Management Discussion

Saisha - Kirin Advisors Private Limited
I'm Saisha [Phonetic], and on behalf of Kirin Advisors, I'm pleased to welcome you all to the today's webinar with KRN Heat Exchanger and Refrigeration Limited. From management, we have Mr. Santosh Kumar Yadav as Chairman and Managing Director. Hello, sir.

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

Saisha - Kirin Advisors Private Limited
We have Mr. Pawan Nawal as Chief Financial Officer. Hello, sir.

Pawan Naval - Chief Financial Officer, KRN Heat Exchanger and Refrigeration Limited
Hello.

Saisha - Kirin Advisors Private Limited
We have Ms. Komal Yadav as Whole Time Director and KRN HVAC Private Limited.With that, I would now like to hand over the floor to Komal Yadav ma'am for opening remarks. Over to you, ma'am.

Komal Yadav - Whole Time Director (KRN HVAC), KRN Heat Exchanger and Refrigeration Limited
Thank you. Good day, everyone, and thank you for joining us today. It is a pleasure to connect with you and share an update on KRN's business opportunities we see ahead. Over the past few years, KRN has been steadily building a strong and more integrated HVAC business. From our core fin and tube capabilities, we have expanded into bar and plate, refrigeration components, bus AC, and complete HVAC solutions, allowing us to address a wider range of applications and customer requirements.We are also seeing increasing traction in international markets. Our exports business has been growing strongly, with KRN now serving customers across 14 countries and building a presence across North America, Europe, and UAE. The latest quarter saw exports growing 177% year-on-year, reflecting the increasing acceptance of our products and capabilities globally. At the same time, domestic opportunities remain broad, particularly across HVAC, refrigeration, data centers, industrial cooling, infrastructure, and mobility.Our investments in manufacturing capacity, backward integration, and product development are aimed at enabling us to participate more meaningfully across all these segments. The recent performance has reflected this broader opportunity, with consolidated revenue growing 119% year-on-year in the latest quarter. As we look ahead, our focus is on scaling the newer product categories, deepening our international presence, improving utilization of our manufacturing capabilities, and continuing to build a more diversified and scalable business. We would be happy to discuss these developments, our growth priorities, and the opportunities ahead today's -- during today's discussion.With that, let's begin the discussion.

Questions & Answers

Saisha - Kirin Advisors Private Limited
Now. So, investors, we will open the floor for Q&A session, and please, please raise your hand to ask the questions, or you may post your question in the chat box. To ensure that everyone gets an opportunity to interact with the management, we kindly request each participant to limit their questions to two. Yes, Srini [Phonetic] ma'am, please go ahead.

Srini - Analyst
Thank you for the opportunity. So, my question is towards the data center front, that currently we can see that market is picking up more on a liquid cooling front, and in the previous calls that we have mentioned that we are trying to move towards, trying to add more products on that segment. And we did mention something regarding the development of the microchannel. So, I wanted to understand that where have we reached from the liquid cooling front? Considering our current product portfolio is very focused on the air cooling, how do we expect the change in a product portfolio happening?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah. Good afternoon, everyone. So, basically, once this air-liquid cooling may be major segment in especially AI data center. So, it will be not like that air cooling will be finished. Air cooling will be continue, and of course, this liquid cooling will be add as a -- maybe you can say secondary -- on first cooling, and secondary cooling will be air cooling only. So, our product will be continue. However, about microchannel, we are already developing, and by from now, you can see around one year, this product will be in our portfolio. We will be -- start mass production.So, as of now, we are working on machinery ordering. So, maybe in next four to five weeks from now, we will order the machine, and then we will wait for like everything will come, and then we will set up the production. So, by one year within from now, we will add microchannel. Also, we are working on plate and plate heat exchanger mainly for a CDU unit as a PHE, but it will on very early stage. So, first we will add microchannel, and then second product we will add PHE, and this our fin and tube will be continue in same data center and, of course, in other application.

Srini - Analyst
Also, for the same products, how do we expect a similar margin as of fin and bar, or the margins will be different?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Which product? Bar and plate?

