MV Electrosystems

Operator: Ladies and gentlemen, good day and welcome to the MV Electrosystems Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star followed by zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Akhilesh Gandhi from Stellar Investor Relations. Thank you, and over to you, Mr. Gandhi.

Akhilesh Gandhi – Stellar Investor Relations: Thank you. Good morning, everyone. I, Akhilesh Gandhi, on behalf of Stellar Investor Relations, welcome you all to the MV Electrosystems Ltd. Q2 and H1 FY27 earnings conference call. We shall be sharing the key operating and financial highlights for the second quarter and first half ended September 30, 2026.

We have with us the senior management team of MV Electrosystems Ltd., primarily Mr. Mohit Ji Vora, our Non-Executive Director. With him, we have Mr. Pankaj Ji Rastogi, our Managing Director. We also have Mr. Ajay Ji Kumar, our Chief Financial Officer.

Before we begin, I would like to state that this call may contain certain forward-looking statements that are completely based on the company's beliefs, opinions, and expectations as of today. The statements made on today's call are not a guarantee of future performance and also involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statements are made. Documents relating to the company's financial performance, including the investor presentation, have already been uploaded on the stock exchange.

With that, I now invite Mr. Mohit Ji Vora to state his opening remarks on the company's performance for the second quarter. Thank you, and over to you, sir.

Mohit Ji Vora – Non-executive Director: Good morning and greetings to everyone. I hope I am audible, comfortably audible. Can you please confirm this?

Operator: Yes, sir. Please go ahead.

Mohit Ji Vora – Non-executive Director: Okay, great. Good morning once again. On behalf of the Board of Directors and the management of MV Electrosystems Ltd., I would like to express our sincere gratitude to all the stakeholders for your trust and confidence in the company.

Immediately after listing, in August, the month of August, which was ending with the second quarter, we immediately started our manufacturing operations. The scaling up started happening, and you would have seen that in September itself, the very next month, we showed the manufacturing, production, and billing of 7 locomotive propulsion systems to Chittaranjan Locomotive Works.

This was a kick-start. In parallel, the other activities required for scaling up manufacturing operations, as I mentioned, were also taking place. New test setups were being planned and were progressing in parallel. Some manufacturing activities were also being scaled up in parallel.

Report is AI-generated and may contain inaccuracies.

We started with a very good trigger, and now, henceforth, you will see a very significant month-on-month and quarter-on-quarter increase in the supplies of these propulsion systems against the orders, supported by a very strong order book in hand. I am sure you would have seen the approximately 275 crore order that we received about 2 days ago. I think that was posted on the stock exchanges as well.

This also highlights the confidence of the customers, Indian Railways, in the company. Even after having a strong order book, they continue to place new orders with the company, looking at the preparations taking place in our factories.

The first factory, as we mentioned during the last call, is completely operational and fully occupied. The second factory, which we call Unit 2, is currently under execution, and we hope that by December 15 or the third week of December, we will have that factory fully built and fully prepared to produce and supply propulsion systems from that unit as well.

We also indicated that we further want to increase the capacity of the company by, by [cut off]

Management: It is clear now. Hey, {? Farah ?}, just listen to her call...

Management: No, no, I am listening only, ma'am. It is not very clear. Not at all. There is so much noise; it is a very disruptive kind of noise. I am in an area with full network coverage.

Mohit Ji Vora – Non-executive Director: So, should I continue, or do you want to make some correction in between?

Operator: Apologies for the disturbance, sir. Please proceed.

Mohit Ji Vora – Non-executive Director: Yes, no problem. As we mentioned, this propulsion story and power electronics story is going to increase over a period of time, quarter-on-quarter and year-on-year. We wanted to ensure our preparedness, particularly with regard to infrastructure.

In line with that, we approached certain industrial development authorities and the state industrial development authority. Finally, we have been allocated 10 acres of land at the Gwalior MPIDC industrial area.

