Operator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY27 earnings conference call of Hirect Ltd. 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 listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Suramya Nevatia from Hirect Ltd. Thank you, and over to you.

Suramya Nevatia: Good morning, everyone, and thank you for joining us for the Q2 and H1 FY27 earnings call of Hirect Ltd., formerly known as Hind Rectifiers Limited. I am joined today by our Executive Director and CFO, Mr. A. K. Nemani; our Global CEO, Mr. Ananth Chidambaram; our CEO, Mr. Manoj Nayar; and SGA, our IR advisors.

This was our highest-ever quarter and our highest-ever half-year on both a consolidated and standalone basis. Revenue is growing in line with the target we set for the year. However, profitability has not kept pace, and I will mention the reasons for this.

A few things weighed on margins this quarter: higher raw material costs, an unfavorable product mix, the scale-up of Inventive France, and our investment in people ahead of growth. The first is largely external due to multiple factors. The others are deliberate, and both are tied to the size of business that we are building.

Over the last few quarters, we have spoken about Hirect moving from supplying components to delivering complete systems. That shift is now showing up in our work. Our train set programs are underway. Our indigenous propulsion has moved from approval into supply, and new approvals from Indian Railways this quarter have widened what we can offer.

Alongside this, we are building cost advantage into the business. Backward integration into copper conductors is the clearest example. It secures a critical input for our transformers, and it has started to earn some revenue from outside customers. In a quarter of rising input costs and uncertainty, it has begun contributing and has started to do its job. We are working on more such initiatives of this kind.

Our global business is the longer build. Our first orders from the United States have shown that our products can compete outside India. We have dispatched our IGBT converters for the mining industry 45 days ahead of schedule, resulting in a very happy customer. We now wait for the commissioning, after which we expect larger quantities.

Just to further emphasize what this accomplishment means, an R&D initiative of this nature would ideally take 24-30 months. We have been successful in building this product in just about 3.5 months. This is because of the technology platforms we have created over the years.

We are now also using our sales channels across the UAE and the EU to build new customer relationships, of which some registrations have been successful while some are under process.

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Inventive France is still scaling up and will weigh on consolidated margins until it reaches break-even. However, we have been able to secure two new customers for Inventive France and one new product line. These customers are currently giving us trial volumes, and we expect a larger order intake from next year onwards. We also have some large-scale inquiries that could expedite the turnaround, but until we have a firm PO, we do not consider that a contributing factor at the moment. Furthermore, we have received some strategic interest in Inventive France, which is also being explored.

Looking ahead, our priorities are straightforward: keep building technology, strengthen the core railway business, expand into newer adjacent industries and other geographies, convert our pipeline into orders, keep taking costs out, and bring Inventive to break-even. With that, I hand over to our CEO. Thank you.

Manoj Nayar – CEO: Thank you, Suramya. Good morning, everyone. As Suramya mentioned, we are focused on translating our engineering and manufacturing capabilities into stronger execution and a wider range of opportunities across our Indian business.

I would like to take you through some of the key developments during the first half of FY27. Let me begin with our copper conductor facility, which is an important step in strengthening our backward integration. Copper conductors are a critical input for our traction transformer business, and developing these capabilities in-house gives us better control over the supply chain and greater visibility over a key component of manufacturing.

The facility has commenced commercial production, and we have also secured orders from private customers. This allows us to address our internal requirements while gradually building an additional business vertical serving external customers.

During the quarter, we received {? CPC and PRCC ?} approvals from Indian Railways for deployment in traction transformers. These approvals are an important validation of our manufacturing capabilities and further strengthen our position in the railway supply chain.

We have also been included in RDSO's UVAM, or Unified Vendor Approval Module, list of development [trails off]

Manoj Nayar – CEO: ...own source for propulsion systems, and supplies have already commenced. This is an important milestone as it expands our participation in railway requirements and provides an opportunity to further strengthen our position as a development source.

Moving to our integrated railway system business, we have continued to make progress in expanding our presence in next-generation train set programs. Our development engagements in the Vande Bharat and Vande Metro segments mark an important step in this direction.

These opportunities allow us to bring together our capabilities across traction systems, power electronics, and railway technologies while strengthening our participation in higher-value integrated railway solutions. These programs are important because they allow us to move beyond supplying individual components and participate in a more integrated solution.

