Management Discussion

S.K. Verma - Managing Director, IC Electricals Company Limited
Good evening, everybody. Thank you, uh, for joining us for our H1 27th earnings conference call of IC Electricals. I hope you have had an opportunity to go through the- our financials results and investor presentation. Let me start with brief update on our performance and some of the development on business side. Uh, we have started today financial year '27 on a positive note. During our first half, our consolidated revenue grew by around 36% to Rs 75.4 crores. We have also reported a good improvement in operating margins and profitability.

Our manufacturing business continues to be an important part of this growth. We are also making progress in our execution of our railway contracts. As you are aware, we have been associated with Indian Railway for more than 2 decades. Over this period, we have developed capabilities in railway electronics, railway rotating machines and railway electrification projects. Today we manufacture wide range of products including alternators, auxiliary motors, traction motors, battery chargers, electronic control systems, and other equipment used in railway operation.

We also undertake the railway electrification product covering everything from design, supply, installation, and testing and commissioning. Coming to order book, as on September 30th, 2026, we have an outstanding order book of around Rs 231 crore. Uh, this comprises product division of Rs 91 crores and contract division Rs 140 crores. Our focus is to execute these orders within the scheduled timeline. We have also executed more than 800 track kilometers of railway electrification work. This experience is useful, particularly in India.

Railway is now focusing not only on new lines but also upgrading its existing railway lines to support the higher speed and better efficiency. Coming to manufacturing, we are first focusing on expanding our product range and strengthening our technical capabilities. Technology is becoming increasingly important in railway industry. Requirements are changing in traction system, electronic control system, safety equipments, and modern locomotives. To prepare for this, we have relocated our R&D setup to Delhi, which will help retain highly qualified engineers.

We are also in discussion with foreign partners for possible technical tie-ups. Our team has already visited Korea and we are exploring how this collaboration can help us develop new products for Indian Railway and metro applications. Apart from domestic market, we are looking for opportunities in to expand our business, business in international market, particularly traction motors and related products. This division has seen growth of more than 200% in current financial year. Coming to outlook for '27, we are targeting a consolidated revenue of Rs 2,000 crores for full year compared with Rs 143 crores for FY '26.

As you know, our business already see higher traction in second half of the financial year. This was also case last year. We expect Second half to be stronger and supported by existing order book and planned execution going ongoing projects. We are giving equal attention to our working capital managements and ensuring that we optimize our resource utilization going forward. Our priorities are clear. We want to grow in our manufacturing business, strengthen our product development capability, and continue existing railway projects.

In timely manner. We also make sure that our business grow, our profitability and financial position improve along the side. Overall, we are pleased with the performance of first half and our focus remain strong second half. With this, I request our CFO Devisha to go through the financial performance for more detail. Over to Devisha.

Devisha - Chief Financial Officer, IC Electricals Company Limited
Uh, thank you, sir. Good evening, everyone, and thank you for taking out your precious time and, uh, continued interest in our company. I'll be, uh, taking you through our business and our performance of the first half of the financial year '24. I see, uh, so Let's begin with the standalone numbers. During first half of the financial year '27, the standalone revenue increased to Rs 73.21 crores from Rs 65.47 crores in the corresponding period, representing a year-on-year growth of 32%. Profitability has improved fast- at a faster pace than our revenue.

The EBITDA has increased to Rs 15.60 lakhs compared with Rs 7.89 lakhs in first half of financial year '26. The EBITDA margins have expanded from 14.22% to 21.32%. The PAT has also increased to Rs 7.55 crores from Rs 3.52 crores. The improvement in these margins reflect a stronger operating performance and contributing to our business mix. Now, on a consolidated basis, in In the first half of financial year '27, the revenue stood at Rs 75.46 crores compared with Rs 55.47 crores in the corresponding period last year, representing a growth of 36.1%.

The EBITDA also increased to Rs 16.28 crores from Rs 8.04 crores, while EBITDA margins have improved to 21.57%. 14.22%. PAT increased to Rs 8.03 crores from Rs 3.57 crores. The consolidated performance also reflects the strength of operating business and improvement in profitability during the period. Now, uh, coming to the segment reporting, on a standalone basis, our business is organized around 2, uh, Reportable segments, manufacturing and contracts. In the first half of the financial year '27, the manufacturing revenue was Rs 49.20 crores while contract revenue was Rs 24.01 crores.

