



“Hind Rectifiers Limited
Q4 & FY26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the Hind Rectifiers Limited Earnings Conference Call for Q4 and FY26. 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 the 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 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 of Hind Rectifiers. Thank you and over to you, sir.

Suramya Nevatia: Good afternoon, everyone, and thank you for joining us today. Representing HIRECT, along with me today are Mr. Doug Bailey, our Global CEO; and Mr. A.K. Nemani, our CFO. Mr. Manoj Nair, our CEO, India, could not join us today as he is in Germany representing HIRECT at the Coil Winding exhibition, our inaugural participation in that forum.

Our Q4 and FY26 financial results and presentations have been uploaded to the stock exchanges and on our website. I trust you have had the opportunity to review them.

This has been a strong year for HIRECT and an important one. I would like to use my time today to do three things: walk you through the key business highlights of FY26; set out our plans for the year ahead; and share where we see HIRECT heading over in the long-term.

So we start with the business highlights for FY 2026. Firstly, Traction Transformers. They were the defining product of our growth this year. We hold the largest market share in the industry today, and our priority is to defend and extend that position.

Second, the Copper Conductors. We commercialized our fully automated copper conductor facility earlier during the year. And I'm pleased to confirm that we have started receiving trial orders from private customers. We expect good revenue generation from this business vertical in this year and the years to come.

Next, Elventive France, formerly known as BeLink Solutions. This was acquired during the year, and it gives us manufacturing and R&D presence in Europe across EMS, robotics and printed electronics. This business currently runs at about EUR700,000 to EUR900,000 of monthly revenue. Our goal is to lift this by 15% to 30% to reach breakeven and eventually profitability.

We have identified and are in the process of bringing on board a new CEO, who will join us in the coming months, specifically to drive that ramp. I will return to Elventive's near-term impact on our consolidated financials in a moment because I want to address it directly rather than leave it for the Q&A.

Next, Propulsion Systems. All our external type tests have been successfully completed. We expect the field trials to be underway immediately, and we are now eligible to bid for development orders in the upcoming propulsion system tenders.

The leadership. During the past year, we have built our senior team with our Global CEO; CEO, India; Chief Global Growth Officer; and soon joining our CEO, Elventive France. These appointments are deliberate. They are the team we need to execute the vision that we will outline shortly.

Now before moving to FY27, I want to address the Q4 consolidated EBITDA margins of 3%, which Mr. Nemani will detail shortly. This is entirely attributable to Elventive France being in its first year of consolidation and operating below breakeven. The stand-alone business, which represents the core of HIRECT, delivered an EBITDA margin of 10.8% for the full year with ROE of 30.3% and ROCE of 24.2%.

We acquired Elventive with full awareness that the first 12 to 18 months would weigh on consolidated profitability. Our path to consolidated margin recovery runs through the volume ramp at Elventive that I described, and we will report against that milestone every quarter as we go along. We expect it to take between six quarters to eight quarters to get the results that we want.

We'll now come to FY27. Preferential issue. The Board has approved a proposal to raise INR100 crores from Tata Mutual Funds by way of a preferential issue, subject to regulatory and shareholder approvals. These funds will be deployed across four priorities: a 20% increase in monthly transformer production capacity; secondly, a tripling of copper conductor capacity; third, modernization of our power electronics test systems; and finally, additional R&D infrastructure for new projects. A portion will also support working capital and general corporate purposes.

Let's come to the industry outlook. The Indian Railways sector continues to offer a strong long-term opportunity. The union budget has allocated a record INR2.93 lakh crores to Indian Railways with continued focus on electrification, rolling stock modernization, signaling and safety, station redevelopment, dedicated freight corridors and high-speed and semi-high-speed rail. These priorities translate directly into sustained demand for advanced power electronics, propulsion systems, traction transformers, motors, converters and next-generation railway equipment.

HIRECT has steadily evolved from a component supplier into a vertically integrated system solutions provider for the rail and power electronics industry. Historically, our presence centered on critical components; transformers, rectifiers, aux converters and panels. Over the last few years, we have expanded into higher value-added products and subsystems that includes; HVAC systems, IGBT-based electronics, battery chargers and control systems.

