Management Discussion

Sameer Thakur - Analyst / Host, Ambit Capital
Good afternoon, everyone. On behalf of Ambit Capital, I thank the management of HD Fire Protect for the opportunity to host their Q2 FY27 earnings conference call. To discuss the results, I am pleased to welcome Mr. Mihir Ghotikar, full-time director, Mr. Anibh Dharamshi, full-time director, Ms. Parikaa Ghotikar, full-time director, and Mr. Hitesh Dediyar, CFO. Now I invite the management to take us through the key highlights of the quarter, post which we'll open up for Q&A. Thank you, and over to you, sir.

Vinny Jain - Analyst, Jain Investments
Good evening, ladies and gentlemen. A warm welcome

Parikaa Ghotikar - Whole-time Director, HD Fire Protect Ltd
To HD Fire Protect Limited's first earnings conference call as a listed company. Joining me today are Mr. Mihir Guptikar, Anik Dharamshi, whole-time directors, Hitesh Devia, our Chief Financial Officer, and AddFactors PR, our investor relations consultant. I hope you have had a chance to review our Q2 FY27 financial results. First and foremost, I would like to take this opportunity to express my sincere gratitude to all our shareholders for their trust and the faith they have placed on us. A warm welcome to our new shareholders to HDFC Bank family, and thanks to all our stakeholders such as our employees, customers, business partners, bankers, and legal advisors whose continued support and contribution were instrumental in making our journey for the successful listing and thereon.

Our impressive performance in Q2 FY27 and H1 FY27 reflects the continued strength of our business fundamentals, supported by a robust product portfolio, consistent demand for our fire protection solutions, and our focus on operational excellence. Our journey began in April 1990 as a partnership firm. In 1997, we incorporated the company, and in 2005, we consolidated our operations under HD Fire Protect. Since then, we have steadily expanded our manufacturing capabilities, strengthened our product Grown our presence in international markets.

In early 1990s, several critical fire protection products including deluge valves and specialized water spray equipment were predominantly imported. We identified an opportunity to develop indigenous manufacturing capabilities and offer products that will meet demanding technical and international standards. That opportunity shaped our long-term approach: invest in engineering, develop product in-house, build manufacturing capabilities, and obtain certifications that required to serve demanding industrial applications.

Today, HD Fire Protect is an Indian manufacturer and supplier of fire protection equipment and systems with products supplied across more than 90 countries over our operating history. Let me briefly touch upon the industry outlook. As per industry report, the global fire protection equipment market is expected to grow at a 6.5% to 7.5% CAGR between calendar year '25 and calendar year '30 To, to, uh, $85 to $90 billion. The Indian fire protection equipment market expanded to a CAGR of 12% between fiscal 2020 and 2026 to Rs 109 billion, outperforming the global fire protection equipment market in terms of growth rate, and is expected to clock a CAGR of 10 to 12% between fiscal 2026 and 2031 to reach Rs 175 to Rs 195 billion.

The growth is being driven by urbanization, industrial and infrastructure development, rising safety awareness, and stricter regulatory requirements. Investments in manufacturing, commercial real estate, airports, warehouses, data centers are creating additional demand for fire protection

systems. This highlights both the growing export opportunity for Indian manufacturers and the continued role of international suppliers in meeting domestic demand. Since this is our first call, let me explain our comprehensive product portfolio.

Our business spans 8 product categories: sprinklers, alarm valves and accessories, deluge valves, deluge kits, and pre-action systems, foam equipment and suppression systems, monitors and monitor nozzles, system valves and accessories, water spray nozzles, custom engineered systems, and gas suppression systems. Our solutions have been supplied for installations at important sites, including master steam nozzle installation at India's space launch pad at Sriharikota, fire protection equipment at Jamnagar Refinery, equipment for the new Parliament building, deluge valves at Saudi Aramco's Ras Tanura Sea Island site, and deluge valves and sprinklers for Oman's Integrated power and water plant project.

At HD Fire Protect, we offer a comprehensive range of water-based, foam-based, and gas-based fire protection equipment and systems. The breadth of this portfolio is important because fire protection requirements differ considerably across applications. A warehouse, a refinery, a power plant, and an necessarily require the same product or same configurations. Our ability to offer multiple product categories allow us to address a wider range of these requirements. Let me briefly explain the principal product categories and these applications.

First, sprinkler alarm wands and accessories. These products form an important part of conventional fire protection installations across commercial buildings, warehouses, hospitality, healthcare, retail, and industrial facilities. Sprinklers provide the discharge mechanism for water-based suppression, while alarm valves and associated components support the operation and monitoring of the systems. Second, deluge wall, deluge skilt, and pre-action systems. These are relevant to applications requiring specialized fire suppression arrangements, including oil and gas facilities, refineries, petrochemical plants, and other industrial environments.

