Shree Refrigerations

Operator: On behalf of Captify Consulting's investor relations team, I welcome you all to the H1 FY27 post-earnings conference call of Shree Refrigerations Ltd. Today on the call from the management, we have with us Mr. Navalnath Shinde, Chairman and Managing Director; Commodore Sunil Kaushik, VSM, retired, Joint Managing Director; Mrs. Devashree Nampurkar, Whole-time Director; Mr. Abhijit Sawji, Chief Executive Officer; and Mr. Manoj Kothale, Chief Financial Officer. As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements that may involve risks and uncertainties. Also, a reminder that this call is being recorded. I would now request the management to briefly take us through the investor presentation, including the business and performance highlights for the period ended September 2026, the growth perspective and vision for the coming year, after which we will open the floor for questions and answers. Over to the management team.

Management: Thanks, Vinay. Thanks, Kamlesh, and thanks to all my investors on this call. The numbers will speak for themselves. I am confident that the performance has been good. In order to take this presentation forward, let me hand over the microphone to Mr. Abhijit Sawji, our CEO.

Abhijit Sawji – CEO: Good afternoon, everyone. My name is Abhijit Sawji. I am the CEO of the company. Before we get into our presentation and before I walk through the Shree Refrigerations journey, let me put the H1 FY27 numbers in front of you. We are almost at 100-odd crores of topline, which is almost 84% compared to the first half of last year. EBITDA, net profit, and everything else are up. EPS is up.

Kamlesh, can you move to the next slide quickly?

Okay. I am very happy to announce that we have been chosen for an award given by SIDM. To put it in simple language, this is an Oscar for the defence manufacturing industry. We have been awarded for substituting and indigenizing the submarine air-conditioning system. We received this award from our Honourable Defence Minister, Rajnath Singh. We are really, really proud of this achievement.

Management: I would just like to highlight that in this category, Shree Refrigerations has won the award in the import substitution category for SMEs, or medium-scale enterprises. For your knowledge, in the large-scale enterprise category, the same award in the same category was won by none other than L&T.

So, I hope everybody understands the impact of how your company is growing.

Abhijit Sawji – CEO: Kamlesh, next slide.

Okay. I will not take much time, but I have been saying that we have been in defence manufacturing for more than 10 years. For almost a decade, we have today become known as the number-one manufacturer. We hold the highest market share in one area in which we work, called HVAC systems, AC plants, and refrigeration plants. Today, we have a 370-odd-people-strong team and offices across eight locations. Next.

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These are our vision and mission statements. Every company has a vision and mission, but in our case, the award says that whatever vision our founder and Managing Director set is what we have actually made true. We made an indigenous cooling solution product and received an Oscar for it. Next.

This is our journey. The most important thing is obviously the 2026 award, which has not been added here because this is a slightly old presentation. Next one.

Let us look at the business overview. Some of you may have heard this presentation before, but the important thing here is that we are the only company in HVAC, AC plants, and refrigeration plants that can manufacture its own electrical control panel. In simple terms, we control the complete value chain of our product range.

A few of my competitors or friends in the system can probably manufacture only an HVAC system or only an AC or refrigeration plant, but not a control panel. This also helps us achieve a higher market share. Next.

Where do we make money? Where does our business come from? Obviously, it comes from the equipment or systems that we sell for both new builds and retrofits. Retrofit is our major segment. Being in the defence business, the spares business is one of the largest chunks of it, along with installation and commissioning, and obviously servicing and support. Next.

Okay. This is our product range. I will not get into the technical aspects of this product range, but the important point from a financial perspective is that any product you make for the defence industry has to be type-tested. There is a particular test called type testing, through which you qualify the product to be supplied to a naval platform.

In the case of AC plants, this is the first product that has been standardized by the Indian Navy in six capacities, out of which five of our capacities have already been type-tested. What does that mean? It means that for any new order that comes in, I probably do not have to spend time and money type-testing this product. I can simply use the same design and supply the product or start production immediately.

In the case of HVAC, which is an amalgamation of many small components, I can say that 75% of those components are already type-tested. For a few more projects that we are expecting to receive, we may have to type-test some of the components. Next.

So far, over 10-odd years, what are the projects that we have completed and delivered to the Indian Navy? This is the list. We have shown some of the major ones here. The list of smaller ones is quite long. Next.

This is important. In 10-odd years, we are the only company that has so many live projects today. We have almost 10-odd live projects ongoing, which are generating money and revenue for us.

The important one here is the first project, the fleet support ship, which is, in the true sense, a turnkey project that we are delivering. It includes HVAC, an AC plant, and a refrigeration plant. The important part about the refrigeration plant is that this is the biggest refrigeration plant that we are building for the Indian Navy, or that the Indian Navy is buying, in its history. Next.

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Obviously, to support this kind of ongoing project, you need state-of-the-art manufacturing facilities. Some of you may be aware that we recently opened Unit 2, which is currently a 50,000-square-foot manufacturing facility. Along with the existing 20-odd-thousand-square-foot facility, we have almost 70,000 square feet of manufacturing facilities available to deliver these projects.

We already have the land parcel. Okay, that is the grid. This is a photograph of Unit 2. What you see on the front side is an inauguration pavilion. That land parcel is open, so I can create another 50,000-square-foot manufacturing facility in the shortest possible time.

Management: Please note that the land out there has already been levelled, so the only effort required is to build the shed. The major work, which was the levelling, has already been completed. That is correct.

Abhijit Sawji – CEO: Yes, perfect. Next one.

Okay, these are a few photographs of some of our equipment. The best part about this manufacturing facility is that it is now a completely integrated manufacturing setup. We receive raw material and can produce a finished product. That means we already have our own paint booth, laser-cutting machine, bending machine, and robotic welding line. I invite all of you to come and visit us anytime you wish. Next one.

Obviously, when you talk about the defence segment, you need to have state-of-the-art testing facilities. In the bottom-right corner, you can see a complete AC plant in a tilted condition, which depicts the movement of a ship. You tilt the plant and operate it in a tilted condition. These are some of the challenges when you operate in this segment.

We have all the testing facilities. Unit 1, which is 20,000 square feet, is slowly being converted into a complete testing facility. We are probably the only company that has a controlled-ambient AC test room. Next.

