

MV Electrosystems

Operator: Ladies and gentlemen, good day and welcome to MV Electrosystems Ltd. Q1 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 this conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Akhilesh Gandhi from Stella Investor Relations. Thank you, and over to you, sir.

Akhilesh Gandhi – Stella Investor Relations: Thank you, Neerav. Good morning, everyone. I am Akhilesh Gandhi, and on behalf of Stella Investor Relations, I welcome you all to MV Electrosystems Ltd. Q1 FY27 earnings conference call. Today, we will be sharing the key operating and financial highlights for the first quarter ended June 30, 2026.

We have with us today the senior management team of MV Electrosystems Ltd. We have Mr. Mohit Ora, who is a non-executive director. Along with him, we have Mr. Pankaj Rastogi, who is our Managing Director, and Mr. Ajay Kumar, who is our Chief Financial Officer.

Before we begin, I would like to state that this call may contain some forward-looking statements that are completely based on the company's beliefs, opinions, and expectations as of today. The statements made in today's call are not a guarantee of future performance and also involve unforeseen risks and uncertainties. The company undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is 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 Ora to deliver his opening remarks on the company's performance. After that, we will open the floor for the Q&A session. Thank you, and over to you, sir.

Mohit Ora – Non-executive Director: Thank you very much, Akhilesh. Good morning, everyone, and thank you very much for joining our first investor meeting after the listing of MV Electrosystems Ltd. My name is Mohit Ora. I am one of the promoter directors in the company. As already mentioned, I have with me the Managing Director of the company, Dr. Pankaj Rastogi; the CFO of the company, Mr. Ajay Kumar; and also the Company Secretary, Mr. Saurabh Bansal. On behalf of the entire management team, I would like to begin by expressing my sincere gratitude to our shareholders and investors who have placed a great deal of trust in MV Electrosystems Ltd.

As we mentioned earlier, we are a railway technology company, and we are actively working in two domains. One is rail propulsion systems, and the second is electrical hardware systems, subsystems, and components for overhead electrification. Both are railway-related domains.

In September last year, we received our very prestigious approval for rail propulsion systems. This was followed by a series of tenders in which we secured an order book of over 1,000 crore-plus for four particular orders on the locomotive and MEMU propulsion systems. After that, we came up with our IPO to raise the proceeds required mainly for the company's working capital, to scale up operations, and to scale up the manufacturing of propulsion systems.

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This particular IPO, or this particular request, was well accepted by the industry, and we had a very successful IPO. Once again, on behalf of the company, I would like to express my sincere gratitude to all the stakeholders and all the investors who are present today, as well as those who are not present today at this meeting, for placing so much trust and confidence in the company.

As we mentioned, we started manufacturing propulsion systems, and some supplies—two or three small batches—have already taken place. However, since we have now received the proceeds, from September onwards you will see the actual scale-up happening. You will see the propulsion systems being manufactured and the acceleration happening month over month and quarter over quarter. I think by the time we reach January, you will see the scale-up completed. By completed, I mean that we should reach a capacity of approximately 40–45 locomotive propulsion systems per month.

The factories and manufacturing facilities are already ready, the manpower is fully geared up, and all the necessary ingredients are in place. The only deficiency was working capital, and that is now well in place. The orders have also been placed overall.

We already mentioned before the IPO, in our various conferences, that we are an R&D-oriented company. We have a dedicated Research and Development center. Immediately after we completed our propulsion system and received approval, this R&D center was recognized by the Department of Scientific and Industrial Research, which acknowledged and appreciated the effort that went into developing our own indigenous IPR for propulsion systems.

With this backing, we can have more programs, more propulsion systems, and more types of propulsion systems for different rolling stock, including MEMUs and specialized trains such as Vande Bharat and Amrit Bharat trains, as well as locomotives of different capacities. You will see all these programs in the future.

On one side, we are scaling up our operations, manufacturing, and revenues. On the other side, we are working on a new program involving the development of a MEMU train propulsion system. I think that for the next few years, you are going to witness a similar methodology. On one side, we will be scaling up one program that has received approval or has been developed. On the other side, you will see a new program being developed and researched in parallel.

