Management Discussion

Hiral Parekh - Analyst, Dolat Capital
Thank you, Harish. Good afternoon, ladies and gentlemen. On behalf of Dolat Capital, I'm pleased to invite all of you to the Q2 FY27 earnings conference call with the management of KRN Heat Exchanger and Refrigeration Limited. The management is represented by Mr. Santosh Kumar Yadav, the Chairman and MD, Mr. Pawan Nawal, the CFO, and Ms. Komal, the Whole Time Director of KRN HVAC Private Limited. With that, I will hand over the call to Komal ma'am for the opening remarks. Over to you, Komal.

Komal Yadav - Whole Time Director, KRN Heat Exchanger and Refrigeration Limited
Hello, am I audible?

Operator
Yes, ma'am, please go ahead.

Komal Yadav - Whole Time Director, KRN Heat Exchanger and Refrigeration Limited
Thank you. Good afternoon everyone and thank you for joining us. On behalf of the management team, I would like to welcome all our investors, analysts, and partners to KRN's earning call. For the second quarter and first half of FY27. The first half of FY27 has been a strong period for KRN. Growth during the first half has been broad-based, coming from new customers, a wider product range, the ramp-up of our new facility, and a larger share of business from overseas market. Our core heat exchanger business continues to grow while the newer businesses are steadily adding to it.

A larger part of this has come from our new facility at Neemrana. The initial months after commissioning went into approvals, customer audits, and setting up systems, which is natural for a plant of this size. Over the last few quarters, more customers have been qualified, more products are being manufactured there, and the facility is contributing more meaningfully each quarter. Utilization at the facility still has room to improve, which leaves good scope for future growth from the existing capacity.

Exports have been one of the most encouraging parts of the half. Our exports business nearly tripled during the half and now forms a much larger part of our revenue. The United States has become our largest export market, followed by Canada, France, the United Kingdom, and Italy. And we have also served customers in markets such as the UAE, Vietnam, Sri Lanka, Brazil, and Nepal. Customers in North America and Europe are giving us more business, including new customers in the data center space. The growing acceptance of KRN's product in these markets is a good sign of the trust customers place in our quality and execution.

Data centers in particular have become an important part of our business. Cooling requirements in this segment are rising, and customers are planning and placing orders well in advance. We are also keeping pace with how the technology is moving, including liquid cooling, and have started working on products for this space as well. In bus air conditioning, which we entered last year, progress has been steady. We have started supplies to an OEM, added several bodybuilders as our customers, and are engaging with other OEMs.

So we can add them as well. And though, as you know, approvals in this segment take some time, having the heat exchanger tubing and FRP in-house gives us a good base to grow this business. As volumes have grown, we have kept a close watch on costs and working capital. Raw material cost

movements are largely passed through to customers, and we have continued to add to our teams across businesses to prepare for the next phase. Some of these investments add to costs in the near term, but we believe they are necessary to support growth of this scale.

Now coming to our financial performance, on a consolidated basis, revenue from operations for Q2 FY27 stood at INR319.14 crore, a growth of 109.86% year-on-year from INR152.07 crore in Q2 FY26. EBITDA grew 61.10% to INR48.75 crore with an EBITDA margin of 15.27%. Net profit doubled to INR36.11 crore up by 100.38% year-on-year, with a net profit margin of 11.32%. For H1 FY27, consolidated revenue from operations was INR571.45 crore, up by 113.75% year-on-year from INR267.35 crore in H1 FY26. EBITDA more than doubled, rising 104.40% to INR97.81 crore, with an EBITDA margin of 17.12%.

Net profit grew 126.68% to INR69.01 crore, and net profit margin improved by 69 basis points to 12.08%. Exports were a key contributor during the half. Exports revenue rose 192% year-on-year to INR125.8 crore and now accounts for 22% of total revenue compared with 16% in H1 FY26. The United States was our largest export market contributing to 43.7% of exports revenue And our top five markets together accounted for about 85% of exports. To sum up, the first half has seen strong growth with contributions from across the business.

Demand for HVAC and refrigeration solutions remains healthy across data centers, infrastructure, mobility, and industrial cooling. As we move into the second half, our focus will be on deepening customer relationships, building utilization at Neemrana, and developing products for newer applications. Before I close, I would like to thank our employees, customers, and our partners for their continued support, and all of you for your trust in KRN. With that, we would be happy to take your questions.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. [Operator Instructions] We'll take our first question from the line of Mohit Chugh from Subh Labh Research. Please go ahead.

Vinit Agarwal - Analyst, Bajaj Alternates
hi sir, hope I am audible. Yeah, yes, please

Operator
Go ahead.