Okay. This is an addition to our cap. This is called an authorized service partner or repair partner for the Danfoss Turbocor compressor. We are the company that brought oil-free technology to the Indian market and propagated it in the Indian naval market.

Today, we have more than 100 chillers or more than 200 compressors working in the Indian Navy. The Indian Navy has asked us whether we can repair the complete compressor in India. Initially, we had to send these compressors to the US for repairs. Now, as an authorized Danfoss partner for repairing these compressors in India, we can do it in India.

This is not only for us. We are the only company that has been authorized by Danfoss Turbocor as its authorized service partner. This is the same compressor and technology that is becoming more popular and gaining more awareness in data centres. Going forward, over the next 3-4 years, we will have a large installed base of these compressors in India. This may generate a good amount of business over the next 3-4 years.

Management: I would like to add that Danfoss appointed us as a Turbocor authorized service partner, or TASP, only after a long evaluation of our capabilities, facilities, and people. Only then did

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they decide to allow us to become a TASP.

We understand that they do not intend to appoint many more TASPs here, because globally they have only two or three TASPs. Therefore, we will service the entire Indian market and perhaps some markets in nearby countries.

Abhijit Sawji – CEO: Next, Kamlesh.

Obviously, to support these kinds of ongoing projects, carry out installation and commissioning, and provide services, you need to have your own team across India. You can see that all our teams are on the coastline, except for one office in Delhi, which is a business development office. We are the only company that has its own team in almost all the ports of the Indian Navy. Next.

These are some of the certifications we have. We have all the certifications that are required. The three certifications that are basically required are in marine engineering, electrical engineering, and naval architecture. We have all three. That is how we can participate in HVAC, AC plants, and refrigeration plants, and manufacture our own control panels.

Management: I would like to draw your attention to, and reiterate, a point made by the CEO on the previous slide about the service network. We believe that it is not only about delivering products; we need to support the product throughout its lifecycle. Therefore, service forms an extremely important and integral part of our strategy.

We have a very wide network of service centres and resources positioned in those centres. We do not cross-reference or cross-deploy service teams; we have dedicated service teams to meet the requirements of our Navy, so that our ships are never stuck in harbour and never miss any operational requirement.

Abhijit Sawji – CEO: Kamlesh, next. Next one.

Okay. We talked about the projects we have completed, the projects that are ongoing, and how we will design, supply, install, and commission everything. That is the good part of the story. What about this year and the coming years? Do we have a market size?

This slide gives you an idea of the market size. Over a span of 3 years, the market size will come to around 3,000-odd crores. This information is available in the public domain. More than 200 ships are being built by 2032. These are the AoNs that have been approved: 230 or 250-odd ships by 2035.

The financial approval received is around 2,75,000 crores. Our component of 2,75,000 crores is approximately 1%, which is 2,750 crores over the next 2-3 years. That is the market size.

But this is only the defence side of the story. On the non-defence side, we hear every day that new ships are being built or that new ship orders are being placed with shipyards. A few days ago, the number was 400 ships. It has now moved to 475 ships. Our contribution to the whole thing is about half [trails off]

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Abhijit Sawji – CEO: 1%, not 1%, because of certain differences in the contribution from the products. This is a market size of around 2,500 crores. Thank you.

So, in shipbuilding activities, including retrofits, new builds, and everything put together, we can safely say that over a period of 2 years, the market size will range from approximately 4,000 to 5,000 crores.

I have already told you that we hold the highest market share.

The other segment in which we are trying to make our name, exactly as we have done in the naval segment, is another segment where we believe we will have enough opportunity to participate. In 10 years, we became a market leader in the naval segment.

The market size of data centres is something I should not say much more about. More importantly, let me tell you that currently we do not have an order. We had enough traction with a lot of customers, and we missed out on a few orders. But the best part is that all our guidance is without considering the data centre opportunity.

Whatever guidance we give is without considering data centres. Therefore, anything that comes from data centres until 2028 will be an addition or icing on the cake.

Next slide.

Looking ahead, we have been saying that we are growing at a 40% CAGR and that we will definitely continue to grow at a 40% CAGR. Last year, our first half was very skewed, and many investors asked whether we were sure we would grow at that rate. I think we have beaten our own estimate of 40%. We are confident that this year also we will grow at this CAGR.

Next slide.

I will hand over to Mr. Manoj Kothale, our CFO, for the financials and figures, which is why you are here and why we are here. Thank you, sir.

Manoj Kothale – CFO: In H1 FY27, our revenue grew by almost 85% compared to H1 FY26. Despite margin pressure from commodity inflation, we have been able to increase our EBITDA margin from 11% to 13.5%. Going forward, we expect our EBITDA-level margin to be around 22% for FY27.

Next slide, please.

These are our annual-level performances. We have consistently grown at a 45% CAGR. Going forward, our revenue is also expected to grow at a 40% CAGR. At the margin level, we are very sure that we will maintain our EBITDA-level margin at around 22%.

Next slide, Kamlesh.

These are the numbers we have already discussed over the last 8 months. Coming to the balance sheet, our share capital has increased slightly due to the exercise of granted ESOPs; it is a small increase.

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I would like to update you that the promoters are holding the same number of shares as they held before the IPO, and there have been no sales by the promoters. Current liabilities have remained at the same level. Long-term non-current liabilities have also remained at the same level. Current liabilities have increased due to short-term borrowings. Borrowings have increased. There has been an operational increase, and the cash credit limit utilized has increased.

Non-current assets have increased due to the capex undertaken for the factory, including the factory capex at {? Ambarwadi ?}.

Under current assets, our inventory has increased from 54 crores to 80 crores. This is due to strategic procurement undertaken to ensure that our EBITDA margins remain at an attractive level and to ensure that deliveries are made in H2.

In terms of trade receivables, they have increased from 105 crores to 128 crores. Considering the level of operations, if we calculate it in terms of days, it has remained at 152 days on a trailing 12-month basis.

Next slide, please.

Regarding the order book, I request Abhijit to provide an update.

Abhijit Sawji – CEO: Our order book position as of September is 200 crores. We started at 270 crores at the beginning of the year. Today, we are at 200-odd crores. Going forward, for the remaining 6 months, I can tell you that we will acquire enough orders to [pause] sustain our guidance.