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They also provide an opportunity to demonstrate our capabilities across multiple products within a single train set program and gradually increase our overall content per platform.

Alongside these developments, we continue to strengthen our engineering and product development capabilities. Our focus remains on improving in-house development, product reliability, and manufacturing efficiency while building the technical and operational teams required to support the growing scale and complexity of our business.

Going forward, we will continue to focus on strengthening our core railway portfolio, improving backward integration, developing indigenous products, and enhancing our manufacturing capabilities. We believe that these efforts will help us improve our competitiveness and participate in higher-value railway and industrial applications.

We remain committed to building strong engineering and execution capabilities that can support the company's next phase of growth. With that, I would like to invite Mr. Mani, our Executive Director and CFO, to take us through the financial performance for the quarter and half year. Thank you.

Mani - Executive Director & CFO: Thank you, Manoj. Good morning, everyone. Let me take you through the financial performance for Q2 and H1 of FY27.

We have achieved our highest-ever quarterly and half-yearly revenue on both a consolidated and standalone basis, reflecting healthy business momentum across all our operations.

Starting with the consolidated performance, revenue from operations grew by 39% year-on-year to 315.7 crore in Q2 FY27. For H1 FY27, consolidated revenue stood at 574.1 crore, registering a growth of 29.9% year-on-year.

Consolidated gross profit increased by 34.1% year-on-year to 76 crore in Q2 FY27, while for H1 FY27 it grew by 31.1% to 149.2 crore. Gross profit margins stood at 24.1% and 26%, respectively.

Consolidated EBITDA stood at 13.6 crore in Q2 FY27, with a margin of 4.3%. For H1 FY27, EBITDA stood at 26.8 crore, with a margin of 4.7%.

As highlighted earlier, consolidated profitability continues to be impacted by Inventys, which remains in its integration and scale-up phase. Alongside this, we are making investments in human capital and strengthening operational capability to support future growth. These factors have resulted in higher employee and operating expenses.

We expect near-term pressure on the consolidated EBITDA margin to continue over the next quarter and subsequent quarters as Inventys progresses toward break-even. Following this, we expect a gradual improvement as the business scales up.

Profit after tax and minority interest stood at 6.8 crore in Q2 FY27 and 16.2 crore in H1 FY27. These numbers include exceptional gains of 2.7 crore and 6.2 crore, respectively, arising from the sale of the Dehradun plant.

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Coming to the standalone performance, revenue from operations grew by 29.6% year-on-year to 294.3 crore in Q2 FY27. For H1 FY27, standalone revenue stood at 530.7 crore, registering a growth of 20.1% year-on-year.

Standalone gross profit increased by 15.1% year-on-year to 66.3 crore in Q2 FY27, while for H1 FY27 it grew by 11.2% to 126.6 crore. Gross profit margin stood at 22.5% in Q2 FY27 and 23.9% in H1 FY27.

The moderation in gross profit was primarily due to elevated raw material costs, geopolitical developments, supply chain disruptions, and an adverse product mix.

Standalone EBITDA stood at 24 crore in Q2 FY27, with a margin of 8.2%. For H1 FY27, EBITDA stood at 49.1 crore, with a margin of 9.2%.

Employee and other operating expenses have increased in line with business growth, alongside continued investment in human capital to strengthen our organizational capability and support future expansion. This has resulted in some moderation in EBITDA margins.

Standalone profit after tax stood at 14.5 crore in Q2 FY27 and 29.6 crore in H1 FY27. These numbers include exceptional gains of 2.7 crore and 6.2 crore, respectively, arising from the sale of the Dehradun plant.

On a year-to-year basis, H1 FY27 PAT registered a growth of 7.7%. This concludes the financial performance update for the quarter and half year. Thank you. I would like to open the floor for the question-and-answer session.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. I repeat, anyone who wishes to ask a question may press star and one on the touchtone telephone. The first question is from the line of Manish Goyal from Thinkwise Wealth Advisors LLP. Please go ahead.

Manish Goyal – Thinkwise Wealth Advisors LLP: Thank you very much, and wishing everyone a very happy Diwali and Happy New Year. Sir, I have a few questions.

First, on CTC, if you can give us some perspective: we have started commercial production, so to what extent have we seen production in Q2, and how much of it has met the in-house requirement?