Srini - Analyst
Yeah, bar and plate as well. So, the microchannel means that the liquid -- the products that we are planning to launch in a liquid cooling, will they be fetching the similar margins as the same?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, in term of like total product value, microchannel will be less, but margin will be remain same or slightly up because it is the new product for India market. As of now, there is no manufacturer for microchannel for commercial application. Of course, for automobile application, many manufacturer is there. But for commercial means, the length is quite high, around 3 meter, or width is like 1.5 meters. So, there is no manufacturer. So, I think we will be the first manufacturer as of now. So, of course, initially margin will be slightly up compared to our fin and tube. But total product will be less because it's completely aluminum. And bar and plate, of course, our margin is slightly up compared to our fin and tube.

Srini - Analyst
Yeah, thank you so much.

Saisha - Kirin Advisors Private Limited
Next question is from Mr. Veer [Phonetic]. Please go ahead, sir.

Veer - Analyst
Yeah. Hello. Am I audible?

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

Veer - Analyst
So, my first question was that, have you received any orders from new data center customers such as Vertiv? And my second question was last year for data -- last year data centers contributed around 15% to 16% of revenue. And earlier you guided towards doubling this business. So, how do you see the data center segment contributing to total revenue in FY '27? With this, what would be the expected split between domestic and export revenues for data center?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, what do you -- we receive the order for sample. And I think in next couple of, we will supply the sample. Once sample will approve, and we will enter in mass production. So, based like as a vendor, we already entered, our quality audit completed. We -- in the past we can supply, and then now we received order for sample last week only. So, in next two, three weeks, we will supply the sample. And then once they will approve the sample, we'll enter in mass production.About data center, so our -- if you see, last year our Q1 data center business was around INR20 crore. And but this last quarter, we achieved around INR65 crore. So, you can say almost 3 times we increase. And in INR65 crore, I think we have almost 20% to 30% from export side. So, out of INR60 crores -- INR65 crores, around 20% from export side. So, it will be -- now export side, it will increase. Of course, domestic side will increase. So, you can see, if we assume just quarter one, so around the year, I think we will be almost 3 times or 3.5 times total revenue from data center, including domestic and export.

Veer - Analyst
Okay, thank you.

Saisha - Kirin Advisors Private Limited
Next question is from Mr. Dhanesh [Phonetic]. Please go ahead, sir.

Dhanesh - Analyst
Yeah. Hi. So, with regards to your subsidiary KRN HVAC Products, can you give me some flavor on what -- how you are seeing the business in the next three to five years? Like, how can you scale it? What kind of margins will it have? What is the big picture really over there?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, now whatever production will like increase from HVAC only because KRN need almost complete utilization of the -- our capacity. So, whatever increasing you see on quarter-on-quarter basis from

HVAC only. And what we said in earlier, our all calls, this year we are going to achieve around 50% utilization and next year 80% of this subsidiary. However, we are going to add one additional unit in same HVAC only, Bangalore. So, we are planning to add this from now one year time. And that capacity will be like, you can say, on for same product for fin and tube and our backward integration, sheet metal and header manifold. So, it will start from one year from now. So, that will be the additional capacity. So, maybe third year, if you see, that also will add some revenue on top line, of course bottom line.And about margins, so if you see our first quarter, we have now operating leverage, so it's going to increase, of course. Other than this, PLI and our RIPS, both incentive will also add in coming financial year. So, it will be slightly upside from now. Of course, depreciation and our overhead are going to increase, but that also we will have operating leverage, and it will be on upper side.

Dhanesh - Analyst
Got that. And can you similarly talk a bit more -- on similar lines, talk about the acquisition that you had made, Sphere Refrigeration Systems? Could you also on similar lines talk about that? How do you see that growing in the next three to five years?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, this bus AC business as of now is INR1,000 crores for total India market. And this year we are planning to achieve around 10% to 15% of the total market share in our -- this new venture. And we are in line with that. And the total industry growth is around 20% to 30%, especially on electric bus air conditioning. So, we will able to achieve, I think, 30% to 40% of the growth year-on-year business from particularly bus air conditioning side.

Saisha - Kirin Advisors Private Limited
Thank you, sir. Next question is from Mr. Deepak [Phonetic]. Please go ahead, sir.

