Transformers & Rect

Operator: Ladies and gentlemen, good day and welcome to the Transformers & Rectifiers (India) Ltd. Q4 FY26 conference call, hosted by Nova Wealth Management Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Vikram Duthwani from Nova Wealth Management Limited. Thank you and over to you.

Vikram Duthwani: Thank you. Good evening everyone. On behalf of Institutional Equities, I welcome you all to the Q4 FY26 results conference call of Transformers & Rectifiers (India) Ltd. We are joined today by Mr. Satyen Mamtora, Managing Director and CEO, and Mr. Mehul Shah, CFO. I would now like to hand over the call to the management for their opening remarks. Thank you and over to you, sir.

Management: Good evening ladies and gentlemen. I am Satyen Mamtora, Managing Director and CEO of Transformers & Rectifiers (India) Ltd. Thank you for joining us today for our FY26 earnings call. We are pleased to connect with you as we close another year with a remarkable performance in terms of all key parameters and are happy to share our performance highlights both for Q4 and the full year. As you are aware, our Board of Directors has approved the audited financial results for the quarter and year ended March 31, 2026, and the same has been uploaded on our website and stock exchanges along with the investor presentation.

The financial year 2025-2026 has further strengthened our position as a leader in the transformer industry. The company achieved global operational and financial performance through operational efficiency, process excellence, effective financial management, strategic growth initiatives, technological development, and strong corporate governance. This has resulted in a second successive year of record-breaking revenue and profitability numbers. We have achieved the highest ever production in the company's history, manufacturing 33,763 MVA, up from 29,118 MVA in FY25. This has directly translated into record-high revenue growth supported by strong execution and a healthy, diversified order book.

This year, we have been intentionally selective in taking new orders. The company has decided to take orders which are more lucrative in terms of profitability, payment terms, and flexibility in delivery times. We deliberately moderated fresh order intake during the year to align with extended delivery schedules and capacity planning. In spite of that, our total order inflow for FY26 stood at 2,374 crores. This robust inflow has resulted in an executed order book of 5,000+ crores as of March 31, 2026, ensuring clear revenue visibility for the next 18 months.

During the year, the company received an HVDC transformer repair order from PGCIL, which makes us the first Indian company to get an order of such a nature. We are highly energized by this order as it will pave the way for our entry into the HVDC sector upon successful completion of this order. Such types of orders strengthen the company's position as an industry leader and enhance customer trust.

We are pleased to inform you that our fully automated facility has received approval from PGCIL. Now we have initiated the process of getting our tank manufacturing facility approved by PGCIL as well. Apart from our capacity expansion at Changodar and Moraiya, we are also ramping up our testing facility to cope with the higher number of transformers at those plants. As you are well aware, we have tested a record number of transformers during FY26, both in terms of MVA and total units, underscoring our internal capabilities and streamlined operations.

The backward integration journey is well on course. Site preparation is progressing well and the plant and machinery orders for the long-lead items have already been placed. This backward integration, along with our technology, will enhance our in-house capabilities, reduce our dependency on external sources, and improve our supply chain resilience. We have already started receiving materials from our newly acquired processing unit. So all in all, the backward integration journey is well on track and will deliver results in the very near future. This step will further increase our margin profile by 150 to 200 bps.

Looking ahead as we transition into FY27, our focus remains firmly on strong order book execution through continued operational efficiency, leveraging our expanded capacity, further consolidating our resources, and sustainably improving margins. Our long-term vision to become a 1 billion revenue company within the next few years remains intact and we are confident of achieving it through consistent execution, customer-centric innovation, and robust financial discipline. Our strategy includes strengthening backward integration, investing in automation and digital transformation, and focusing on clean, sustainable energy solutions in line with India's power sector ambitions.

With strong fundamentals, industry-leading capabilities, and high-quality orders in the pipeline, we are well positioned to navigate the opportunities and challenges of the coming year. On behalf of the entire leadership team, I extend my heartfelt gratitude to all our stakeholders, customers, employees, suppliers, board members, and investors. Your continued trust and support remain the cornerstone of our journey. Together we are building a future-ready organization that not only leads in the transformer industry but also contributes meaningfully to India's evolving energy landscape and Viksit Bharat by 2047. Thank you once again for joining us today. I now hand over the mic to our CFO, Mr. Mehul Shah, to take you through the financial performance of the company in greater detail. Thank you.

Management: Good evening to everyone present for this investor call to discuss the Q4 FY26 financial performance of the company. Thank you, Satyen sir, for your insightful remarks and for setting the strategic context for the current quarter. It gives me great pleasure to discuss our Q4 FY26 performance, a quarter that clearly reflects the strength of our execution capabilities, the resilience of our business model, and the benefits of strategic initiatives we have been implementing over the past several quarters.