Deluge systems are used where rapid coordinated discharge across the protected area may be required. Pre-action systems are designed for applications where additional control over the introduction of water into sprinkler network is important. Third, foam equipment and suppression systems. These include foam-related equipment, proportioning arrangements, and specialized suppression systems used in applications involving flammable liquids and and other industrial fire hazards. Such systems require careful consideration of foam compactability, proportioning, and discharge performance.

We are also developing fluorine-free foam solutions in response to evolving environmental requirements and the industry's transition away from certain fluorinated formulations. Then monitors and monitor nozzles together with water spray nozzles. These products support the targeted application of waters or foams for fire suppression, cooling, and protection of specific assets depending on application. They are relevant to industrial installations, large facilities, and specialized infrastructure where discharge performance and operating conditions are important.

Then comes system valves and accessories. These components support the functioning of fire protection network, including the movement and control of water or other separation media. Finally, our custom engineered systems and gas suppression systems. Custom engineered products allow us to adapt dimensions, materials, assemblies, and configuration to specific customer and site requirements. Gas suppression systems address applications where the appropriate suppression medium and system design must be selected for the protected environment.

The requirements go beyond manufacturing a component. They involve product design, material

selection, pressure and flow characteristics, chemical compactability, precision manufacturing, testing, and compliance with relevant safety standards. This is particularly important across a wide range of industries including oil and gas refineries, petrochemicals, power generation, steel plants, chemicals, heavy engineering, aerospace, pharmaceuticals, semiconductors, and electrical vehicle manufacturing.

Our products also cater to critical infrastructure And commercial applications such as data centers, warehouses, cold storage facilities, airports, hospitality, healthcare, retail, residential, and commercial buildings. Across these diverse environments, reliable fire protection systems are essential to safeguard people, assets, and critical- Thank you. Operations, often under demanding operating conditions. These technical requirements create meaningful barriers to entry. Product approvals, testing infrastructure, customer qualification, and established vendor relationships take time to develop.

Consequently, the ability to manufacture a product is only one part of competing successfully in this industry. These examples demonstrate the breadth of applications we serve and the importance of engineering and product reliability in our business. This diversification is important. It allows us to participate in multiple end markets rather than depend entirely on a single industry or application. With this overview, I will hand over to Mr. Mihir Ghotikar, for his thoughts. Thank you.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Thank you and good evening everyone. Talking about our manufacturing strength, we operate facilities in Jalgaon and Thane, Maharashtra, with a combined area of approximately 8.5 acres. Our manufacturing operations are supported by a combination of in-house production, specialized equipment, and selected contract manufacturing arrangements. We undertake the in-house manufacture of most of our products and use contract manufacturing for certain complementary products and accessories within our broader product portfolio.

Our manufacturing process is broadly divided into 3 streams. The first is standard products, which typically begins with cast or forged components. These components undergo incoming inspection, machining, assembly, painting, and product testing before finishing and dispatch. The second is fabricated products, where process involves cutting, forming, welding, assembly, coating, and inspection. The third is custom engineered products, which require additional design and engineering based on customer specifications.

These products move through design, procurement, fabrication, machining, assembly, and applicable performance tests before final clearance. Quality control is embedded throughout these processes. We undertake incoming material checks, in-process inspections, hydrostatic testing, and product performance evaluation with final inspection and documentation before dispatch. Our vertically integrated manufacturing capabilities at Jalgaon extend across design, casting, machining, assembly, testing, painting, and quality control.

The facility includes in-house foundry, CNC and VMC machining capabilities, including 5-axis machining centers, in-house 3D modeling, and high-capacity flow testing infrastructure capable of handling up to 18,000 liters of water per minute flow. And in-house mechanical test and calibration lab. This integration helps us maintain greater control over product quality, production lead times, and compliance with applicable requirements. We have also expanded our Jalgaon facility with one unit designated for manufacturing and other intended to accommodate an industrial warehouse and R&D center.

We are also expanding our infrastructure with a new production facility and warehouse at Wagley Estate, Thane. It is expected to be completed by end of November this month. Basically, certifications are another critical component of our operating model. As of September 2026, we had 21 UL-listed certifications and 87 FM-approved certifications. These certifications reflect our commitment to product quality reliability, and adherence to internationally recognized safety standards. Coming to patents, we hold several patents for our technology in India, Turkey, Saudi Arabia, and US, and few more are in process.

Further, recently we have applied for a patent in the European Union. Our objective is to strengthen the entire chain from product development, manufacturing, to testing and delivery while ensuring that quality reliability remains central to our operations. One of the important characteristics of our business is the strength of our customer relationships. Fire protection equipment is often purchased in a technical and qualification-driven environment. Customers evaluate not only on product itself but also manufacturer's certifications, engineering capabilities and testing infrastructure along with quality systems and ability to provide consistent technical support.