A formal ceremony is scheduled for tomorrow, and it will be chaired by the Chief Minister of Madhya Pradesh. There, we shall receive our letter of intent, or allotment letter, for the 10-acre land that has been taken to execute our propulsion system and new projects that we foresee at that particular location. So, that is...

Management: ...going to be our third unit, Unit 3, and we are hopeful that by January, or by February at the latest, we would start execution of this particular factory in Gwalior.

Besides locomotive propulsion systems, as we mentioned to you during the last call, we have already started development of our EMU, or technically speaking, MEMU propulsion system. The new R&D center, R&D Center Unit 2, has been established just adjacent to, or just in front of, our existing R&D center. The test setups have been ordered and will be set up very soon.

Report is AI-generated and may contain inaccuracies.

The team has started gathering, and recruitment has started. One floor of this R&D center is now getting ready with our manpower. People have started operating from there, and I think in the next couple of months you will see full-fledged technical and R&D manpower operating from this particular R&D center.

The development, or the prototype development, of the first propulsion system for MEMU trains is expected in approximately the second quarter or third quarter of the next calendar year, 2027. After that, trials or prototype testing, as part of the regular practice, will be started by RDSO or Indian Railways.

Our second product is also getting ready. I think over the coming 3 to 4 quarters, we will be scaling up our operations in locomotive propulsion systems. We will focus on increasing the invoicing, or revenues, of this particular segment. Immediately after that, we will have our next product ready in the form of MEMU or EMU propulsion systems.

On the third front, we have also started our activities on the rail electrification side. We know that rail electrification, particularly the second line, technically called the 2 × 25 kV AC line, is being planned very ambitiously by Indian Railways.

We have identified products that align with the company's capabilities, and we have started development of those products as well. One very important product in this category is the Automatic Fault Locator, which locates faults in electrical lines and automatically conveys this information to the concerned divisions.

These Automatic Fault Locators are planned to be manufactured under a TOT, or transfer of technology, agreement with a South Korean company. The systems are ready, and the products have been offered for prototype testing. We are hopeful that in the current month, or by early December at the latest, we will have our product prototype cleared. Following that, we will seek approval from RDSO for this important product line.

Once this happens, we will start participating in tenders for this particular item as well. These tenders occur regularly, or very frequently, because of the ambitious plans of Indian Railways that I mentioned.

This will mark our entry into the rail electrification segment, in addition to the rolling stock segment, which comprises our first 2 products. We look forward to exhibiting an increase in our revenues month-on-month, as I mentioned. Hopefully, you will see a very good outcome in January, by which time our scale-up would have matured, and you will see consistent revenues and supplies of propulsion systems thereafter.

Finally, once again, I would like to thank you for your patience and, as I mentioned, for maintaining your trust and confidence in our company. Thank you very much.

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 their 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

Report is AI-generated and may contain inaccuracies.

question queue assembles.

The first question is from the line of Paras Kulkarni from Ignite Capital Limited. Please go ahead.

Paras Kulkarni – Ignite Capital Limited: Thank you for taking my question. My first question pertains to the order that India has received from Japan for the supply of indigenous propulsion systems. Is our product qualified for the same, and what could be the order size if our platform is qualified?

Management: [pause] The order you mentioned from Japan. Is it?

Paras Kulkarni – Ignite Capital Limited: Yes, there are reports of India receiving orders for indigenous railway propulsion systems.

Management: [pause] These are [hesitates] a different kind of propulsion systems that the Japanese government is now allowing Indian companies to enter that market with. So this is not analogous to our product. There is an analogy, but it is a different kind of system.

Paras Kulkarni – Ignite Capital Limited: Understood. So our product is not qualified for this, then.

Management: Yes. Please do not rely on general YouTube reports or perhaps Google reports, because these are not generally confirmed.

Paras Kulkarni – Ignite Capital Limited: Understood. My second question is with regard to delivery. Earlier, you had mentioned that we would be completing 70 sets by the end of Q3. The current presentation mentions that we would be completing 50, and 7 have been completed. Is there any impact, or would we have some LD or other penalty? Would such a penalty not be levied in case of any delays?