Deepak - Analyst
Yeah. Hi. Hi, Mr. Yadav. So, I'm new to the company and industry, so just help me understand the industry size. How -- who are the key players here? What is giving you an edge in export markets and the kind of growth you are showing? Phenomenal, phenomenal growth. So, what is helping you get that growth?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, there is two market in HVAC, you can say, in India market. One is room air conditioning size, and we are almost zero particular in that segment. Another is the commercial side. So, it's including data center and, of course, mobility, bus air conditioning, metro, then defense, and of course VRV. So, that is we are mainly as a professional third party, or you can say other than OEM, we are the -- now, I think, largest manufacturer in India. So, now we have did almost INR350 crore from IPO. And now, of course, we have INR350 crore from QIP. So, we almost invested almost INR700 crore from last one and a half year. So, now our infrastructure and our capability and capacity is quite good, if you see, compared to our other competitor or in industry. So, that is the good for us.And other side, if we talk about globally, so especially data center growth is -- especially North America, is very good, and they have shortage of the heat exchanger. Also, if same manufacturer they are supplying to data center, then they are unable to supply to the other applications. So, we have good forecast

and good orders, especially from North America, and you see that in our export revenue. So, I think from now two, three year, it will be continue from data center, good growth, and other application as well. So, for us, I think right time to expanding our capacity, and we have already capacity. So, of course, we will enjoy, and we will have to apply. For sure, it will be continue.

Deepak - Analyst
Yadav ji [Foreign Speech] so -- and who are your key customer? You supply to OEMs? Or you supplied directly to the end consumer?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, no, we supplying only OEM only. So, it's our B2B only. And industry size, actually two size that I trying to saying. One is room air conditioning size, room AC. So, room AC we are not supplying. So, other than, because same product, they're making as a heat exchanger and as in room AC also, so industry size I think is unable to calculate. If we add room air conditioning, so maybe it's around INR7,000 crore, INR8,000 crore. But if we maybe divide in two-part, commercial side, so maybe INR2,000 crore, something like that, as of now in India market, and export side is, I think, huge. So, there is no data we have, but this is quite good numbers if compared to India market. And we are supplying [Speech Overlap]

Deepak - Analyst
INR2,000 crore is the size of the products which you produce?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, no, only heat exchanger. Yes, heat exchanger.

Saisha - Kirin Advisors Private Limited
So, we have next question from Mr. Mohit [Phonetic]. Please go ahead, sir.

Pratik - Analyst
Hi, am I audible?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes, yes, Mohit. You are audible.

Pratik - Analyst
Yadav ji, very good morning. Pratik [Phonetic] this side, same team. Yadav ji, so the journey has been actually very inspirational. My first question is on margins. So, Yadav ji, you have alluded many times that what is the reason we have been able to maintain our margins. I -- I'm not wanting an answer there, but this quarter was very unusual. In fact, the best of the OEMs, they had to shed their margins in order to protect their business. But yet we are coming out so strong in this kind of geopolitical uncertain scenario. I'm just trying to get one answer, is that, is this 18% to 20% EBITDA margin band is certain come what may? So, whenever we look at this business, this is the bare minimum band we should look at in terms of EBITDA margin, Yadav ji?

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

I think it will be remain same, or as per, if you see our other things, like if you add PLI and of course RIPS, so it will be increasing next year for sure. And what you said, of course war situation is there in globally. So, if you see our like UAE export, of course, decrease compared to our last quarter. But we have good enough order from North America, so that's why we're able to maintain our export almost 3 times. So, main reason to, I think, maintain this quarter, of course, we have operating leverage. Then product mix from bar and plate and bus air conditioning, and then export also.Because our main customer, if you see, in all facility we have mainly like from Daikin side only. So, Daikin, we have like bottom line almost fixed. So, there is no percentage on costing. But now new customer, we have good enough margin compared to our old margin. So, that's why whatever we are new customer adding or new product adding, so we have slightly up margin. But it will be good. [Phonetic]