I am pleased to report that Q4 has been a strong quarter for the company, showing consistent improvement across all key financial parameters. Revenue on a standalone basis from operations stood at 752 crores as compared to 740 crores in Q4 FY25. The growth was driven by higher capacity utilization, timely execution of orders, and improvement in supply chain management. The momentum seen during the last couple of quarters gives us confidence for consistently improved performance in the coming quarters. EBITDA for the quarter came to 117 crores with a margin of 15.1%. The margin is slightly down due to an additional increase in employee cost on account of ESOPs. Profit After Tax was 77 crores, reflecting not only the strong operating performance but also disciplined financial management across the organization.

Revenue on a standalone basis for the full financial year stands at 2,395 crores as compared to 1,950 crores for the previous financial year. EBITDA for the year came in at around 370 crores with a margin of 15.1%, and Profit After Tax stood at around 125 crores with a margin of 9.2%. On a consolidated basis, revenue for the quarter stood at 783 crores against 737 crores during Q4 FY25. EBITDA was 141 crores and PAT was 91 crores. On the basis of the full financial year, consolidated revenue is 2,509 crores, up from 2,019 crores. EBITDA stood at 444 crores and PAT is around 272 crores.

Importantly, Q4 marks a turning point in terms of consistent growth with margin sustainability. We are confident of maintaining improved margins due to our capacity expansion, backward integration plan, and structural margin improvements. The backward integration facility and developments are expected to further enhance cost efficiency and reduce external dependency over the medium term. Looking forward, we enter the next financial year with strong visibility of our order books, new capacities coming on board, and the start of our backward integration projects. Our order book remains robust, execution pipelines are healthy, and plant utilization levels are expected to remain stabilized for the full financial year.

Before I conclude, I would like to express my sincere appreciation to our team across operations, finance, supply chain, and projects for their relentless focus and execution excellence. I would also like to thank our Board and investors for their continuous trust and support as we work toward building a stronger, more resilient, and future-ready organization. With that, I conclude my remarks. We are now happy to take your questions. Thank you.

Operator: Thank you so much, sir. We will now begin with the question and answer session. First question comes from the line of Abhishek Vijay from Global Consultant Research. Please go ahead.

Abhishek Vijay – Global Consultant Research: I noticed that the cost of material consumed has increased slightly disproportionately to the revenue. I am guessing this is because of the copper price surge due to trade disruptions. Could you throw some more light on what other raw materials have been disrupted?

Management: Copper is slightly disturbed. Other than that, it is not just because of trade issues but also because of overbooking for all other ancillary parts like bushings and such. There is a slight disturbance. Additionally, porcelain is made in gas-fired kilns, and gas availability is also becoming a slight problem. So, there are certain issues we are facing, but they are not very significant.

Abhishek Vijay – Global Consultant Research: We are foraying into HVDC. I wanted to understand the competitive landscape in HVDC from you. I have seen a lot of orders in this segment; what is our competitive advantage?

Management: There are only four major players in HVDC: Hitachi Energy, Siemens, GE, and I think TBEA. Since TBEA is not able to compete with us in other tenders, there are only three major competitors. We are the only Indian player entering the HVDC space. HVDC is a highly technical product, and because of the limited number of players, the margins are also better.

Abhishek Vijay – Global Consultant Research: I was reading a Siemens call stating that only about one to two tenders are floated every year for HVDC. What are our odds of getting those contracts compared to these four players?

Management: Currently, there are only one to two tenders for HVDC, but going forward, the number of tenders in the pipeline should be around 10 to 12. Each tender should have about three units of HVDC. So, there is a good scope in HVDC in the near future. By that time, we will also be successfully empaneled as HVDC transformer manufacturers.

Abhishek Vijay – Global Consultant Research: Okay, thank you very much.

Operator: Thank you. Our next question comes from the line of Vaibhav Mishra from Investor. Please go ahead.

Vaibhav Mishra – Investor: Good evening, sir. My question is regarding the conflict in West Asia. Is it affecting us in any way, such as the supply chain or delivery side?

Management: No. If you look at our export numbers, there is very minimal export that we are currently doing. From the West Asia region, there is very minimal import coming to India for us. So, there is no major impact as far as this conflict is concerned. The only issue we are looking at is the availability of gas for our fabrication units, but we are mitigating those issues as well.

Vaibhav Mishra – Investor: Regarding the guidance, in the last three quarters, this is the second quarter where we have missed our revenue guidance, which I think was 2,600 crores. Also, the closing order book was confidently expected to be 8,000 crores, but it is at 5,000 crores. What is leading to this?

Management: We are deliberately not taking orders currently because, as we previously mentioned, we want to limit our exposure to no more than 18 to 24 months. We want to be very selective in which orders we take in terms of delivery and pricing. As long as we are booked for the next 24 months, we do not want to take any further orders. We want to remain extremely selective.