Mohit Chugh - Analyst, Subh Labh Research
so my first question is, we have seen a decline in gross margin this quarter. Assuming commodity price remains elevated, in H2 also. Should we expect similar kind of margins in H2, or do you expect margin recovery through pass-on, price pass-on to our customers?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, good afternoon to all. So of course gross margin and EBITDA compared to first quarter, and of course we try to figure out what was the happen. So we have almost four point. So our freight cost for inward and outward is increased because suddenly increase in office question for export side so

it's around 1.82% it is there for freight cost only and secondwise the big is material cost so current quarter [Foreign Speech] last [Foreign Speech] And third one, especially with Daikin, because the price last quarter they increased around 30% of the earlier quarter, but their bottom line is fixed with us.

So top line increased but bottom line almost the same way. So in terms of percentage, of course, is down. And some business promotion expenses also there. So if I club these 4, so it's contribute almost 3% to 4%.

Mohit Chugh - Analyst, Subh Labh Research
Okay go to -- also sir yes sir please you were saying something

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
about future was you sir of course this quarter [Foreign Speech] will go almost flat because this will have almost same scenario and Diwali festival also in North India so we almost two week almost [Foreign Speech] Earlier we expecting around INR200 crore, but now we are expecting more than INR200 crore. It can be reached around INR250 crore, and we have good pipeline and good forecast for next year as well. So next year we expect almost another 60% to 80% of growth in terms of export only. And domestic side also, particularly data center growth is quite good behind our expectation.

So in like top line guide, and we are on the inline, maybe slightly up.

Mohit Chugh - Analyst, Subh Labh Research
Okay, sir. And sir, sorry to press on this again, just to confirm, should we take EBITDA margin guidance for whole year FY27 in range of 17% to 18%? I think you said that this quarter will also remain flat.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
As of now, because of this freight cost, still because of the war condition, so I'm not expecting it will go down because we can change price on quarter-on-quarter basis. So that's why I said, so next quarter, maybe quarter four will be slightly up, but quarter third, because still we see thread cost is on- is still on higher side. So maybe you can consider on same what you said.

Mohit Chugh - Analyst, Subh Labh Research
Okay, sir. And my second question is on data center. We understand that you do not disclose your order book since we have short, short-term orders, but if you could provide us an indication of visible data center order pipeline In terms of number of months or in ballpark value that is currently available for us, or we are waiting for that?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So actually, in the domestic side, of course, we have all data center customers on board with us. So some of we are only single source with some of maybe a 50%, some of maybe 60%. So rolling order will be continue with the domestic side. And export side is still- we have almost more than, like, you can say this year INR50 crore plus order as on today, but it's also with them also is rolling. So total, if you see, in particularly data center, in H1 we almost achieve around INR180 crore. If you compare to

last year, H1 is around only INR38 crore.

So growth is there, and with maximum customer we have rolling, rolling order, like they open only for one or two months. But some project, if they are firm, then of course they can open for maybe three or four months, but not, more than.

Mohit Chugh - Analyst, Subh Labh Research
Oh, okay, sir. Got it. Uh, so second question also on my data center. Since we are hearing that AI cycle is slowing down, and while data centers demand is currently- the cooling infrastructure demand is currently from AI data centers But there are other opportunities as well that are growing. That is, best if we see the system, uh, on downside of it, some HVAC systems is installed, and also on biogas plants there are chillers. So are we exploring these kinds of opportunities?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
As of now, we don't have any slowdown, particularly in our product. And in opening remarks, we already said we are working on this brazed plate heat exchanger for air this liquid cooling heat exchanger and today as of now we are focusing of course on our main heat exchanger then similar product like dry air cooler and open top condenser that also can use in data centre and maybe on power plant cooling today

Operator
Well ok Sir, go Next question is from the line of Vinit Agarwal from Bajaj Alternates. Please go ahead.

Vinit Agarwal - Analyst, Bajaj Alternates
Yeah, thank you for the opportunity. And so I have 2-3 questions. So first is, uh, in terms of revenue, like in H1 we did INR571 crores revenue, and for the full year you had guided earlier around INR1,200 crores kind of revenue. So since, uh, we already are around Rs 315 kind of run rate this quarter, So can we assume, uh, like this year, full year, we would surpass the INR1,200 crore kind of, uh, more than, uh, somewhere between INR1,250 crores kind of revenue or more than that?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So as of now, if there is nothing like force majeure side or some traffic side from USA, I think we can achieve what you said. But, uh, some, especially global, like traffic or maybe some war will increase, then of course Export will then can be down, otherwise it will be up.