If you look at naval platform orders, those orders are generally released from August through March or February. In our case, last year we received most of the orders in August and September. This year, we will receive orders continuously. Therefore, regarding our order book position, I can tell you and assure you that we will have a healthy order book position by the end of this year as well.

Next slide.

Thank you very much. Thank you, everybody. Kamlesh and Vinay, we can open the floor for questions and answers now.

Operator: Thank you, sir. All those who wish to ask a question may use the raise-hand option. If you are not able to use the raise-hand option, you can post your question in the Q&A section.

The question is from the line of Priyanshu Jain. Priyanshu, you can unmute and go ahead, please.

Priyanshu Jain: Hi, am I audible?

Abhijit Sawji – CEO: Very much, sir.

Priyanshu Jain: Hi, sir. Congratulations on a good set of results. My first question is regarding the revenue mix. Can you give me the bifurcation for H1 in percentage terms across the product segments?

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Abhijit Sawji – CEO: We always say that our product segment consists of HVAC systems, turnkey HVAC systems, HVAC, AC plants, and refrigeration plants. We do not have separate product verticals. We have one vertical, which we call the refrigeration vertical. From that perspective, everything that comes in is the same product.

However, if you would like to know the bifurcation between AC plants, refrigeration plants, and HVAC, in our case HVAC is slightly higher compared to AC plants. Refrigeration plants have always been a very small percentage because that is also how the Navy's requirement is structured.

Management: The value is also very small.

Abhijit Sawji – CEO: The value is also like that.

Priyanshu Jain: Okay. Sir, going forward, as we are getting into data centres, can you tell us about the company's positioning, as well as the facilities you mentioned? We have also recently onboarded our new facility. What are the current capabilities that we are building for data centres? We also mentioned that we are currently in discussions with many customers regarding this. Do we expect to receive some confirmed orders for our data centre positioning in this financial year? Apart from that, going forward, how will the data centre vertical develop?

Abhijit Sawji – CEO: If I understood all your questions, your first question is about the kind of capabilities we are building internally for data centres.

Capacity building from a manufacturing, research and development, and product development point of view is an ongoing process. It is not only for data centres; there are many other verticals that we are probably not even discussing in this meeting. From that point of view, capacity and product development are ongoing processes.

Second, currently, for data centres, we are not going to start any manufacturing setup in India. To begin with, we will receive products from Australia from our partner. Once we achieve a certain volume and see a good number of orders, we may consider starting a manufacturing facility in India.

Coming back to your last question about how large the data centre opportunity is, it is [laughs] huge by any stretch of the imagination.

Management: I want to add to what the CEO is saying. As far as capability is concerned, we are not intending to manufacture at this point in time until we reach a certain level. The biggest capability that we need at this point is servicing, because we will be responsible for installation, commissioning, and lifecycle support.

As I mentioned earlier, we believe that even in the naval business, service is a very strong and integral part of our product and the way we do business. The same manpower is relevant because it is the same technology used in naval ships as the technology we intend to bring in for data centre cooling.

We have already built a very strong service network and a strong team of service representatives. What we need to enter the data centre business, we already have.

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Abhijit Sawji – CEO: In addition, TASP is the Turbocor service centre.

Management: In addition, as we mentioned in the presentation, we are now a Turbocor authorized service partner. There is a gradual increase in the use of magnetic-bearing-based chiller plants and those compressors, not necessarily only in the data centre segment but also in the industrial cooling segment. All those compressors that require overhauls will also begin coming to us.

Although that number will be quite insignificant, it is a capability that we will be building at this stage.

Priyanshu Jain: Great, sir. My next question is on margins. As we are expecting to be around 22% for this year, how will the margin trajectory for our business develop going forward? Are we expecting margin improvement in the coming years, or will we add capabilities or other advantages that will lead to margin improvement going forward?

Abhijit Sawji – CEO: Margin improvement is an ongoing and continuous process. A very simple example is that when we started our journey of supplying AC plants to Indian naval platforms, our import percentage was approximately 30% or more. Today, we have brought it down to the single digits. All these processes and all this efficiency improvement will continue to add to the bottom line.

Priyanshu Jain: Sir, do you have any specific margin level in mind?

Abhijit Sawji – CEO: [laughs]

Management: Good margins.

Abhijit Sawji – CEO: Good margins, yes.

Priyanshu Jain: Okay, sir, we will take that. Lastly, regarding the order pipeline, you mentioned that we expect a healthy order book confirmation by the end of this year. Would you like to mention how many orders are currently in the pipeline?

Abhijit Sawji – CEO: There are 8 orders in the pipeline, sir.

Priyanshu Jain: Approximately, how much are we expecting in terms of—

Management: Guidance.

Abhijit Sawji – CEO: We will have enough order book to cover our guidance.

Priyanshu Jain: Okay, that is fair enough.

Management: We have given guidance of 40% growth, and we will maintain it.

Manoj Kothale – CFO: One small factor that will add a small portion to the margin is a subsidy for rating such a facility in my location, which is classified as a D class by Maharashtra government standards. Whatever expenditure is incurred, a significant portion of it will come back to the company as a subsidy from the state. That is not reflected anywhere in the projections as of now.

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Priyanshu Jain: Thank you, sir, for that clarification. I have a few more questions, but we will take those questions offline. Thank you, sir.

Abhijit Sawji – CEO: Thank you very much.

Priyanshu Jain: All the best.

Operator: Thank you, Priyanshu. I request all participants to restrict their questions to 2 only, since we have a long queue. We will take the next question from the line of Mr. Siddharth. Siddharth, you can unmute and go ahead, please.

Management: May I request those asking questions to also indicate where they are from?

Siddharth – Nafa Asset Managers: Yes, sir. Good afternoon. I am Siddharth from Nafa Asset Managers. We are a Mumbai-based PMS, where the Chennai team takes care of the research. I am glad to get in touch with you.

I have a few questions about receivables and the outlook for margins, sir. I am just trying to understand the industry better. Please correct me if I am wrong. Mazagon used to be one of your earlier major clients, which built the books and was a major part of Shree's end task earlier.

