growth you expect in the traction transformer year-on-year?

Suramya Nevatia: No, our goal is basically to fulfill our requirement every year and we are targeting to do 60 transformers every month and we want to maintain that.

Ananth Shenoy: Okay. So like do you expect growth in that segment? Or it will be like flattish over the next 1-2 years?

Suramya Nevatia: No, I'm not sure about the segment and how it will do. But all I know is that we want to secure our quantum. and again, here also, we are doing backward integration. So we will ensure that we get the quantities that we need, irrespective of whether the industry is growing or staying the same.

Ananth Shenoy: Next question is...

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue for follow-up questions. Thank you. The next question is from the line of Ankur Kumar from Alpha Capital.

Ankur Kumar: Sir, my first question is on the order book execution. In earlier calls, you were saying it's like 12 months of execution time. But in this current call, you said 12 to18-month execution. so is there any slowness from the Indian Railway side? or how are we thinking on that, sir?

Suramya Nevatia: I'm saying 12 to 18 months because we have new orders, new products, they have a gestation period for development. So that takes 18 months. Like I just mentioned the advanced propulsion system, that will not go within 12 months. That will take maybe some more time. We're not sure. we have some new variants of existing product. That all will take more time. So 12 months is your regular production, your regular products. And -- but some of it goes up to 18 months.

Ankur Kumar: And sir, in terms of our total order book, can you comment how much is the regular product? And how much are the new products, which will take longer time?

Suramya Nevatia: So, let's say, approximately, I think it would be a 80-20 split or maybe 75-25 split between regular products and new products.

Ankur Kumar: Got it, sir. and sir, in terms of margin side, earlier, you were saying we can go to mid-teen type of margins. so that will be coming this year. Can we expect some improvement this year? Or like when new products will start contributing from next year, we can expect some improvement?

Suramya Nevatia: See, we are improving. Every quarter and every year, we are improving the margins. And I made that very clear earlier that we have to be patient. we don't expect it immediately. But that's the target, and we'll get there eventually. It will take some time, but we'll get there.

Moderator: The next question is from the line of Ankur Gulati from Genuity Capital.

Ankur Gulati: Can you also touch upon, there was some discussion on hydrogen -- green hydrogen tie-ups. So any progress on that side?

Suramya Nevatia: So we have already partnered with a Swiss company for green hydrogen. we are now working on the breakthrough of how to get into this business in India. so there is nothing concrete yet, and it's all at exploratory stage. So these things that we are doing, we are actually doing a lot of new things. But not everything will pay out, but we are very bullish on hydrogen and whatever plans we have, whatever the forecasts are, all of these new initiatives are not out of that plan. If anything materializes, all that becomes additional bonus. so we continuously keep exploring newer things, but it's not what the dependence is on.

Ankur Gulati: And any development on Coincade Studios and the Middle East power sector initiative? Or they are still on the paper?

Suramya Nevatia: No, it's all in progress. we will keep updating everyone as we reach some new milestones.

Ankur Gulati: All right. Last thing, how is the battery charger for semi-high speed trains shaping up?

Suramya Nevatia: It's good. It's good. It's in the field. It's running.

Ankur Gulati: And any orders there on that? I mean, are we -- field trials, CCAs or what?

Suramya Nevatia: We have orders. We do have orders, yes, and that's on track.

Moderator: The next question is from the line of Nilabja Dey, an individual investor.

Nilabja Dey: Thanks for the pretty good results. I'm attending the call for the first time, and I understood the company. Sir, I know you had significant reliance on the Railways orders and everything. but yesterday, we are listening to another company who are pretty much, obviously, is an MNC one and this applies a lot of power equipments across domains. How you are derisking your reliance on Railway because we know how frequent these orders, two quarters, they may just stop anything. are you doing anything on other sectors? Because in India, across the sector, power is booming, whether it is majorly obviously the equipment suppliers. so can you just throw some light how you are -- is there any strategy now to derisking the entire reliance on the Railway sector?

Suramya Nevatia: Sure. So firstly, yes, we are continuously working to diversify to other domains and to other segments. we have already built certain products which we have started pushing outside to other industries. and we are now going to launch a very specialized and specific products. In fact, I think those announcements will be made very soon maybe within the next 6 to 8 weeks about the new products that are being launched. So, we are making efforts because we understand, yes, that it is risky to be dependent on just one industry. But on the other hand, it is not a risk today. Because we already are aware of the plans that the Indian government has for Indian Railways, there are a lot of things which are in pipeline. There are a lot of things which the Railways or the government has made tremendous progress on. and I don't think they can just cancel it or scrap it at this moment. Looking at the visibility and the vision. They've just almost completed

the entire electrification. You have to buy locomotives. You have to buy trains if you've done electrification. But nonetheless, yes, you always know it's a risk, so we are working towards diversification.

Moderator: The next question is from the line of Aagam from Aagam Investments.