Vinit Agarwal - Analyst, Bajaj Alternates
And export is doing well, like, uh, which we are seeing, like it's around 400 which you guided. So we are on track on that

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Export. I think we guided for INR200 crore and, uh, we have surpassed that almost. Now we are going to achieve around 250.

Vinit Agarwal - Analyst, Bajaj Alternates
Okay. And, uh, sir, on the other expenses like this quarter we have seen a jump which you said because of freight cost, uh, but, uh, is this also included some factoring cost charges, or are we

seeing any warranty of bus AC service cost like that because of which we have seen increase in other expenses?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
The main contributor is freight cost only, but selling expenses also on the same had, but main contribution is by freight cost, especially for export side, and some by import side as well.

Vinit Agarwal - Analyst, Bajaj Alternates
And on the other income, like this quarter we have seen significant jump, uh, is it- does this include your, uh, RIPS incentives?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, this, uh, particular about- we have two incentives. So one is PLI and the second one is the RIPS. Rajasthan Investment Promotion Scheme. So both ways eligible for particular this year, but I think we will report and not overall will report in next year only, once we have certificate firm certificate by government. So this not included in other income. So mainly I think inc

Vinit Agarwal - Analyst, Bajaj Alternates
Okay, understood. Okay, so that's it from me. And lastly, sir, on the in terms of working capital, if you can highlight some because you're in your presentation nowhere there is mentioned about the working capital. So how? Yes, so

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
About working capital because of course this was a new facility and we are ramping up quite fastly. So but since last one and a half month or maybe you can say two month we started working on working capital. So this quarter we will have already some action, but in result you can able to see by end of this year you will see some positive things about working capital for sure.

Vinit Agarwal - Analyst, Bajaj Alternates
Okay, and the cash flow positive which you highlighted for end of FY27, can we see that?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, if our working capital will improve, then of course cash flow also will improve. So both are linked.

Vinit Agarwal - Analyst, Bajaj Alternates
Okay, thank you so much for answering all my questions. Thank you.

Operator
Thank you. We'll take our next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar - Analyst, Sapphire Capital
Say, I'm audible, sir? Yes,

Operator
Please go ahead.

Deepak Poddar - Analyst, Sapphire Capital
Yep, thank you very much for this opportunity, sir. So just first up, wanted to understand, uh, so this year the margins you are saying for FY27, 17% to 18% EBITDA margin? For the entire year. Would that be a right understanding?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So actually, uh, same question this, uh, ask. So you can maybe by third quarter I am seeing, but fourth quarter of course it will increase. But the one to understand, it will- I can understand remain same. So that's why I said you can maybe understand, but it can be 1% or 2%, maybe plus side, or maybe similar. Like it's possible because still this freight cost and these things is under our control. So that's why I said-

Deepak Poddar - Analyst, Sapphire Capital
So by foruth quarter, I mean, what you mentioned, third quarter will have similar margins as second quarter, and foruth quarter we might see 1-2% higher?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes, yes. Is

Deepak Poddar - Analyst, Sapphire Capital
That what you're trying to say? Okay, okay.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes. Okay.

Deepak Poddar - Analyst, Sapphire Capital
And, what's the margin differential between exports and domestic?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So it's also depend on, uh, product and customer. It's not, uh, there is some thumb rule, but of course If you compare to like average domestic and average export, so it can be sometime maybe like if I do not consider freight cost, then it can be 4% to 5% up.

Deepak Poddar - Analyst, Sapphire Capital
4% to 5% EBITDA margin higher?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes.

Deepak Poddar - Analyst, Sapphire Capital
Okay. And, I think we have said in the past that we, intend to have 50% kind of export, right, which is

currently I think 22%. yes. So ideally that would be margin critical for us, right? Because as you go towards a higher- I mean,

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, you are right. Even initial customer like MAN, of course, uh, this year is still around 20% we have from Daikin, and Daikin is our bottom line. So top line is increasing but bottom line percentage is down. So whatever new customer we are onboarding or export increasing, of course they contribute on a higher EBITDA margin for sure. Including export.

Deepak Poddar - Analyst, Sapphire Capital
And, what's the timeline for this 50% export mix? In how much timeline?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So for heat exchanger, of course, I think, uh, our target is to next year only for heat exchanger product only. Yeah.

Deepak Poddar - Analyst, Sapphire Capital
So, 50% export, uh, we have target to reach in FY28 in exports?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, for fin and tube heat exchanger only, not the total revenue.

Deepak Poddar - Analyst, Sapphire Capital
Correct, correct. And heat exchange, heat exchange form how much percentage of this first half revenue?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So honestly, this data I don't have on my hand, so maybe I can prepare and let you know.