Pratik - Analyst
Got it. No, but I would sincerely like to congratulate you, Yadav Ji, on creating this kind of cycle-proof business. And in fact, I wanted to congratulate you on bringing Komal also because this is actually a very good pursuit to bring the next generation right at this stage. Yadav ji, my second question is on now we are in fact aspiring for a Bangalore facility also. So, from HR point of view, from talent hiring point of view, how ready you think the organization is? Because probably so far you have done tireless work to bring this organization to this scale. But [Foreign Speech] multi-geography, multi-product company [Foreign Speech]. So, you think that we need to add more people on our bench and probably premium talent also? And are we doing something on that part?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, I think we are working on same way. So, if you see last six months, I think we, in staff, I think we added almost 200 new people, including HOD, and we have now SAP system as S/4HANA. So, that is also completely mature now. So, we will run as a corporate office from Neemrana only. But only production team will be there. Like, we have main HOD and main team working from here as a machine ordering, work construction, everything. But working team will be there only. So, purchase and, of course, design, everything we will control from Neemrana only. But as a working, because we have limited customer in South India, maybe 10 to 12 only, so we will have their product portfolio already.So, based on that, we will order machine from here only. And of course, we will already have maybe from next one or two month our operation head will be for Bangalore. We are looking nearby people only. So, once we will have an operation, so from now we can hire the slowly people for next one year, and we will give the training in Neemrana only. And then we will send after one year once operation will start, and main, as a corporate, we will control from Bangalore only. So, SAP will be remain same in Bangalore also. So, we can have common MIS for all plant and, of course, the sourcing and designing. And then we have all in SAP only, so now that is already on system in place.

Pratik - Analyst
Okay. Any other top-level hiring you are looking to add to your team, Yadav ji?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, I think now all HOD we have in place.

Pratik - Analyst
Okay.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Operation head, only one vacancy for Bangalore facility. We just -- I think last week we opened.

Pratik - Analyst
Got it, got it. I have more questions, Yadav ji. I'll join back again.

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

Saisha - Kirin Advisors Private Limited
Next question is from Mr. Darshil Jhaveri. Please go ahead, sir.

Darshil Jhaveri - Analyst, Sapphire Capital
Good afternoon, sir. Thank you so much for taking my question, sir. Firstly, congratulations on a really great set of results, sir. So, I just wanted to know, like, performance has been really great this quarter, sir. But as you alluded, some orders from UAE could not happen. So, I just want to know, like, in the next coming quarters, we can do even better than this, right? Because of the war, some orders would have been one -- maybe the first few months would have been affected. Is the situation normal? Can we have better results moving forward because of the higher order execution from Middle East?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, we are -- our planning is like that only. So, quarter-on-quarter, each quarter-on-quarter basis, you will see the, I think, better top line. And we have now enough order in particular in heat exchanger. Of course, bus AC, bar and plate, and refrigeration, here too, we have to add some more customers. But as a fin and tube, I think we have enough order and enough customers.

Darshil Jhaveri - Analyst, Sapphire Capital
Okay, that's really great to hear, sir. And I just wanted to know, like, how do you look at our finance cost, right? Because the facilities are now online, our working capital also increase. So, how do you see that moving ahead, sir, the debt and the finance cost?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, I think this -- now we have CFO. So, Pawan will reply this question maybe about finance.

Pawan Naval - Chief Financial Officer, KRN Heat Exchanger and Refrigeration Limited
Yeah. So, we are looking for the alternative methods of financing also and extending our working capital cycle, so different -- like, we are going for the factoring for export customers, and we are using the other platforms for working capital support. So, our finance cost will be, you can say, lesser in terms of better management through different, different processes.

Darshil Jhaveri - Analyst, Sapphire Capital
Okay, that's really great. So, yeah. And sir, just want to know, FY '28, when we have 50% utilization, what kind of revenue can we expect from our all facilities?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, our guideline, old one, is around INR1,000 crore-plus we will achieve this year.

Darshil Jhaveri - Analyst, Sapphire Capital
Yeah, yeah. No, sir, I'm asking about FY '28, sir.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, '28, it will be 80% utilization. So, I think based on that, you can calculate.

Darshil Jhaveri - Analyst, Sapphire Capital
Okay, that's it from my side. Thank you.

Saisha - Kirin Advisors Private Limited
Thank you, sir. Next question is from Disha [Phonetic]. Please go ahead, ma'am.

Disha - Analyst
Hello. Am I audible, sir?