The gross margins are still declining, so I would like to understand the impact. Another reason mentioned was a change in the revenue mix, but as per your revenue breakup, transformers still contribute a significant 62% versus 50%. So where are we seeing the impact?

If you can give us more perspective on the decline in gross margins and how we should see it going forward, that was the first set of questions.

Mani – Executive Director & CFO: [pause] If you see the segment-wise results, our CTC business has grown from 395 million to 588 million. We received the major approval in the latter part of Q2

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only, so we were not able to use the full CTC capacity in this quarter. We used it partially for external requirements and partially for internal requirements.

Manish Goyal – Thinkwise Wealth Advisors LLP: Sir, what could be the production and what capacity would we have? I would just like to get more insight into CTC.

Mani – Executive Director & CFO: Yes, for CTC, today you can say that we have capacity in CTC and PICC together to manufacture more than 250 tons. We are again expanding this, which will give us approximately more than 500 tons.

Manoj Nayar – CEO: Just to answer this question, Manish, from a capacity point of view, the capacity is there. However, as the CFO mentioned, by the time we received the railway approval, it was toward the end of Q2.

Just to give you a perspective, we utilized almost 60% of the capacity in September. That gives you a sense of the scale that we can reach.

Management: With good growth, now that we have the approvals in hand, we can use 100% of our CTC and PSC capacity.

Manish Goyal – Thinkwise Wealth Advisors LLP: Okay. Sir, what kind of margin improvement can we see? For the last few quarters, we have been seeing a decline in our gross margins as well as EBITDA margins.

My second question pertains to the change in the revenue mix. I am unable to understand it because transformers are still contributing 60%. What is the change that is leading to the decline in margins? Perhaps you can give us an outlook on the margins as well.

Management: [pause] As we mentioned in the initial speech by Mr. Suramya, and both Mr. Manoj and I also mentioned, the margins may remain under pressure for at least one or a few quarters. Gross margins may also not improve, mainly because the percentage contribution from transformers will come down.

Secondly, the product mix will change. Propulsion has started, or will start, being supplied from October onwards, and the margin on propulsion in the initial 2 or 3 quarters will not be good enough.

Manish Goyal – Thinkwise Wealth Advisors LLP: Okay. Sir, on our propulsion system, what is the status of the trials? Last time, we mentioned that we had completed 9,000 to 10,000 kilometers. What is the status? Has it completed 50,000 kilometers?

Second, there was a tender recently floated by CLW for approximately 750 propulsion systems. Have we participated in the bid under the development category? If you can give us more insight into that, it would be helpful. Thank you.

Management: Yes, regarding the trials, we have completed 30,000 kilometers, and the remaining distance should be completed in the next several weeks. However, while that completion is ongoing, we have not stopped supplying the remaining pending orders that we have for the

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propulsion systems.

Regarding the CLW tender, I think we were L1 in that tender. We are L1 in that tender. There have been some major changes in Indian Railways. Some firms have been delisted and some have not been delisted.

However, regarding that confusion, what they have done is withhold the orders for development sources and give the orders to approved sources. We are now in discussion with them to release the orders for development sources as well, where we expect a significant quantity because we are L1 and we are a development source.

That is in progress and should materialize soon.

Manish Goyal – Thinkwise Wealth Advisors LLP: So, sir, what you mentioned refers to the recent CLW tender, where orders were given only to the approved vendors?

Management: Only to approved sources, not to the development vendors yet.

Manish Goyal – Thinkwise Wealth Advisors LLP: Okay. In that case, sir, we would not be able to get a 20% share of approximately 750 systems?

Management: We cannot quantify the number exactly today, but we do expect a good quantity.

Manish Goyal – Thinkwise Wealth Advisors LLP: Okay, sir. Thank you. I will come back in the queue.

Operator: Thank you. Just a reminder to all participants: press star and one for more questions. The next question is from the line of Vedant Sarda from Nirmal Bang Securities Private Limited. Please go ahead.

Vedant Sarda – Nirmal Bang Securities: Am I audible?

Management: Yes, sir. Please go ahead.

Vedant Sarda – Nirmal Bang Securities: You mentioned that the EBITDA margin at the consolidated level is expected to remain under pressure over the next few quarters. Is there anything more you can share on that? Will it be affected by gross margins, or what are the specific reasons?