Deepak Poddar - Analyst, Sapphire Capital
Okay, sure. And just my last thing on the capacity utilization and order book. So just wanted to know what's your current capacity utilization of the plant and how we intend to increase that. Over next two years? And, do we maintain any kind of order book? So if you can specify that.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So order book, of course, uh, we don't have like much detail because our order is rolling from all customers. So you can consider rolling order book only. And about capacity utilization, so this year we are going to achieve around 50%, and next year our target is to achieve 80% capacity utilization for all. Of course, old and all, these almost utilized for new. HVAC Products Private Limited will be 80%.

Deepak Poddar - Analyst, Sapphire Capital
So 50% capacity utilization of, the FY27 and 80% FY28, right?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes, yes. And

Deepak Poddar - Analyst, Sapphire Capital
Full, full revenue potential of this plant is INR1,800 crores, would that be right understanding?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So that I think I can't comment, but the utilization I think it will be because metal price also will impact, not revenue, you know. So

Deepak Poddar - Analyst, Sapphire Capital
Okay, okay. I think we have said in the past, right? I mean, in terms of revenue potential of this plant at 100% utilization. So, we were just trying to understand what is our revenue potential.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Oh, the same thing I'm trying to say. If like metal price will go up, then of course then these numbers will be slightly higher. It goes down, then- but what you said, I think it's Maybe you can consider it.

Deepak Poddar - Analyst, Sapphire Capital
That's very helpful, sir. I mean, that's very helpful. That would be it from my side. I would like to wish you all the best. Thank you so much. Thank

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
You.

Operator
Thank you. Thank you. We'll take our next question from the line of Pratik Dharmshi from Union Mutual Fund. Please go ahead.

Pratik Dharmshi - Analyst, Union Mutual Fund
Yeah, thanks for giving the opportunity. Uh, Santosh ji, many congratulations for the good set of numbers. My question was on the opportunity, uh, lying ahead for you guys. So you mentioned in the past electric bus, Vande Bharat train sort of opportunity coming up. How is the traction you are seeing on that front and what would be the market opportunity you are eyeing in next 3-4 years coming from this side?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So particular bus air conditioning business, of course, market is as of now I think INR1,000 crore for India market and is growing I think 25-30% and especially on electric side. So we are already supplying to electric bus, and I think we will have some good approvals within next one or two months, especially for electric only. So this business is growing. And about railway, we already have team and we already made the proto. Even I think in coming two weeks we will have railway team also for our plant approval, especially for cabinet commissioning.

And once we will have plant approval, then we can able to participate in the coming tender for Indian Railway. So first it will start for cap driving and then LHB coaches and then we can maybe slowly enter on the one day basis and of course then network so this will be long journey but we are expecting around twenty crore of revenue from Indian railway particularly to HVAC system by next year.

Pratik Dharmshi - Analyst, Union Mutual Fund
Guided and second, we are seeing some pressure on margins for a quarter or two, but on a steady-state basis with more data center, more export opportunity, logically the margin bend should remain between 18% to 20% over medium to long term, right? Not the short term.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, for long term you can- you, said rightly, because our export revenue will grow and especially we will have slightly up margin, especially from that end. Data center industry. And of course, our both incentives will also contribute, especially from next year. So again, slightly- of course, this, quarter we are slightly hit in EBITDA, but I said

Pratik Dharmshi - Analyst, Union Mutual Fund
That's okay. And last one, on the revenue growth side, you mentioned that there is scope to improve from previously guided number of INR1,200 crore range to maybe INR1,250 crore on a steady state basis, uh, post this year, 25-odd percentage CAGR growth, uh, can be doable with the opportunities in terms of exports, data centers, bus, railway, multifold. What would be the ideal number one should work with over next 3-5 years? So

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Next year, of course, our growth will be much higher, but what you said, but maybe after next one year, then maybe minimum you can consider, of course, 30%. It will be very good. We have multiple product portfolio on our table now. And of course, new customer as well on new product line as well. So now we are also going to enter the complete HVAC system as well, especially in cold storage unit and then dryer cooler, open top condenser. This, so this helps to contribute in good revenue and margin as well.

So that product line also we started to selling on our own design and also we are making for OEM as well.

Pratik Dharmshi - Analyst, Union Mutual Fund
Got it. And this also includes the, opportunity in the US and export side for data centers where you already have committed orders?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So for export, as of now, mainly we are doing Fin and Tube type detection only.

Pratik Dharmshi - Analyst, Union Mutual Fund
Got it. Yeah, uh, thanks a lot, and, once again, many congratulations. Thank you.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Thank you.

