Operator: Ladies and gentlemen, good day and welcome to the Shilchar Technologies Q2 and H1 FY27 earnings conference call hosted by Avendus Spark. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing "*" and then "0" on your touchtone phone. I now hand the conference over to Mr. Ravi Swaminathan from Avendus Spark. Thank you, and over to you, sir.

Ravi Swaminathan – Avendus Spark: A warm welcome to everybody to the Shilchar Technologies Q2 FY27 earnings call. To take us through the results today, we have with us from management Mr. Alay Shah, Chairman and Managing Director; Mr. Ashesh Shah, Executive Director; Mr. Aatman Shah, Executive Director; Mr. Prajit Purohit, Chief Financial Officer; and Mr. Nilesh Pandya, GM Finance and Accounts. We will start with brief opening remarks on the business performance for the quarter from Mr. Alay Shah and then open the floor for Q&A. Thank you, and over to you, sir.

Alay Shah – Chairman and Managing Director: Good morning, everyone. Thank you for joining us today. Before we open the floor for questions, I would like to walk you through the performance for the second quarter of FY27 and share some updates on our operations and ongoing capex.

For Q2 FY27, Shilchar Technologies reported revenue from operations of Rs. 192.51 crores, up 43% over Q1 FY27 and up 12% over Q2 FY26.

EBITDA, excluding other income, stood at Rs. 40.26 crores, with an EBITDA margin of 20.8%.

Profit after tax for the quarter stood at Rs. 32.98 crores, with a PAT margin of 17.1%.

As you can see from the top-line growth, business momentum picked up notably in Q2 after a slow start to the financial year in Q1.

As we discussed on our last call, Q1 performance was a result of the continuing effects of the crisis in West Asia, which weighed on our exports.

On the export front, conditions in the Middle East improved during the quarter, but they are yet to fully normalize.

The higher shipping and logistics costs we highlighted in the previous quarter have not eased much.

At the same time, exports to North America have gained momentum following the resolution of the tariff-related challenges of earlier quarters.

The pickup in North American exports has helped offset part of the shortfall in dispatches to the Middle East.

On the domestic front, demand has remained very firm throughout.

On profitability, our EBITDA margin improved to 20.8% in Q2 from 16.4% in Q1.

We expect conditions for exports to improve further in the near future.

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This should translate directly into a higher export share in our revenue mix and, in turn, a further improvement in margins over the coming quarters.

On the project front, expansion Phase 3, which will add 6,500 MVA of capacity, is progressing as planned, with commissioning expected in April 2027.

Civil foundation work, shed erection, and utility infrastructure work are in progress, and all major production equipment has been ordered.

This will take our total capacity to 14,000 MVA and drive the next leg of growth from FY28 onwards.

As for the current year, we remain on track with our revenue target for FY27 of Rs. 750 crores, with a healthy order book in hand and delivery scheduled for the second half of the year.

We continue to see robust order inquiries from both domestic and export clients.

With that, I thank you all, and we can now open the floor for questions.

Operator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Aadesh Gosalia from Spark Capital. Please go ahead.

Aadesh Gosalia – Spark Capital: Hello, sir. I hope I am audible?

Alay Shah – Chairman and Managing Director: Yes, I can hear you.

Aadesh Gosalia – Spark Capital: I had a couple of questions. The first is on working capital, pricing, and the margin outlook. During H1, net working capital increased to around 200 crores, including the rise in financial assets to around 29 crores and higher receivables. Could you shed some light on how this has fared, how sustainable this is, and whether we may see some improvement in the second half or whether this is going to continue?

On raw material prices, how have they fared? In Q1, we had said that new orders were at market prices. How much of the pass-through has been happening, and how do we see gross margins faring from here? Gross margins came in at 29% for Q2. Do we see them going higher from here, or what is the outlook?

Alay Shah – Chairman and Managing Director: We do not face any problem or see any alarming situation regarding working capital utilization. We have said in the past that since we have surplus funds and do not use any bank facility for working capital, we earn interest from customers who establish LCs with us for the supply of transformers. That is why, on paper, it appears that we are utilizing more working capital, but we are actually earning interest on it.