Manufacturing has contributed at a much larger scale of a revenue and reported a segment margin of 27.4%, and the contract segment has reported a margin of 13.1%. The consolidated segment picture is broadly consistent with the standalone view. The manufacturing revenue for first half of FY27 was Rs 51.45 crores, while contracts revenue was Rs 24.01 crores. The manufacturing segment reported a margin of 27.8%, whereas the contracts segment reported a margin of 13.1%. As in the previous slide, uh, the comparison is between, uh, first half of FY27 and the full year of FY26 rather than 2 equivalent periods.

Uh, moving on to the P&L statement for standalone, um, the revenue was at Rs 73.2 1 crore, EBILCA at Rs 15.60 crore, and FAT at Rs 7.55 crore. The finance cost for the period, uh, were Rs 4.79 crore. And the details set- as you all can see, the detailed statement allows everybody to see how revenue has converted into operating earnings. Moving on to the consolidated P&L, the revenue for first half of current financial year was Rs 75.46 lakh crores. EBITDA stood at Rs 16.28 crores and tax was- VAT was Rs 8.03 crores.

The finance cost were at Rs 4.88 crores. These figures reflect that the consolidated performance for the period and the complement- and complement the standalone results presented in the previous slide. Our management and board bring a substantial, uh, So, uh, as you're all aware, uh, we have Mr. S.K. Verma as our Managing Director and Mrs. Venu Verma as a Non-Executive Director. Mr. Sanjay Vishwakarma and Mrs. Savita Sudeva are also a Non-Executive Director. Mr. Rahul Verma is a whole-time Director and he is the head of our R&D department.

Moving on, as Mr. Verma has already explained, we have 3 business verticals. Once- one is contract division that executes 25 kV AC OHE electrification projects. And rotating machines division that produces alternators, traction motors, permanent magnet alternators. And our electronic division that manufactures electronic systems such as regulated battery chargers, uh, inverters, emergency lights, vigilance control device. And as on 30th September 2026, our company is backed by a very

healthy order book of Rs 231.05 crores, and we are well positioned for sustained growth and revenue visibility.

In our electronic division product portfolio, we have electronic regulating rectifying unit in 4.5 and 25 kilowatt ratings, vigilance control device, regulated battery chargers with the ratings of 6.5 kilowatts, 4.5 kilowatt revision 1, and we have upgraded our regulated battery charger to revision 2, and we have healthy orders for the latest version of our regulated battery chargers, GPS-based passenger announcement and public information system, and emergency lighting units. In rotating machines, we manufacture a range of equipment That includes auxiliary motors, 4.5 kilowatt and 25 kilowatt brushless alternators for AC coaches, traction motors, and a broad range of traction motor coils.

The coil portfolio also includes armature coils, main field coils, commutating pole coils, and other specified coils in for different railway motor platforms. In the contract division, we undertake railway electrification. Projects across project life cycle. Our work begins with detailed engineering design, including, uh, technical layouts, drawings, and specifications aligned with Indian Railway standards. And then this is followed by procurement and supply chain management, where timely sourcing of approved material is very critical.

The execution phase includes erection of 25 kVA AC overhead equipment, and with strong emphasis on safety, quality, and industry railway protocol. And once the project is commissioned, an external test- external testing agency comes and approves. And upon successful testing, the project is commissioned and handed over to the railway for operation. Uh, these are a few pictures of a manufacturing unit that is based in Haridwar, and we are an ISO 9001:2015 compliant company. We are an RDSO approved vendor, and we have to ensure that we- our products meet the specification and comply with the Indian Railway standards.

We have a multi-stage inspection, uh, process across all stages. That is, uh, when we procure our raw material and at the various stages of manufacturing and the final testing, wherein an external agency comes and tests our products. And upon successful, uh, testing, the product is supplied to the Indian Railways. And to ensure that the quality meets the specific standards. We have specialized testing setups for electrical, mechanical, and electronics, and our focus is on reliability and safety.