Aagam: Just a quick question. So how is the order pipeline looking like currently? So we are sitting at INR1,000 crore order book. So down the line, we remain with this kind of an order book? Can you throw light on how the order book will sit for all our products? and any thoughts quantitatively you can say in terms of 3 years down the line, where do you see us coming? So last year being INR600 crores. So in terms of diversification and maybe contributable to, say, like what's the milestone you want to reach 3 to 5 years down the line?

Suramya Nevatia: Thanks for the question. I couldn't clearly understand what it was. So I think you asked about order book and what is expected of the pipeline.

Aagam: Yes, order book for the current year. Yes, an order book pipeline and currently INR1,000 crores. So end of the year, will we be at the same level? Or how should one look at it? And the second question will be 3 years down the line the vision for a company, let's say, we are at INR600 crores? so, you said you are planning to introduce new products and new diversification. So what kind of new segments will be contributing? and quantitatively, how are we looking to reach 3 years down the line?

Suramya Nevatia: Okay. So let's take a step by step. In pipeline, yes, there are enough tenders that are coming out. Some products have big tenders coming out in August and September. We are hopeful of getting good quantities. They are our products. we are approved in a lot of them. So, there is no challenge in the visibility of tenders or orders that we can expect, To end the year, we are not sure where we will end it. It should be the same or better. So I think, yes, we'll try to maintain these levels. and looking at the future, of course, we have very ambitious plans. In fact, we've been saying that this year officially is the start of our journey of growth. until now, we've just been sort of struggling to turn things around and get our foundations built. And now I believe we have a very good strong foundation that we have built in terms of technology, manufacturing, all of these things. And now we are just looking at scaling this, our existing product portfolio and doing the diversification. very tough to put numbers, but all I can say is that, yes, it's just looking upwards. That's all that I'll say on that.

Aagam: Okay. So just put it another way, so last quarter, you said you will be growing this year 30%. So this should be the trajectory for the next few years directionally?

Suramya Nevatia: I'm sorry.

Aagam: Last quarter, you said you'll be growing this year for 30%.so, directionally, should we grow for next few years in this range, ballpark 25% to 30%?

Suramya Nevatia: Yes, hopefully

Moderator: The next question is from the line of Prem Luniya from Astute Investment Management.

Prem Luniya: Just a few questions on what would be the realization difference between a new gen passenger loco propulsion system, which we have developed now and we would -- we have got orders. And also, how much time will -- is this -- this will also go through a complete cycle of approval and when we can expect larger orders from this side?

Suramya Nevatia: It's about I think realization value is INR60to80 lakhs more than the existing propulsion. Development time or when it can go in the field could be anywhere between, let's say, 10 to 18 months. It all depends on how quickly we are able to -- because we already have the technology, it just depends how quickly we can deploy it and how quickly we can get the external tests and all of these things done. And we can look at some good quantities for this going forward from next year onwards.

Prem Luniya: And sir, are there any other competitors who have also developed a similar technology or have in the trial phase?

Suramya Nevatia: Yes, but there are much fewer.

Prem Luniya: Okay. And also, sir, I wanted to understand your view on the exports, which we are doing. Can you see this number growing significantly? And what would be the specific products which we would be catering to in exports?

Suramya Nevatia: So we are continuously looking at improving our exports. We have exported transformer to Germany and power electronics converter, which will be exported to the US, I think, in August or September. and these are both for Railways. and this has not been done before until now. before that, we were only exporting to Sri Lanka and Congo and these smaller countries, if I can say. But we had never got an opportunity to export into Europe and US and that marks a big sort of entry into that geography for Railways. So we are pursuing with them, and we have more opportunities and more inquiries. So let's hope we can convert that. And on the industrial side, it is...

Prem Luniya: We had Tier 2 supplier, right? You can continue, sorry.

Suramya Nevatia: No, I said, on the industrial side, it is the same as it was about EUR 1.5 million -2 million approximately is what we are doing. But we are building new products, which will have more export potential and that will come into play. So before we have the products ready, we are trying to build our sales channel and sales pipeline globally.

Prem Luniya: So this would be a Tier 2 level of supplier like we used to do in India first?

Suramya Nevatia: I'm sorry, can you repeat?

Prem Luniya: So this would be, in a way, Tire 2 level supply chain for international business?

Suramya Nevatia: No, it is direct to the customer. Yes, it's through the OEM and then who will then give it to the Railways.

Prem Luniya: Right, right. And also, I wanted to understand like there are 1,500 locos order, which comes out every year. But I understand that there is a concentration between few months. So can you please specify how much is concentration and when are these months and when we will be able to apply for all of those?

Suramya Nevatia: I don't understand the question. Can you please repeat what the question is?