Vaibhav Mishra – Investor: Are the backward integration plans for the next four quarters on track? Is there any change in timelines?

Management: No, everything is on track. We have already started site preparation, and plant machinery with a higher lead time has already been ordered. Starting in the next financial year, you will see the impact of these backward integration plans.

Vaibhav Mishra – Investor: One last question regarding FY27. What is the revenue target or consolidated margins we are targeting for FY27?

Management: We have not fully finalized the exact figures, but we are currently looking at approximately 3,250 crores in revenue for FY27.

Operator: Thank you. Our next question comes from the line of Bala Subramanian from Arihant Capital Market. Please go ahead.

Vinit: Sir, in this phase where capacities are being enhanced by most of our vendors, what is our position in negotiating on prices with our suppliers?

Management: Vinit, there is still a hand-to-mouth situation in terms of most of the items required for transformer manufacturing. We can mainly negotiate in terms of delivery time for each piece of equipment. That is one of the basic negotiations happening currently.

Vinit: So demand is so strong that we can only negotiate on delivery timelines, and the price is more or less the same?

Management: Yes.

Operator: Thank you. Our next question comes from the line of Yesh Gupta from Ashit Kotecha Family Office. Please go ahead.

Yesh Gupta - Ashit Kotecha Family Office: Could you help us understand the trajectory of our upcoming capacity addition? Is it reasonable to expect that around 50% of the utilization will come by H2 FY27?

Management: Our Changodar facility will be up and running from Q2, and after that, we will take up the Moraiya plant expansion. After these two plants, the capacity would increase from 40,000 MVA to 75,000 MVA. The Changodar plant will start in H2. Initially, utilization will be low as it is a new plant, but from the next financial year, it should be running at around 75-80% capacity. By the end of Q3, we should be at almost 80% capacity in the Changodar plant.

Yesh Gupta - Ashit Kotecha Family Office: Will this impact our EBITDA margin in H1 or Q3?

Management: No. Our orders are already in the pipeline. There won't be any negative impact; in fact, the Q3 numbers should be on the higher side because of these new capacities. Being selective on the type of orders we are taking means there will not be any adverse effect on the EBITDA of the company. Margins will remain in the range of 16.5% to 17% while revenue increases.

Operator: Thank you. Our next question comes from the line of Yash Rathi from Mangal Keshav Service. Please go ahead.

Yash Rathi - Mangal Keshav Service: We are going for backward integration on the CTC plant. Does that require additional PGCIL approval if we are using that for our own purposes?

Management: PGCIL approval will definitely be needed. The plant we are putting up for CTC and the plant for pressboard are both world-class plants. We have already taken into account all PGCIL requirements for approval. Since it is for our own captive consumption, the approval process becomes very easy. We expect to get the approval within a month of starting production. PGCIL also wants to ensure there is one more vendor in India that delivers CTC production as there have been delivery issues.

Yash Rathi – Mangal Keshav Service: Will the CTC plant cater to our entire production, or will we still need to outsource?

Management: The current plan is to cater to 100% of our needs. Going forward, with further expansion, we will also look at third-party sales. We will basically become CTC suppliers to other transformer manufacturers as well.

Operator: Thank you. Our next question comes from the line of Shubham Damnsuna from Think Site Advisory. Please go ahead.

Shubham Damnsuna – Think Site Advisory: Any update on the World Bank issue?

Management: We have filed our reply to the World Bank and are awaiting a response. We have requested an opportunity to be heard in person before any decision is taken. We believe the matter should be closed within 45 days.

Operator: Thank you. Our next question comes from the line of Abhijeet Singh from Systematics. Please go ahead.

Abhijeet Singh – Systematics: Regarding HVDC, what is the scope of our offering as a percentage of the overall project cost?

Management: Our scope should be around 40% of the overall Capex of the project. The transformer is going to be the largest and most expensive piece of equipment in the Project. Once we have successfully repaired the current transformer and it works satisfactorily for six months at PGCIL, they will start the process of approving us as an HVDC manufacturer.

Operator: Thank you. Our next question comes from the line of Prathamish Salunke from PL Capital. Please go ahead.

Prathamish Salunke – PL Capital: Concerning the HVDC space, established players use LCC or VSC technology. If we are coming up with our own technology, how will we participate in existing tenders that specify LCC or VSC?

Management: There are other projects coming up with EPC contractors as well, where we will be participating. It is not limited strictly to those specific technologies in all cases.

Operator: Thank you. Our next question comes from the line of Raj Saraf from Finvesters. Please go ahead.