Today, we are becoming a complete system-level solutions provider with a strong focus on indigenous propulsion systems and integrated railway power electronics. This transition has

tripled our addressable wallet share per locomotive, which now stands at approximately INR5 crores to INR5.5 crores.

Coming to the order book. Our order book stood at INR845.5 crores as of 31st March, 2026, with new order inflows for the year at INR858 crores. Order intake in our segment is structurally lumpy, driven by railway tendering cycles. The relevant signal for the year ahead is that tenders have begun coming through, and we have already secured L1 positions in most of the tenders that we have already bid for.

R&D. Our R&D team now spans more than 40 active projects across new products in existing industries, new products into new industries, different variants and different upgrades. The team is 150 strong today and will reach 200 by the end of the third quarter. The headline output of the year is the indigenous brake system for 6,000 HP locomotives.

HIRECT is the only Indian company to have designed, developed, manufactured and successfully tested the system. Apart from that, our propulsion systems, the DPWCS communication and safety platform and our converter portfolio have all hit important milestones during the year as well.

Coming to the dividends. The Board has recommended a final dividend of INR1.4 per equity share or 70% of the face value of INR2.

For FY27, for the current financial year, we are committed to our originally stated target of 30% top-line growth on a stand-alone basis.

I would like to take this opportunity to talk about the long-term vision that we have. We are undertaking a rebranding of the company. Revenue from Rectifiers is now a marginal share of our business and the name Hind Rectifiers no longer captures what we do or what we are becoming. So we have decided to rebrand to HIRECT, a mark that is officially recognized by the Government of India as a well-known trademark, one of approximately 300 -- just 300 such marks in India today.

I would like to share an ambitious vision with you today. 10 years ago, in FY16, HIRECT did INR94 crores of revenue. In FY26, we did INR949 crores. We have grown ten-fold in 10 years. Now we have set ourselves a target of growing ten-fold again. But instead of 10 years, we intend to do it in the next 5.

This is a \$1 billion top-line goal, and we are clear-eyed that it cannot be achieved through the railway business alone. We expect to reach it through three reinforcing levers: Organic expansion in our core, which is the railway franchise; growth in adjacent verticals where our power electronics capabilities translate naturally, this could include defense, mining and power management industries; and thirdly, it will be selective inorganic moves.

The detailed road map is something we will share with you in tranches over the next coming quarters. But for today, I want you to know that the foundation has been laid, the leadership team is in place and the strategy is already in motion.

I will now hand over to Doug to take you through our global expansion and Elventive France updates. Over to you, Doug.

Douglas Bailey:

Thank you, Suramya, and good afternoon, everybody. Financial year 2026 marks an important milestone in our international expansion with this -- the acquisition of Elventive. I think Suramya mentioned it was formerly known as BeLink Solutions.

The acquisition established our manufacturing and R&D footprint in Europe, and it strengthens our capabilities in EMS, robotics, the printed electronics and also power electronics. It also gives us access to high-value sectors, including the defense sector, aerospace as well as rail and the industrial automation.

Integration is progressing on plan. We're actively evaluating synergies between India EMS and the European EMS, both on manufacturing side and shared R&D. And we think those benefits will start showing up in FY27 and onwards.

FY26 was the first year of consolidation. And as Suramya mentioned, the scale-up phase has weighed on near-term consolidated profitability. We're prepared for that. The acquisition provides a platform we need for a long-term global growth and technology road map, and we remain focused on building a scalable global presence alongside our strong position in railway systems and next-generation power electronics.

Now hand over to Mr. Anil Kumar Nemani to take you through the financial performance.

Anil Kumar Nemani:

Thank you, Doug. Good afternoon, everyone. Let me present a summary of our financial results for Q4 and FY26. First, I present standalone. Revenue from operations grew 42.7% year-on-year to INR260 crores (Wrongly said, Kindly read it as INR264 crores) compared to INR185 crores in Q4 FY25.