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

Disha - Analyst
Yeah. Thank you so much, sir, for this opportunity. Couple of questions, sir. For our new subsidiary business, sir, what has been the capacity utilization in the first quarter?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, this I think we not calculated in term of capacity, but this financial year, we will have target to around 50%. But particularly quarter, I think we didn't calculate. So, maybe that we will check and maybe reply to you. Yeah? But this year we are planning to achieve around 50% of this new facility.

Disha - Analyst
Okay, okay, fine. So, the next question is on our export contribution. So, export business saw very big growth this quarter, sir. How do you see the overall contribution for this year, and where do you see this number going to in the next two to three years?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, as I said before, maybe earlier call also, so this year we are planning to achieve just double the number in term of exports. So, last year we achieved, I think, INR100 crore, and this year we are planning to achieve around INR200 crore of the export, including all segment like Europe, USA, and of course North America. And in next three year, in fin and tube, our planning is still same. We will

get to achieve around 50% of the revenue from export only for fin and tube segment.

Disha - Analyst
Sir, just the last question. For the data center business, what are the current products that we are supplying, and what sort of new products are we planning to venture into? And what is the current order book for this segment?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, this, of course, we have only one product as of now, fin and tube heat exchanger, that we are supplying to data center. So, there is two segment, one chiller side and then indoor side. So, both we are supplying to OEMs, and we are going to add one new product in one year, is called microchannel. That is also will go to data center for chiller side. And third one is the plate and plate heat exchanger. That is still a timeline we don't have. But we are working on same product that will go to the CDU or indoor side.And about order booking, as we said before also, we are rolling actually. So, maybe we have only one month order booking, but we have a rolling, like once they order open only for 20 days to firm PO. But that forecast, of course, we have some -- from some of customer for six month. So, order booking, I think, not value -- valid for us.

Saisha - Kirin Advisors Private Limited
Next question is from research team. Please go ahead.

Arpit Tapadia - Analyst, IGE Family Office
Yeah. Hi.

Saisha - Kirin Advisors Private Limited
Sir, sorry to interrupt. May I request you to please speak out your name?

Arpit Tapadia - Analyst, IGE Family Office
Yeah, hi, Arpit this side from IGE India Family Office. Thank you for the opportunity. My first question is, what is the gestation period of a new plant to have for us?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Can you repeat your question?

Arpit Tapadia - Analyst, IGE Family Office
So, yeah, what is the gestation period of a new plant to have for us?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, it will be from now one year.

Arpit Tapadia - Analyst, IGE Family Office
One year. And we are in a nascent phase to utilize our second plant, which is, I think, five times bigger than our first one. Correct?

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

Yes.

Arpit Tapadia - Analyst, IGE Family Office
So, wouldn't it be too early to, let's say, start the talk for the third plant into Bangalore and get the land allocated in Rajasthan itself?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, no. So, this year, for this new facility, we are going to achieve 50% utilization. And next year, we are going to achieve 80% of the utilization from new facility. But for South India, we have requests from our existing customer because of logistic and being a big, big product. So, they are asking to come in South India. So, that's why we are planning to South India our new facility to control their especially logistic cost. And of course, they have some norms, especially in big OEMs, if particular purchase like is maybe cross some particular amount, so then they have to be asking vendor nearby. So, we have already INR100 crore should be around business from Bangalore only. So, next year, from now it will take at least one year. So, till that our capacity almost 80% utilization also from this facility. So, then we can add our 20, I think, nine new top line from Bangalore only.

Arpit Tapadia - Analyst, IGE Family Office
Got it. And our first plant is having a capacity around 600 revenue generation. Correct?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No. 400. 600 means there is interbilling. So, it seems 600, but the top line is 400 only.

Arpit Tapadia - Analyst, IGE Family Office
Okay, got it. So [Speech Overlap]

Saisha - Kirin Advisors Private Limited
Next question is from Mr. Shashi Kant. Please go ahead.

Shashi Kant - Analyst, Brighter Mind Equity Advisors
Yeah. Thank you for the opportunity. Am I audible?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes, yes, Shashi Kant. You are audible.