As a result, establishing a relationship with a customer can involve substantial qualification process. Once that relationship is established, consistent product quality and reliable service become important part in supporting repeat business. Our repeat customer contribution to revenue from operations was 85.2% in FY26. Turning to a geographic mix, India remains our largest market while exports contribute to a meaningful share of revenue. In H1 '27, revenue from customers outside India was about 35.63% of the revenue of operations while domestic revenue accounted for the balance.

This geographic spread gives us access to a range of industrial and infrastructure markets around the world. Our export business is supported by distributors, technical engagement, and in selected markets, white label manufacturing arrangements which are under- which are our products are sold through our partners' regional brands. We continue to focus on strengthening relationships with existing distributors and selectively expanding into markets where our product portfolio and certifications provide a competitive advantage.

We are also pursuing opportunities in strategically important markets such as Saudi Arabia and Southeast Asia while remaining focused on the quality of customer relationships and sustainability of our growth. With this, I hand over to Mr. Hitesh Dedia our CFO for his comments.

Hitesh Dediyar - Chief Financial Officer, HD Fire Protect Ltd
Thank you, Miguel. Let me now turn to our financial performance for the quarter and first half of financial year '27. Coming to our quarterly performance, revenue from operations for quarter 2 of financial year '27 stood at Rs 127 crores, marking a year-on-year Y-on-Y growth of 29%. Operating EBITDA for the quarter 37.5 crores compared with 29 crores of corresponding quarter of last year, while profit was 37.5 crores compared with 20.4 crores of Q2 FY26. This growth was primarily driven by higher customer demand, deeper market penetration, and the onboarding of the new project orders.

This leads to strengthening our profitability on absolute basis. However, the September quarter witnessed fluctuations in raw material price such as bronze and steel, along with supply chain constraints and elevated shipment costs, which resulted in higher input costs. For FY- for H1 '27, revenue from operations stood at Rs 236.3 crores Compared with Rs 192.9 crores in H1 of FY26, representing Y-on-Y growth is 23%. Operating EBITDA stood at Rs 67.2 crores versus Rs 57.6

crores in HY26. The profit after tax for H1 FY27 stood at Rs 52.9 crores, Rs 51 crores in H1 of FY26.

On the operational front, net cash flow generated from operating activity is Rs 71 crores as of September 30, 2026. One thing worth highlighting is that while our products have stable demand, our domestic sales are typically stronger in 4th quarter, driven by timing of project completion in India. Fire protection systems are generally installed during the final stage of the residential, commercial, industrial projects. As customers accelerate their project execution towards the final year-end procurement and inventory replenishment also pick up, resulting in higher demand for our product in- during Q4.

Now with this, I open the floor for Q&A.

Questions & Answers

Operator
Thank you so much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and then 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to please use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to all, you may press star and 1 to ask a question. We have the first question from the line of Deval from IFL Capital.

Please go ahead. Deval, please proceed with the question. Hi, Devil, you are unmuted. Please proceed with the question. As there is no response from the current participant, we will take the next. We have the next question from the line of Akash Rawal from Sangvi Family Office. Please go ahead.

Akash Rawal - Analyst, Sangvi Family Office
Thank you, sir, for the opportunity and congratulations on great numbers. So just wanted to understand what is the order book this quarter and how are you seeing the pipeline of orders? And can you explain the nature of projects which you have won, which you have showed in this on the slide?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So we manufacture range of fire protection products which are supplied to industrial as well as building commercial applications or projects, and our customer base consists of firefighting contractors and EPC companies. Generally, our product lead time could be from 1 month to around 4 months. Sometimes the custom engineered products could also take a little longer time, but these are the products applied to like industries like aerospace and defense. Currently, our order book stands at around Rs 179 crore, okay, and we are seeing a healthy demand in terms of inquiries which are coming through.

So considering the demand, we are quite positive and confident reaching the revenue target which we aim for.

Akash Rawal - Analyst, Sangvi Family Office
Got it, sir. And sir, out of the total revenue, what is the portion- can you define on the percentage basis how much is the contract manufactured goods which we outsource?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
It is around 35%.

Akash Rawal - Analyst, Sangvi Family Office
So basically

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
These contract manufactured products are under our brand and, you know, they also hold UL and FM certification. They have become part of the extended product line that we supply. So if we are supplying fire sprinklers, we also supply accessories which go as part of the whole system. So this remains a good business model for us because we can increase our product offering to the set of customers who we serve.

Akash Rawal - Analyst, Sangvi Family Office
Got it. And so once the new facility comes up, we can expect this 35% to be in the similar range, or it might reduce?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
No, as we increase, as we keep on adding products, there will be products which we intend to manufacture ourselves, and there are certain accessories and lower end of the products which will be contract manufactured. So there will be an increase in that range also, and, uh, products that we manufacture in both the ranges.