Operator
Thank you. Next question is from the line of Neel from SageOne. Please go ahead.

Neel - Analyst, SageOne
Yeah, thanks for the opportunity. Uh, I have a question on the supply chain. So starting next- I'm sorry,

Operator
Neel, can you use your handset mode please? Your audio is not very clear.

Neel - Analyst, SageOne
Sure. Is this better now? Yes, yes,

Operator
Yes.

Neel - Analyst, SageOne
Yeah, so, uh, my question was mainly on the supply chain side. Uh, starting next month, uh, BIS for copper tubes is coming in. So, uh, how would that impact our profitability, as well as if you can comment on the availability of it, because all of it has to be now sourced domestically?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So we will have three tools particular to this topic. So first is, of course, we increase our some inventory, whatever Government allowed 50% of the last year you can buy, so that we already, we already, we have in our stock. So this is the first. Second, of course, we are trying to develop local supplier as well, so we ask for sample and plant approval. And third, we have tool especially for to consider export advance license, so we can buy material against advance license. To control our supply chain.

And same things we can able to pass on to our customer, whatever price we will receive from domestic. So we can able to pass on from next quarter to our customer as well. So as of now, for us is I think no challenge. And already two manufacturers is there, particularly to IGT copper tube. So one is MetTube, they are already supplying, and second is the Hindalco. So they already started supplying to other OEMs. So we are also trying to get same material from them. And plain copper tube is still, uh, BIC is there from outside and locally both.

So we are using both. So that's how we can able to manage our supply chain.

Neel - Analyst, SageOne
Okay, got it. And also 5 mm tubes are domestically available today?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
yes, MetTube is making.

Neel - Analyst, SageOne
Okay, got it. And any other product in the supply chain where you feel that some kind of constraint, or in terms of availability or price fluctuation, major price fluctuation, is, uh, foreseen in the near future?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
For us, I think there is no other product. Some is, uh, this compressor for particularly to bus air conditioning, so that also we are trying to develop locally. buy and bus air conditioning team so other then this compressor I think we don't have any challenge so copper tube and compressor only two thing for us

Neel - Analyst, SageOne
Ok that's all from me, thanks

Operator
A lot, thank you next question is from the line of Hoshang Hinduja from Elios Financial Services please

Hoshang Hinduja - Analyst, Elios Financial Services
With regards to, uh, could you, if possible, and maybe, you know, giving the revenue breakdown as for the product segment, you know, with regards to fin tubes and bar plates and complete HVAC systems, and like as per the bifurcation that's given in the investor presentation, would it be possible to share that?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So actually this data I don't have in front of me, so maybe you can write down the mail. So we can able to provide by mail because it's a multiple product portfolio. So, okay, yeah, one

Hoshang Hinduja - Analyst, Elios Financial Services
More question, sir. In the last call, I think you had mentioned that with regards to the electric bus, uh, you like- I think the aim is to, I think, achieve 15% of the total market share, right? Uh, one question is like, what according to you, like, you know, would be the total market share? And by When would you achieve this or have already achieved this thing? Maybe in a quarter or two would you be achieving this, or could you just share that as well?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So total market including electric and of course conventional, both market is INR1,000 crore, not only electric. So electric is one, of the part of them. And what we said, 15%, so slightly we are maybe lower side compared to this H1. But we are hopeful [Foreign Speech] H1 we will have more revenue compared to H1, particular to the air conditioning our division, because we will have some approval maybe slightly delay by OEM or maybe you can say process of the part. So maybe I can.

Hoshang Hinduja - Analyst, Elios Financial Services
Maybe perhaps by we can say by FY27 safely we would achieve that market share roughly like or at least pretty close to it. Maybe

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
I think precisely I can maybe able to comment on maybe Q3, it will be better. So now I think we are on maybe slightly down compared to what we, uh, in terms of percentage of the market share.

Hoshang Hinduja - Analyst, Elios Financial Services
Okay. And one, more question. You mentioned in the call, uh, that, you know, with regards to exports, currently only pin and tube product segment is being exported, right? And if I'm not wrong, the bar plate and the complete HVAC systems and the bus, uh, and conditioning are like the highest margin product segment, correct? Uh, so would you be planning to get into exports of that? And also, could you just comment on a bit on the margin profile on a broad basis, on the segment-wise? Like, let's say, uh, a bar plate, uh, the segment that is there that has a higher margin compared to, let's say, refrigeration components, just to get an idea all the product mix of the company?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, of course, bar and plate margin is slightly up, but as of now we are focusing on domestic, customers. So once we will like prove we have good revenue from domestic, then of course we can able to pitch on export side as well, or whatever we have same customer if they are using, of course we are sending our company profile to them as well. So compared to our fin and tube, bar and plate, we have slightly up margin. And in, terms of assembly, of course, also we have slightly good. And this refrigerator components, we have slightly down compared to our fin and tube.