Management: [pause] First of all, we mentioned 50 propulsion sets in Q3, and in December you will hopefully see 25 sets being supplied. In November, the current month, you will hopefully see 15 propulsion systems being supplied, and we have already built another 7 sets in October.

We are very close. I think a variation of 2, 3, or 4 propulsion systems generally does not matter. There can be some variation here and there because of the very wide variety and the thousands of components that go into the system. While you are purchasing those components, there can always be irregularities, sometimes because of semiconductor issues or other factors.

If there is a shortfall in one particular month, it is covered in the subsequent month. That is why I said that we practically started our operations and the scale-up operation in September, just 40 to 45 days ago. We are going to see a mature month in January.

You will appreciate that this is a very aggressive timeframe that we are targeting to reach a mature level of deliveries.

Paras Kulkarni – Ignite Capital Limited: Understood. The third unit that you announced for the land: what would be the capex for the entire project, considering the land as well as the factory?

Management: [pause] As far as the land is concerned, considering the merits of the company, the merits of the product, the capabilities of the company, and the true IPRs that we possess, the state

Report is AI-generated and may contain inaccuracies.

government offered the land virtually free of cost. In practical terms, it will be given on a lease at the rate of 1 rupee per square meter per year.

So it is virtually free-of-cost land. The expenditure will only be on construction, the R&D center, perhaps office establishment, and related expenses. In 10 acres, we have not [trails off]

Management: [pause] Precisely calculated it. We will come to that. Let me work this out clearly because at the moment the plans are not prepared. The office plans are not prepared, and the factory plans are not prepared. Let me assess that clearly and then get back to you on the capex involved.

Operator: Thank you. The next question is from the line of Ayush Agarwal from MAPL Value Investing Fund. Please go ahead.

Ayush Agarwal – MAPL Value Investing Fund: Good morning, sir, and thank you for the opportunity. My first question is on the recent order that we received. I think we received around 20% of the allocation. Could you highlight how the allocation happened? Did our competitors reduce their prices, which is why we received a slightly lower allocation than we had expected?

Management: When it comes to propulsion systems, there is always supply chain scarcity because of the limited number of suppliers, or the small number of suppliers. We continue to say that Indian Railways tries to keep everybody involved while dividing the quantities among suppliers.

When you are fortunate, you receive something like 25%; that is what we received last time, and that was the maximum. This time, as you rightly mentioned, it was about 20%. So it is a small variation.

It is not that somebody aggressively reduced the price. Small price wars may always exist, but they are not very significant. It is a mature way of dividing the percentage among suppliers so that everybody remains involved and the propulsion system supply chain remains intact.

Therefore, it will always vary between 25% and, on the lower side, 15%, depending on the order, tender, and timing.

Ayush Agarwal – MAPL Value Investing Fund: That makes sense, sir. I will ask my next question. I have 2 questions. The first is that we see a new competitor, Hind Rectifiers, which has finally become a development vendor. Do you see increased competition and reduced prices as a result of that?

My second question is regarding the update on EMU and MEMU propulsion development and when we will be in a position to deliver propulsion sets for them.

Management: I will attempt the first answer, and then, for the second one, since our Managing Director, Pankaj sir, is here, he will answer that question because he is leading the MEMU development activity.

As far as Hind Rectifier is concerned, first of all, it would not be appropriate to comment on another company. However, you have seen that Hind Rectifier has received developmental purchase orders

Report is AI-generated and may contain inaccuracies.

in the past as well. That does not mean that the qualification has taken place.

Nevertheless, we welcome them with open arms to this sector because Indian Railways now needs indigenous suppliers to strengthen the ecosystem. We should not be fully dependent on external sources.

A complete ecosystem should be available here, including IPRs. Core indigenous development is very important.

The magnitude of propulsion systems required in the future, including those for EMU, MEMU, Vande Bharat trains, Amrit Bharat trains, freight locomotives, and passenger locomotives, will be very large. We are also progressing toward very ambitious bullet train programs. Sooner or later, these systems will also need to be indigenized.