Raw material prices have stabilized. Again, they are not at the levels they used to be, and I do not think they will completely stabilize until the Middle East crisis and other issues are concluded.

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However, all the orders we are receiving now are at the market price and based on the current raw material price. Going forward, as I said in my opening remarks, margins will improve with a higher share of the domestic as well as the export market.

Aadesh Gosalia – Spark Capital: You did not address the financial assets increasing to 29 crores and the higher receivables. Do you have any outlook on that? What are the financial assets that have increased, and why have receivables gone up in the first half?

Alay Shah – Chairman and Managing Director: The higher assets are basically because of the investments we are making in the new project.

As I said, once again, the receivable is not actually a receivable. To give you an example, we provide 60 days of credit through an LC to one of our customers, but the customer establishes an LC for 180 days, with the interest borne by them. We receive the money only after 180 days, but with interest. We can always encash the LC after 60 days, and that would reduce our receivables on paper. However, after receiving the money in 180 days, it appears that the receivable is pending, but it is a secured receivable on which we are earning interest.

Aadesh Gosalia – Spark Capital: The second question is on revenue. Q2 revenue has been one of the best that we have witnessed over the past several quarters. Is this because, in Q1, you had mentioned that around 30–35 crore of revenue was deferred? Has that revenue come into Q2, and because of that has the number almost reached 190-odd crores? Is that the reason?

Alay Shah – Chairman and Managing Director: Part of it is that, and part of it is that the market situation for new orders has improved. Going forward, as I said, we are on the road to achieving our original target of 750 crore sales for the entire year, meaning that we will be doing more than 225–230 crores every quarter going forward.

Aadesh Gosalia – Spark Capital: And, sir, was the—

Operator: I am so sorry to interrupt, Aadesh. Please rejoin the queue for more questions. Thank you.

Ladies and gentlemen, in order to ensure that management is able to address questions from all participants in the conference, kindly limit your questions to two per participant. Should you have a follow-up question, please rejoin the queue.

We will take the next question from the line of Jatin Parmar from Alder March. Please go ahead.

Jatin Parmar – Alder March: Good morning. Can you hear me, please?

Alay Shah – Chairman and Managing Director: Yes, good morning. I can hear you.

Jatin Parmar – Alder March: My question is basically on the EBITDA margin. Although it is up sequentially, it is down significantly by 10% from last year. I understand that this could be due to cost pressures and freight costs. If you can quantify how much the higher freight has affected us as a percentage of EBITDA, that would be helpful. Do you see that being passed on in the future, or do we still have the possibility of returning to the 30% margins we had earlier?

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Alay Shah – Chairman and Managing Director: I think I have mentioned earlier that once we grow and once we have the new capacity additions—

Management: The margin at this percentage cannot be assured. However, in net terms, we will be doing more profit. If we have done 200 crores with a 30% EBITDA margin, the EBITDA margin may come down, but our EBITDA in value terms may be 225 or 250 crores. That is what we are targeting going forward.

Jatin Parmar – Alder March: The question is regarding the impact of freight as a percentage of EBITDA, if you have any information on that.

Management: Of course, we would like to maintain the same higher EBITDA, but the market situation, the global political situation, and many other factors are involved.

If you look at our present margin, it is also comparatively quite higher than that of our peer group companies. We will remain one of the companies with a higher EBITDA margin.

Jatin Parmar – Alder March: My second question is regarding the significant amount of capacity being added. Across the board, all players are increasing capacity significantly. Consumers are also entering the space; for example, Waaree has launched its own transformer company. Do you see competitive pressure in the future that could affect margins? How will such large capacity be absorbed? Is demand still intact, and how long a runway do you see for this demand?

Management: Yes, you are right that everybody is increasing capacity. At the same time, demand [inaudible] If you look at certain government data, our power consumption will double in the next 3 to 4 years.

AI investments and data centers will require a significant amount of power. The government is also targeting more and more gigawatts of renewable capacity every year. All of this will create demand not only for transformers but for all power equipment. With the increase in capacity, my personal feeling is that everybody will have enough orders to cater to.