So this is a list of top 10 completed projects under contract division. Uh, the total value of these projects are at Rs 213 crores, and the total projects that IC Electricals has completed under contract division is 18. Moving on, we have the ongoing projects. Uh, these are the ongoing projects that IC Electricals is currently, uh, working on, and recently we have received 2 new orders also, and under contract. As we all know, the Indian locomotive industry- we see a very meaningful opportunity in the ongoing modernization of our Indian Railways.

The Indian Railway plans for advanced electric locomotives including 12,000 horsepower and 9,000 horsepower platforms for freight operations. Modernization initiatives are intended to improve passenger safety, passenger experience, operational efficiency, and environmental sustainability. Uh, the Indian Railways has a rolling stock budget allocation of approximately Rs 54,000 crores for, uh, current financial year and an anticipated investment of more than Rs 3 lakh crores over the next 7 to 8 years for transition from conventional 1x25 kV to advanced 2x25 kV traction systems.

Uh, as railway network expands and upgrades its rolling stock and electrification infrastructures, uh, we are bound to be a part of railways growth and get better orders, and we have good opportunities for ICE's expansion. So our strategy going forward is built around our 4 priorities. First, we intend, intend to strengthen the contracts division by participating in railway modernization, network

expansion, and speed enhancement electrification opportunities. Second, we are focused on working Sorry, we are focused on working on enhancing our working capital efficiency.

Stronger working capital levels are important to ensure uninterrupted project execution and support growth. Third, we are investing in product innovation. Like Mr. Verma has already mentioned that our team recently visited Korea for, uh, for partnership, and our R&D team is also has been moved to Delhi to enhance this, and we aim to strengthen our exports- export division, that is the rotating machines division. Currently, our markets include North America, Africa, and we intend to explore new markets.

So this is the investment rationale. Uh, we believe ICELCO offers its investors a combination of sector exposure, product capability, and project execution experience. We operate across railway electronics, rotating machines, and turnkey electrification projects. The track record of our OHE project demonstrates our ability to execute complex assignments. Our 3 business verticals provide a mix of product-based and service-based revenue streams. Our business-to-government model gives us exposure to the long-term requirements of the Indian Railways and different departments, while our R&D capability supports product development and adaptation to changing technical requirements.

The company is also supported by an experienced leadership team, manufacturing infrastructure with production and testing capabilities. So this is, uh, historical financial and operating highlights. Our current performance in the context of company's historical financial operating profile- the revenue has increased from Rs 99.24 crores in FY24 to Rs 143.04 crores in FY26. It- this also demonstrates the revenue contribution by business vertical, the split between government and non-government, and domestic versus export sales.

In FY26, the government In FY26, the government customers represented approximately 82.01% of the revenue, while export represented 3.56%. Moving on to the key ratios, the return of- return on equity has increased from 15.79% in FY24 24 to 24.88% in FY26. The return on capital employed improved from 15.25% to 18.47% over the same period. The debt-to-equity ratio was 1.45 times in FY24, and it has improved to 1.19 times in FY26. The debt service coverage ratio improved 1.37 times to 1.85 times. The current ratio increased from 1.23 times in FY24 to 1.46 times in FY26, while the receivables turnover ratio improved from 3.22 times to 4.53 times.

Earnings per share have increased from Rs 3.92 to Rs 8.24. 10.49 in FY26. The net asset value per share is shown from 80.14 to 47.40 in FY26 respectively. To conclude, the first half of FY27 has been a strong period for IC Electricals with healthy revenue growth and a meaningful improvement in operating margins and profitability. We continue to build on our presence across railway electronics, rotating machines, and electrification contracts. Our order book and manufacturing capabilities and quality systems and an experienced team provide a good platform from which we intend to pursue opportunities emerging from railway organizations.

Thank you.

Questions & Answers

Operator
Thank you, management. We will now open the floor for questions. I request participants to limit 2 per question. We will wait till the question queue assembles. Participants can raise their hands. So the first question is from the line of Mr. Surya Nayak, an individual investor. Mr. Surya, kindly unmute

yourself and proceed with your question.