Management: [pause] No, I can say that it will mainly be at the EBITDA level, as we are still scaling up the operations at Aventi Trans.

Management: In the segment-wise results...

Management: What is happening with Aventi?

Management: Yes, we have basically mentioned earlier that it is a very good plant and that all the infrastructure is available. We were lacking in marketing because there was no person heading it consistently.

Now we have reported, and so we expect the results to come through in the next 2 quarters. As Suramya mentioned in the initial speech, we are also discussing some large inquiries. Gross margin

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levels will not be affected significantly because the business will contribute, but there will be fixed costs, and the scale is not as high as required today. Therefore, the EBITDA level will be affected.

Vedant Sarda – Nirmal Bang Securities: Okay, thank you, sir.

Operator: Thank you. Anyone who wishes to ask a question may press star and one on the touchtone telephone. The next question is from the line of Uday Lari from Awakshat Financial Advisory. Please go ahead.

Uday Lari – Awakshat Financial Advisory: Hi, good morning, and thanks for the opportunity. My first question is, what sort of margin expansion is anticipated from internal consumption of CTC, and what is the order traction for third-party sales of the surplus capacity? If you could shed some light on that.

Management: [pause] If you refer to our segment-wise results, we have given the total CTC that we have sold and the in-house consumption. I can say that 588 million was the total sale by the plants, including internal consumption. Out of that, 568 million was basically for external consumption—sorry, internal consumption.

So, 20 million was the outside sales so far. However, now that we have received approval from the Railway, we are receiving interest from the public. It is now proven that we can supply to the Railway and that it can be used for other purposes as well.

Uday Lari – Awakshat Financial Advisory: Understood. As we are using this CTC for internal consumption as well, going ahead at full capacity utilization, what sort of margin expansion can we see? I am asking not just about the current situation but about the outlook going forward.

Management: There will be some margin improvement in transformers, but there will be other products as well. As I mentioned in the first question, the margins on propulsion over the next 2 quarters, or perhaps longer, will not be high. Therefore, overall, there may not be any improvement in the gross margin.

Uday Lari – Awakshat Financial Advisory: Understood. What sort of time frame can we expect for Aventi Trans to break even? Would it be 2 or 3 quarters, or could you provide any estimate?

Management: [pause] We were expecting 4-5 quarters. Perhaps next year, we should expect it to be approximately positive by September or December.

Uday Lari – Awakshat Financial Advisory: Understood. One last question. In Railways, we are shifting from being a component supplier to becoming more of an integrated system supplier. Over what time frame is this higher content per locomotive expected to reflect in our revenue?

Management: There are two pieces to it. One is from a system point of view. The propulsion system itself is an integrated scope. We have already started supplying the propulsion system; in fact, we started supplies in October.

Over the next 3-4 quarters, we should ramp up the propulsion systems. As you are aware, we have the train set orders, so toward the second half of next year, we should expect some of these units to

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get going.

Uday Lari – Awakshat Financial Advisory: Understood. That is all from my side. Thank you, sir, and all the best.

Operator: Thank you. Just a reminder to all participants: anyone who wishes to ask a question may press star and one on the touchtone telephone. The next question is from the line of Deepak Agrawal from Param Capital Limited. Please go ahead.

Deepak Agrawal – Param Capital: Yes, hello, sir. Am I audible?

Management: Yes, sir. Please go ahead.

Deepak Agrawal – Param Capital: My question was again on the margins. Although growth is very strong at 30%, referring to standalone performance, in terms of the EBITDA margin, you did mention the impact of the product mix change and higher raw material cost.

So, is there any trajectory you can provide? The standalone EBITDA margin is starting at 8.2% from Q3 onwards, and crude-linked RMC seems to be going down. Is there any trajectory you can provide? I think that is the only concern people have: although we are growing very fast at 30%, can we sustain or actually improve the margin profile?

People were building in the expectation that the margin profile could have gone up, but you obviously mentioned that it has gone down because of these reasons. Is there anything you can share in terms of how we should look at margins for the next couple of quarters? Should we see a 50–100 basis-point margin improvement every quarter on the EBITDA margin side?

Management: [pause] I just mentioned that, in the immediate coming quarters, it will be somewhat challenging because, apart from material costs, we are incurring a lot of other expenses for the future business as well.