Jatin Parmar – Alder March: Just to clarify, do you see any challenges to margins because of this?

Management: Sorry, can you repeat the question, please?

Jatin Parmar – Alder March: Do you anticipate any margin pressures because of these expanded capacities?

Management: Not for at least another couple of years. I do not think so, because there is enough demand.

After 2 or 3 years, I am not sure. However, as I said, power consumption is very high, power demand is going to grow, and I think that will drive demand for all electrical products.

Jatin Parmar – Alder March: Great. Thank you. If I have any other questions, I will come back. I wish you all the best.

Management: Thank you.

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Operator: Thank you. The next question is from the line of Prathamesh Sawant from Abacus Investment Managers. Please go ahead.

Prathamesh Sawant – Abacus Investment Managers: Hello, am I audible? Hello.

Operator: Yes, you are audible.

Prathamesh Sawant – Abacus Investment Managers: Thank you for the opportunity. I have 2 questions. First, can we have any data on the total MVA sold by us across the 2 core transformer categories that we have?

Management: [pause] Sorry, can you repeat the question, please?

Prathamesh Sawant – Abacus Investment Managers: I wanted to understand, based on our total existing capacity, what is the total MVA sold or the number of transformer units sold across the 2 major categories of transformers that we have?

Management: We are currently utilizing almost 80% to 90% of our installed capacity.

The total MVA in our case is very difficult to determine because it varies from one product mix to another. If we are making more higher-MVA transformers, the MVA will be higher. If we are making more smaller transformers, the MVA will be lower. However, total sales will remain the same. I can tell you very confidently that last quarter we utilized almost 80% of our installed capacity. Going forward, in Q3 and Q4, I think it will be almost 100%.

Prathamesh Sawant – Abacus Investment Managers: Is it the same for us as for the other transformer players, where selling higher MVA products typically improves margins? Is that also the case for us? We tend to have the highest margins among the other transformer players, but our average product MVA is relatively smaller. We are doing 132 32 kV products for 50 or 100 MVA, which is relatively smaller MVA, but we are still generating the highest margin. I understand that exports may be one of the reasons, but what are the other factors giving us such superior margins compared with our peers?

Management: There are a lot of factors. First, it is not correct to compare MVA with profitability in the transformer industry. There are a lot of different products, different sizes, and different kV classes, and everything has its own characteristics.

We have a higher EBITDA margin for a few reasons. First, we are in the export business. Secondly, we run our company very efficiently, and productivity is at the highest level in our company. All these factors contribute to our higher margins.

Prathamesh Sawant – Abacus Investment Managers: Typically, with a higher kV class, you—

Operator: I would request, Prathamesh, that you please rejoin the queue for a follow-up.

Prathamesh Sawant – Abacus Investment Managers: Thank you.

Operator: Thank you. The next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

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Ravi Swaminathan – Avendus Spark: Thank you for taking my question. My question is regarding the US market. Can you talk about the demand scenario in the US? What are the lead times for transformer delivery? How is the local supply? How is the overall demand scenario developing across all kV classes?

Management: Demand from the USA is quite good right now. At one point, our supply to the USA declined mainly because of the 50% tariff imposed on Indian products. However, that was withdrawn in February. Since then, we have started receiving orders steadily, and those orders have now increased.

Demand there is also very good. Our customers are projecting more and more demand for the coming year as well. We will be part of that because we have good products, good relationships with our customers, and good product quality.

We operate in a very specific kV class, so I cannot share or provide information on higher kV classes. However, to my knowledge, the lead time for higher kV classes is almost 1 year to 1.5 years.

Ravi Swaminathan – Avendus Spark: Is this demand coming from data centers, renewables, or which category is driving the demand in terms of end use?

Management: It is not driven by any specific category; it is a mix of everything. We cater to customers' transformer requirements. It can be a data center, a distribution network, or a substation. It all depends on the customer.

Ravi Swaminathan – Avendus Spark: Understood. Thank you very much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Het Shah from Quantum AMC. Please go ahead.

Het Shah – Quantum AMC: Thank you for the opportunity. What is the export-domestic mix for the quarter and the half year, and what is the order book as of today?