And then complete HVAC system also we have come, uh, compared to our fin and tube, good margin because it's, uh, all parts. So we have like in-house manufacturing, especially sheet metal and then tubing and of course then heat exchanger. So this is the idea.

Hoshang Hinduja - Analyst, Elios Financial Services
Just last one, last final question. So you had mentioned in the call that in Q4 there will be slight improvement in the margin. I mean, I understand currently due to the exports there is, you know, kind of like, uh, the COGS have gone up. But, uh, just can you just explain the reason why Q4 would be improved, like considering you mentioned Q3 would be flattish or muted according to that? Just that's the last question.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So we are expecting our top line will slightly good compared to Q2 and Q3 on Q4. So then we will have of course our operating leverage and export also we are expecting slightly up on Q4. So that's why I said,

Hoshang Hinduja - Analyst, Elios Financial Services
Okay, thank you. We'll

Operator
Take our next question from the line of Achyut Prabhat from Deucan Capital. Please go ahead.

Achyut Prabhat - Analyst, Deucan Capital
Yeah, in the investor presentation you mentioned that some new customers are qualified and you are planning to onboard them. So can you give a hint on from which sectors these customers are

and how large are they?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So actually, we have a new customer on all segments, so it's different. I think, uh, their revenues- actually, I don't have this detail. Because bar and plate also we have new customer, basically also we have new customer, then refrigerator component also we have new customer and complete HVAC system also new customer and then of course fin and tube also we have new customer so if like because some customer

Achyut Prabhat - Analyst, Deucan Capital
From data center,

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
yeah, of course. From export side, North America [Foreign Speech] one added one big customer as well.

Achyut Prabhat - Analyst, Deucan Capital
Okay. And on capacity utilization, when can we? I mean by FY29 or FY28, when we can utilize the capacity completely and what is the top ten we can expect sir with hundred percent utilization?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So next year we are expecting 80%, and parallelly we are going to open one new facility for South India in Bangalore. So that some capacity we will shift to Bangalore as well. So 80% utilization also, we say almost full. Then of course we will additional capacity we will use from Bangalore only after next year.

Achyut Prabhat - Analyst, Deucan Capital
So FY29, is it possible for you to Tell what is the maximum top line you can do, sir 2029?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So to tell top line is difficult for me, so maybe I can maybe comments on capacity only.

Achyut Prabhat - Analyst, Deucan Capital
Okay, So in FY29 what will be the growth in capacity transfer with the current scaling?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So next year 80% and then you can cons

Achyut Prabhat - Analyst, Deucan Capital
Okay, thank you.

Operator
Next question is from the line of Hemant Shah from ITM Mutual Fund. Please go ahead.

Hemant Shah - Analyst, ITM Mutual Fund
Yeah, hi. Uh, so with the, you know, there does not appear to be any, problem with the size of opportunity with you, but clearly, uh, can you, uh, just walk us through how you Uh, how you maintain your working capital cycle, because, you know, last year of FY26 also we saw a huge operational cash flow from operations negative. So which means that maybe pre-season you built up inventories for supply in the first quarter, which is usually the best, uh, if not best, if I get it correctly. So Can you just walk us through on two parts, on the average working capital cycle and how does the pass-through of the raw material happen for each metal part or the plastics as the case may be, if you can just help us on that.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, so of course our inventory in terms of if you see like compared to balance sheet, our number of days is quite high because of Multiple reasons we already explained, especially this BIS certification. But still, we are expecting by end of this year we can able to control our inventory because we started some monitoring and we started some SAP system to control the inventory so that we can- you can see in our results by end of this, this year balance sheet. And to improve our working capital So we are working on inventory and we are second working on the factoring.

So export side, we will use the factoring and also for import side, we will have buyer credit for import. So that also will help to improve our working capital. So our finance department already started working on these tools as well. So by end of this year, we'll able to control our cash flow, working capital, and inventory. And other side, what you said about material, so of course, uh, quarter-on-quarter basis we can able to pass on all things including the plastic. Of course, we have- we, are not using plastic, but aluminum, copper, and then this stainless steel.

And of course, no, in the assembly

Hemant Shah - Analyst, ITM Mutual Fund
You don't use plastic, sir. In the complete assembly there would be injection molding parts, right?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, we don't have much. Very maybe few or very small size of part because complete HVAC system we are making by stainless steel or galvanizing iron with powder coating. And then fan, you know, this is the brought out part with this surrounding. And of course, bus air conditioning main part is the FRP, it's not plastic actually. So maybe some small part plastic will be there, but we maybe not in percentage. Very, very few, maybe only very small part.