If we do not have that ecosystem in India, how will we be able to cater to the requirements? This is the time when we need indigenous suppliers. I am sure capable companies like Hind Rectifier should also qualify sooner or later. We wish them the best of luck.

Pankaj: Sir, MEMU [trails off]

Operator: Ayush, I would request you to join the queue again for further follow-up questions.

Ayush Agarwal – MAPL Value Investing Fund: Sure. Thank you.

Operator: Thank you. The next question is from the line of Darshal Jhaveri from Crown Capital Limited. Please go ahead.

Darshal Jhaveri – Crown Capital Limited: Hello? Yes, good afternoon, sir. Thank you very much for taking my question. I wanted to understand our potential ramp-up, which is now taking place. I think we want to produce around 40 propulsion systems per month in Q4, which is significantly higher than what we have ever done.

How secure is the supply chain for that, because there are currently many disruptions? Are there any execution challenges that you see in this regard, sir?

Management: Wonderful. When we forecast that we would produce approximately 40 propulsion systems from January, we had already placed formal purchase orders with our suppliers, some of whom are international suppliers and some of whom are domestic suppliers, along with the required schedules.

That had already happened. Depending on the nature of the commodity, component, or material, the delivery times differ. More or less, all the components are now coming under control, and we will see the realization of the 40 propulsion systems that we planned.

As far as the infrastructure is concerned, we have already prepared it, as I mentioned. The factory was well aligned. Only the test setups were pending. Four test setups are required to undertake this kind of production, invoicing, or revenue billing.

Report is AI-generated and may contain inaccuracies.

Two are already operational, and for the other 2, the equipment is being delivered by the suppliers to our factory. Hopefully, they should be in place by December 15. If that happens, I think nothing can stop us from generating this level of revenue.

Darshal Jhaveri – Crown Capital Limited: That is great, sir. I also wanted to know what EBITDA margins or PAT margins we could potentially achieve. I think we are currently seeing the full scale-up happening in H2. Could you help us with even the per-unit margins or something similar? That would be very helpful.

Management: First of all, I am not advised to discuss PAT. However, I would say that PAT will remain dynamic, and you will see continuous improvement in PAT over the next 2 quarters.

Why? First, while we were developing our propulsion system, to produce only 1 or 2 propulsion systems, 1 was used for prototype testing by Indian Railways and the other was for our reference. We bought the components in primary packaging quantities or minimum order quantities at very high prices.

Those components are now being used because we cannot treat them as non-moving inventory. We are using those components, which were purchased at higher prices because of the very low volume. Therefore, you will see one kind of PAT impact there.

Then we ordered for the next phase and supplied approximately 7 to 10 propulsion systems, so there was another kind of pricing. Now we are entering an ambitious phase in which we are ordering larger quantities. You will see a significant reduction in the prices of components or raw materials.

Further, this process is not going to end. There is a lot of value engineering still pending, which will again reduce the price of the overall propulsion system.

Therefore, you will have to observe this carefully and remain vigilant to see the impact on PAT of the development that will take place over the next 2 quarters. After that, you will have a very clear picture of PAT.

Darshal Jhaveri – Crown Capital Limited: Fair enough, sir. I have a few more questions from my end [trails off]

Darshal Jhaveri – Crown Capital Limited: I think we have also received a new order, and I think the completion period for that order is FY28. Do we have sufficient capacity to complete our existing and new orders by next year, sir? Is that a fair expectation?

Management: First of all, it is a very good problem to handle. It is always a good problem when you have many orders and are struggling to deliver. Nothing can be better than this.

Yes, we are coping with it. As I mentioned, the first factory is fully operational, and the setups in the second factory are being installed. That should be operational by December 15.

The third unit, as I mentioned, is being established on the new 10-acre land at Gwalior. All these measures are being taken in a timely manner to the extent that we can foresee the situation here.

Report is AI-generated and may contain inaccuracies.