Management: We have an order book of more than 550 crores going forward. As I said earlier in my opening remarks, we are on track to achieve more than 750 crores of sales, which was projected at the beginning of the year. The export-domestic mix will be approximately 60:40—60% domestic and 40% export—which is likely to improve in the coming quarters.

Het Shah – Quantum AMC: Of the 500 crore order book, what is the export-domestic mix?

Management: Again, it is in the same ratio, approximately 60:40.

Het Shah – Quantum AMC: Thank you very much.

Operator: Thank you. The next question is from the line of Samar from Spark Capital PWM. Please go ahead.

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Samar – Spark Capital PWM: Good morning, sir. Thank you for taking my questions. Most of the questions have already been answered. My question is on utilization. As I understood it, utilization is going to reach 100% in the next 2 quarters. Is it correct that production will reach 100% in the next 2 quarters?

Management: Yes, that is right.

Samar – Spark Capital PWM: Do we have an order book that is executable over the next 6 months?

Management: Yes, very much. As I said, we have orders on hand of almost 550 crores, and we are also receiving new orders. In the first half, I think we did about 330 crores in sales. Even if we do an additional 500 crores, we will reach almost more than 800 crores. We have also started receiving orders for Q1 of next year.

Samar – Spark Capital PWM: How are our exports looking region-wise? Has any volume specifically picked up in Europe?

Management: Sorry, can you repeat the question, please?

Samar – Spark Capital PWM: How is the export volume? Is it picking up in Europe or any other region?

Management: We export to Europe, but not in significant volumes. We have been putting in efforts for the last 1 year by participating in exhibitions. The results may come next year or the year after. Besides that, we have a strong presence in the Middle East and North America.

Samar – Spark Capital PWM: My last question: in the last quarter's conference call, you mentioned that for FY27 you were aspiring to achieve 800 crore revenue. Is that still intact?

Management: Yes. It will be more than that.

Samar – Spark Capital PWM: That is all from my side. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Rakesh from I-Value Word. Please go ahead.

Rakesh – I-Value Word: Thank you for the opportunity. I wanted to ask one question on pricing power. We are seeing raw material costs going up. Is this something that can be passed on to customers, and how is the response in our business?

Management: Can you repeat the question? I am not able to hear you properly.

Rakesh – I-Value Word: The question is on pricing power. Since there is a fluctuation in raw material costs and we have seen them increase, when raw material costs increase, is this something we can pass on to the customer? How is our pricing power?

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Management: Based on the current market price of raw materials, we determine the cost of transformers and quote to the customer. All the new orders we are receiving are based on the prevailing raw material price in the market.

Rakesh – I-Value Word: Once we pass this on to the customer, I think we can return to the earlier EBITDA margin of {? 28 to 30 ?}, because we are passing on the raw material cost. That was affecting our margin, correct? Is it something we can pass on to the customer so that we can achieve a good margin?

Management: We discussed this in the past. In March, there was a sudden increase in all raw material costs because of the Middle East conflict. That was a very unusual situation and does not happen on a regular basis. During that period, for the orders we had, we had to go back to our customers and ask for a price revision. Now things have stabilized, and based on the prevailing material cost, we do the costing and quote to our customers.

Rakesh – I-Value Word: Thank you, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Pankaj from Avis Capital. Please go ahead.

Pankaj – Avis Capital: Good morning, and thank you for the opportunity. You may have answered this question, but my apologies; my line got disconnected in between. All my other questions were answered. The only—

Pankaj – Avis Capital: My question is: what is the guidance for FY27 in terms of operating margins? I know we did a margin of more than 20% in Q2. I also understand that you have said it will improve because of increasing exports. What number do you have in mind?

Management: [pause] As I said earlier, Q2 had a much better margin than Q1. Going forward, with 100% capacity utilization and an inflow of export orders, margins will improve in Q3 and Q4. However, I cannot provide any numbers. It is difficult for me even to estimate.

Pankaj – Avis Capital: Fair enough. Thank you. That is all I have.

Operator: Thank you. The next question is from the line of Maitri from Sapphire Capital. Please go ahead.