Prem Luniya: So out of the 1,500 locos which are ordered, there is a concentration of these propulsion orders in a few months in the year, right? So how much is the concentration every year? Would it be like 40%, 50%? And when we will be able to cater? And out of these, the remaining quantity, then we will be able to apply for the 20%, right?

Suramya Nevatia: No, can you explain what you mean the concentration?

Prem Luniya: So the Indian Railways comes out with the orders, right? So I guess in the few months between September and I guess you mentioned in the last call that there's a concentration of orders and then there are significant -- the smaller orders, which comes up every month or every few weeks.

Suramya Nevatia: Yes.

Prem Luniya: So what would be this concentration?

Suramya Nevatia: So majority of the orders or, let's say, tenders come out in Q1 and Q2. And then you have smaller tenders coming out throughout the rest of the year.

Prem Luniya: Okay. So, it would be around 50%-60% of concentration on this Q1 and Q2?

Suramya Nevatia: No, no, it will be like 90%-95%.

Prem Luniya: Okay. So for the remaining 10%, we will be able to apply for the orders which we are looking for because we are right now in the trial.

Suramya Nevatia: Actually, it's cyclical. So what happens is based on the previous year's pending deliveries, Railways comes out with tenders in Q1 and Q2. Let's say, if last year's pending deliveries for traction transformers are quite high, so they will reduce the tender size in Q1 and Q2. And once the pending deliveries are fulfilled, then they'll come out with another tender in Q3 or in Q4, and then that could be a larger quantity. So, it's all very subjective based on how the suppliers are providing the products to them. But in general, if everybody is at the top of their game and able to supply on time, then yes, Q1, Q2 is when the maximum tenders are offloaded and then the smaller ones come. But realistically, that does not happen. So you keep getting some big tenders even in Q3 and even in Q4.

Prem Luniya: Sure, sir. And just a last question on the battery chargers, which we supply to Vande Bharat. What would be the quantum of this business? And where do you see this growing in the next 2, 3 years?

Suramya Nevatia: So Vande Bharat trains need battery chargers, and we have started supplying it through an OEM. And we have orders for that as well. And it will continue to stay. I mean, there is no shortage of requirements for battery chargers.

Prem Luniya: So how much would be our supply of equipment to per Vande Bharat, which is launched out of the 200, per Vande Bharat, how much our supply?

Suramya Nevatia: So presently, it is just the battery charger. And now we are working for the HVAC systems and transformers.

Moderator: The next question is from the line of Rohit, an Individual Investor.

Rohit: So congratulations on a great set of numbers, sir. In the last call, you had given a conservative guidance of 30% growth. So considering Q1's performance, would you like to revise this guidance for FY '26?

Suramya Nevatia: No, I don't believe we gave any guidance. We were asked a question, and we said, yes, we will do minimum 30%, and we stick to the same.

Moderator: The next question is from the line of Manish Goyal from Thinqwise Wealth Advisors, LLP.

Manish Goyal: Sir, just a couple of questions. So just to clarify that we are developing propulsion system for both goods train as well as passenger train separately. and we have already got one trial order for passenger, and meanwhile, we are looking for order for the locomotive, which is the traditional area? and also related question is that this advanced propulsion system is the one which you were earlier mentioning is the integrated propulsion system. And like what additional products go into that from traditional 4 items which go into that? That was the first question. Second question, sir, was on the backward integration. we have done some capex last year, and we are planning some more this year and promoters are also increasing funds. So like what are the plans in the backward integration? What are the products we are targeting? And how much of outsourcing will be reduced? How much can it meet your internal requirements? Just a broad perspective, sir?

Suramya Nevatia: So, regarding the differences between the propulsion systems, the new one, which is a more advanced one is more technologically advanced, firstly. There is newer technology being used. and there is an addition of different types of additional converters which are not part of the existing propulsion system. So just to clarify, the existing propulsion that we do that is used for goods and passenger loco, both, okay, So, it's not like it is not used for passenger. It is also used for passenger. Now, Railways has come out with a new and advanced propulsion exclusively for passenger, which is more high-tech in nature with more additional converters involved. So that's the key difference. It does not mean that the one that we have now is not used for passenger. So, some clarification I wanted to make here. and secondly, regarding backward integration, we cannot disclose the products at this stage. But as and when the products are ready and they are being commercialized, we will make announcements, and we will inform everybody. we don't want our vendors to stop their support to us. So we can't make things public.

Moderator: Ladies and gentlemen, due to time constraints, this would be our last question. I would now like to hand the conference over to Mr. Suramya Nevatia for closing comments.

Suramya Nevatia: So thank you, everyone, for your participation and for taking the time to join us on today's call. Q1 FY '26 has set a solid foundation for the year. The consistent execution, strong traction in our indigenously developed propulsion systems and encouraging momentum in newer verticals like our HVAC systems. Our increasing scale of delivery supported by backward integration and automation is steadily enhancing our responsiveness, product quality and delivery time lines.

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

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.