This was part of our initial speech, including employee costs, foreign travel, and business development. All these expenses are still being incurred, and the results will be seen after some time. It may be in the second half of FY27–28 or perhaps even one quarter later than that.

Therefore, immediately, there may not be any improvement in profits or margins.

Deepak Agrawal – Param Capital: Understood. My second question was on Elventis. There is a quarterly loss of roughly 10 crore. You have been mentioning that it will take 4–5 quarters for us to turn around. Should we expect a similar loss going forward, in terms of a quarterly run rate of about 10 crore, or would it go down to perhaps a single-digit figure?

Management: [pause] We expect this to go down from Q4 of our financial year. I can say that from March onwards. December may be almost similar or perhaps slightly lower, but going forward, it will gradually decline.

Deepak Agrawal – Param Capital: Understood. And for the Indian Railway business, the pipeline seems to be as you mentioned. We have already started shipping orders for propulsion systems and other products. So, the current growth level of approximately 30% seems achievable in the

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foreseeable future, correct?

Management: [pause] No, basically, the Railway has also reduced its target for this year. This year may not be as strong because a lot of funds have been diverted to different sectors. Secondly, they do not have some other components, specifically propulsion systems and wheels, available as of today.

For the time being, they have reduced their budgets for this year as well. [pause] Now, I think that, because geopolitical situations are improving, they may revive the targets as well.

Deepak Agrawal – Param Capital: Understood. Thank you.

Operator: Thank you. The next question is from the line of Harsh Mulchandani from Toro Wealth Managers LLP. Please go ahead.

Harsh Mulchandani – Toro Wealth Managers LLP: Hi, thank you for the opportunity. I want to understand the progress made with respect to the French entity over the past few months following the acquisition and how things are developing.

I believe that we have significant capacity, but do we need to add anything or obtain orders to utilize that capacity? Are there any developments following the acquisition that you can highlight?

Management: [pause] I have already covered this in the opening remarks, but I will repeat myself. We have already secured two new customers, and we have also received a new product line that we are building.

These are all at the initial stages, and the volumes will start coming in as we progress. Furthermore, we have reached the stage where, because they did not have a very good reputation due to the financial condition they were in, we have now started receiving large inquiries from the biggest automobile companies in Europe.

These inquiries are at the final stages, but until we receive a firm PO, we cannot really comment on them. We are optimistic that we should be able to receive something.

Harsh Mulchandani – Toro Wealth Managers LLP: Understood. From an investment point of view, in terms of the team or any additional small expenses that we might have to incur, is that investment already complete?

Management: [pause] Yes, of course. We have a new person leading the entire entity, and I think it is on the right track for now.

Harsh Mulchandani – Toro Wealth Managers LLP: Understood. Regarding margins, you mentioned that we could see some impact for a couple more quarters. Going forward, are the products that we have pitched for structurally higher-margin products than the company's overall profile, or could the margins remain softer at a structural level because of a higher cost base once we are able to utilize the capacity?

Management: [pause] If you look at the medium term to long term, all the products that we are working on today will be profitable and will have good margins.

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However, as we are new entrants, we have to be fiercely competitive and make sure that we are L1 in the tenders so that we can secure the maximum quantity and establish ourselves, at least in this ecosystem.

Today, all the major projects that we have, such as propulsion, require us to be competitive, and margins are under pressure. We are trying to offset the pressure caused by propulsion with other products, but the quantum of other products will not scale as quickly as propulsion.

This is why the CFO mentioned that we might face some margin pressure for the next few quarters, because we cannot slow down the scale-up of propulsion. That is inevitable.

However, we want to ramp up other opportunities faster, and that will help us balance out the margins in the medium to long term.

Harsh Mulchandani – Toro Wealth Managers LLP: Understood. Okay. Thank you so much.

Operator: Thank you. Anyone who wishes to ask a question may press star and one on the touchtone telephone. The next question is from the line of Pragya Bharadwaj from Complete Circle Capital Limited. Please go ahead.

Pragya Bharadwaj – Complete Circle Capital Limited: Hi, sir. Good morning, and thank you for the opportunity. I hope I am audible.

Could you provide some perspective on the potential for propulsion systems now that we have more clarity on some of the developments that have taken place? What could be the potential addressable market here?