Shashi Kant - Analyst, Brighter Mind Equity Advisors
So, sir, my first question is about the DC segment, data center segment, that we are targeting in North America. So, who are the major competitors in that space, particularly in North America, and how we are competing with them? I mean, on margin front, or I mean on -- this is the first question, right?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, actually, in North America especially, there are local manufacturer only, like Modine and Direct Coil, and maybe Cancoil in Canada-based also. I know only three, four competitor there. But their manufacturing capacity and requirement, I think there is the gap because data center requirement in

last one year is increased a lot. So, they have to supply to other application. And then they are able to supply to some quantity to data center. So, that's why we have good chance. And we have almost two, three customer on board already. And we're already starting since last -- I think, last three or four months.So, if they are able to add new capacity, then of course they need some time, maybe one year or two year, for their local manufacturing. So, that's why we have a good chance. And of course, I think at least if we are not saving to them including duty, then of course we can give better lead time. And of course, price, I think they are going to save some money because on our product, as of now on North America -- especially on USA, we have 25 -- we are paying 25% duty or customer paying. So, that margin is maybe entering duty only. But still, with better lead time, we are able to give or we are able to get some new orders, or already we have orders.

Shashi Kant - Analyst, Brighter Mind Equity Advisors
Okay, sir. So, just an extension of that question. So, how you are approaching that market? I mean, through local distribution channel, or we are building our own distribution channel there to approach the new opportunities in DC?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, we have one export president for particular that position. And we do each year one exhibition also in USA. It's called AHR Expo. So, every February or March there is one exhibition. So, we participate particularly in that exhibition, and we have all leads also. And then now we have already customers. So, maybe they -- if they search on database who supply, supplying to North America, particular that segment, so then some customer approaching us. And of course, this -- our president is -- have good experience, particularly in fin and tube. I think almost seven- or eight-year experience in other competitor. So, now we on board since last one and a half year.

Shashi Kant - Analyst, Brighter Mind Equity Advisors
Okay, sir. My second question is about the peak revenue at 80% capacity utilization in FY '28. What could it be that figure?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, numbers, of course, I can't describe on call, but you can calculate based on capacity. It will be same -- remain same.

Saisha - Kirin Advisors Private Limited
Next question is from Ms. Bhawna Singh [Phonetic]. Please go ahead, ma'am. Ms. Bhawna?

Bhawna Singh - Analyst
Hi. Am I audible?

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

Bhawna Singh - Analyst
Yes. Hi. Thank you, Mr. Yadav, for the questions. I just have two questions. One on the export front and the second one on the margins one. So, I just noticed that most of your raw material is your

aluminum and other metals, which does have a price volatility in their nature. So, just wanted to understand how do you maintain that? Are they easy to pass on to the customers 100%, or do we have to take up the load for that also? Or do we like keep inventory, or how do we manage to come to a stable margin?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, for -- I think we in all call we replied that question. So, we have -- with all our customer, we have price contract linked to metal price only. So, we have like last quarter average for LME copper, LME aluminum, and USD-to-INR. With all three things, we can able to pass easily to our customer quarter-on-quarter basis. So, we always keep two-and-a-half-month inventory, and sometime two week, maybe you can say on transit. So, we also, I think, receive it particular on inflation maybe after three month only. And then we have new price contracts. So, we can easily pass on. I think this is the answer.

Bhawna Singh - Analyst
Okay. Thank you so much, sir. And the second question is on the export front. So, your major markets are Middle East, America, and Europe. And do we -- are we expected to see the same mix going forward also in your export share? And in the recent time, there was some order delay because of the Middle East war. So, any clarity and thought process and outlook on that?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, this year, I think, of course, from UAE side, total what we achieve in last year, of course this year we -- there will be decline for sure. But we will have more revenue, or especially you can say percentage of revenue from North America only, and then second Europe, and then rest from UAE. And compared to last year, we are going to achieve almost double. So, you can say main growth we will receive from North America.

Bhawna Singh - Analyst
Okay, sir. Thank you so much, sir. That's all from my side.

Saisha - Kirin Advisors Private Limited
Next question is from Ms. Heta Vora. Please go ahead.

Heta Vora - Analyst, Omkara Capital
Hello. Am I audible?

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

Saisha - Kirin Advisors Private Limited
Yes, ma'am.