EBITDA stood at INR26.9 crores against the INR19.9 crores Q4 FY25, a growth of 34.9% on year-to-year. With EBITDA margin of 10.2%. profit before exceptional terms and tax came in that INR19.5 crores up 39.5% on year-to-year. And PAT grew 64% on year-to-year to INR16.4 crores,.

Consolidated revenue from operations grew 51.2% year-to-year to INR279.8 crores compared to INR185 crores in Q4 of FY25. EBITDA stood at INR8.4 crores with a EBITDA margin of 3%. As Mr. Nevatia has outlined that this reflect the first-year consolidation of Elventive France together with our investment in the employees, operation, R&D and global capability build out.

Stand-alone for the year, revenue from operations grew 44.8% year-to -year INR949.2 crores compared to INR655.4 crores in the FY25 driven by improved execution and strong performance in traction transformer and rail system-related segments.

EBITDA grew 45.5% to INR102.5 crores with margin earnings of 10.8%. Profit before exceptional item and tax was INR75 crores up 49.2% and PAT was INR57.7 crores up 54.7%

on year-to-year. Return ratios improved meaningfully during the year. ROCE raised to 24.2% from 23.4% in FY25. And ROE rose to 30.3% from 26.2%.

Consolidated full year, the revenue from operations grew 52.5% in year-on-year to INR999.1 crores. Consolidated EBITDA grew 19.6% on year-to-year to INR84.1 crores. Consolidated PAT excluding minority interest stood at INR45 crores up 21.3% on year-to-year.

That is all from my side. I now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nishita Shanklesha from Sapphire Capital. Please go ahead.

Nishita Shanklesha: Hello. Sir, I would just like to know if you can quantify the L1 orders that you mentioned that we are in the....

Moderator: I'm sorry to interrupt Nishita, we're not able to hear you.

Nishita Shanklesha: Yes. Hello, am I audible?

Moderator: Yes. Please proceed.

Nishita Shanklesha: So if you could just quantify the L1 orders that you mentioned that we are in the position of?

Suramya Nevatia: So there have been a variety of different tenders which we have participated in. This includes transformers. This includes propulsion systems. This includes some new products that we have participated in. We don't have the quantified data on hand, but we expect good orders to come in from these tenders.

Nishita Shanklesha: Right. Okay. And you mentioned that in Elventive, we can expect 15% to 20% revenue growth. Is that correct?

Suramya Nevatia: No. We have to increase the revenue -- the monthly revenue by 15% to 30%, yes.

Nishita Shanklesha: Okay. So what is the overall consolidated growth that we can see in FY27?

Suramya Nevatia: So we have mentioned that for stand-alone, we are looking at about 30%, which is what we had committed earlier as well. And that's what we maintain. And for consolidated, we will evaluate and maybe give you updates from the next quarter onwards.

Nishita Shanklesha: Right. And if you can throw some color on when can we expect Elventive to be EBITDA positive? Is it -- can that be in H1 FY27 or later in FY27? If you can throw some color on that?

Suramya Nevatia: We are looking at about six quarters to make it profitable.

Nishita Shanklesha: That is going to be on the PAT level or EBITDA level?

Suramya Nevatia: No, it will be at PBT level.