Akash Rawal - Analyst, Sangvi Family Office
Got it. And so my last question is on the input cost. So how would the Q3 shaping up in terms of raw material and freight?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So we were able to have a fair idea of the changing freight costs. For example, the freight cost specifically, uh, while, uh, procuring were also higher, and while shipment also, those were passed on to customers. But now we have a fair idea about the freight freight costs. So we have recently incorporated all these many costs in our- and now since we have a fair idea, so now those fluctuations will be taken care of in coming quarter.

Akash Rawal - Analyst, Sangvi Family Office
Okay, sir. And so one thing is, can you split the revenue in the sectors which you have given your products to in terms of refinery, chemicals? Uh, data centers.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So considering the confidentiality of some of the data, I would not split into separate end users, but our revenue are more towards industrial than the building commercial segment. So around 75% of our revenue comes from industrial projects. So this consists of oil and gas, uh, power sector, uh, data centers, even offshore industry, warehouses, chemical, pharma, so different industrial units.

Akash Rawal - Analyst, Sangvi Family Office
Got it, sir. And so any traction which we are seeing on the pre-action systems which you had made for data centers?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So we are seeing a good response to our pre-action systems. In fact, there are 2 technologies which are used in protection of data centers. One is gas separation and second one is water-based pre-action, and we are seeing good demands from many data centers requiring pre-action systems.

Akash Rawal - Analyst, Sangvi Family Office
Got it, sir. Thank you so much, sir, and all the best.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Thank you.

Operator
Thank you. We have the next question from the line of Gaurav Uttarani from Mirae Asset Managers. Please go ahead.

Gaurav Uttarani - Analyst, Mirae Asset Managers
Hi, sir. Thank you for the opportunity and congratulations on the listing. Uh, so my first question is regarding, uh, the execution. So generally when we say like our second half is heavier on that side, And if we take that 60% execution on the second half, our revenues would be somewhat like Rs 580 to Rs 590 crores. Would it be right to assume like these numbers are quite achievable in the second half, how the execution will be?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Yeah, considering our past, you know, experience and past trend also, around 55-60% of the revenue comes in the second half, and Q4 has been the strongest because the domestic projects, many of these projects get completed in Q4 only. So Q4 has always been the strongest among all the quarters. So yes, what you're saying is correct. We would be looking at similar revenue contributions, uh, from the coming 2 quarters, Q4 being the highest.

Gaurav Uttarani - Analyst, Mirae Asset Managers
Okay, got it, sir. And similarly, in the margins, I think gross margins which you mentioned, like, are impacted due to raw material prices. So how is the trend for, uh, 3Q? Like, are we seeing ease-off in terms of raw material prices and we expect margins to revert back to, uh, 30% or 31%? How do you see the trend in the second half?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So now the volatility which was very rapid in the first quarter specifically has a little bit stabilized, and we also have a fair idea about the raw material pricing. We have incorporated the fluctuations in our pricing as well. And even the new price list has been consolidated. So we are expecting, you know, similar kind of EBITDA that we have achieved in the past in coming quarters.

Sameer Thakur - Analyst / Host, Ambit Capital
Got

Gaurav Uttarani - Analyst, Mirae Asset Managers
It. And lastly, on the Saudi Arabia expansion, at which stage we are, what sort of products we are adding there, and what sort of revenue potential we can expect from that? Facility in the coming quarters?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So we have formed our company and we will be starting our trading activity to begin with. So we, we send our products and stock it in Saudi and sell to local customers, to local contractors. So that is phase 1. And phase 2 is manufacture our products. So we have identified around 5 products which will be locally manufacturing. Uh, right now we are in the process of acquiring the land over there, like a leased land. Uh, that process could take a few months. Once we acquire the land, then we'll be building a shed for localization of the product.

It will mainly be assembly only. It, it may not be the complete manufacturing, considering the cost of manufacturing there. But, uh, that is our long-term objective, to localize some of these critical products in Saudi to serve the local industry.

Gaurav Uttarani - Analyst, Mirae Asset Managers
Got it. And so what sort of revenue potential we can expect from this? Like, uh, what, what target are we seeing?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
I will not be able to give you an exact number of the revenue, but if you consider Saudi Arabian market, it is one of the largest markets in Asia, Middle East combined. In fact, considering the oil and gas and other petrochemical industry in Saudi, it remains one of the most promising markets. So there is a good revenue potential. We are just getting started. So in around 3-4 months, as we pick up business over there, we will get better visibility.

Gaurav Uttarani - Analyst, Mirae Asset Managers
Got it, sir. That's all from my side. Thank you.

Operator
Thank you. We have the next question from the line of Deval from IFL Capital. Please go ahead.