Maitri – Sapphire Capital: Hello. Am I audible?

Management: Yes, I can hear you.

Maitri – Sapphire Capital: Good morning. I have one question. Once we enter the higher-class transformers of 220 kV, have we received any approvals for them? Do we have an order book or soft commitments for orders once we start the new line and production? I would appreciate some clarity on that.

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Management: We do not have any approval. Once the plant is commissioned, only then can we apply for approvals for 220 kV class transformers. However, as I have said earlier, in the same plant we will start manufacturing lower-kV-class transformers until we receive approval for the higher-kV class and start receiving orders. Many of our existing customers to whom we currently supply transformers also require 220 kV class transformers. We have verbal commitments from them that once the plant is ready, they will definitely support us with orders.

Maitri – Sapphire Capital: How long will it take us to get those approvals—12 to 18 months, or perhaps faster?

Management: It will be anywhere between 3 and 6 months.

Maitri – Sapphire Capital: These approvals will be from our existing clients and will take 3 to 6 months?

Management: Correct, yes.

Maitri – Sapphire Capital: What sort of margin differential do we earn on these higher-class transformers compared with the transformers we are currently selling?

Management: I do not see any change in the margin. I think it will probably be the same as [trails off]

Maitri – Sapphire Capital: Sorry, I could not hear you.

Management: I think margins across the kV classes will remain the same.

Maitri – Sapphire Capital: They will remain the same. You mentioned that our export contribution for the second quarter was close to 40%. What contribution did the US make to that?

Management: It is very difficult to say this number right now. It will be anywhere between 40% and {? 50% ?} 60%.

Maitri – Sapphire Capital: 40% to 60% of export sales. Once the Middle East starts contributing, perhaps from an FY28 perspective, what sort of contribution are you expecting from export sales? How do you see that increase helping our margins, and what sort of steady-state EBITDA margin would you target once the plant is operational and export sales are higher?

Management: For FY27-28, we are targeting around 1,000 crores in sales. [audio breaks up] Say, right now, our EBITDA margin [trails off]

Operator: I am so sorry to interrupt, sir. We are not able to hear you.

Management: [line issue] Hello?

Operator: This is better, sir.

Management: Hello?

Operator: Sir, you may please proceed. This is better. We can hear you.

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Management: As I said, for FY27-28, our sales target will be 1,000 crores. The export mix cannot be stated right now because it depends on the situation, but [audio breaks up] or the export or the domestic.

Maitri – Sapphire Capital: What will the EBITDA margin be once everything starts moving toward a more steady—

Management: It is very difficult to predict, but we would like to maintain probably the same or a higher EBITDA margin.

Maitri – Sapphire Capital: Higher EBITDA. That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Aadesh Gosalia from Spark Capital. Please go ahead.

Aadesh Gosalia – Spark Capital: Thank you for the opportunity again. Continuing on the margins front, historically, from 2024 to 2026, we have been a 28%-29% EBITDA margin company. I understand that the geopolitical situation and everything else developing make it difficult for you to predict, but can you give us a qualitative idea of how you are looking at this internally? Are those kinds of margins achievable going forward, or would 21% to 25% be a reasonable range? Would the current Q2 margin be a reasonable number, or could it be higher at 24%-25%? Some indication of what you are internally looking at would be helpful, even if you cannot provide a precise number.

Management: I have already answered this earlier to someone. We are not looking at the percentage; we are looking at the absolute number. Last year, we had EBITDA of more than 200 crores. The percentage may have been 30%, but in the coming year we are targeting more than 200 crores of EBITDA. It can be 225 or 250 crores. The percentage may be lower, but in value terms it will be higher, and that is what we are targeting.

Aadesh Gosalia – Spark Capital: On a 750 crore revenue target, are we looking at around 200 to 220 crores of EBITDA?

Management: We are going to try to achieve that, yes.

Aadesh Gosalia – Spark Capital: That is helpful. Secondly, on the export side, have we changed the way we have been booking orders or interacting with customers? Since the situation has changed, have we approached the export market differently, including with our existing customers? In Q1, we faced a deferment of orders. Have we changed our approach in any manner, or are we continuing in the same manner in terms of booking [cut off]

Management: We are continuing in the same manner.