We should be comfortably able to handle this situation. However, I still hope that the market remains so bullish that we continue struggling to supply the orders.

Darshal Jhaveri – Crown Capital Limited: That is great to know, sir. I have a few more questions. Can I ask them now?

Management: Yes, please, sir.

Darshal Jhaveri – Crown Capital Limited: I wanted to understand 2 aspects. First, once we start supplying at full capacity, what will be our approximate receivable days? Will the payment be prompt?

Second, when commodity prices move up and down, how much of the change can we pass on—

Operator: Sorry to interrupt, Mr. Jhaveri. I would request you to join the queue again for further follow-up questions.

Darshal Jhaveri – Crown Capital Limited: The management asked me to ask the question.

Operator: Okay, sir. Please proceed.

Darshal Jhaveri – Crown Capital Limited: I will end with this question. Regarding receivable days, if raw material prices fluctuate, can we pass the changes on? How is that handled, sir?

Management: [pause] It is very straightforward. The payment terms of Indian Railways are very clear and remain very consistent. Generally, based on our history, we have received payments in line with the terms mentioned in the purchase order.

When we supply the material and it reaches them, we tentatively receive the payment within 15 days. That is how prompt the payments are.

The second question was about fluctuations in materials, such as copper, steel, and perhaps aluminum. These are the major commodities.

There is a very clear formula established by Indian Railways. They have used a formula from an association called {? IEEE ?}, which clearly defines the impact on the propulsion system of increases or decreases in the prices of these important commodities.

For example, suppose we receive an order at a price of 1 crore for a propulsion system. If the prices of copper, raw materials, and other inputs increase, the price will increase proportionately at the time of billing. This is included in the purchase order.

The price in the purchase order is always indicative. When you bill the material, the actual price is determined at that time, depending on the raw material prices.

Darshal Jhaveri – Crown Capital Limited: Correct. Fair enough. That is all from my side. I will move on and join the queue. Thank you very much, and all the best.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. Ladies and gentlemen, to ensure that the management can address questions from all participants in the conference, please limit your questions to 1 per participant. We move on to the next participant from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer – Sequent Investments: Hello, sir. Thank you for the opportunity. My question is regarding material procurement, specifically IGBTs and capacitors.

As we are seeing a timeline for executing the orders, and the quantity of propulsion systems is expected to increase manyfold in the coming quarters, as indicated by your investor presentation and your initial management commentary, I wanted to understand whether we are entering into a long-term arrangement to obtain the raw materials within the required timeframe so that there are no delays in execution.

Management: [pause] Very good question. You rightly mentioned IGBTs and capacitors. Both are very important components of this system and have very long delivery times.

We have established good relationships with renowned companies in this area. Not just 1, but 2 to 3 companies were finalized and shortlisted for use. The long-term purchase orders, based on the schedules and the orders received, were placed with these suppliers well in advance.

At least for these 2 commodities, IGBTs and capacitors, we are very well covered. There is absolutely no issue.

A minor issue relates to very small components, perhaps some sensors, LEDs, or other small electronic components here and there. If their availability becomes aligned over a period of time, we will have stable inventory, and that issue will also end.

As far as IGBTs and capacitors are concerned, we are fully covered. There are absolutely no issues.

Vignesh Iyer – Sequent Investments: What percentage of your total raw material cost today is imported, and what percentage is procured domestically?

Management: Almost equal.

Vignesh Iyer – Sequent Investments: That is all. I will get back in the queue.

Operator: Thank you. The next question is from the line of Moksha Shah from SR Circle Capital Limited. Please go ahead.

Moksha Shah – SR Circle Capital Limited: Hello?

Management: Yes, ma'am.

Moksha Shah – SR Circle Capital Limited: Am I audible?

Management: Yes, ma'am. Please go ahead.

Moksha Shah – SR Circle Capital Limited: Thank you for the opportunity. My first question is that you had guided for revenue of 400 crore in FY27. Given this slower ramp-up, would you revise this

Report is AI-generated and may contain inaccuracies.

guidance or maintain it? Also, when can we expect EBITDA to turn positive?