Heta Vora - Analyst, Omkara Capital
Yadav, sir, congratulations on great set of numbers, sir, amazing numbers. I just wanted to understand what would be the revenue potential from this Bangalore plant. I understand it's still one year away. But do you have any estimate to which you'll be proceeding with this plant?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Actually, once it will start, so we will have same customer from whom we are supplying from this facility only. So, you can say just transfer of the capacity on early, or maybe one year. And then, of course, whatever percentage growth will be there from same customer, then will be add. But still, we are asking to our customer, of course, what they will buy in next five year. So, this data is still maybe under consideration. So, maybe next quarter call, we can may be able to describe.

Heta Vora - Analyst, Omkara Capital
Okay, understood. And sir, is there any progress on our railways segment side? We plan to start deliveries from this Q2 FY '27, right?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, this bar and plate?

Heta Vora - Analyst, Omkara Capital
Yes.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, bar and plate, we already -- last, we have tender in, I think, last two, three week. So, we are L1. But still, we didn't receive the PO. Some small, small PO, of course, we received, I think, INR2 crore, INR3 crore, that we already supplied. But other OEM also we have on board from bar and plate. So, this year we are planning to achieve around INR40 crore to INR50 crore from this business.

Heta Vora - Analyst, Omkara Capital
Okay. Sir, is it the case that Q1 also had largely revenue from fin and tube and not the newer products?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Mainly, of course, fin and tube is still. But other product also have revenue like bus AC, refrigeration, and bar and plate. That data I don't have, maybe in split. So, maybe I will take from finance and then update you.

Saisha - Kirin Advisors Private Limited
Next question is from Mr. Abhisar Jain. Please go ahead, sir.

Abhisar Jain - Analyst, Monarch Networth Capital Ltd
Yeah. Hi, sir. Can you hear me?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes, yes, Abhisar ji. I can hear.

Abhisar Jain - Analyst, Monarch Networth Capital Ltd
Yes, hi. Sir, I just wanted to know on these product businesses that we are now have in place, and

we are ramping up the bus AC, the refrigeration, and the bar and plate, apart from our previous niche which we already have in heat exchanger. So, in these three businesses, you have also acquired the team from Sphere Refrigeration earlier, through their addition. So, what are our plans from a three-year, five-year perspective? How big this business can be and how big this market is basically in Indian exports?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
So, particularly bar and plate, of course, main revenue we are expecting from Indian Railway and other than other OEM. So, I think now we are on right track. This year we maybe plan to around INR40 crore to INR45 crore of the top line, and then it will be -- growth will be there maybe 20% to -- or maybe 30% to 40% particular bar and plate, and we have capacity around INR150 crore or INR200 crore only. And about refrigeration, this year we are going to achieve around INR150 crore to product mix of all four-product mix, and then it will be growth also 40% plus because we are going to add some big OEM on board and as well as some growth from our existing customer. About bus air conditioning also, this year we are going to achieve around 15% market share, and then 30% to 40% growth will be there because market is INR1,000 crore and itself market growing on 30%-plus, especially on electric bus air conditioning.

Abhisar Jain - Analyst, Monarch Networth Capital Ltd
Right, sir. That's very helpful. And sir, if I'm not wrong, the gross margins in these products businesses is higher than our coil and heat exchanger business, right?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Bar and plate and bus air conditioning, of course, slightly up, but refrigeration slightly down.

Abhisar Jain - Analyst, Monarch Networth Capital Ltd
Understood. Sir, second is on the export strategy. So, I understand that we have a dedicated now sales team for exports, and we are seeing a big jump in exports, and that's why we were able to make up for even the lost exports from Middle East. But sir, the market there is extremely huge. I was looking at Modine's number, the U.S. competitor to same products like yours, and they did some $300 million-plus sales in one quarter in Q1 on data center and another $250 million in HVAC. This is just one quarter number. So, the market out there is so huge. So, Yadav ji, what is your plan to kind of attack this market and get a decent large enough market share? Do you need some facility outside? What would you need to do decent enough big numbers there in three, five years? I'm not asking for, sir, this year or next year.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, I understand your question. So, if you see, Abhisar ji, actually our product is quite technical. It's not catalog item and not the injection molding part, we can maybe just increase the three, four times in single year. So, before to increase the good numbers, we need good infra. So, I think we are on right track. So, last year or maybe till now, we achieved, made a good infra, particularly to mind to keep in we can able to increase our export. And if you see compared to last year, this year we are saying we are going to achieve almost double. And in next three year, we are saying we will able to achieve, I think, 50% of the revenue for fin and tube from export only.So, we are working on same.