Aadesh Gosalia – Spark Capital: Thank you. That is all.

Management: All the best.

Aadesh Gosalia – Spark Capital: Thank you. Bye.

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Operator: Thank you. The next question is from the line of Hiren Shah from Quantum AMC. Please go ahead.

Hiren Shah – Quantum AMC: Thank you for the opportunity again. In Q4 FY26, the export-domestic mix was 30:70 and our gross margins were 37%. In this quarter, with the export share being higher, gross margins have declined. Could you explain whether we are still maintaining those high margins in exports or whether we have also had to take some decline in export margins?

Management: I think our export margins are more or less the same as what we achieved in previous years.

Hiren Shah – Quantum AMC: Thank you. That is all.

Operator: Thank you. The next question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan – Avendus Spark: Thank you for taking my question again. This question is regarding domestic demand. Among the 3 broad categories—demand from the generation side, such as solar and thermal; the transmission side; and the distribution side—how would our business mix look?

In solar, growth in solar capacity additions has been quite good over the past 3 to 4 years, and approximately 45–50 GW would have been added last year. A similar run rate is enough to achieve the government's 300 GW target. From where do we expect incremental growth additions on the solar generation side, or are there other drivers, such as nuclear, that can drive growth in demand?

Management: All the sectors are growing. Solar is growing, and wind is also growing significantly. The new BESS, or battery energy storage system, has a huge requirement, and that requirement is going to be significant going forward. When you generate power, you also need to expand the transmission lines and the distribution lines, so it has a multiplier effect. Everything will have a much larger demand.

Ravi Swaminathan – Avendus Spark: Understood. Thank you very much.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one.

The next question is from the line of Rahul Majithia, an individual investor. Please go ahead.

Rahul Majithia – Individual Investor: Thank you for taking my question. We are bringing significant capacity online this year and next year. However, our H1 top line is quite flat year-on-year, and our profitability is also declining because of the change in product mix and the export issue. Is it a risk that we are expanding capacity right now, given that the capex cycle in data centers or renewables could cool off? What specific utilization rate would we require on this new capacity to break even?

Management: We are in business and need to expand. We need to grow; we cannot remain stagnant. If we do not grow, people will ask why we are not growing when the market is so good. If we grow, people ask why we need to grow and bring down our profitability. It is a very tricky

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situation, but growth is good.

When you grow, sometimes initially you might have to compromise on your margin, but once the brand name is established and customers have confidence, the margin will improve.

Demand is there. Everybody knows that power demand is increasing and is going to increase over the next 10 to 15 years. The capacity we are installing is hardly anything. We might probably have to announce further expansion as well.

Regarding your last question, only 35%–40% utilization of the capacity will be the breakeven for us. [trails off]

Rahul Majithia – Individual Investor: What is our approximate baseline EBITDA margin between our domestic solar or wind transformers and our exported transformers?

Management: The export EBITDA margin is on the higher side. I cannot [audio breaks up] there is a difference between domestic [inaudible] and export.

Operator: I am sorry, sir. We are unable to hear you.

Management: [line issue] Can you hear me?

Operator: Yes, sir, it is audible now.

Rahul Majithia – Individual Investor: Yes, it is audible.

Management: I cannot share the exact figures for export EBITDA and domestic EBITDA, but export margins are much higher than domestic margins. We are trying to maintain a balance in executing our orders.

Rahul Majithia – Individual Investor: Thank you. That will be all.

Operator: Thank you. The next question is from the line of Mohammad Nami from Eco Quantum Solutions. Please go ahead.

Mohammad Nami – Eco Quantum Solutions: Thank you for the opportunity. Am I audible?

Management: Yes, we can hear you.

Mohammad Nami – Eco Quantum Solutions: Historically, lead times for your transformers averaged approximately 12 to 18 months. What are the delivery lead times today, and are clients placing advance bookings specifically to secure manufacturing slots?