- Nishita Shanklesha:** Okay. Okay. Understood. Thank you so much.
- Moderator:** Thank you. We will take our next question from the line of Ashish Soni, an Individual Investor. Please go ahead.
- Ashish Soni:** Sir, you spoke about the FY '31 vision of \$1 billion revenue. And what the broad areas you want to grow and what are the areas where you don't have capabilities and you want to acquire because you spoke about inorganic? And what's the margin target in that five years? If you can give broad perspective on this area?
- Suramya Nevatia:** Sure. So as we mentioned, we are going to look at leveraging our strength, which is power electronics. And we will be doing that in multiple different applications. It will be anchored, of course, by rail, which is the core strength, but there are many other applications such as defense, such as mining, and in other emerging industries where power management is heavily needed.
- So we are getting into or exploring these different opportunities where we have -- in certain avenues, we have made great progress. This will be one of the main driving forces behind this vision. And inorganically, we will be looking at companies that have advanced technologies that could help us to further improve our offering to these different industries and different applications.
- Ashish Soni:** And what about the margin targets? Any margin target you have for FY '31?
- Suramya Nevatia:** Yes. I mean it is a little difficult to quantify. But yes, we would be looking at -- and I think I've informed this earlier as well, we'd be targeting between mid to late teens at EBITDA level. That's what we intend to achieve.
- Ashish Soni:** Okay. And can you elaborate more on that inorganic because you spoke about the areas, but are you looking at acquisition in India or abroad? And railways, do you think you can like scale up like 50% of the revenue target from that area itself? Or what's the thought process when you say railways is still the key contributor, at least for FY '31 perspective?
- Suramya Nevatia:** So railways will continue to be the key contributor because the growth in railways is not going to slow down. Even within rail, there are different segments. It's not just locomotives. It's different kinds of trains, different applications within rail. And India has a long way to go when it comes to modern and urban transport. So yes, it will have -- it will be a big, big factor in that growth journey of ours. And today, it is difficult or not appropriate to point out specifically about inorganic. But yes, we will keep you updated as and when things progress.
- Ashish Soni:** Perfect. Thanks, and all the best.
- Moderator:** Thank you. We will take the next question from the line of Mahesh from Dhairya Investment Advisors. Please go ahead.
- Mahesh:** Sir, just wanted to know -- so with all the L1 orders that we have in hand and the orders that we are now executing, how does the railway, you know, how do you pass on the raw material effect -- I mean with all these raw material prices inflating? So, what are the specifications in order?

Do you have any escalating -- I mean, price escalation clause in those L1 orders? How exactly it is, if you can -- that would be my first question.

Suramya Nevatia: Yes, there is a price escalation clause inbuilt into the tenders.

Mahesh: Is it for all of them? Or is it only for the line of business that we are into?

Suramya Nevatia: It is definitely there for the product that we are into, and we are not concerned about other product lines.

Mahesh: Okay. All right. And my second question would be more on Elventive France. So, if you can just throw some light on what is the amount that we have spent to acquire this asset? And so basically, are there any capabilities that could be also brought down to Indian market from this acquisition? So how are you looking at this?

Suramya Nevatia: Sure. So I will answer your second part of the question. And I think Mr. Nemani can then answer the first part. So regarding the synergies, Elventive France has a lot to offer in terms of capability and competence. Their nature of products that they have, the printed electronics, which is a patented technology. We brought them to India. We put them in trade shows, and it's something which is very exciting for the Indian market, and it does not exist in a proper way.

There is a lot of things that we can do with them when we want to expand into the global product scenario. We have a variety of different products like smaller converters, power supplies, which can be made over there for the Western markets. And their robotics capability is something that we are exploring very keenly to do that first internally here at HIRECT, but also at the -- in the Indian market. So that is -- synergies are absolutely tremendous. And regarding the first of the question, Mr. Nemani, if you can address that.

Anil Kumar Nemani: Yes. We purchased this company in EUR1 million. , there are lots of assets at Belink for that we explained in the earlier meeting. t For incorporation of the existing company, we incorporated a new company in France. And that company purchased in the EUR1 million, and over and above, we introduced their EURO 2 million as a capital.

Mahesh: And what was the reported numbers for that entity in last financial year?

Anil Kumar Nemani: Yes. We have not taken losses. because of the losses we took over that from the October 1 .

Mahesh: So it was a loss-making entity there?

Anil Kumar Nemani: Yes. It was a loss-making entity definitely. That's why this I can say, cheap prices. So they have the big assets. And here just as Mr. Nevatia mentioned at the beginning, we have taken this company knowingly. There will be loss in the six quarters, at least.

Mahesh: Okay. So Mr. Nevatia, so when you say that today, we are like INR5 crores to INR5.5 crores in a locomotive, we're able to do that kind of a product line. So with this acquisition, let's say, a couple of years down the line, I mean I'm talking about FY29, maybe '28 or '29, do you see that

amount going up substantially because of this addition? Or even our organic growth could be substantially higher?