Abhijit Sawji – CEO: Siddharth, I am sorry to interrupt, but we are not able to hear you properly. You may be speaking through Bluetooth, because we are only able to hear your voice.

Siddharth – Nafa Asset Managers: Just a moment. Just a moment.

Abhijit Sawji – CEO: Sure, sir.

Siddharth – Nafa Asset Managers: Is it better now? I am sorry.

Abhijit Sawji – CEO: It is clear now.

Management: Yes, it is better.

Siddharth – Nafa Asset Managers: Sure. I am just trying to understand the industry better, using Mazagon as an example. Please correct me completely if I am wrong. They seem to receive advances from the Navy and have a relatively shorter receivables cycle when you look at Mazagon's payments from the Navy.

Since you cater to Mazagon, other Navy-focused shipbuilders, and the Navy directly, I am trying to understand Shree's business from a receivables point of view. What would—

Siddharth – Nafa Asset Managers: —explain the high receivable days, although they have been guided lower and have now been reduced and are expected to reduce further going forward? I am trying to understand why the receivable days are so elevated for you compared with a benchmark such as Mazagon's payables or other industries.

Management: I did not understand you correctly when you said that Mazagon's receivable days are better than ours. Is that what you intended to say?

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Siddharth – Nafa Asset Managers: No, sir. I am trying to explain it in the following sense. Let us say Mazagon's payables are around 250 days, which is implied to be your receivable days. I am trying to understand that point. If Mazagon's payables are around 250 days and yours are 300 to 350 days, I am trying to understand the difference or where the qualification delays occur. I am trying to get an overall understanding of that.

Management: I will address some part of the question. Mazagon Docks receives payments based on various ongoing projects and certain milestones. Every project has stage payments linked to it. There is no advance payment, so to say. The first stage payment, which is made upon signing the contract, is essentially to procure steel. That really does not go to any sub-vendors other than the steel manufacturers.

Thereafter, everything else is paid based on various milestones. There are about 9 or 10 milestones against which shipbuilding progresses and payments are released.

The pace of construction has been ramped up significantly. To give you an idea, for a particular shipyard, the annual outflow was approximately 2,000 crores on a decadal average, which was ramped up from 2,000 crores to 7,000 crores.

That 7,000-crore annual outflow persisted for 3 to 5 years, which indicates the pace generated for shipbuilding as well as the payment cycles to the various sub-vendors. [sighs] As a consequence, a great deal of improvement has been effected for various downstream vendors, including us.

We continuously work with all our stakeholders, whether they are the shipyards, the Navy, or our own internal processes, to ensure that receivable days remain within a reasonable range and as low as possible.

However, there is a certain plateau because this is a sectoral uniqueness. If you look at other vendors across this sector, you will find that our receivable days are among the best.

Definitely.

Siddharth – Nafa Asset Managers: Understood. I will end my questions with the last 2 points. In H1, receivables have piled up. Is this a one-off, or could you give us an understanding of the overall situation?

Second, the long-term PAT margin was reiterated in the range of 13% to 15%, and the latest EBITDA guidance implies 20% to 22%. Are we on track to achieve this for the full year in the upcoming H2, or what is your outlook? Those are the questions from my end.

Management: The CFO can answer that.

Management: In terms of receivables, if we look at our previous balance sheets, in FY25 they were at 350 days. We successfully brought them down to 250 days by March 2026. Despite 84% revenue growth, we have been able to maintain those receivable days.

Going forward, we will definitely reduce these days to 200 days. We are continuously working on improving our internal processes and coordinating with the shipyards to reduce them. There is no

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such thing as a one-off case. Going forward, the days will gradually come down.

Regarding your question on margins, we have mentioned that the margin for FY27 and over the longer term will remain at around 22%.

Siddharth – Nafa Asset Managers: Understood. I just want to revisit the H1 point. H1 receivables have increased significantly. I am trying to understand the reason behind that to get better clarity.

Management: In H1, receivables increased by 228 crores, but if we compare them in terms of days, they have remained at the same level of around 250 days {? around ?}.

Siddharth – Nafa Asset Managers: Understood. Thanks a lot. I will get back to you in case of any questions. Thank you.

Operator: Thank you, Siddharth. We will take the next question from the line of Nupur Karnani. Nupur, you can unmute and go ahead, please.

Hello, Nupur?

I think we are not able to hear you. We will take the next question from the line of Nishita Shankleshwa. Ms. Nishita, you can unmute and go ahead, please.

Nishita Shankleshwa: Yes. Am I audible?

Operator: Yes.

Nishita Shankleshwa: I wanted to understand the margin trend. In FY26, our H1 margins were lower and in H2 we achieved around 26% margin. We are seeing a similar trend in H1 FY27 as well, with a 13%-14% margin. To reach guidance of around 20%-22% margin, we need to achieve 26%-27% margins. Why are we seeing this trend of lower margins in H1?

Management: Let me answer the part of your question regarding the trend. If you look at the trend, the proportion of our revenue was very skewed, which we had said would even out. We delivered on that promise as well. We doubled the revenue.

Coming back to the [crosstalk]

Sorry, coming back to the margin part of the story, there are 2 or 3 important things. One is commodity inflation, because the geopolitical situation has put a lot of pressure on commodities. Metals, particularly copper, are going up significantly.

Despite that, we protected our margin through strategic sourcing and by maintaining a significant amount of inventory, as you can see from the increase in inventory. This was a conscious decision taken by the management of Shree Refrigerations as part of our sourcing strategy.

That will obviously help us deliver the products in Q3 and Q4 much faster.

Management: I will add to this. [overlap] Yes, I will just add to this. Margins in the second half are generally higher. There are 2 reasons. First, the scale of operations in H2 is generally higher

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compared to H1. This helps us absorb fixed overheads more effectively. In addition, there is a change in the product mix in the second half.

Management: I will explain what happens. The delivery cycles, on which revenue and margins depend, are determined by the shipbuilding plan and shipbuilding programmes. The delivery schedules of our existing shipbuilding orders are skewed in such a manner that most deliveries for the corresponding subsequent ships in a particular project are towards the latter half of the financial year.

As a consequence, you will see that last year and this year also, deliveries in the first half were much lower compared with the second half. That is the skewness you are referring to.