Surya Nayak - Individual Investor, Individual Investor
Yeah, thank you for opportunity. Congrats for a good set of numbers. So, ma'am, actually I just missed, uh, the component of order book that is Rs 231 crore. Is it in a line of proportion of 68 to 32% in the first half bifurcation of the order book?

S.K. Verma - Managing Director, IC Electricals Company Limited
Bifurcation of order book is, uh, Rs 91 crore is, Rs 91 crore is a product division and Rs 140 crore is a Contract division.

Surya Nayak - Individual Investor, Individual Investor
Okay.

S.K. Verma - Managing Director, IC Electricals Company Limited
And this is backlinks order to be executed as on 30th November.

Surya Nayak - Individual Investor, Individual Investor
30th November?

S.K. Verma - Managing Director, IC Electricals Company Limited
Yeah. Next year? Sorry, 30th September.

Surya Nayak - Individual Investor, Individual Investor
30th September.

S.K. Verma - Managing Director, IC Electricals Company Limited
So

Surya Nayak - Individual Investor, Individual Investor
That means next year you are saying it will be? This

S.K. Verma - Managing Director, IC Electricals Company Limited
Is 30th September 26. We have, we have an outstanding order book of Rs 231 crores, and Rs 90 crore is a product division, and Rs 140 crore is a- so what is the executive-

Surya Nayak - Individual Investor, Individual Investor
What is the executable timeline for Rs 140 crores? It is

S.K. Verma - Managing Director, IC Electricals Company Limited
From 6 months to 1.5 years.

Surya Nayak - Individual Investor, Individual Investor
6 months to 1.5 years?

S.K. Verma - Managing Director, IC Electricals Company Limited
Yeah. So,

Surya Nayak - Individual Investor, Individual Investor
So just know your projections of Rs 200 crores for FY27 says that now you will be doing Uh, I mean, you will be ending with the closing order book of Rs 106 crores, uh, with the current book. So what

kind of order inflow you are expecting, or what kind of bid pipeline? We

S.K. Verma - Managing Director, IC Electricals Company Limited
Expect to close our financial year pending order book of more than Rs 200 crores.

Surya Nayak - Individual Investor, Individual Investor
More than Rs 200 crores. So you are, you are going to get another Rs 100 crores, uh, going forward? Yeah,

S.K. Verma - Managing Director, IC Electricals Company Limited
Yeah, yeah, yeah. In next coming 4 4 months, 5 months, we, we expect more than Rs 100 crores out of

Surya Nayak - Individual Investor, Individual Investor
Book. Okay, so, uh, so will it be sufficient to take care of- you are growing up a CAGR of close to 30%, if you see. So what is the guidance for the next year?

S.K. Verma - Managing Director, IC Electricals Company Limited
Next year guidance is, uh, around Rs 270 crores top line.

Surya Nayak - Individual Investor, Individual Investor
Rs 270 crores, so that will be resulting around close to 35% growth. Right, sir? Yes,

S.K. Verma - Managing Director, IC Electricals Company Limited
Yes.

Surya Nayak - Individual Investor, Individual Investor
So will Rs 200 crores of order book, uh, be sufficient to take care of the 30% to 35% growth in FY28?

S.K. Verma - Managing Director, IC Electricals Company Limited
Closed our, um, uh, 25th year, 31st March '25, with the order book of Rs 120 crores. FY26, March 26th, we achieved a turnover of Rs 143 crores. And that time order book was, uh, 170 crores. Today we are targeting 200 crores, and, uh, on order book, pending order book on March 27th, more than 200 crores. So each time we, uh, we are, we are closing our year with better order book and better execution.

Surya Nayak - Individual Investor, Individual Investor
Okay, and so second question is that, uh, uh, if we look at the capital employed, uh, in the both verticals, so, uh, I mean, for the contract business, uh, it is, uh, around- we are getting close to less than 1.1 times the revenue, whereas in the product segment we are getting better, uh, rates of close to 1.2. So just want to understand, you know, what- why the contact business is so asset heavy that we are unable to get kind of, uh, you know, turnover that is, uh, similar to the- or it should have been more than the product business, uh, because the margin profile, if you see, uh, the pro- the contact business is half of the manufacturing business, right, sir?