Suramya Nevatia: No. So as I mentioned, INR5.5 crores is our wallet share today for locomotives, and that's where it stops because that's where the entire electronics of the locomotive is. Anything beyond that is all mechanical and different segment of products that we don't do. That's first. Secondly, this acquisition is a completely different business line and different business vertical. It is not related to rail.

Mahesh: Okay, and where are we...

Moderator: I'm sorry for interrupting you. You may please rejoin the queue for more questions. Thank you. Next question is from the line of Nikhil Chaudhary from Toro Wealth Managers. Please go ahead.

Nikhil Chaudhary: Hi. Congratulations on a very good stand-alone. I have just 2 questions. I wanted to understand globally -- we are so strong in power electronics that globally we have seen there is a lot of AI like data center capex that is happening in the power efficiency and a lot of rectifiers thermal systems are a lot in demand.

So just wanted to understand, do we have any thoughts with respect to any of our products having adjacency in those areas over the next 3 to 4 years? And second question is with respect to the CTC facility that has gone live. Once the plant reaches full utilization and since it is for our captive consumption, what kind of margin uplift can we expect with this backward integration?

Suramya Nevatia: Sure. So firstly, our products that we have today, they are adaptable for emerging markets like data centers and AI and power management within renewables. And that is one segment that we are exploring and we are looking to work with it. We've already met a few companies in this space, and we are trying to figure out what solutions we can provide to such companies.

Nikhil Chaudhary: Okay.

Suramya Nevatia: Regarding the CTC, about 60% to 70% of the capacity would be for in-house consumption and the remaining would be available to third parties that we can do business with. It will have a significant impact on the margins. In fact, we have been able to secure L1 in the previous transformer tender because of the backward integration of the CTC plant.

Nikhil Chaudhary: Great. Great to hear that. And a follow-on to the earlier answer to yours, like in that, what areas are we looking like, is the TAM for the products that we are engaging with the prospective data center clients? Is it large? Like, I'm just trying to understand the quality of the product -- the areas of the product that we are probably focusing on because we are seeing a couple of companies actually changing their totally growth rates just by being in the supply chain of these -- the growth that we are seeing in this space.

- Suramya Nevatia:** Right. So we don't want to be a product supplier. We actually intend to be a systems or a solutions supplier to these companies. They have a lot of pain points today, and we are trying to address them and give them like a holistic solution, not just one product.
- Nikhil Chaudhary:** So are these opportunity size large for us or will it be like maybe say, a fraction of the revenues 2, 3 years down the line? Do you think that we can materially uplift the kind of revenues that we can see? And I know it is too early, but just trying to gauge what...
- Suramya Nevatia:** Yes. Definitely, definitely, it will be a big contributing factor to our growth.
- Nikhil Chaudhary:** Got it. Got it. Very helpful. Thank you so much. Wish you all the best.
- Suramya Nevatia:** Thank you.
- Moderator:** Thank you. We will take our next question from the line of Sandeep Mukherjee from SKP Securities Limited. Please go ahead.
- Sandeep Mukherjee:** Thanks for taking my questions. Sir, my only question is that quarter-to-quarter revenue has remained flat, but the expenses like raw material and other expenses have increased a bit. So what was the reason, sir?
- Anil Kumar Nemani:** Should I explain this?
- Suramya Nevatia:** Yes, please.
- Anil Kumar Nemani:** Yes. See, there is raw materials, quarter-to-quarter is almost same. There is no major changes in this. In fact, it is slightly less for the stand-alone basis also. And consolidated is also good. Yes. So there is a marginal increase in other expenses only because of a selling fee. We are already incurring the expenses for the international market. In the initial remark that Mr. Nevatia also mentioned.
- We are increasing the expenses because of the global funding of the business also. But that is also a very slight marginal increase. There is no major increase in overheads Finance cost after the -- I can say is still under control. In employees cost and other expenses there are marginal increase.
- Sandeep Mukherjee:** Right. Okay, sir. Thank you.
- Moderator:** Thank you. We will take our next question from the line of Sampath Nayak from ZTO Capital. Please go ahead.
- Sampath Nayak:** Hi sir. So actually, I wanted a few insights with respect to future growth levers. So we said first one will be growing organically. Second, through power electronics in defense and mining and aerospace, so can you give more insights on which niche segments we are targeting within this?
- Suramya Nevatia:** No, today, we cannot be specific in that segment, but we will keep you updated as and when we get into it more into these business applications.