It has reduced compared with last year. As we go forward and a larger number of orders come in, the product mix will become very different, including new shipbuilding, retrofits, spares, and services. As this begins to stabilize, the skewness will reduce.

Until that [crosstalk], the skewness will remain because it is entirely dependent on this.

Nishita Shankleshwa: For the next few years, can we expect this trend to continue?

Management: Perhaps for another year. After that, as we keep moving forward, this difference and skewness will continue to reduce. In 2 or 3 years, it will almost be eliminated.

Nishita Shankleshwa: Understood. My next question is about the non-defence side. What industries are we catering to?

Management: Currently, we have always been known for supplying a few industrial chillers as well as some test equipment to industry. However, those are a negligible number.

Going forward, we have also opened a new subsidiary called Aquilon, which will cater to the chemical, food, and pharmaceutical industries.

Management: Sub-zero.

Management: In the sub-zero chiller category.

Nishita Shankleshwa: Understood. Thank you very much.

Management: Thank you, Nishita.

Operator: Thank you, Nishita. We will take the next question from the line of Krishna Doshi. Krishna, you can unmute and go ahead, please.

Krishna Doshi: Hi. Can you hear me?

Management: Yes, ma'am.

Krishna Doshi: Yes, sir. Congratulations on a great set of numbers and on the award from Mr. Rajnath Singh. While most of my questions have now been answered, I was looking at the opportunity we are seeing in the next-generation corvettes.

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Are we going to supply the next-generation corvettes? We are hearing in the news that the CCS has finally approved this much-anticipated order of around 40,000 crores. Are we going to supply products for them? If yes, when will we start seeing orders, and in how many months? What will the execution cycle be like?

Apart from that, there is another order that is expected to go to Mazagon Dock for P-75 and P-75I. What kind of opportunity will we see there, now that we are also catering to submarines?

Management: Krishna, I see that you are a very astute analyst and are very up to date with what is happening. It is [laughs] very heartening to see that the people asking us questions are very, very screwed up and keeping us on our toes.

Krishna Doshi: Thank you very much, sir.

Management: Thank you. You are absolutely right. The government has finally— the CCS has finally cleared the NGC. Be assured that we are on the starting line and will also be the first to cross the finish line. We are going to be very closely associated with this project.

As of now, the CCS has only announced it. In the coming month or so, the shipyard will receive the orders. Once the shipyard receives the orders, it will start reaching out to its sub-vendors. We are confident that some portion of those orders, or some portion of those enquiries, will be converted into firm orders in this financial year, and some portion may be converted in the next financial year.

Krishna Doshi: Congratulations, sir, on that.

Management: As far as P-75I is concerned, it is still awaiting CCS sanction. However, we are already working closely with MDL to find solutions. When the order comes to MDL, we will again be there to support MDL's requirements.

Krishna Doshi: Thank you very much, sir. That is all from my side. Thank you.

Management: Thank you, ma'am.

Operator: Thank you, Krishna. Due to the limited time and the long list of questions, I request participants to restrict themselves to one question only. We will take the next question from the line of Priyam Shah. Priyam, you can unmute and go ahead, please.

Priyam Shah: Hi. Thank you for the opportunity. My question is based on first-principles thinking. I wanted to understand how everyone should think about Shree Refrigerations.

Right now, we are the only company that can do HVAC, refrigeration, and AC chillers. Our moat is that we are the only company that can do these 3 things, and we are in the right sector at the right time.

From a risk perspective, if any of these factors change—for example, if more competition enters, or if the shipbuilding cycle pauses—what are our contingency plans, and how should we think about these risks?

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Management: Priyam, thank you. I think you should look at Shree Refrigerations through a very positive lens, because so far, whatever Shree Refrigerations says, Shree Refrigerations does. Going forward, it is our intention to continue maintaining that reputation and make every effort to live up to it. That is one point.

The second point is that, as far as the way we do business is concerned, we continuously reinvent ourselves. We reinvent our processes. We do not rest on our laurels or feel that the way we are doing something is the best possible way. We are always open to learning, always open to improving, and we are continuously doing so.

That applies whether we are in the marine segment or looking for opportunities outside the marine segment.

As our CEO told you, we are already in [trails off]

Management: —the process of de-risking from the marine segment into the land-based segment. Data centres are one area where you are all aware that we have already entered. We have not achieved much success there, but that is okay. It does not deter us from continuing our efforts.

We have also opened a new subsidiary for sub-zero chillers, where we feel there is a certain opportunity that will be beneficial for Shree Refrigerations.

We are continuously looking at various opportunities and continuously reinventing ourselves. Going forward, you will see that our aspiration is to be counted among the best companies in the country and to be known across the world.

As I already told you, in the SIDM Champion Award, the winner in the large category was a company like L&T.

Our aspirations do not stop, and they are not limited by anything.

Operator: Thank you, Priyam. We will take the next question from the line of Priyanshu Saxena. Mr. Priyanshu, you can unmute and go ahead, please.

Priyanshu Saxena: Am I audible?

Management: Yes, sir.

Priyanshu Saxena: Good afternoon, sir. Thank you for the opportunity. My question is about the margins we should expect in H2. In H1, we achieved 14%. Should we expect 26%-28% margins to meet the 21% guidance?

Management: Sir, you have answered your own question. [laughs] We are very clear that our target is to be around 22%-odd EBITDA-level margin.

Management: At the annual level.

Management: At the annual level. The mathematical calculation gives you the answer, sir.

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Priyanshu Saxena: Understood, sir. Thank you very much, and all the best.

Management: Thank you very much, sir.

Management: It is always a pleasure to interact with such highly qualified investors. Thank you.

Operator: Thank you, Priyanshu. We will take the next question from the line of Gitarth Tandon. Gitarth, you can unmute and go ahead, please.

Gitarth Tandon: Thank you for the opportunity. I want to understand the thought process and mathematics behind changing the depreciation method to the straight-line method after more than a decade of operations.

Management: The depreciation method was changed after considering the use of our assets. The straight-line method better reflects how we use the assets. We decided to change our depreciation method this year because we have significant capex this year.