Hemant Shah - Analyst, ITM Mutual Fund
Okay. And, uh, overall, uh, as you, uh, as you make, uh, so is there some pricing power in new customers initially as you customize for them, or there is no pricing power whatsoever after a particular time?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, of course, if customizability is there and part is critical, being a backward integration with delivery and quality, we have Some power you can say with some of customer, some product.

Hemant Shah - Analyst, ITM Mutual Fund
Then why should the pass-through be in a volatile time? Why should the pass-through be quarterly, sir? I just wanted to understand. Should it not be possibly monthly or two months?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Actually, this is a price pattern actually. So because no, no meaning

Hemant Shah - Analyst, ITM Mutual Fund
In only volatile times like these, possibly not non-volatile times it can revert back to quarterly. But in volatile times, can it be monthly? Because, you know, if, you see 13,000 for copper and then going to 14,000 in, less than a month, then what do you do?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, you are understand, but our mainly work is not project-based actually. So we have regular work with the same OEM. So, and of course, each quarter revenue also almost same way or growing side only. So you have to follow some price contract as well. Because if there is the price also, then our customer will not ask. So I think average is better. Otherwise each month we have to change the PO and it will be difficult to run the long

Hemant Shah - Analyst, ITM Mutual Fund
Way. Okay. And secondly, could you also help us understand, uh, you know, this BIS norms, to what extent are you, are you seeing an increase of uptake and all of that? Uh, meaning are we seeing a sort of clampdown on imports and, you know, more higher ordering for us. Uh, is that what you have actually experienced?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Especially for IGT tube, I think government maybe it's quite strict now. Earlier they maybe put on plain, but now on IGT side, so they allowed only 50% import you can buy compared to last year. But we have full advanced license also because we do export also. So for export we can buy without BIS or anything. So this is easy for us and we have time to close this advanced license for next three years. But of course now domestic supply is also big, so government is want to just make in India support. So as a manufacturer we have also followed.

So of course we will use for domestic supplies from locally and for export. Great, sir.

Hemant Shah - Analyst, ITM Mutual Fund
I'll come back and get you. Thank you, thank you for answering.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Thank you, thank you,

Operator
Thank you. Next question is from the line of Abhisar Jain from Monarch AIF. Please go ahead.

Abhisar Jain - Analyst, Monarch AIF
Yeah, hi sir, uh, and congratulations for a good scale-up in the top line. Sir, my question is that Komal mentioned that, uh, you know, we are developing, uh, some products for the liquid cooling also for data center. So can you throw some light on what would be that product and how far we are from commercializing it?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So of course, main product related to our heat exchanger only, so it's bridge plate heat exchanger. So we are working on to develop this because some technology we have already for bridging that products. this need vacuum bridging so that we have already to which we are using in bar and PT heat exchanger so we are working on to develop this but it will take announce the next one and half year from now you can see so next financial also production will not come but after next 28 months

Abhisar Jain - Analyst, Monarch AIF
How much does the content go down in a data center if it is liquid-cooled versus air-cooled? Because our products are more exposed to the air cooling part of the data center, uh, you know, cooling mechanism. So is there any thumb rule or indication on that front?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, I, think maybe I can maybe try to explain again about this concept. So earlier also I have some confusion, but now we are more clear about liquid cooling and air cooling. So if like earlier, uh, maybe data, maybe storage in particular one room, they maybe, store maybe 10 kilowatt, you can just assume, and they, this cool by air liquid only complete room. But now on same rack we are able to load maybe more than maybe 1,000 kilowatt of the data, and then this particularly data they enable to cool by liquid cooling but this room still they how to cool by air cooling.

So it means our product will remain same on indoor side and outdoor side our product will be there in term of chiller heat exchanger [Foreign Speech] dry cooler closed heat exchanger So you can see that outside there will be no change indoor side [Foreign Speech] product will be remain same but additional this brazed plate exchanger will be add in seed

Abhisar Jain - Analyst, Monarch AIF
Understood, sir. And so I just wanted to know on this Thermotech Research Laboratory that we had started, I think, uh, you know, some time back, that gives us advanced testing, uh, you know, capabilities. So how is that progressing and how is that increasing your capability, you know, to do more complex products as you, as we move ahead in our journey? Can you throw some light, sir, What are the capabilities that we are able to get from there?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes. So earlier we can maybe we are making detection as per customer design only and we don't have any things to test to them. So if customer asks particular some design, we can able to make and we can send to them and then we are waiting for their feedback about approvals. So sometimes they said that okay your product is not performing because of this reason. Your pressure drop is not good or maybe capacity is not good. So now, uh, we can check the same product in our laboratory, and if our product is performing in our laboratory, then we can able to say to the customer, of

course your product is performing, maybe you have some other problem.