So in the-

S.K. Verma - Managing Director, IC Electricals Company Limited
Let me answer. The, uh, the contract business will pick up in the next 5 months because first half is,

is difficulty time for the contract division to perform because, uh, the contract division has to work in the field and April, May, June, July, and August are not the conducive months for performance. Because maybe a lot of time is wasted in a heat environment, and this, uh, 2 months are wasted in the due to rainy season. Now this is- now it is a perfect time, and we would excel. This project division will actually will overtake the manufacturing division in next 6 months.

Surya Nayak - Individual Investor, Individual Investor
Right, sir. For the fast stuff, it is a little less, but if you see, uh, the FY26 On a capital employed of Rs 75 crores on the contract business, contract division, we got only Rs 59 crores of revenue, whereas on capital employed of Rs 70 crores on the product business or manufacturing business, we got 1.2 times of the revenue. So obviously, so, so I mean, let's say that is, that is, uh, taking care of all the seasonality issues what you are pointing out. So for the full year even, uh, I mean, I would expect that now at least you should be generating higher than the, uh, if you, if you were to raise your ROCE, then obviously you need to have higher turnover out of your capital employed in the contract division, at least 2 times.

Then, then only it matches with the manufacturing business.

S.K. Verma - Managing Director, IC Electricals Company Limited
Yes, we are doing, but, uh, this, uh, going forward, this EPC business would also support our product divisions. Because we are introducing backward- we are going for backward integration and new products will come and support our EPC business. The- our EPC business will also grow and the product division will also grow with the support of the EPC business.

Surya Nayak - Individual Investor, Individual Investor
So this capital employed, whatever you have got, that is around close to at the moment around 97 crores in the contract business. Salvi, mean that no, it is the peak capital employed and you won't invest in the contract business anymore?

S.K. Verma - Managing Director, IC Electricals Company Limited
No, this is a peak because, uh, we have built up inventory ahead of our busy schedule so that contract is not- contract execution is not delayed with- for the sort of, uh, inventory. Now inventory will start reducing from going forward.

Devisha - Chief Financial Officer, IC Electricals Company Limited
Yeah,

Surya Nayak - Individual Investor, Individual Investor
Okay. And, and secondly, uh, on the core- on the- you said that on the core- on the new product, uh, development, uh, you have visited and Korean people have visited you, your facilities. So what kind of products, uh, you know, in the offering going forward?

S.K. Verma - Managing Director, IC Electricals Company Limited
Uh, exact detail I can't give at this moment because we are in the process of discussions and signing. I am not asking with them. Once NDAs are signed then we can disclose the name of the company. But, uh, for these, they are related to electronics business and rotating machine and contract division.

Surya Nayak - Individual Investor, Individual Investor
Contract division also?

S.K. Verma - Managing Director, IC Electricals Company Limited
Yes, because we are going to introduce advanced technology in the EPC business which are required for meeting high-speed ambition of Indian

Surya Nayak - Individual Investor, Individual Investor
Railway.

S.K. Verma - Managing Director, IC Electricals Company Limited
Okay, transmission system cannot work at a speed of 180 kmph or 200 kmph, which Indian Railway is aiming for.

Surya Nayak - Individual Investor, Individual Investor
So just to understand, because railway electrification works more or less done, uh, for the country, I mean, it is close to 90% plus. So in that case, what kind of electricity, I mean, uh, EPC works you are undertaking, is it, uh, is it 90%

S.K. Verma - Managing Director, IC Electricals Company Limited
Is done, 10% is also a huge, uh, business. Second, we have already mentioned in our, our presentation that for augmenting more resources, uh, for better utilization of their track capacity, Indian Railway is augmenting their- converting their OHE system from 1 into 225 to 225. This means they are doubling their capacity of the, their overhead transmission system. For that, they need to overhaul complete 90%, uh, electrification which has already been done. For that, they need substations, SSPs, and then they have to upgrade their overhead transmission system also, for which the advanced OHE equipments are required.