We have now team, of course, from U.S. side. Earlier we thought we can have one our warehouse-cum-office in USA, but honestly, due to the Trump mind every day changing, so we are now in pause mode. So, once Trump will settle down, then of course we will see something in USA. Especially we will start with warehousing and sales office. And then based on market requirement, we will do the needful.

Abhisar Jain - Analyst, Monarch Networth Capital Ltd
Right, sir. Sir, one question more, can I ask?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, yeah, you can ask.

Abhisar Jain - Analyst, Monarch Networth Capital Ltd
Yes. Sir, I think we have also taken some land parcels in Rajasthan for further expansion. One of them, I saw the notification that the deal was signed, and maybe you're looking for one or two more. So, what would be the plans there, and would you shift these products like bus AC and other facilities there for a dedicated setup?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yeah, one broader [Phonetic] like plan we are discussed with our team. So, after one year, we feel the bus AC capacity like our will be short because this and they need some quite big space. So, that's why we bought one new land. And we are making building in next one year time from now. So, we will shift complete bus air conditioning operation in new facility. And also, we are adding railway complete HVAC system on same facility. So, we already have now railway team on board, and we are now participating in tender. So, we already got, I think, last week, one, two numbers as a development tender for complete cab air conditioning from BLW.So, I think next two, three months, we will complete that process. And once we will like as the approved vendor, then we can able to supply complete HVAC system. Start from cab air conditioning, then complete HVAC system for Indian Railway. And then of course we will enter slowly in Vande Bharat and then metro. But it will take from now, I think, one and a half year. So, this new facility we will have as a complete assembly setup for bus air conditioning and, of course, Indian Railway.

Saisha - Kirin Advisors Private Limited
Thank you, Abhisar sir. Next question is from Shatruhan Khanna. Please go ahead, sir. Shatruhan, sir? Okay, we will move forward. Next question is from Mr. Parth Dalia. Please go ahead.

Parth Dalia - Analyst, Union AMC
Hi. As you expand your product lines via your massive expansion, are you adding microchannel heat exchangers as well? That kind of reduces your reliance on volatile copper commodities as well, right? So, is that in the plan? Are global OEMs also pushing you to add that?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
Yes, yes. I think in earlier question I replied that. So, microchannel in next one year in our portfolio. We already working on that. Now we are in the stage of the machine ordering.

Parth Dalia - Analyst, Union AMC
Understood. And secondly on -- let's say this question pertains to a longer-term opportunity, right? You mentioned about your commercial HVAC opportunities in buses, in data centers. Are there any potential newer business opportunities that you kind of envisage over the next five years? Let's say you mentioned defense as well. Anything that's on the cards?

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No, in HVAC, I think commercial heat exchanger, we have now almost all except this microchannel and plate and plate heat exchanger. So, that both -- we are working on the -- on both heat exchanger. Now complete product, we already added this complete refrigeration unit, and then ammonia unit, then dry air cooler, and then bus air conditioning, and then railway, and of course defense. Defense and railway, we are working. So, you can see commercial complete HVAC system, of course we are on this same line. And then as a product we have backward integration, power -- backward integration like sheet metal and manifolds. And then, of course, oil heat exchanger. So, till next three year, this is the plan only.

Parth Dalia - Analyst, Union AMC
Got it. And what was your comment on defense? I missed that.

Santosh Kumar Yadav - Chairman and Managing Director, KRN Heat Exchanger and Refrigeration Limited
No. Defense will be HVAC system only as of now.

Parth Dalia - Analyst, Union AMC
Understood. Understood. All right. Thank you so much.

Saisha - Kirin Advisors Private Limited
Participants, due to time constraints, we will take this as our last question and conclude the call for today. Thank you, everyone, for your time and participation. If you have any further question, please feel free to reach out to us at research@kirinadvisors.com. Have a wonderful day, everyone. Thank you, sir. Thank you, all the participants.

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