Management: [pause] I do not think we should revise this target. It should be possible to achieve it based on the way things are being scaled up and the way we are trying to resolve the inventory issue relating to small components, as I mentioned.

In January, as I mentioned, you will see mature deliveries and revenue actually starting to come in. If that happens, we will be on track with what we indicated and with the figure that you mentioned.

Moksha Shah – SR Circle Capital Limited: When can we expect EBITDA to turn positive, sir?

Management: [pause] We should see this in the fourth quarter. If God supports us, I think you might see EBITDA turning positive in Q3 itself.

Moksha Shah – SR Circle Capital Limited: You mentioned that there were some irregularities in the number of propulsion systems that were built. What was the reason for the irregularities in this quarter, and do you expect them to continue in the coming quarters?

Management: [pause] Large-scale ordering started after the listing, which took place in late August, during this quarter, Q2.

We ordered a very wide variety of parts, mostly from international suppliers. These are generally electronic components that are not manufactured in India, and their delivery times became very long, extending to approximately 6 months in some cases.

Because of that, there were irregularities during this quarter. We tried to resolve the issue as much as possible by speaking with and negotiating with the suppliers.

This problem has almost been resolved. Perhaps a very small number—2, 3, or 4 sets of components—are still an issue, but it is mostly resolved. This led to a slight irregularity during the initial phase, and that generally happens.

The important point is that once you stabilize your inventory and build it up, there should be no irregularity of this kind. There should then be a very stable supply program.

Moksha Shah – SR Circle Capital Limited: Thank you.

Moksha Shah – SR Circle Capital Limited: [inaudible] regarding the Automatic Fault Locator. Could you help us understand the addressable opportunity size and the potential market share that we can capture over the next 3 to 5 years? Thank you.

Management: [pause] I will try to answer this because it is both a prospect and a {? [unclear] ?}. I will still attempt to answer it.

Automatic Fault Locators are generally 3 types of equipment installed in the field. The first is installed at traction substations, where you see large transformers every 30, 40, or 80 kilometers alongside the railway line.

Report is AI-generated and may contain inaccuracies.

The second is installed at the midpoint between these 2 transformers. The third type is installed between the midpoint and the transformer—2 between the midpoint and one transformer and 2 toward the other side.

Generally, there is 1 at the substation, 1 at the midpoint, and 4 in between. Based on current prevailing prices, you can roughly say something like {? 1.25 crore ?} per set.

This constitutes 1 set: 1 at the substation, 1 at the midpoint, and the other units in between. You can then calculate the route kilometers of the railway lines and tracks that exist.

You also need to consider the lines being doubled, the new lines being planned, and the freight corridors. This will not only cover the existing lines; it will also be used on upcoming lines that are installed over a period of time.

Moksha Shah – SR Circle Capital Limited: Thank you, sir. As a follow-up, what could be the expected localization level from this segment and the potential margins that we can generate? Would it be better than the existing proportions or slightly higher? Thank you.

Management: We will undertake localization from the very beginning. We already have excellent SMT lines, an electronic manufacturing facility, an assembly line, and integration facilities. Everything is available.

From the very beginning, manufacturing will be completely in-house. As far as margins are concerned, I am not advised to give you the exact figure, but there will be ambitious margins because this is an emerging field.

We will be among the very few—perhaps the first 2 or 3 approved suppliers—in this category. Therefore, we will hopefully see excellent margins in this product line.

Moksha Shah – SR Circle Capital Limited: Thank you very much.

Operator: Thank you. The next question is from the line of Ronak Bajpai from Wealthman Advisory. Please go ahead.

Ronak Bajpai – Wealthman Advisory: Hello, sir. Am I audible?

Management: Yes.

Ronak Bajpai – Wealthman Advisory: My first question is regarding our FY27 outlook. You mentioned 400 crore, but I think in the previous conference call you mentioned that 40 sets would generate approximately 70 crores. How will we reach 400 crore? Based on my calculations, I can see a maximum of approximately 250 crore.