Or for that, we have- we are now in discussion with Korean vendors, though those people are already working at a higher speed of more than 200 kmph. This Korea normal trains runs at 180 to 200, and they have a high-speed train which runs more than 300 kmph.

Surya Nayak - Individual Investor, Individual Investor
So you are basically working on the modernization of the electrification area where the, uh, higher speed of the trains are required. That is what I, I understand. Is it my- it's

S.K. Verma - Managing Director, IC Electricals Company Limited
Not a high speed, it is both. You see, at the moment they are running 2 trains. They, they, they- each, each electrification system is divided into 4 different zones. Of around 440 kilometers. And in, uh, at present only 2 trains can run in 40-kilometer range, but if they upgrade it to 4 trains can run at a time in this range, in this block, we are expecting that because on same track they, they would be able to run double the capacity.

Operator
Okay,

S.K. Verma - Managing Director, IC Electricals Company Limited
Extremely sorry,

Operator
Surya sir, sorry to interrupt you. As

S.K. Verma - Managing Director, IC Electricals Company Limited
Present, there is a- you require huge investment in laying a track, but if you can run more train on the same track, it is less capital incentive. The government is doing that.

Surya Nayak - Individual Investor, Individual Investor
Okay, okay, I'll, I'll join later on the queue. Thank you,

Operator
Thank you, thank you, Surya sir. I request all the participants kindly limit to 2 questions so that other participants can get a chance. Next question is from Mr. Vignesh Aiyar from Sequent Investments. Vignesh sir, kindly unmute yourself and proceed with your question.

Vignesh Aiyar - Analyst, Sequent Investments
Hello, am I audible?

S.K. Verma - Managing Director, IC Electricals Company Limited
Yeah.

Vignesh Aiyar - Analyst, Sequent Investments
Hi, uh, just wanted to understand, firstly, what is our bid book right now? Uh, and secondly, uh, in either of the segment that we get allotted, uh, the con- uh, you know, in terms of contract that we bid for as part of the tender, what is the usual timeline as to execute the order that we have received? What is the general timeline in each of the segments?

S.K. Verma - Managing Director, IC Electricals Company Limited
You see, uh, first let me elaborate on product division. Product division, we get contracts varying from 3 months to 1 year executable time. 3 months are the shorter period and, uh, smaller contract, and 1 year are the long-term contract with which railway gives us different delivery schedules. And contract division, this varies from 1 year to 1.5 to 2 years delivery time depending upon the site conditions, railway as per railway.

Vignesh Aiyar - Analyst, Sequent Investments
Okay, and what is our bid book right now and what is the

S.K. Verma - Managing Director, IC Electricals Company Limited
Bid book is more than Rs 250 crores.

Vignesh Aiyar - Analyst, Sequent Investments
Okay, and what has been our win rate, uh, uh, historically?

S.K. Verma - Managing Director, IC Electricals Company Limited
Uh, it is around 30%, 35%.

Vignesh Aiyar - Analyst, Sequent Investments
Okay, okay. And, uh, sir, um, if you have to see how the tenders have been allocated, uh, you know, from the railways, uh, this year it has not been that, uh, big, right? So are we expecting a huge amount of tender to come in Q3, Q4, considering how the budget allocation was there, uh, in last-

tenders are coming,

S.K. Verma - Managing Director, IC Electricals Company Limited
But we are bidding as per our financial capability. We

Vignesh Aiyar - Analyst, Sequent Investments
Are not

S.K. Verma - Managing Director, IC Electricals Company Limited
Bidding all the tenders.

Vignesh Aiyar - Analyst, Sequent Investments
Okay, got it, got it.

S.K. Verma - Managing Director, IC Electricals Company Limited
Tender and then getting and not having a finance services [Foreign Speech] very [Foreign Speech] difficult situation, they could become [Foreign Speech] difficult situation. So we are bidding as per our financial capabilities.

Vignesh Aiyar - Analyst, Sequent Investments
Okay, got it, sir, got it, sir. That's all by my side. Thank

Operator
You. Thank you Vignesh sir. Next question is from the line of Mr. Varun Sanghvi.