Raj Saraf – Finvesters: I have been an investor for the last 1.5 years. I see that Capex for Changodar and Moraiya, as well as the integrations, have been delayed by at least a year. Also, the order book closure numbers previously mentioned in interviews of 8,000 crores don't match the current 5,000 crores. What is your take on this?

Management: We have always maintained that margins will remain at 15-16%. Regarding the order book, we miscalculated the timing of orders we expected, but we are also being very careful in selecting which orders we want to execute. We are choosing to be selective. As far as the new projects are concerned, there was a delay due to an extended monsoon, which pushed the projects back by one quarter.

Raj Saraf – Finvesters: The revenue guidance for FY26 was originally 3,500 crores, then reduced to 2,500-2,600 crores. In March, it was stated on television that closures would be above 4,500 crores. The confidence shown initially does not seem to match the current tone.

Management: It is true that we initially targeted a higher number, but we later realized the situation and revised that guidance during the Q2 conference call. We have realized that we need to be more realistic, and that is why we have given a revenue outlook of 3,250 crores for the next year.

Operator: Thank you. Our next question comes from the line of Karan Gupta from ACIL. Please go ahead.

Karan Gupta – ACIL: What will be the console EBITDA margins over the next 2 to 3 years? Will the backward integration benefits take us beyond the 16-17% mark?

Management: Margins will remain in the range of 15% to 17% currently, and as the backward integration comes online, you may see an increase of about 200 to 300 bps in that number.

Karan Gupta – ACIL: Regarding working capital, receivables and inventory have increased. What is being done to mitigate this?

Management: Compared to FY25, receivables and inventory are high. On the receivable side, due to some March-end figures, we missed certain collections. In the first 15 days of April, we collected around 200 crores. There were some delays with utilities because of their budget cycles, but they released the payments in the new financial year.

Operator: Thank you. Our next question comes from the line of Dhishant from DB Wealth. Please go ahead.

Dhishant – DB Wealth: You mentioned searching for alternative sources for gas. What are you doing to mitigate this risk to ensure production can ramp up?

Management: We invested in laser cutting and plasma cutting technology a few years back. All of that is coming online, so this gas crisis actually helped us improve our efficiency by using these CNC machines. We will be using electricity as a power source instead of gas, so we do not see any risk to capacity utilization.

Operator: Thank you. Our next question comes from the line of Aditya Bora from Soham AMC. Please go ahead.

Aditya Bora – Soham AMC: Most of our peers in lower KV classes are showing superior margins of 18-20% without being backward integrated. Why are our margins only at 15-16% when we are in the higher 220 KV and 400 KV classes?

Management: Our backward integration benefits are yet to come into the picture; the 15-17% margin is without those benefits. The main reason our margins are currently at this level is that we are executing orders taken 12 to 15 months ago. This is why we have decided to be very selective now, and our margins will improve as we execute the newer, better-priced orders. We expect roughly 35-40% revenue growth in FY27, reaching approximately 3,250 crores.

Operator: Thank you. Our next question comes from the line of Sagar Gandhi from Invesco Mutual Fund. Please go ahead.

Sagar Gandhi - Invesco Mutual Fund: Out of the 23,000 crores of inquiries mentioned in the presentation, how much of that is for deliveries within 24 months? And could you confirm the 200 crores collection in early April?

Management: After Q1, there should be around 18,000 MVA of order inquiries for delivery within 24 months. And yes, we confirm that out of the 410 crores in increased receivables, 200 crores were collected in the first 15 days of April.

Operator: Thank you. Next question comes from the line of Nibil S. Shah, an individual investor. Please go ahead.

Nibil S. Shah - Individual Investor: Out of the 5,000 crore order book, what is the percentage of utility players versus private players?

Management: Around 55% are utilities, 20% are EPC contractors, and the remaining 25% are private customers. We will approach more private customers, but the quality of the order inflow is going to be the key area of focus next year.

Operator: Thank you. We will take the last question from Shashi Ranjan from Anandam Capital. Please go ahead.

Shashi Ranjan - Anandam Capital: How many orders in the 5,000 crore order book are old orders that have lower margins because cost increases couldn't be passed on?

Management: We have already executed the bulk of the older orders. For the last six months, we have been critically analyzing every order we take. None of the orders in the current 5,000 crore order book have issues in terms of margins or cost pass-through.

Shashi Ranjan - Anandam Capital: What is the current capacity utilization and what is the target for the next two quarters?

Management: We are currently running at around 75% capacity, which should go up to around 95% this year.

Operator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. Any pending questions may be sent to the Transformers & Rectifiers (India) Ltd. investor relations team. I'll hand the conference over to the management for closing remarks.

Management: Thank you once again for joining us today. I extend my heartfelt gratitude to all our stakeholders, customers, employees, board members, and investors who attended this call. Thank you very much.

Operator: Thank you, ladies and gentlemen. On behalf of Nova Wealth Management Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.