Mohit - Analyst, IFL Capital
Yeah, hi, this is Mohit from IFL. Sorry, my line got dropped. So congratulations on a good quarter. Just continuing with the last question, if you could break down, you know, this 20% revenue growth that we'll be targeting this year based on 60% in the second half, what could be the the growth between domestic and international business, if you could kind of give some color also on the split. And considering that now Saudi operations could become a meaningful part of your business, can the share of international business grow meaningfully over the next, let's say, 3 years, if you could give some color around that?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So considering the inquiries and the order pipeline coming through, we would- we could expect exports to have slightly higher growth than domestic. So we could expect around 5-6% higher export contribution compared to last year in the total revenue. And in fact, we see good demand in the Middle East. Even though there was this geopolitical situation, we are seeing good demand in specifically oil and gas and petrochemical sector from the Middle East. And in fact, our share of revenue from the Middle East has increased slightly compared to, you know, FY- compared to H1 last year.

So we are seeing greater demand in the Middle East.

Mohit - Analyst, IFL Capital
Okay. And sir, apart from the Middle East business, where do you see in the international markets, where do you see an opportunity for the company to maybe expand, let's say, even over the next 3 to 5 years? Any other markets that you've identified where you could expand meaningfully in the medium term?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So in terms of Asia market, we look at Malaysia, Indonesia, Singapore as good markets to increase our market penetration. In South America, we look at Brazil, Colombia, and Mexico as promising markets. And in Europe, we look at Spain and Italy as good markets, and we are initiating some of the steps, which is appointing distributors or getting end-user approvals or getting some local certifications required in those markets to increase our product sales over there.

Mohit - Analyst, IFL Capital
Understood. So my next question is on this, you know, the MPCB order, the Maharashtra Pollution Control Board order, uh, regarding, uh, you know, the approval on our expansion being rejected. If you could give some color around that, uh, what has been the issue, and if, if it is possible to quantify the impact, uh, of that, uh, any color on that will be very, very helpful.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Yeah, so we added 2 new sheds to the Jalgaon facility. One shed is K99 and other shed is 2981. Uh, for commissioning of the shed, we need to get MPCB approval. So there was a procedural or technical aspect in our application that led to refusal from MPCB. We don't have any strong pollution-creating processes or high-hazard chemical manufacturing in our facilities which will lead to the Pollution Control Board refusing to approve us. In fact, all the systems are in place already. We have ETP and STP and whatever else is required, that is in place already.

So considering those technical and procedural points, we have initiated one new application already for one shed, and the second application is in process. And we are very confident that we will get their approval since we meet all the required guidelines for- of MPCP in coming months. And it- this doesn't affect our existing business at all because this is for a new shed which we plan to now commission and, you know, use it for product manufacturing. Uh, so this doesn't impact us at all, uh, in our existing business and production.

Mohit - Analyst, IFL Capital
Understood, sir. This is helpful. Thanks a lot and all the best.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Thank you.

Operator
Thank you. A reminder to all the participants, you may press star and 1 to ask a question. We have the next question from the line of Jay Negandi from Ambit Capital. Please go ahead.

Jay Negandi - Analyst, Ambit Capital
Hello. Hi, uh, I hope I'm audible.

Operator
Yes, you're audible, Jay.

Jay Negandi - Analyst, Ambit Capital
Yeah, thank you for the opportunity. Uh, my first question was that I wanted to understand the approvals that we have for Saudi Aramco. I know that we have approvals for sprinklers and valves. Just wanted to understand if we are planning to get any more products added to that list, like foam suppression systems, etc. And if so, how would that increase our TAM when we are targeting to the Saudi Aramco?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So currently we have got 2 approvals from Aramco. One is for sprinkler and all sprinkler-related valves, and second is specifically for deluge valves. So we have 9 forms for 2 categories, and we have applied for one more category, which is the firefighting monitors. So we developed a new monitor model as per ARAMCO specifications. We recently completed its approval also, FM certification, and now we have submitted to them for final consideration. So that is in process. In terms of foam separation systems, Saudi Aramco uses a very unique foam separation system, uh, which they are currently sourcing from the US.

So we are discussing with them whether we can meet their technical specifications and whether we can- and that also remains one of the products which we aim to localize in Saudi. So currently it is in the preliminary discussion. While even there is enough market for water separation products also, which are approved by Aramco, considering the foam separation, it remains under discussion with them.

Jay Negandi - Analyst, Ambit Capital
Okay, so just to get further clarifications, once our monitors are approved by Saudi, how much of a time expansion would that be?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Firstly, the monitor approval is also a long process because as per their protocol, they need to field test the monitor for minimum 1 year. So when the monitor is approved by them, first they'll carry out a field test for a year. So it is a very long and stringent process. Uh, secondly, exact time I won't be able to give you exact time, but what happens is when ARAMCO approves any product, it gives a credibility in the market itself. So whether it is another end user, it could be any other end user in the chemical or petrochemical industry space, they are likely to use that product because it is Aramco approved.