Rolling stock has many variants. To cater to those variants, continuous research and development will be required in our R&D center. We have already extended our R&D premises, and we are also going to scale up our R&D team for this purpose.

In parallel, we have already started participating in rail electrification projects because there are certain specialized systems and subsystems that we have developed, or that we have developed through a technology tie-up with a South Korean company called TNC Technology. We have participated in those tenders, and we are very hopeful that we will win some of them. This will also contribute to our revenues along with our propulsion systems.

You will therefore see two very ambitious domains being built in the company. One would be rolling stock propulsion systems, and the other would be overhead rail electrification systems. As far as the economy and the government's forecasts are concerned, there is a great deal of impetus on both segments.

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We are talking about the modernization of rail electrification, doubling the 25 kV lines, and installing many systems and subsystems to support this electrification. On the other side, we are talking about high-speed trains, cities becoming larger, and the requirement for many MEMUs in the next few years.

Both are going to be very ambitious domains and ambitious applications for our products. So, should we say that we are a railway company and a railway-focused company? I would say that as far as propulsion systems are concerned, this is the most intricate and largest component of—

Mohit Bohra – Management: —specifically in the subjects of power electronics and embedded systems. Similarly, when we talk about automatic fault locators for rail electrification systems and other electrical hardware being built in the company, that is again a subject involving electrical hardware design and embedded design.

This means that we have a very capable team on the power electronics side and the embedded systems side. This also opens up many applications and several opportunities that can cater to many industries. In the future, you may see diversification from railways to other sectors as well.

In parallel, as I mentioned, we are in the middle of a very large-scale expansion. We could not participate in a very ambitious event that took place in Germany alongside the railway exhibition InnoTrans. We wanted to demonstrate on a global scale the product that we had developed and received approval for. However, because of the burden of the scale-up, we could not do so.

Next time, we will definitely participate and demonstrate our capabilities and products, including a broader range of products, at this event. This will obviously help us take the company onto the global stage.

What do we see? We see that we have a very ambitious order book, and that a substantial scale-up is required. On the other side, we see new programs from the railways for different rolling stock, and we see many new products coming in on the overhead electrification side.

We can target diversification in different regions across the globe. We can also see diversification into several other industries because of our power electronics, electrical hardware, and embedded system design capabilities.

Hopefully, we are going to see a very ambitious company going forward in the form of MV Electrosystems Ltd. Currently, as I mentioned, we have an order book of about 1,000 crore-plus. As I have already mentioned, you will see the scale-up happening in September itself, and month over month you will see a very good scale-up taking place in front of you.

May I now request our Managing Director, Mr. Pankaj Rastogi, to share a few words?

Pankaj Rastogi – MD: Good morning, everybody. Thank you very much for trusting us during the IPO, and of course, for trusting our technology. I will touch only on some additional points that Mr. Mohit Bohra has already discussed.

We are addressing two platforms. One will be on the locomotive side. We have already cleared the 6,000-horsepower platform for propulsion systems. We will be adding some more products to this,

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such as the hotel load converter and the composite converter. At this point, these will be part of the locomotive platform.

Secondly, we will be upgrading this platform, possibly to 9,000 horsepower or 12,000 horsepower. We are exploring that option, and the study is ongoing.

The second platform will be distributed power trains. These will include EMU, MEMU, Vande Bharat, Vande Metro, and similar platforms. We have already secured an order, and we are already working on the technology. During the design process, we will cover all these applications. Since we will be designing this for the first time, we will cover both the onboard and underslung portions as well. This will be our second platform.

The third aspect is that we will target high-speed trains. We will convert our technology from silicon to silicon carbide. We will move toward higher safety-integrity levels, or SIL levels, and we will definitely add some more products through our JVs or consortiums, such as motors. Traction motors will also be added to our portfolio.

Further, we will add some more service-oriented companies to this portfolio. We will have additional integrators who can help us with faster development of these products.

The third part is OHE, as discussed by Mr. Mohit Bohra. In OHE, we have already started with one product, the AFL. We are exploring new products as well. It is too early to discuss them, but we will strongly build the OHE platform too.