Gitarth Tandon: Understood. Could you also explain how exactly you are trying to bring down working capital cycle days to the earlier guided level of around 250 days? You have explained the receivables side, but how are you managing inventory and payables as well?

Management: That is a good question. If you look at it, my first earnings call after our IPO was when our working capital days were around 500-plus days. At that time, we said we would bring them down. We delivered on that promise by bringing them down to 370 days.

Having said that, today they have gone back to 400-odd days because of strategic sourcing. We said that to mitigate commodity inflation, which is going through the roof, we needed a different strategy because we operate under fixed-price contracts.

We had to adopt a different strategy to mitigate commodity inflation. One strategy we employed was increasing inventory, which is reflected in our working capital days.

Once we have this higher inventory, it will help us deliver the product or project in Q3 and Q4, and the inventory will then be depleted. Therefore, we believe that our working capital days will return to around 350 days or slightly below that.

Gitarth Tandon: Understood. And, sir, newly [cut off]

Operator: Gitarth, I request you to join the queue again since we have [crosstalk]

Gitarth Tandon: Sure. I will go back and rejoin the queue. All the best, sir.

Management: Thank you, sir.

Management: Thank you, Gitarth.

Operator: We will take the next question from the line of Aditya Rawal. Mr. Aditya, you can unmute and go ahead, please.

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Aditya Rawal – Crescere Capital: Yes, sir. I am Aditya Rawal from Crescere Capital. Can you hear me, sir?

Management: Yes, sir. Yes, sir.

Aditya Rawal – Crescere Capital: My question is regarding poor cash generation. Operating cash flow was negative by 42 crores in H1 FY27. What were the key reasons for this negative cash flow, and when do you expect it to turn positive?

Management: Operating cash flow turned slightly negative during this period, largely due to the strategic sourcing that Abhijit explained. We undertook this to ensure that EBITDA margins remain healthy and to ensure H2 deliveries, as well as because of the increase in receivables.

Going forward, we are continuously working on reducing the cash conversion cycle, and we expect it to turn positive again by the end of this financial year.

Management: To add to that, it is simple mathematics. If we bring working capital days back to 350 days, we will be in positive territory.

Management: We will end the year in positive territory.

Management: Hello? Operator, can you hear us?

Operator: Hello. Yes. We will take the next question from the line of Basant Bansal. Basant, you can unmute and go ahead, please.

Operator: Basant, we cannot hear you.

I think we will take the next question from the line of Atharva Deshmukh. Atharva, you can unmute and go ahead, please.

Atharva Deshmukh – MM Capital: Thank you for the opportunity. Am I audible?

Management: Yes, sir.

Operator: Yes, yes.

Atharva Deshmukh – MM Capital: I am from MM Capital in Pune. My first question is regarding the 40% CAGR growth you mentioned. Can your current capacity and plant support this growth, or are you planning new capex? Have you planned any new capex for the future?

Can you also provide updates on the data centre order book, or are you expecting anything? You mentioned that you have not achieved success there, but could you brief me on it?

Management: Coming back to the first question about capacity, our current capacity is good enough to take care of our guidance. However, we are always looking for new opportunities in the market. When a new opportunity arises, we will obviously increase capacity. This is very easy because the land has already been levelled; I only need to construct a new shed, which can happen within a very short time frame. That is one point.

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When we talk about new capacity and new opportunities, they may also require funding. At that time, we may go to the market to raise new funds.

However, for our current earnings call guidance of 40% CAGR, we do not need funds or additional capacity unless and until we see a new opportunity in the market. Today, we are working on around 8 new market opportunities. Let us see how they develop in the near future.

Atharva Deshmukh – MM Capital: Understood. Is there anything inorganic?

Management: [laughs] Sir, we are working on quite a few opportunities. Organic, inorganic—there are many things on our platter.

Atharva Deshmukh – MM Capital: Okay, sure.

Management: One very small thing is happening in connection with our new initiative in the sub-zero line, Aquilon. A small amount of capex may be incurred there.

Atharva Deshmukh – MM Capital: Okay, sure.

Management: Coming back to data centres, as we mentioned, we are bringing in premium oil-free technology for data centres. We have been in discussions with many data centres. Although we have not achieved any success today, going forward we believe we will receive a few orders.

Atharva Deshmukh – MM Capital: Okay. Thank you, sir.

Operator: Thank you, Atharva. We will take the next question from the line of Akshay Darji. Akshay, you can unmute and go ahead, please.

Akshay Darji: Thank you for the opportunity. I am working for Samsun Industry, a family office. My question is about the 10 ongoing projects. Can you share the project-wise pending order value and the expected completion timeline for each order?

Management: The project order value has already been declared—

Management: I think it was largely included in the slide as well. There was some indication there.

Management: Our current order book position is 198.6 crores, to be precise, if you want to know. Individual project completion timelines vary. They range from a few months to a year and a half.

Akshay Darji: Will the entire order book be completed within a maximum of 1.5 years?

Management: Yes, sir.

Management: Akshay, just to reassure you, the present order book is known to you: 198.6 crores, or close to 200 crores. We will end the year with an order book that will ensure that we continue to grow at a 40% CAGR.

Akshay Darji: Okay. And—

Operator: Akshay, I request you to join the queue, please.

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Akshay Darji: Thank you.

Operator: Thank you. We will take the next question from the line of Shivam. Shivam, you can unmute and go ahead, please.

Shivam: Hi, sir. Thank you for the opportunity. I am speaking from Valuewise Wealth, where I am the founder.

My first question is: what amount of tenders are currently under active pursuit, and what closing order book can we expect at year-end?

My second question is for information purposes. At what stage of shipbuilding do we come in? For example, bulb bars and welding electrodes come in the first stage, while composite doors and hatches come in the second stage. At which stage does Shree Refrigerations come in? I want to reflect that in my models for revenue volatility. Thank you very much.

Management: Shivam, it is good that you are making a model. Please share it with us once you make it.

Regarding your first question, there are a large number of orders that we are pursuing. Be assured that, as I mentioned in the previous question, we will end the year with a very healthy order book, adequate to meet our 40% CAGR guidance.