So from that aspect also, it increases the overall TAM. While monitors are very commonly used in protection of fuel storage tanks, and you can imagine that there are like hundreds of fuel storage tanks in Saudi that are protected by monitors.

Jay Negandi - Analyst, Ambit Capital
Understood. My next question is that since our gross margins were impacted because of freight costs, or higher freight costs. I wanted to understand how the liability of freight is in our domestic and export orders. Do we ourselves bear the cost of that, or is it passed on to the end user?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
In terms of exports, we pass on complete freight cost to the end user. We don't have to bear anything. But when we are importing or purchasing any product, obviously the freight cost becomes part of the input cost of the raw material. So if there is any steep fluctuation, we have got 2 choices: either to absorb it if the implication is not too high, or if it is very high, then, uh, inform the customer

and then have a price list revision. So there are only 2 options.

Jay Negandi - Analyst, Ambit Capital
Okay. And lastly, uh, apologies if I missed it earlier, but do we have any, uh, target for revenue, uh, gross margin, and EBITDA margins for FY27?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So we have always considered similar kind of ratio that we have achieved in the past. Uh, we are working towards it. Okay, I will not be able to give you specific number, but we have considered similar kind of EBITDA, similar kind of PAT going forward also.

Jay Negandi - Analyst, Ambit Capital
All right, thank you so much and all the best.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Thank you.

Operator
Thank you. We have the next question from the line of Mayuresh Rawat from Invest4Value. Please go ahead.

Mayuresh Rawat - Analyst, Invest4Value
Thank you for the opportunity, sir. So our Q2 revenue growth has been encouraging, like, so with our H1 FY27 revenue increasing 22.5% year on year. So, but what gives us the confidence in sustaining this growth momentum over the next 2 to 3 years beyond the current financial year? And like, could you elaborate on the like current order pipeline, recent order inflows, and execution visibility for the same?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So I already spoke about the order book. And secondly, fire protection market size itself is very big. If you consider India market also as well as global market, we are, we are active in space of very large market globally. And as and when we complete required product certifications it opens doors to, uh, different projects. Considering the inquiry pipeline today and, you know, newer products which we have in the, uh, you know, our plan, uh, we see sustainable growth. Whatever that we have achieved in the past, we see sustainable growth in, uh, slightly higher than that in future also.

And we have got several strategies for growth. Uh, so one of them is like chlorine-free foam separation systems, which is a new generation foam separation system. That is the future, and we have achieved the UL certification for it. The trend in the industry is also to replace the fluorinated foam separation system with chlorine-free foam separation system because of its environmental compliance. Second is the pre-action system, which we got UL approval. It is used in protection of data centers and other critical areas.

And then we are working on several FM and UL certifications. And then we have KSA localization opportunity also. And then we have several other initiatives which are part of our growth in coming years. So we see growth achievable, we see good market, and exist at- in this scenario also we are seeing very good demand of our products.

Mayuresh Rawat - Analyst, Invest4Value
Okay, sir, uh, that was very helpful and detailed. So, uh, one more question. Our margins have also

moderated compared to the corresponding period last year. That was partly due to raw material volatility and logistics cost. So to what extent can we pass the cost, uh, to the customers, and what structural levers can help the company move towards its historical margin levels?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So as I said, now we have a fair idea about the, the supply chain costs. Those were so volatile that they were changing every week, so we were not able to incorporate some of those in our price list. But today most of them have stabilized, so these are already now part of our product pricing. So going forward, we don't see that much of volatility unless there is another geopolitical situation which is not in anyone's control. But, uh, today when we have a fair idea about the raw material price, we are able to adjust our finished goods price accordingly and pass on the prices as part of our finished goods pricing.

Mayuresh Rawat - Analyst, Invest4Value
Okay, sir. Thank you so much, sir, for taking my questions.

Operator
Thank you. We have the next question from the line of Vipul Shah from RV Equity. Please go ahead.

Vipul Shah - Analyst, RV Equity
Congratulations, Parika and Meedh, for, uh, you know, the successful listing of the company. And many congratulations to Mr. Dharamji as well for being one of the pioneers of this industry and, you know, taking HD Fire to this level. So, uh, yeah, that was the first. Second, you know, specifically, uh, with related to the MPCB order which we have, uh, which unfortunately we have received, uh, just wanted to understand, uh, with this, you know Uh, you know, facility which we have put now being, uh, under constraints, how much, uh, impact will it have on our growth?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So, uh, I already, uh, thank you for your, uh, kind words. So I already spoke about it. So the MPCB order was for the new sheds which are under commissioning. It doesn't impact our existing production or existing- or meeting our existing revenue target for '26-'27 and even furthermore. And we have worked on correcting our application. In fact, we have made one application also and submitted, and, uh, in coming months we should receive feedback from MPCB, and we are hopeful that it will be positive because we under- we understood what went wrong.