Sampath Nayak: Right. Sir, my second question is, you said -- like you said you're not able to give quantum of order pipeline -- bidding pipeline. Is that correct?

Suramya Nevatia: No, we don't keep a tab of these tenders. I mean we have the MI statements, but we don't have it offhand today.

Sampath Nayak: Sure sir. Thanks so much and all the best.

Moderator: Thank you. Next question is from the line of Rupesh Tatiya from Long Equity Partners.

Rupesh Tatiya: Hello sir. Thank you for the opportunity and congratulations for good stand-alone numbers. My first question, sir, is on propulsion system. So if you can give a bit more detailed update on where are we in the trial? Have you seen any issues? What is your level of confidence that the trials will pass?

And when you say we are eligible for development orders, I think every year, new maybe 1,500 locos are manufactured. So, what kind of opportunity does the development vendor have? And is there any competition in the development vendors? So that is my first question.

Suramya Nevatia: Sure. So we have completed all the type tests, internal, external. External type tests had multiple agencies involved, which includes, let's say, from railway side, there was RDSO, which is their design house from Lucknow. It had Chittaranjan Locomotive, which is their production unit. Of course, it had our teams, and it also had certain third-party labs where we have to do the testing.

It is actually a remarkable achievement that we have completed these tests in the very first attempt and in record-breaking time. Most companies have taken months to complete these tests, where we have done it in a few days with very little to no sort of errors or changes and any negative feedback.

So yes, the tests are all done. In fact, we have a video that we have shared with our advisers, and I can have them e-mail it to you. It's basically the HIRECT locomotive pulling the freight train. It's -- I mean, if you see the video, it's just a train moving in the field, but it's a very big deal for us because that's actually -- it's our train. It's our locomotive that's pulling the train. So we are now in the process of the 50,000 kilometers.

And what has happened is since the type tests have been completed, we have -- there's a procedure which happens in Indian Railways where they sign these different joint notes. And we are in the stage today where the tenders that will be coming out in end of the month, June, July, we will be eligible for development quantity.

The development quantity is 20% of the total tendered quantity. So if they are doing 1,500 locomotives, I mean, of course, they are doing 1,600 actually. So 20% of that is where we'll be eligible. And there are, I think, maybe one -- there's one more competitor that we have. However, it is not a black and white.

There are many things that come into play when they want to give these orders that includes capacity, quality, delivery performance, multiple factors. And we are in a very strong position

to get maximum benefit from these development quantities. And yes, we'll be able to provide you more insights into this once the tenders come out from the end of the month and for this quarter.

Rupesh Tatiya:

That's fantastic to hear, sir. One or two follow-ups. So what kind of capacity do we have for these propulsion systems? That is one. And when you give this 30% revenue growth guidance on the stand-alone, does it already incorporate the propulsion system orders, development orders? And third one is FY28 will be -- I'm hoping we will be like a regular bidder in FY28. So what kind of market share can we expect in, let's say, FY28, FY29 time frame?

Suramya Nevatia:

Yes. So yes, propulsion system is part of the growth strategy. We should start seeing results coming in from Q3 onwards for propulsion systems. For the approval criteria, there is -- there are some changes which have happened just last week from the railway side. They are actually now measuring quality, not just the pricing. And they have set a standard that if -- so there is a term, it is called FRPCPY.

It stands for Failure Rate Percentage Per Year. So if a company's FRPCPY is consistently above 30%, they might be delisted or downgraded from approved to development. And we know for a fact that a lot of companies, FRPCPY is more than 30%. And we know our quality and we know our capability.

So if Railways decides to take action on some of our competitors for not meeting the quality standards, we could look at expedite approvals. So yes, we may be able to get approvals by next year, by the end of next year or probably even, I don't know, before that if the FRPCPY conditions of others are not met. We are confident because everything that we have done is done in-house.