Varun Sanghvi - Analyst
Hi sir, thank you so much, uh, for the opportunity. Congratulations on a great set of numbers. Uh, I just had question on the 2 verticals that we have. So one of the contract and the other is manufacturing. How is working capital, uh, nature looking like across these 2 segments? Just want to understand.

S.K. Verma - Managing Director, IC Electricals Company Limited
I couldn't get your question. Please repeat.

Varun Sanghvi - Analyst
I just, I, I just want to understand, uh, What is the working capital days looking like across the contract division versus the manufacturing division? It is

S.K. Verma - Managing Director, IC Electricals Company Limited
Around 190 to 130 days, and for contract division it is 130 to 150 days.

Varun Sanghvi - Analyst
And sir, while billing in the contract revenue, how do we do it? We do it at the end of completion of contract, or is it a milestone payment? It

S.K. Verma - Managing Director, IC Electricals Company Limited
Is a milestone basis.

Varun Sanghvi - Analyst
Okay, would you mind sharing the- I mean, it is on the basis of the project completed or it is within the stipulated time?

S.K. Verma - Managing Director, IC Electricals Company Limited
No, it is, uh, done in the section-wise. They have- they divide into the section. Suppose we complete a section, we bill for that. When we complete B section, it is billed for that. And then later on, final payments we get once the project is completed and closure certificates issued by railway.

Varun Sanghvi - Analyst
So the 120 to 180 days that you are saying are milestone post, so if suppose yes yes milestone based on

S.K. Verma - Managing Director, IC Electricals Company Limited
That based on that.

Varun Sanghvi - Analyst
Okay. How how does the demand generation look on the manufacturing side of things? [Foreign Speech] I understand we m controlling electricals?

S.K. Verma - Managing Director, IC Electricals Company Limited
You see, growth on product size is very strong for our product, specifically for new rolling stock as well as replacement market. Like in earlier conversation, we have said we had introduced, improved our battery charger to version 2. The demand for that. Recently we have upgraded our system of digital control device to work at 24 volts. This has given a visibility to us, and we are- we have a healthy order book for this product. Likewise, we are improving products, different products, to has gained the major share.

Now we are the only 2 companies for distance control device who can operate at 24 volts. So this is a benefit of our in-house R&D, that we just respond to customer requirement very fast.

Varun Sanghvi - Analyst
Just last question, sir. I'm just trying to understand how the demand is generated. Is there a specific tender or You know, RF is tender-based.

S.K. Verma - Managing Director, IC Electricals Company Limited
Demand is generated by our technical selling team that they just- I said revision 2, we- our technical team convinced the- first go and convince the customer that these features they need to add in the product. And once customers can see convinced, then it goes to R&D for development, and once development is done, its testing is done, and then we get approval. And that's how demand is then generated by railway. Railway has 2 types of demand for products. One is for their production unit, which is generated- they have a production schedule of all the product of locomotive purchased for next 3 years.

So that demand is certain. Then there is a replacement demand because we supply the material after 5-6 years, they become defective. So they have generally take the fresh product to replenish the old stock. This is how, but everything is done tender basis. There is nothing, uh, there is no other procedure.

Satish Gupta - Individual Investor, Individual Investor
Hello.

Varun Sanghvi - Analyst
Good, thank you, thank you.

Satish Gupta - Individual Investor, Individual Investor
Hello, hello, can you hear me? Yeah, uh, so, uh, I'm Satish Gupta, investor. Uh, why your- what is the cash flow? Is a conversation- is cash flow is very low?

S.K. Verma - Managing Director, IC Electricals Company Limited
Yes, conversion is low in first half because our execution remains low in first half because Because of the seasonality, you see railway for railway April, May, June, July are the best months for their business. So they try to procure or augment their resources in the month of January, February, March, and first half of the financial year April, May, June they are busy more busy in running their rolling stocks to cater to their customers rather than focusing on procurements. So that's why, or, or contract execution, because they run festival trains, so availability of the tracks remains very low for us to execute our projects.

So first half, that's why it seasonally remains low, and second half Execution is faster for product as well as contract. And the second up, this utilization of working capital is much better. And likewise, the railway does in the month of- they buy extra inventory in the month of January, February, March. We buy extra inventory in the month of July, August, September, so that we can execute our product, our contracts and product at faster rate.