And we have corrected it already.

Vipul Shah - Analyst, RV Equity
So let me put it the other way. How much spare capacity do we have in Jalgaon at the moment?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So currently we are working Jalgaon only in one shift. Okay. Some of the departments are working in two shifts, but majority of the departments are working in one shift. With this single shift, we are having- we are working of capacity utilization between 60 and 70%. If we see increase in demand, we can add a shift also and increase our capacity. And current capacity utilization is enough for us to meet our targets for this year.

Vipul Shah - Analyst, RV Equity
Fair enough. All right, thank you so much.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
And, uh, Thane also, we are setting up another facility which is getting operational from next month. So our water spray nozzles and open sprinklers are manufactured in Thane. With newer Thane facility, our capacity will be increased in Thane as well.

Operator
Thank you. Ladies and gentlemen, in order to ensure that the management is able to address all the questions from the participants in the question queue, we request you to kindly limit your questions to 2 per participant. If you have a follow-up question, please rejoin the queue again. We have the next question from the line of Vinny Jain from Jain Investments. Please go ahead.

Vinny Jain - Analyst, Jain Investments
Hi. So my question is, so HDFC Fire operates in a specialized industry with relatively high entry barriers, maybe due to international certifications and stringent product standards. So how does the company now differentiate itself against the established global and the domestic competitors that they have?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So, uh, the markets that we operate in, it requires end-user approvals as well as product certifications. For example, if you are supplying our products to oil industry, then we would need to be approved by the, the oil industry, and then we would need to be having product certifications. With respect to Indian market, we are already registered with most of the end users the big companies in India. And in international markets also, we have been registered as a supplier in many of the end users, and it is our continuous process to get registered on the vendor list of most of the good companies internationally.

In comparison with the international or the multinational brands who we compete with, we compete based on pricing, based on lead time, and technical support. So we are quite fast in accepting specific technical specifications of customers, and some of the multinationals, uh, maybe they are not meeting very specialized requirements, but we are agile enough to meet those. Uh, when it comes to domestic market, we compete based on our brand presence, our end-user approvals, our high product quality, and we have team of field service engineers who go and support our domestic customers when it comes to after-sales.

As well as we are even in the domestic market, we are able to address many of the customized fire protection requirements through our specialized design and engineering.

Operator
Also, past track record is an important feature that companies look for, and we have good years of experience of past track record.

Vinny Jain - Analyst, Jain Investments
Got it. So if I had to say that you are increasingly basically winning projects where customers are now shifting towards certified higher quality solutions, so now how does this translate into market share gains and, um, the pricing power that we have?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Uh, firstly, the market in India is slowly maturing, so the kind of space that we are active in, the customers are already using certified products. Newer customers shifting to certified products are

Little bit small-medium-sized companies who would like to have very high-quality products, so slowly they are considering the certified products. But when it comes to our customer base, most of our customers are already using high-quality and certified products. So we operate in that space.

Unidentified Participant - Analyst
Got it, understood. I think that's it from my side. Thank you very much.

Operator
Thank you. We have the next question from the line of Jimit Mehta from Mehta Investments. Please go ahead.

Jimit Mehta - Analyst, Mehta Investments
Hi, sir. Am I audible? Yes. Thank you. First of all, thank you for this opportunity. So my question is on the export. So exports already like contribute meaningfully to your revenue with the presence of- in more than 90 countries. So how do you look at these exports growing further?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So we have different strategies of increasing our exports in many of the markets. First strategy is appointing good distributors if not appointed. Second is to get registered on the end users. So there are many end users wherein we need to register our brand so that we qualify for supply of our products. So we are working on that as well. Thirdly, we are also in process of getting local approvals from fire authorities in those specific regions or the country. So that is another third initiative that we are working on.

Fourthly, we have exhibitions or training events wherein we educate the industry with our existing as well as new product line that we have launched. So that is also ongoing. Then projects like the one in Saudi where we are trying to localize the product and getting closer to customers in that region. This is another, you know, initiative to increase our exports. So there are such initiatives wherein we plan to strengthen our brand presence and our product supply in many of the markets. We are also evaluating various markets and developing strategies for each region because each region is very unique.

The strategy that we have adopted for Saudi will be very different than strategy that we need to adopt for Colombia, which is South America. So we are working on such initiatives to strengthen our exports.

Jimit Mehta - Analyst, Mehta Investments
Okay, sir, understood. And, uh, so, so which international markets do you believe can become, uh, the largest growth drivers for us in the next 2 to 3 years?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So as I said, Middle East remains a promising market for us. Followed by Southeast Asia wherein there are countries like Indonesia which is a strong industrial market, Malaysia, Singapore, Philippines, and then there are countries in South America which are Brazil, Colombia, Mexico. We have also started our supply to the US. We have just begun, but US also is one of the largest fire protection markets in the world.