We have DSIR approval, so we are exploring and have access to government schemes and government initiatives to develop new products. We can also receive government support for this.

As already mentioned, we now have a new R&D center in place, and we will soon expand the R&D team. We expect that by Q3 we will have this team working specifically on distributed power trains.

As we expand, we also need greater access worldwide. Therefore, we are expanding and adopting a collaborative approach. For AFL, we have collaborated with PLC Technologies. For motors, we have Hansung Motors, South Korea. We will be adding more companies to our portfolio, and we are exploring additional companies.

You will therefore see a very strong technology platform in the coming quarters. Perhaps in the next three to four quarters, you will see a significant change in our technology platform. Thank you very much.

Mohit Bohra – Management: Thank you very much. We can now move to the question-and-answer session if anyone has any other questions for us.

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 questions. I request all participants to kindly limit themselves to two questions per participant and rejoin for a follow-up. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

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The first question is from the line of NX Chaudhary from NX Capital. Please go ahead.

NX Chaudhary – NX Capital: Hello, good morning, and congratulations on the blockbuster IPO. It has been a really strong performance, and the numbers and trajectory that you have showcased have been impressive.

My first question is whether you can provide some color on the supply chain. How are we managing the raw materials that we are procuring for the production scale-up that we are targeting? What are the inventory requirements and the lead time in this regard? If you can provide some color, that would be helpful.

Mohit Bohra – Management: Thank you very much, Mr. Chaudhary. It is a very good question because we have a very complex product in front of us. There are obviously thousands and thousands of part numbers. Some of them are Indian products, while some are imported from outside India. Some can be brought by sea, some by air, and some have to be brought by sea because of their heavy weight and volume.

There is no common delivery time or procurement time. It varies from 7 days to 6 months, depending on the commodity. However, on average, if you ask me in terms of the financial turnaround, you can consider 45 days as a nominal period for raw material procurement from a financial calculation perspective.

This is the cycle. In addition to that, there are a few days for manufacturing, then logistics, and finally some additional days for receipt of payment from the customer.

NX Chaudhary – NX Capital: Understood. In terms of the business opportunity for the current offering as a propulsion system package, if we want to understand the opportunity per coach, how much opportunity can we address in terms of the number of systems? How should one look at it?

Mohit Bohra – Management: It is very easy to understand. Indian Railways is generally a very transparent organization. We are not talking about the global railway platform right now; let us talk about Indian Railways for a moment.

We manufacture in India, and India manufactures more than 1,600 locomotives in a year. This is not a nominal or fixed number because the number has been increasing consistently since 1950. That graph is also available on the Indian Railways website.

Gradually, we kept adding capacity, and Indian Railways manufactures about 1,600 locomotives. On the other hand, we have a population of more than 15,000 locomotives in the country. Some locomotives may be very old, perhaps 15, 20, or 25 years old. They will also require rehabilitation, including a change of propulsion system.

On one side, we have 1,600 locomotives, and on the other side, we have rehabilitation requirements. We are also talking about a very large number of EMUs. At the moment, I can generally see that 300–500 EMUs will be tendered or have already been tendered this year. This represents a very large volume.

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Further, we have Vande Bharat trains, Amrit Bharat trains, metros, and the RRTS program. All of these figures are available on the Indian Railways website. Therefore, the total available potential that you want to estimate can be estimated using the figures on the website.

NX Chaudhary – NX Capital: Thank you.

Operator: Thank you. We request you to come back for a follow-up. Participants, please limit yourselves to two questions per participant and rejoin for a follow-up.

The next question is from the line of Tarun Agarwal from Tata Investments. Please go ahead.

Tarun Agarwal – Tata Investments: Hello, am I audible?

Mohit Bohra – Management: You are very audible. Please go ahead.

Tarun Agarwal – Tata Investments: Good morning, and congratulations on the IPO. It is always a pleasure speaking with you, Mohit.