Regarding the second part, at what stage does Shree Refrigerations receive the order? These days, shipbuilding is really ramping up in terms of delivery time, speed of execution, and very short build periods. Most shipyards are adopting an almost simultaneous conclusion of orders, so that the equipment arrives and awaits installation rather than the ship reaching a certain stage and then waiting for the equipment.

Therefore, along with the bulb bars or steel being procured, orders are already being placed. In the NGC case, which is the latest ship, we expect to see this dramatic shift, where a large number of orders will be placed within the first 6-odd months.

We anticipate that some of the orders in which Shree Refrigerations will actively participate will also be part of that.

As far as execution is concerned, to give you a rough indication—and this is not sacrosanct—AC and HVAC are typically among the first pieces of equipment to enter a ship once the structure is built. They are also among the first to be commissioned, because you need a conducive atmosphere within the ship for the rest of the work to progress.

We are fortunate in that respect because our equipment is installed early in the shipbuilding process.

Shivam: I see. So, sir, like [cut off]

Operator: Shivam, I request you to join the queue again. We are restricting questions to one per participant. Thank you.

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We will take the next question from the line of Saurabh Singh. Saurabh, you can unmute and go ahead, please.

Saurabh Singh: Good afternoon, sirs. This is Saurabh Singh from Pune. I am an individual investor.

I wanted to understand, given that we have had this arrangement with Smardt for about a year, what gap are we seeing? I heard Commodore Kaushik mention that we have not achieved success. Is there a gap between the market expectations of data centre players and what we have to offer, or how are we changing or adjusting our strategy for the data centre opportunity?

Management: I will address part of that, Saurabh. As we said, we are bringing in oil-free chillers, or magnetic-bearing compressor-based chillers, using the same technology we already use in our naval ships. We are bringing the same technology to data centres.

This technology is now well established in data centre requirements in America, Europe, and even the APAC region. However, when we started, it had not made much of an entry into Indian data centres. Awareness and penetration of this technology were not at a level where people would use it as a default option. It has over the [trails off]

Management: —past year taken a fair amount of effort on our side to actively engage with a large number of data centre players and educate them about the benefits of this technology.

Today, we have moved from zero interaction or zero knowledge to a fair amount of knowledge. There is greater acceptability of magnetic-bearing-compressor-based chiller plants.

However, this is a premium product and involves a certain amount of higher capex.

Over the total lifecycle cost or total cost of ownership, there is a payback period of maybe 3, 7, or 10 years, depending on the size of the project. This higher capex is recovered through lower running costs, maintenance costs, downstream equipment costs, and similar factors.

However, as of today, most vendors have a very short-term view focused only on capex.

As a consequence, there are still some headwinds. Once people see the long-term value and it gains wider acceptance, we will start getting traction.

We feel that we are still 6 to 8 months, perhaps even about a year, away from that kind of traction. Therefore, we do not include data centre business revenue either in this financial year or in our projections for the next financial year.

We faced a similar problem when we introduced magnetic-bearing compressors in the Navy back in 2015. In 2014-15, magnetic-bearing compressors were considered very futuristic or horizon technology.

We had the same dilemma: was it good or bad?

When we took that leap of faith, we were very happy with the decision.

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Similarly, we hope that this grey phase in people's minds will be overcome in the not-too-distant future. People will start looking at the benefits it offers.

You can already see that Mitsubishi has announced that it will start manufacturing magnetic-bearing-based chillers.

This traction is starting, and we hope that it accelerates faster.

Management: When it does, we will have the best technology at our disposal.

Operator: Thank you, sir. We will take the next question from the line of Komal Iyer. Komal, you can unmute and go ahead, please.

Komal Iyer: Hello. Am I audible?

Operator: Yes, please go ahead.

Komal Iyer: I feel that the company's asset base is quite low because your asset turnover is 10x. Could you elaborate on the extent of backward integration you have, why the asset turnover is so high, and how you are looking at it going forward?

Management: I will ask Manoj to address why we are asset-light and have high asset turnover, and I will answer the question about backward integration.

Manoj Kothale – CFO: Most of our assets are general-purpose assets that can be deployed across various product lines. We can shift their use among products such as HVAC, effluent plants, and refrigeration plants. This helps us reduce the capex-heavy nature of the business.

The major requirement for our business is working capital. Whatever we raised through the IPO or generated through internal accruals has been deployed into working capital.

Management: Komal, let me also reiterate that what the CFO just mentioned is not by default but by design.

The current level of vertical integration we are targeting is sheet metal in and final product out.

Komal Iyer: Are your operations primarily assembly? I wanted to understand how the manufacturing takes place.

Management: Komal, this would be a very lengthy answer. My sincere request is that you come once to the Karad factory, see it for yourself, and let us discuss it over a cup of coffee or tea.

Komal Iyer: If you could briefly explain it in one line, that would also be enough.

Management: As Mr. Shinde just mentioned, bringing sheet metal in and getting a finished product out is the kind of integrated manufacturing facility we have created.

Management: To allay your doubt, we manufacture most of the items. We procure only raw materials, and most of the components and sub-equipment are manufactured by us.

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Management: A great deal of value addition is captured within the company.

Operator: Thank you. We will take the next question from the line of Nupur Karnani. Nupur, you can unmute and go ahead, please.

Nupur Karnani: Hello.

Management: Yes.

Operator: Yes, Nupur, you are audible.

Nupur Karnani: Firstly, congratulations to the management on a good set of numbers. Most of the questions have already been answered, so I have one question.

We recently incorporated a wholly owned subsidiary for manufacturing and servicing industrial sub-zero-temperature chillers. When do we expect commercial operations and revenue contribution to commence? What will be the addressable market size, who will be our target customers or industries, and what will the margin profile be for this segment?

Management: To answer your questions, first, we expect commercial operations to start from the next financial year. We are in the process of setting up a small manufacturing unit. We expect the first billing or revenue contribution to begin next financial year.

The market size is more than a few thousand crores. There are several established players already in this market segment, but we see a clear opportunity for ourselves.

We follow a simple rule: if we enter a market, we enter it to become a market leader within the next few years. That is the opportunity we see. Obviously, when we see this kind of opportunity, we also expect a high EBITDA margin here.

Operator: Thank you, Nupur. We will take the next question from the line of Janav Shah. Janav, you can unmute and go ahead, please.