Jimit Mehta - Analyst, Mehta Investments
Yeah.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So that also remains one of, you know, promising markets in future.

Jimit Mehta - Analyst, Mehta Investments
Okay, sir, understood, understood. So that's it from my side. Uh, thank you for the opportunity.

Operator
Thank you. We will take the next question from the line of Pratamesh Tahaki from Motilal Oswal. Please go ahead.

Pratamesh Tahaki - Analyst, Motilal Oswal
Hi, sir, I'm audible?

Jay Negandi - Analyst, Ambit Capital
Yes.

Pratamesh Tahaki - Analyst, Motilal Oswal
Hi, uh, could you share some color on the evolving competitive landscape around the certifications? Specifically, are you seeing domestic peers accelerating their UL/FM approval to close the gap with HDFC Fire? And how are the global MNC responding, whether on pricing or product strategy, wherever you're gaining market share?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
So coming to UL and FM certifications, it is not easy for someone to accelerate their approval because there are many tests and the tests take their own time. Uh, of course there could be domestic competition who would be motivated to take approvals, but they will also have to undergo the same process that any other company has to undergo and wait for that specific timeline to get that particular approval. So it takes its own time, and as domestic competition could consider newer approvals, we are also working on many other approvals and products which are newer and more advanced in nature.

Considering the multinationals, of course Today they are aware of our pricing, they might be working on optimizing their pricing and we are also working on optimizing our pricing. So in the long run we are looking at alternate MOCs or developing other suppliers to optimize costs of raw material, developing products with a better design which are more economical in nature as well as high performance. So our, for example, our new range of deluge valves, it has less number of components compared to our older range of deluge valves.

It is lighter in weight. It is lighter in weight, it is more efficient, it has less friction loss. So when we develop any new product, we have learned our lessons considering the existing design and our experiences. And all the new products that we are developing, we are considering cost also. Development so that we can offer a product with advanced design and with attractive pricing also. So we are working on that as well.

Pratamesh Tahaki - Analyst, Motilal Oswal
Okay, so do you see any domestic player catching up to you, let's say, or trying to build similar product portfolio as HDFC Fire, or your proposition offering in terms of engineering as well as costing is still far better than a domestic one?

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
It is a very long process. It is not- it may- it will not be easy for anyone to catch up. It is a long process. Okay. We have been able to develop a range of products over past 25-30 years. Every product certification has taken long time, from 6 months to, you know, 2-3 years for completion. So it is not matter of months or years for anyone to suddenly catch up and be very active. Secondly, there is proven track record also. When we supply a product in specific industry for minimum number of years, then we build confidence, and then some of the end users qualify us as a vendor for their project.

It won't be possible for anyone to bring in a certified product and start supplying the very next day. Uh, one has to establish a PTR, that is proven track record, of supplying that product to certain sites for certain number of time frame or years, and then the product is accepted. I gave an example of Saudi Aramco. We got monitor approved, FM approved as per Aramco spec. That doesn't mean that the monitor will be supplied to Aramco project from next day. Then we have to- it has to undergo a field test for a year and qualify that field test, and then it will be accepted.

So this takes time. It is a time-consuming process because in fire protection, reliability is extremely important. People will not easily get a product just because it is certified. They want to ensure that the product is very reliable and it has been installed at similar sites at, you know, other places for these many years. And then it builds a confidence that, okay, now that product will be considered.

Unidentified Participant - Analyst
Okay, got it, sir.

Operator
Thank you. Ladies and gentlemen, we will take that as the last question, and with that we conclude the question and answer session. I now hand the conference back to the management for the closing comments.

Mihir Ghotikar - Whole-time Director, HD Fire Protect Ltd
Over the past 3 decades, HDFC Fire Protect has grown through a steadfast commitment to engineering excellence, product quality, and trust of our customers. What began as a vision to build reliable fire protection solutions has evolved into an established business with a growing international presence. As we step into public markets, we do so with a renewed sense of responsibility and ambition. Our priorities remain clear: to strengthen our capabilities, pursue sustainable growth, and create long-term value for our shareholders.

We are very grateful for the confidence placed in us, and we look forward to earning that trust through consistent execution, transparency, and performance in the years ahead. On behalf of HDFC Fire Protect, thank you for your interest. For any further queries or clarifications, please reach out to our investor relations team at AdFactors PR, who will be happy to assist you. Thank you again, and we look forward to speaking with you again.

Operator
Thank you, members of the management. On behalf of Amber Capital, we conclude this conference. Thank you everyone for joining with us today, and you may now disconnect your lines.