Management: Generally, a locomotive propulsion system is built at 1.96 crore. You can tentatively take it as 2 crore. If we can produce 40 × 3, or 120 propulsion systems, then that would directly become 240 crores, apart from our regular business.

We are already doing a good amount of business in Q3, so we are very much on track.

Report is AI-generated and may contain inaccuracies.

Ronak Bajpai – Wealthman Advisory: Understood, sir. My second question is regarding the overhead electrification segment. Once it is properly established, what kind of value addition can we expect from it?

To add to that, we currently have, I believe, order visibility of 1,000 to 1,200 crore. In the long run, looking toward FY31, what is our expectation?

Management: I would answer this way. Indian Railways is ready to place as many orders as the industry is willing to supply. Generally, we focus on how many tenders were published, how many were finalized, and how many orders were placed.

Actually, the system does not work in that manner. If I tell the industry to start supplying 600 EMU propulsion systems from next year, will the industry be able to do that? It will not. The industry is not ready with that level of capacity.

That is why tenders are limited to this extent. At this stage, we should not worry about orders. We should focus on indigenizing and scaling up our facilities in India across all suppliers.

We should reach a level at which Indian Railways can also scale up its operations. You mentioned 1,000 to 1,200 crore. Yes, we should naturally achieve this level of turnover next year from locomotive propulsion systems as a product.

Subsequently, you will see another product being added in the form of EMU or MEMU propulsion systems. That is even more ambitious, and I think it will start adding revenue in the subsequent year.

Therefore, there is no issue regarding orders in this industry.

Ronak Bajpai – Wealthman Advisory: Understood, sir. Just one last question. After Unit 3 is established, what will be our total capacity, and at what run rate would we operate?

Management: Leaving aside Unit 3, even at the Unit 2 level, we will have the capacity to produce 50 propulsion systems per month. However, we will not use this to produce more than 40 propulsion systems so that we remain very stable in terms of production.

We will also keep some buffer for EMU or MEMU propulsion systems, because they will also require space or some bandwidth within these factories.

When our new factory is built, it will probably be dedicated to EMU propulsion systems, if I am correct. However, we need to re-strategize this internally first.

Ronak Bajpai – Wealthman Advisory: Thank you very much, sir, and all the best.

Operator: Thank you. The next question is from the line of Kush Shah from Vivo Commercial Limited. Please go ahead.

Kush Shah – Vivo Commercial Limited: Good morning, sir. My first question is: can you help us understand the opportunity size for propulsion systems in India?

Report is AI-generated and may contain inaccuracies.

Management: [pause] At present, we are producing approximately 1,500 to 1,600 locomotives. This figure has generally been increasing since the 1950s, when locomotives started being built in India.

I do not know what the future scale will be, but today we are at a level of 1,500 to 1,600 locomotives per year.

Coming to EMUs, as cities become larger, all these smaller cities, such as Chandigarh and Lucknow, as well as cities in the southern and western regions, are growing. Cities are becoming closer to one another.

Therefore, there will be a very large requirement for EMUs and MEMUs in these cities, as well as for intercity chair car trains. This will obviously require very large quantities of propulsion systems.

The industry is preparing to cater to this demand, which will evolve in a very significant way, has already evolved, and will continue for the next 10 to 15 years or so.

This is going to be a very ambitious and very large segment. Moreover, as we develop expertise in India and become more experienced in the design aspect, international opportunities are also opening up for us.

Indian suppliers are now showcasing themselves on the global platform, and we also have plans to do so in the near future.

Kush Shah – Vivo Commercial Limited: There has been some speculation that, given the current market situation, the requirement is being reduced from 1,500 units to 1,000 units for the next financial year, FY27–28.

Management: There is always some misunderstanding because, if I give you the example of one train called Amrit Bharat, they may say that they need 200 or 300 locomotives just for that train, for example.

An Amrit Bharat train requires 2 locomotives because one is installed on each side of the train. This is called a push-pull arrangement.