Second, you mentioned the IGBT converters that we have been able to deliver ahead of schedule. Are there more orders in the pipeline? How are operations developing in this area? Should we look for more developments in this space? If you could provide some more perspective, it would be helpful.

Management: [pause] Regarding propulsion, considering that we are a development source, we are entitled to 20% of the entire quantity.

However, a few things have happened in the market that could prove to be more positive for us. Railways has been unhappy with some large companies that have perhaps either not supplied as committed or have not met the required quality standards, and they have started being very strict and delisting companies.

This gives us an advantage because we know that our quality is good and that we are able to supply on time. Therefore, in the long run, we can look at much larger quantities. For now, however, we will stick with 20% at least.

Every year, Railways is still looking to procure between 1,000 and 1,400 propulsion systems, and I think we can expect a fair share going forward.

Coming to the IGBT converter for US mining, there is a phenomenal opportunity there. Because we have been able to deliver a world-class product ahead of time, it has greatly pleased the customer.

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They did not expect us to be able to execute it so flawlessly.

Now they want to see the product perform in the field. Once that happens, they have committed that there will be many more orders coming our way for the mining industry as well.

Pragya Bharadwaj – Complete Circle Capital Limited: Okay, sir. That helps. Thank you.

Operator: Thank you. The next question is from the line of Medhun Reem from Motilal PMS. Please go ahead.

Medhun Reem – Motilal PMS: Hi, thanks for the opportunity. My first question is, could you give us a little more perspective on what the status is of the 50,000-kilometer trial that the Railways have undertaken for our propulsion systems? Where are we in that process, and what stage are we at in moving from a development vendor to a full-service vendor?

Mr. Maloji: [pause] We have completed 30,000 kilometers in the field trial. The trials are continuing and are ongoing, and the product is performing well. Thankfully, there have not been any issues with our product.

We will remain in the development category, but that does not restrict us from supplying the orders we have at hand or from participating in tenders that are current, ongoing, and upcoming.

Medhun Reem – Motilal PMS: You said 20,000 or 30,000?

Mr. Maloji: 30. 30.

Medhun Reem – Motilal PMS: Okay. Based on the current trend, it seems that you should probably complete the 50,000-kilometer trial after Q4, correct?

Mr. Maloji: Hopefully before that, but let us see how it progresses.

Medhun Reem – Motilal PMS: During the initial commentary or answer to a question, it was mentioned that the Railways had not released the development vendor orders for the development vendors. I could not see any new order wins after, or during, the last quarter.

Could you elaborate a little more on that? I also think the CFO was saying that only the development vendor orders are stuck due to some issue. What is the issue?

Mr. Maloji: [pause] Yes, that is specifically for propulsion systems because Indian Railways is reorganizing its approved vendor list.

Propulsion systems have become a very critical supply item today, and companies that are unable to fulfill their commitments either in terms of quality or delivery are being delisted.

Because of that, there was a lot of uncertainty within their vendor database for propulsion systems. As a result, they withheld POs for development sources and released POs for approved sources.

However, that does not affect us in any way for this tender because, as I mentioned, we are L1 and should be expecting our quantities shortly.

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Medhun Reem – Motilal PMS: So, essentially, what you are saying is that this is not impacting us. It is a delay in the railway procurement system itself, only for this specific case, because of the restructuring they are carrying out.

Mr. Maloji: Yes, for this specific case, because of the restructuring they are carrying out.

Medhun Reem – Motilal PMS: The next question is regarding Alvente France. To be fair, you have always guided that it will take approximately 6-8 quarters for Alvente to become margin-accretive and for the entire facility to be turned around.

Traditionally, we have seen that most acquisitions by Indian companies—not specifically in your domain, but generally in CDMO, metals, and other sectors—have been difficult because the cost structures are very high. Labor costs and other costs are generally not as easy to manage as they are in India.

We obviously have a cost advantage in India, and this has always been an Achilles' heel for Indian companies. What gives you the confidence that you can turn around this business? Do you currently feel that the acquisition of Alvente has been a good decision?

Please provide more perspective on the business opportunities. You have definitely given us the reasons why you bought the business, but could you provide some more confidence to investors regarding the thought process behind the decision?