Janav Shah: Hi, sir. Janav here, an individual investor.

My question is regarding Garden Reach Shipbuilders. Over the last year, the next-generation corvette has been delayed by more than a year. There have also been global uncertainties over the past year. Oil prices have risen, inflation has increased, and we know that the UP election will be on the government's agenda next year.

Do you not think that government projects could be delayed? Would that make our 40% CAGR revenue projection difficult?

Management: Janav, it is like this. The government has different budgets for different requirements. The UP election budget is under a different head, while the defence budget is under a completely different head.

In fact, I do not think that the geopolitical situation we are seeing allows any slowdown in defence spending. You should have no doubt about that.

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Management: In fact, we had to do a great deal of catch-up work in this segment.

Operator: Thank you, sir. We will take the next question from the line of Drashti Shah. Drashti, you can unmute and go ahead, please.

Drashti Shah: Congratulations on a great set of numbers. You have been very patient in answering all the questions. Most questions have been answered. I have one point.

You mentioned why working capital cycles are so high, and most of the capital employed is going toward working capital. Over a longer period, how do you look at the return ratios and ROEs of the company? On a stable basis, what ROEs can we expect?

We are growing at 40%, while our current ROCEs are around 14%-15%. Would this eventually lead to significant dilution? What ROEs and ROCEs can we expect from the business over a longer cycle?

Management: Before Mr. Manoj Kothale answers you, I picked up on one word: you said this would lead to higher valuation. [laughs] That is music to my ears, but let Manoj handle the question. [laughs]

Manoj Kothale - CFO: Thank you, Drashti. Going forward, if you look at the revenue growth guidance of 40%, what we require for our growth aspiration is working capital.

The additional working capital required will be funded either from internal accruals—mostly internal accruals—or through a small portion of bank borrowings. Therefore, the capital base for the growth we are aspiring to achieve will remain the same. Going forward, with the same capital base, this will result in higher ROCE and ROE.

Operator: Thank you, Drashti. We will take the next question from the line of Tushar Modi. Tushar, you can unmute and go ahead, please.

Tushar Modi: Thank you for the opportunity, and congratulations on a good set of numbers. I am an individual investor. I hope you are able to hear me properly.

Management: Yes, absolutely.

Tushar Modi: I wanted to understand your arrangement with Danfoss, which gives you the opportunity to service their installations in India. What market share does Danfoss currently have? Against that, what kind of revenue stream do we expect from this business, and when will revenue begin flowing into the business?

Management: As I mentioned earlier, our arrangement with Danfoss to become a TASP is more of a strategic capability-building exercise. We are not expecting significant revenue from it at this point, primarily because most of these compressors have a very long life. They do not have many defects, and they do not generate many service issues.

When a defect does occur, it is a major defect requiring a major overhaul. This is a strategic capability that we are building to support the Navy. The offshoot of that is that we will also support Danfoss's industrial applications.

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We are not including significant revenue from being a TASP in our projections. It is a capability-development step that we have taken.

Management: The fact that these compressors consume significantly less power means that we expect certain initiatives from industry and the government, as well as green initiatives, to promote their use in a variety of refrigeration applications.

Danfoss Turbocor is also enhancing the capability of its compressors in terms of size, scale, temperature differences, and the pressure ratios they can handle. This is going to be a sunrise opportunity, and we are glad to be in the right place at the right time in this much-awaited TASP segment.

Operator: Thank you, sir. We will take the question from Basant Bansal. Basant, you can unmute and go ahead, please.

Basant Bansal: Thank you, and I am sorry I could not connect with you earlier. My question is about the same asset turnover issue raised by one of the participants.

When I look at your product profile, all the products are heavy equipment. It is difficult to understand how this equipment can be produced with an asset base of just 8-9 crores.

Management: [off-mic discussion] Basant, we cordially invite you, along with Komal and anyone else, to visit our factory and see for yourself, because seeing is believing.

Management: To answer this question, you need to understand what we actually manufacture, and that can be seen when you visit Karad.

Operator: Thank you, sir. We will take one last question from the line of Aditya Raval. Aditya, you can unmute and go ahead, please.

Aditya Raval - Crescere Capital: My question is regarding court cases. Can you clarify the exact number and current status of pending criminal cases involving the company, its promoter, or directors; the nature of these cases; and whether any of them could result in financial liabilities, penalties, business restrictions, or reputational risks for Shree Refrigerations?

Management: Aditya, can you repeat the question? You are very unclear, and we were not able to hear you.

Aditya Raval - Crescere Capital: I will repeat it. Can you clarify the exact number and current status of pending criminal cases involving the company, its promoter, or directors; the nature of these cases; and whether any of them could result in financial liabilities, penalties, business restrictions, or reputational risks for Shree Refrigerations?

Management: Kamlesh or Vinay, if you understood the question, please repeat it because we are [trails off]

Management: Sir, his question is whether there are any pending criminal cases against the promoter.

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Management: Oh, no, no, no, no! [laughs] Pending cases? No cases have been filed. Forget pending cases, sir.

Operator: I think that answers the question. This brings us to the end of this conference call.

Operator: Before ending the call, would you like to give any closing comments?

Management: As usual, this was a great earnings call, with highly qualified investors and highly qualified and precise questions and answers. I hope my team and I were able to answer your questions correctly.

We are here with a mission and with strength. Our mission is to build the capability that I mentioned before the listing: we need to have the capability to carry out all refrigeration and air-conditioning work for our platforms right here in India.

All the technology, skills, and infrastructure are available. There is no reason why India should not be one of the leading manufacturers of HVAC systems, at least for India today and for the world tomorrow, exactly in line with the government's policy of Make in India, make for the world, and Self-Reliant India. Thank you.

Management: The important thing is that we will definitely reiterate our commitment to grow at the 40% guidance level. We reassure investors of that once again.

Management: I also want to thank all investors for having faith in us. We continue to look forward to your continued support and faith.

Management: Thank you. Goodbye. Have a great day.

Management: Thank you.

Operator: Thank you, sir. Thank you to the management team for giving us the time, and thank you to all the participants for joining us on the call. This brings us to the end of today's conference call. You may all disconnect now. Thank you.

Management: Thank you very much. Goodbye.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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