Unidentified Participant - Unidentified Participant
Okay, so what is driving EBITDA margin? Is your higher value products or operating leverage?

S.K. Verma - Managing Director, IC Electricals Company Limited
Both. You see, I had already projected that this battery charger revision 2 will accelerate our bottom line and top line. And now another product we have developed, this vigilance control device which will run at 24 volts. So this will give traction in the coming months. In addition, other products are also contributing because we have taken price revision and they are also contributing to the top line in manufacturing. And in contract division also We have improved our margins, and going forward, we expect our margin from that to grow from 13 to 15 percent in the product and contract division.

So that will also add to the top line of the company, top line and bottom line of the company.

Satish Gupta - Individual Investor, Individual Investor
Okay, thank you, sir.

Operator
Next question will be from the line of Mr. Jignesh V of Vidarth Investments. Mr. Jignesh, kindly unmute yourself and proceed with your question.

Jignesh V - Analyst, Vidarth Investments
Yeah, uh, sir, since in the past question you told that we are not taking much contracts beyond our financial ability, so sir, uh, what I wanted to understand your vision for next 3 to 5 years since we are a listed company and now we have bank lines and also we can raise equity from time to time, uh, so and as there is a huge demand in railways Sir, how we plan to move ahead, especially both as well in products as well as contract division, uh, maybe to improve our CAGR in coming years?

S.K. Verma - Managing Director, IC Electricals Company Limited
We are on that only, that we are taking orders, uh, where our margins are better. You see, bidding and getting order without a profit is not my theory. We are bidding, but we are keeping our margin

intact. By keeping our margin intact, I can book order, order of 500-600 crore, but I have to have a capability, a capacity to execute them, and which cannot be done overnight since I am listed overnight. After having money, I have to build my organization to cater to turnover of 500-600 crores, which will be done gradually.

And that's why we are projected to grow more than 30% for next 5-6 years, right? More than that, I, I must have- must strengthen my manpower structure also. Which cannot be done overnight.

Jignesh V - Analyst, Vidarth Investments
Yeah, so gradually I think you plan to strengthen the manpower base to maybe take bigger orders.

Unidentified Speaker - Unidentified Speaker
Yes.

Jignesh V - Analyst, Vidarth Investments
Okay, and sir, in our product division, as you mentioned that few of the products have started your increasing your margins, so On how many products we are working, new products we are working that can be, uh, that can come on board in next 2-3 years and further improve margins,

S.K. Verma - Managing Director, IC Electricals Company Limited
Or it will be at similar level? We are working on a very high-tech product, and shortly we will announce those products. And I forgot to mention one division Export. We have seen good traction in that. Last year, our contribution of export was around 3.8 crore, 3.8% of our revenue. This year, I expect it should be contributing 7.5 to 10% of our revenue. This is 3-4 times, 300 times growth. We foresee, and this growth will continue in future too.

Jignesh V - Analyst, Vidarth Investments
Okay, so last question, in, in terms of exports, which markets you are looking and what type of competitors you are, uh, maybe against whom you are able to win such orders?

S.K. Verma - Managing Director, IC Electricals Company Limited
You see, we are catering to, uh, US, Canada, Brazil, Mexico and African countries where we are competing with overseas vendors and their manufacturing cost is, uh, very high compared to us because these- most of these products are handmade products. And wherever handmade products are, there the India- Indian cost is 1/10 of the foreign vendors. But foreign vendors value for the quality, and we have had no quality issue for five six years, and now we are getting more orders based on our quality.

Jignesh V - Analyst, Vidarth Investments
Okay, thank you, sir, and wish you all the best.

S.K. Verma - Managing Director, IC Electricals Company Limited
Thank you.

Operator
That would be the last question for the day. I would now request the management. To kindly proceed with any closing remarks.

S.K. Verma - Managing Director, IC Electricals Company Limited
Thank you for joining us in this meet, and I thank my shareholders for investing their faith in our

company. And I promise that company would deliver more than what it has promised in IPO, and we are on the path. I thank you everybody for joining us. Thank you.

Unidentified Speaker - Unidentified Speaker
Thank you.