So this is the first concept. Second concept, we can give some value engineering in terms of, uh, to keep same footprint but we can change the geometry. So in layman language, you can consider we can reduce the copper weight And we can match the capacity of the old version to keep same footprint. So then customer have some saving, maybe we can pass on some saving to customer and we can keep some saving with us. So it means we can design new product for our customer. And third one, we can test our individual product as well, like a complete system, like as a business case.

This is the third-party laboratory, but as of now we are already started testing for our own product. But now NEDL testing is going on, so we are expecting in next four to five weeks we will have NEDL certification for this laboratory, and then we will go for AHRI certification. So then outside business will start maybe after 2-3 months once we will have NEDL and HRI. But our internal testing, we already started since 2-3 months back.

Abhisar Jain - Analyst, Monarch AIF
Understood, sir. This is the last question on the competition. So in our range of products, and now obviously you have expanded the range to HVAC systems and the product business which we'll have in refrigeration and bus AC. So sir, how is the competition reacting considering everybody in the industry might be looking at our scale-up and other growth? Who are the key competitors that you are seeing already on ground or coming up for both coils as well as for all these products that you are making?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So I think now we will have multiple competition for is products different competitors so bar and plate of course this are different type of industry so mainly they sell to Indian railway and we are also trying to serve to Indian railway and then other of road wh give a contrast to them as well. So they started slowly with, us, particularly in bar and plate. Other than this, refrigerator component also, I think three competitors is there, particular to that industry only. And then bus air conditioning also, almost three competitors is there, particular to bus air conditioning industry as well.

And heat exchanger of course is all about complete HVAC system also, less particular to drive cooler and then this side freezing complete HVAC system also different set of competitors but honestly we don't see to over competitor to like time to particular in over segment but we do over best and we develop product and we believe quality cost and delivery so if customer get this three thing

Operator
Thank you. Next question is from the line of Heta Vora from Boring AMC. Please go ahead.

Heta Vora - Analyst, Omkara Capital
Hello?

Operator
Yes, yes, we can hear you. Please go ahead.

Heta Vora - Analyst, Omkara Capital
Um, so I just had two to three questions. So firstly, in FY26, I believe we added some 70-odd new customers. So would you have the split of what is the revenue contribution from these, you know,

new boarded customers in our current revenue?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So this data I don't have. Maybe you can write down the mail, maybe we can provide by mail.

Heta Vora - Analyst, Omkara Capital
All right, all right, sure. And, uh, so secondly, in our, you know, in Q2 FY27, what was the revenue contributed, uh, from data center orders?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Okay, so data center, that revenue I have. So data center Q2 revenue contributed around one. Yeah, Q2 is 116. So INR116 crore.

Heta Vora - Analyst, Omkara Capital
116 and what was the same figure in Q2 FY26 same quarter last year?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, it was INR18 crore only.

Heta Vora - Analyst, Omkara Capital
Okay, okay.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So total if you like see H1, H1 our 25-26 revenue was around, uh, INR38 crore, close to INR38 crore. And this H1 26-27 is around close to INR180 crore.

Heta Vora - Analyst, Omkara Capital
So that, that's a phenomenal growth from the sector, sir. Yeah. Are we, are we expecting the similar line, you know, the similar, uh, CAGR going forward as well from data center?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, as of now, yes.

Heta Vora - Analyst, Omkara Capital
Okay, and so what would- what is the execution timeline of these orders? It is the same- is it the same as a normal, uh, you know, uh, commercial AC orders?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
If we have forecast or if you have like continue customer running, then of course same time. But for new development, uh, sometimes it took almost six months or to eight months.

Heta Vora - Analyst, Omkara Capital
Okay, so we are- we are also, you know, going ahead with developing new products for the customers.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Like new customer, of course we always open because we do always exhibition, especially in Europe and North America and for India. So if same portfolio, new customer, so we, always welcome to our new customer as well.

Operator
Thank you. That was the last question for today. I now hand over the call to management for concluding remarks. Over to you.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, so thank you all to attend this call and I think we try to clear all what you asked, and I'm quite confident for this coming next two quarters as well. So what we said, I think we will achieve a top line slightly up, and of course with control to maybe bottom line as well. Especially we are quite good optimized by export, especially data center industry and other product as well. So really thanks to all. Thank you.

Operator
[Operator Closing Remarks]