I have three follow-up questions. My first question relates to the order tendered by PLW on August 10. That order was cancelled. I wanted to understand whether we had applied for the order and tendered for it, and whether the order was cancelled due to some technical grounds. Also, did only Megha tender for the order? What is the overall scenario? If you could explain it in detail, that would be very helpful.

Mohit Bohra – Management: This is news to me as well. Has our order been cancelled? How did you come to know about the order cancellation, if it has happened? None of the five gentlemen sitting here knows about any order that has been cancelled, Tarun.

Tarun Agarwal – Tata Investments: I saw on the GeM portal that the order was scheduled to be tendered on August 10 and was cancelled. I was curious about it and wanted to ask this question.

Mohit Bohra – Management: Was a new tender cancelled? Which tender was it? Which organization are you referring to?

Tarun Agarwal – Tata Investments: PLW, PLW, PLW.

Mohit Bohra – Management: CLW? What was the subject of the tender? What kind of propulsion system was it?

Tarun Agarwal – Tata Investments: It was for locomotive propulsion systems. It involved approximately 127 sets.

Mohit Bohra – Management: A tender for 127 propulsion system sets may have been issued, but we do not know about it. We do have an active tender from CLW for 748 locomotives.

Tarun Agarwal – Tata Investments: Yes, that tender is scheduled to be issued on August 31. I also have a follow-up question. I want to understand the entire process: if an order is tendered on a tendering date, how long does it take to convert it into an order?

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Mohit Bohra – Management: It varies from organization to organization and from situation to situation. Generally, it happens within 45 days, but sometimes it is extended to 90 days as well. That is the process.

Tarun Agarwal – Tata Investments: Thank you.

Operator: Thank you. Tarun, kindly come back for the next question.

The next question is from the line of Ayush Agarwal from NPL Value Investing Fund. Please go ahead.

Ayush Agarwal – NPL Value Investing Fund: Good morning, sir. I hope I am audible.

Mohit Bohra – Management: Yes, you are very audible. Please go ahead.

Ayush Agarwal – NPL Value Investing Fund: Congratulations on the successful listing. My first question is that, as mentioned in the DRHP—

Ayush Agarwal – NPL Value Investing Fund: —the deadline to finish the order is December 26. We have only recently started ramping up our production. I would first like to understand our current monthly production run rate. If we are unable to deliver the propulsion sets by December 26, what happens to the order? Do we get an extension? Under what conditions? Or does the rest of the order stand cancelled? That was my first question.

Management: First of all, it is not December. The supply has to be completed sometime in March, and some of it will also be supplied in the next financial year. Because of this, we are ramping up our production.

We have an order book of approximately 500-plus, {? 564 ?} propulsion systems in hand. Since we are just starting up, we will probably be able to supply only 10 of them in September. We will ramp this up to approximately 25 in November and then to 40 in January.

Once we reach a run rate of 40 propulsion systems per month, I think we will easily be able to catch up with this order. However, if we still miss the deadline, extensions are always given to companies.

Propulsion is a very important part of rolling stock, so Indian Railways always tries to encourage suppliers and does not compromise on the capacity of a company that is trying to scale up. Hopefully, we will be able to supply the order. If it spills over, we will still receive an extension.

In the meantime, we already have tenders lined up, as you have seen. One tender is already there, and beyond September, the order book will continue to increase.

Ayush Agarwal – NPL Value Investing Fund: That is fair, and thank you for the response. My second question is that, given the way electronics costs have increased globally, and given that we have competed aggressively to secure the tender, including the current tender where we have probably reduced prices below the competition, what kind of margins are we expecting on the existing order book, considering that electronics prices have increased globally? I do not think we have a clause allowing us to increase prices.

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The second part is that, since I will not be given an opportunity to ask a third question, is there any update on the process and the timeframe for getting approved as a fully developed vendor for the Vande Bharat train? That is all from my side.

Management: First, you asked about profitability. Once we reach the actual design run rate for our capacity, hopefully in January, we expect to see PAT of easily more than 10%.

Secondly, regarding prices, you mentioned that we have reduced prices. If you have access to the financial calculations, which are also very transparent in Indian Railways, there was a very thin margin between all the companies that quoted. All six or seven companies that generally quote in this segment were very close to one another.