So it's the hardware, the software, the algorithms, all of the electronics that we are supplying have been designed by us, developed by us, keeping Indian conditions in mind. And we have seen that in the other converters that we make that our product genuinely works good on the field. So that would be a fair assumption that, yes, next year, we should be looking at being an approved source.

Also, I want to add one more point here that the propulsion for locomotives actually is a stepping stone for us and not the end goal, because everywhere else that we want to go, all different kinds of trains, all modern trains, the eligibility to participate in those projects actually comes from propulsion for locomotives.

Rupesh Tatiya:

That's fantastic, sir. Just on capacity. And one more follow-up is, is it fair to assume that propulsion system will have significantly higher EBITDA margin than the company average on a stand-alone basis?

Suramya Nevatia:

So coming to the capacity, we are not really bound by any capacity constraint, at least as on date. In fact, that is one of the use of the funds that we have received from Tata Mutual Funds to build a more sophisticated test infrastructure for these (Inaudible 00:42:07) advanced capacity for us.

And regarding the EBITDA numbers, to start with, like for immediate sense, the EBITDA will be lower on propulsion systems.

But in the few months, it will significantly improve. So we have done a lot of backward integration here as well. We have our own EMF competence. We have our gate drivers. We have a lot of electronics that we use for propulsion systems that we do in-house. And once that comes into supply, yes, EBITDA margins will be much better than what we have as a company as a whole.

- Rupesh Tatiya:** That's fantastic, sir. My second question is on...
- Moderator:** I'm sorry to interrupt Rupesh. You may please rejoin the queue for more questions.
- Rupesh Tatiya:** Yes. Sure.
- Moderator:** Thank you. We will take our next question from the line of Nishita Shanklesha from Sapphire Capital. Please go ahead.
- Nishita Shanklesha:** Thank you for the follow-ups. I just wanted to understand about the capex. How much capex did we do in FY26? And how much are we expecting to do in FY27? And what is that capex going to be used for?
- Anil Kumar Nemani:** Yes. We have done approximately INR70 Cr of capex. Yes and maybe approximately INR50 Cr is assumed today we have planned for FY27 only.
- Nishita Shanklesha:** And this is just maintenance capex. What are we going to use the INR50 Cr for?
- Anil Kumar Nemani:** No, I could not follow this. What is that?
- Nishita Shanklesha:** What is the INR50 crores capex that we have planned for FY27 going to be used for?
- Anil Kumar Nemani:** Yes, that would be mainly for increasing the capacity for the propulsions, transformers and copper.
- Nishita Shanklesha:** I'm sorry, you are not audible.
- Anil Kumar Nemani:** This would be for increasing the capacity for the transformers, propulsions and also for the copper front CTC front also.
- Nishita Shanklesha:** Okay. Understood.
- Moderator:** Thank you. Next question is from the line of Mahesh from Dhairya Investment Advisors. Please go ahead.
- Mahesh:** Yes, sir. My question would be out of INR5.5 crores that you have told me, so where are we? I mean, how much of it is being serviced by us today in locomotive. Let's say, you said that entire power systems is INR5.5 crores. How much of it is being done by us today?