Mohit Vora: I think sometimes we misinterpret these figures because of these technicalities.

This particular requirement can never be reduced. It can only increase because of freight requirements. Many freight corridors are already in place, but what do we do with those freight corridors? The number of freight trains is increasing.

Therefore, this will obviously increase. However, there could be a migration from locomotives to distributed-power trains such as Vande Bharat or EMU-type trains.

Again, that does not reduce the requirement for propulsion systems. It increases the propulsion system requirement significantly, particularly in terms of revenue.

Kush Shah – Vivo Commercial Limited: Understood, sir. My last question is about the maintenance component as a percentage of the order value in a contract. If you receive an order for 100 crores, what would be the maintenance percentage, and for how many years?

Report is AI-generated and may contain inaccuracies.

Mohit Vora: I am sorry, the question was not clear. Please repeat it.

Kush Shah – Vivo Commercial Limited: What would the maintenance component be as a percentage of the order value in a contract? If you receive an order for 100 crores, what would be the maintenance percentage, and for how many years would the maintenance be included in that cost?

Mohit Vora: Generally, it varies between 3% and 5% of the total purchase order value. You continue receiving it year-on-year, as specified in the purchase order for the maintenance component.

Because these are proprietary products, the maintenance is limited to the suppliers that actually supplied or installed them in the trains or locomotives. Therefore, it has to be proprietary in the purchase order.

Kush Shah – Vivo Commercial Limited: Understood. My last question is: how long does it take to carry out a refurbishment? If there is an older propulsion system, what percentage of propulsion systems would be refurbished each year in the coming years, in terms of the market?

Mohit Vora: [pause] This refurbishment sector is also opening up in a significant way. We currently have approximately 15,000 to 16,000 locomotives available, with another 1,600 being added every year.

Locomotives that are more than 15 years old will require rehabilitation, or complete rehabilitation. We will see very significant volumes coming from rehabilitation programs, as well as from general maintenance from time to time.

In my understanding, this will become an equally large market compared with new locomotives or propulsion systems, based on the population of locomotives available in the field.

Kush Shah – Vivo Commercial Limited: In your view, how much would come from the refurbishment market each year?

Mohit Vora: It is very difficult to say because it is dynamic and not very certain. However, you can calculate or imagine the factor.

If you have 16,000 locomotives, you should reach a level at which 1,500 to 1,600 locomotives become 15 years old. In that year itself, you would receive another 1,500 locomotive propulsion system tenders or orders for rehabilitation.

That is why I am saying that it should again reach the same level as the market currently available for new propulsion systems. You can simply say that the market would multiply by 2.

Kush Shah – Vivo Commercial Limited: Understood, sir. Thank you. That is all from my side.

Operator: Thank you. The next question is from the line of Shubh Gala from {? Bhavya Gotat Advisors ?}. Please go ahead.

Shubh Gala – {? Bhavya Gotat Advisors ?}: My question has already been answered. Thank you.

Report is AI-generated and may contain inaccuracies.

Operator: Mr. Gala, we are unable to hear you. Could you please speak louder?

Shubh Gala – {? Bhavya Gotat Advisors ?}: My question has already been answered. Thank you very much.

Operator: With that, we conclude the question-and-answer session. Due to time constraints, we will take this as the last question. I now hand the conference over to Mr. Mohit Vora for closing comments.

Mohit Vora: [pause] Finally, thank you very much to all the stakeholders and our partners who are present here, as well as those who could not attend.

Please do not feel that you were not given an opportunity to speak. You are welcome to send us as many queries and questions as you have, by email or through other means. We will try to respond quickly to all your queries and questions regarding the business.

With that, once again, on behalf of the management and the Board of Directors, along with Dr. Pankaj Rastogi and our CFO Ajay Kumar, I would like to thank you for your time and patience and for your continued trust and confidence in the company. Thank you very much. Greetings.

Operator: Thank you. On behalf of MV Electrosystems Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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.

Report is AI-generated and may contain inaccuracies.