Management: As I said earlier, the delivery period varies for each kV class. For higher kV classes, it is more than 1 year, while for lower kV classes, it can be anywhere between 3 and 6 months. Customers are, of course, interested in booking slots if you have spare capacity, because demand is very high.

Mohammad Nami – Eco Quantum Solutions: What would be the share of 220 kV class transformers in your overall revenue mix once you receive approval? Will you be able to utilize the entire

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expanded capacity by FY29?

Management: Yes, that is the plan. Based on the outlook, we should be able to utilize 100% in FY29. We are adding 220 kV class capacity of almost 6,500 MVA. That will be the contribution out of the total 14,000 MVA capacity that we have right now.

Mohammad Nami – Eco Quantum Solutions: Just one last clarification. You said you will be doing 200 crores of EBITDA at revenue of 750 crores this year. That implies 26 EBITDA, or a 26% EBITDA margin for the full year. Are you expecting 30% EBITDA margins in H2 in order to achieve 200 crore EBITDA during the year?

Management: These figures are our assumptions. We are expecting more export orders, and based on that, we are targeting this.

Mohammad Nami – Eco Quantum Solutions: Thank you.

Operator: Thank you. The next question is from the line of Basant Bansal from NBG Investments. Please go ahead.

Basant Bansal – NBG Investments: Good morning. In your product profile, how much is distribution transformer?

Management: We hardly manufacture distribution transformers. We make them in very small quantities. The majority consists of renewable transformers.

Basant Bansal – NBG Investments: You said that your run rate for the next 2 quarters would be around 225 crores. Is your execution plan in place to achieve those numbers?

Management: Yes, of course.

Basant Bansal – NBG Investments: The raw material cost used to be around 60% of your sales value, and it has now increased to approximately 71%–72%. That seems to be the main reason for the decline in margins. I believe this raw material increase is transitory in nature. Can it come down again?

Management: [laughs] Frankly speaking, I do not think raw material prices will come down, but you never know. Nobody can judge that very accurately. As I said earlier, with the higher raw material cost, our sales price has also gone up now.

Basant Bansal – NBG Investments: So your sales price has also gone up?

Management: Of course.

Basant Bansal – NBG Investments: Has that offset the increase in raw material costs?

Management: Yes, to some extent.

Basant Bansal – NBG Investments: To some extent. Going forward, should we consider a margin of around 23%–24%?

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Management: [laughs] We will be trying for that, yes.

Basant Bansal – NBG Investments: Thank you. That is all from my side.

Operator: Thank you. Ladies and gentlemen, we will take the last question from the line of Neerav, an individual investor. Please go ahead.

Neerav – Individual Investor: You said you are targeting 1,000 crore of revenue by March 28, although the new capacity would come online by April. Do we not foresee that this number is conservative, and what would be the numbers for FY29?

Management: I do not think it is conservative. As I said, we are targeting about 1,000 crores in FY28, and in FY29 we will be targeting anywhere between 1,250 and 1,500 crores.

Neerav – Individual Investor: With the new capacity coming in, what revenue would that translate to if you were operating at 100% capacity?

Management: With 100% capacity utilization, we can do a maximum of 1,500 crores.

Neerav – Individual Investor: Given the global shortage of transformers and stronger demand, can we foresee utilizing the majority of the capacity next year itself as the plant goes live?

Management: No, it is not possible because it is not as though we turn on the machine and transformers are immediately produced. A lot of things are involved. First are approvals, trained manpower, the quality system, and all those other requirements. Therefore, it takes time.

Neerav – Individual Investor: With the cash flows being generated, are there any plans for diversification or acquisitions in related businesses? Are you exploring anything along those lines?

Management: Yes, we are exploring.

Neerav – Individual Investor: Which set of companies or sectors would that involve?

Management: I cannot tell you that because of the NDA we have signed. Once things progress, we will definitely make it public.

Neerav – Individual Investor: Thank you very much.

Operator: Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I now hand the conference back to management for closing comments.

Management: Thank you, everybody. As I said, we are on track to deliver a better Q3 and Q4. Things will improve in terms of sales and profitability, for sure. Thank you, everyone, for participating.

Operator: Thank you very much. On behalf of Avendus Spark, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.

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