- Suramya Nevatia:** INR5.5 crores.
- Mahesh:** INR5.5 crores per locomotive is our -- is the market, right? I mean, what you have said in the locomotive. But how much are we servicing today?
- Suramya Nevatia:** We are servicing the entirety of that.
- Mahesh:** Okay. So when you say that you're also taking into account the propulsion system that we are going to have, right?
- Suramya Nevatia:** Yes.
- Mahesh:** And what could be the propulsion system out of this INR5.5 crores, what is the value of propulsion systems?
- Suramya Nevatia:** It is about INR1.7 crores to INR1.8 crores.
- Mahesh:** INR1.7 crores to INR1.8 crores? So when you say 20% bidding for 1,600 locomotives, what exactly -- and let's say, we get -- you said there is another one competitor. So we might get some decent order. So what is the order book you are looking at from this propulsion system?
- Suramya Nevatia:** We are looking at the 20% of the tendered quantity as a development source and we will try to extract maximum from that as we can.
- Mahesh:** Yes. If you can just quantify that in absolute numbers?
- Suramya Nevatia:** No, I cannot quantify that in absolute numbers.
- Mahesh:** Okay. All right. Understood. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Nikhil Chaudhary from Toro Wealth Managers. Please go ahead.
- Nikhil Chaudhary:** Hi. Thank you for the follow-up. Just one clarification. Did we probably say that this BeLink will take 6 quarters to probably get to PBT positive? Like just trying to understand, won't it probably be the margin uplift that we'll be getting through our -- probably the backward integration and the new products, will it be shrinking the overall margins in the next 6 to 8 quarters?
- Suramya Nevatia:** I didn't -- I couldn't understand you clearly, but I'll just answer again. So we are looking at 6 to 8 quarters to get this increase in revenue that we want at BeLink to make it breakeven and then make it profitable. And to do that, we have identified a very strong CEO who will be joining us shortly to give us this ramp-up and growth and management and governance that we need at Elventive France.
- Nikhil Chaudhary:** Got it. So understood. I was just trying to understand like probably the 6 to 8 quarters would be probably -- BeLink would be consolidated in our numbers now. So it can have an impact on the overall consol margins that this quarter, Q4.

- Suramya Nevatia:** Yes.
- Nikhil Chaudhary:** So technically, yes, coming in the next quarter -- in the coming years, maybe we'll -- our margin guidance of probably, say, mid-teens would probably be delayed by say, maybe say '28, something of that sort.
- Suramya Nevatia:** That's not entirely accurate. Firstly, if you look at highlighted stand-alone, then definitely the margins will keep improving. But even when we consolidate, we need to ramp up their monthly revenue. And we will be increasing their monthly revenue like from immediate ongoing as we speak, like from immediate impact. So even if it is a 5%, 8%, 10% increase in the monthly run rate, it improves the financials by that much.
- Nikhil Chaudhary:** Got it. Understood. This is very helpful.
- Anil Kumar Nemani:** One confirmation, their cost structure is slightly different than us. Here in India we have the higher material cost and less fixed cost and there is a lesser material cost and higher fixed cost. So, any increase in the top line will have substantial impact on the bottom line.
- Nikhil Chaudhary:** Got it. Your voice is a bit inaudible, but I'll hear the recording later on.
- Moderator:** Next question is from the line of from Gaytri from Malabar. Please go ahead.
- Gaytri:** Hello. Hi sir. So a quick question here from my side. There are a number of new players like Embryo Electro and then incumbents like Meda as well on the propulsion systems side. So my question was what specifically does Hind have that the other new and incumbent players don't have? Or do you expect everyone will keep winning some portion of the pie given the massive tailwind. So do you expect to see them also winning against us and everyone sort of having that 15%, 20% market share as you think about sort of medium term?
- Suramya Nevatia:** No, that would not be a fair assessment, because as I just mentioned earlier, that railways is now looking at qualitative measures, not just pricing. So if you're not able to maintain product failure rate within 30% FRPCPY, you will be delisted and downgraded from approved for development, maybe even blacklisted. So, not everybody is on this level playing field.
- Some companies rather very few companies actually have that technological competence to have this product of that nature that the failure rate is below that 30% FRPCPY. So I strongly believe that the number of competitors in this business will actually reduce due to the stringent quality standards.
- Gaytri:** Got it. So just testing and being successful in the first round alone doesn't guarantee continued success is what you would like?
- Suramya Nevatia:** Actually, if you don't understand the field conditions or if you're not able to adapt the product to Indian Railways conditions, that's what makes it not work. So a lot of people have technology from outside. So technology may be great, but it is not suitable or very easily adaptable for Indian Railways conditions. It may be more suited for European or other countries. So that is

the differentiating factor. And when you add to that, the backward integrated electronics, this combination is what really works in the field when it comes to quality.

Gaytri: Got it. Thank you very much.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference back to Mr. Suramya Nevatia for closing comments. Over to you, sir.

Suramya Nevatia: Thank you, everyone. Thank you for your engaged participation and for taking the time to join us today. We hope this has given you a clear view of where HIRECT stands and where we are heading. We look forward to continuing the conversations throughout the year. Thank you once again.

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