Mr. Maloji: [pause] Yes, absolutely. First, Alvente France has world-class and state-of-the-art manufacturing capabilities. That is something we are aspiring to build here in India. We are able to learn a lot from them.

Yes, the cost of labor is high, but the competence available to them is also high. Without this acquisition of Alvente France, it would have been very difficult for us to portray ourselves as a global company.

This opportunity has also opened gateways for us into multiple different domains, including opportunities in the European Union and the United States. It has elevated Hirect's reputation in a certain sense. We are not just an Indian company working with Indian Railways; we are also trying to become more global.

We do have global quality standards, and we have products that can go into the global market. From that perspective, Alvente France is doing a fantastic job.

There is sufficient opportunity even within the European Union as countries move toward building more locally and promoting local businesses. There is definitely scope for us to make it profitable even if the cost structure for personnel is slightly higher.

At the same time, the sales price is also slightly higher compared with India. We have some significant opportunities and large inquiries that are at the final stages.

My level of confidence is high, and I still believe that we made the right decision in making this investment. I am confident that we should be able to bring this business to profitability.

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Medhun Reem – Motilal PMS: Thank you for all the answers, and all the very best.

Operator: Thank you. The next question is from the line of Manish Goyal from Thinkwise Wealth Advisers LLP. Please go ahead.

Manish Goyal – Thinkwise Wealth Advisers LLP: Thank you for giving me the opportunity again. On the propulsion system supplies that we have started, what is the current order book?

What I recall is that, in the previous call, you had mentioned orders of approximately 40 crores. Could you clarify how many systems we have and what the order size is? By when do you expect to complete the existing order?

Second, beyond CLW, are we seeing more tenders from Banaras Locomotive Works and Patiala Locomotive Works? Have the bids been submitted? That was the first set of questions.

Mr. Maloji: [pause] For the first question, we have approximately 38 systems to be supplied. That is the pending order.

Regarding the second question, there are two tenders where we are in a favorable position. One is PLW and the other is CLW. The tender from BLW is yet to be processed. That is where it stands.

Manish Goyal – Thinkwise Wealth Advisers LLP: Sorry, Mr. Maloji, did you say 38 systems?

Mr. Maloji: Yes.

Manish Goyal – Thinkwise Wealth Advisers LLP: Okay. For CLW, when can we expect to receive the orders? By when can it be finalized?

Mr. Maloji: [pause] I cannot mention a timeline. It is at an advanced stage, as we have already covered earlier. Both PLW and CLW are at an advanced stage.

Manish Goyal – Thinkwise Wealth Advisers LLP: Regarding order inflow, a back-of-the-envelope calculation shows that we probably received orders worth 350 crores this quarter. Could you clarify that? Does this include the two development orders of 60 crores each?

How should we look at this? The order book appears to have been declining for the last few quarters. It was probably 1,100 crores last year in Q2, and now we are at approximately 795 crores.

Could you give us some perspective on how we should expect order inflows? What was the order inflow, does it include the development orders, and how should we think about inflows going forward?

Mr. Maloji: [pause] The order book includes the development orders and the train set orders.

Second, as we have already discussed, we are at an advanced stage with respect to some of the orders from the production units. We are expecting those orders in this quarter. There has been a delay in processing those orders.

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Third, as our CFO already mentioned, demand from the Railways has been somewhat curtailed [trails off]

Management: ...due to the diversion of funds to different sectors. This has already been mentioned in our previous speeches. It is expected to contract in the second half. However, we do have a few orders to be booked in this quarter.

Manish Goyal – Thinkwise Wealth Advisers LLP: My last question is on L&T. In the opening remarks, it was mentioned that there is probably some strategic interest that we have received. Would it be possible to provide more clarity on this? Are we looking to give an equity stake, or how should we look at it?

Management: We cannot disclose this information at present, obviously.

Manish Goyal – Thinkwise Wealth Advisers LLP: Okay. Fair. Thank you so much.

Management: Yes.

Operator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Management: Thank you. I hope we have been able to address all your queries. Thank you for joining the call today during these auspicious festivities. It was a pleasure to speak with all of you, and we look forward to continuing our engagement.

Thank you, everybody. Wishing you all a Happy Diwali and a Happy New Year. Thank you.

Operator: Thank you. On behalf of Strategic Growth Advisors Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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