Therefore, it is not that we underquoted anywhere. Rather, we were L2 in two tenders and L1 in one tender. We will therefore enjoy a reasonable amount of profit. There are no problems on that front.

However, during the initial 1-2 months, or the initial few months, the scale-up will be taking place. At that time, you may not see these kinds of margins. Once we stabilize, we will see continuous improvement in margins month over month, which will be very visible to you.

Management: I would also like to add one more point to your question. We are now making bulk purchases. Earlier, we were targeting small lots. Now we have moved to purchases of 300 sets and 200 sets. Therefore, we are obtaining some margin despite the change in prices caused by the global situation. Thank you.

Operator: Thank you. The next question is from the line of Pritesh Chheda from Subhkam Ventures. Please go ahead.

Pritesh Chheda – Subhkam Ventures: Good morning, sir. Am I audible?

Management: You are audible, sir.

Pritesh Chheda – Subhkam Ventures: Good morning, and congratulations on a good set of numbers. My first question relates to the EMU, or rather MEMU, developmental order that we have received for approximately 86 crore. I wanted to know the status of this order. What is the expected delivery timeline? Do we require RDSO approval for this, or is the approval we received for locomotives also applicable to this product?

Management: RDSO approval is always required because these are safety-critical items. Therefore, it is always required.

As far as supply is concerned, Indian Railways has given us 24 months to supply this item. This is a reasonable timeframe for EMUs and MEMUs. In fact, everyone, including developed suppliers that are already approved suppliers in this segment, receives a similar timeframe for distributed power trains, which include EMU trains, MEMU trains, and Vande Bharat trains.

Within those 24 months, we have the additional assignment of developing and designing this item and obtaining approval for it. We are hoping to design and develop this particular product platform in the next 8-10 months. Testing will take place thereafter, and we believe that we will comfortably

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be able to supply this quantity within the stipulated time period mentioned in the purchase order.

Pritesh Chheda – Subhkam Ventures: My second question relates to the agreement we have entered into with the South Korean company PNC Technologies. This is for the automatic fault locator system. What kind of business opportunity and revenue potential do we see from this particular system?

Management: This is a very specialized product. Indian Railways is trying to double its railway lines and tracks. Therefore, overhead electrification is also required on those lines.

Generally, we refer to this as a 1x25 kV AC line. If there are two lines, it is referred to as a 2x25 kV AC line. When you have this type of infrastructure requirement, you need a very specialized fault locator.

These fault locators can immediately confirm whenever and wherever there is a fault that the fault is located at a particular distance. This allows Indian Railways to address the fault immediately and take the necessary action.

These fault locators will be installed across India wherever we have electrified tracks. We see this taking place over the next 5–7 years, with all these fault locators being installed.

We saw this as a good opportunity. We did not want to spend time developing the product ourselves because we believed it was a time-bound activity. That is why we entered into a tie-up with PNC. I think PNC is one of very few companies, probably only 2 or 3 companies globally, that possess this technology. PNC is one of them, and I would say it is the most competitive one.

Operator: Thank you. Pritesh, kindly come back for a follow-up question.

The next question is from the line of Divyansh Jajoo from Trinetra Asset Managers. Please go ahead.

Divyansh Jajoo – Trinetra Asset Managers: Good morning, sir. Thank you for the opportunity. My first question relates to the 1,000 crore order book. How will the revenue conversion take place in the next quarter and during the year?

Management: This year, we are targeting revenue of 400 crore, and we will definitely achieve it. In the subsequent year, when we reach the run rate I have already mentioned—approximately 40 propulsion systems per month—which translates into approximately 70 crore per month, you can estimate the turnover for the subsequent year as well.

Divyansh Jajoo – Trinetra Asset Managers: How will the bottom line look for this order?

Management: We expect a PAT margin of approximately 10% or more to come comfortably from this order.

Divyansh Jajoo – Trinetra Asset Managers: While going through the investor presentation, I read about the MCF and Rail Wheel Factory tender. Is this a new participation for you? Has this order been received, or is it yet to be received? We are new in this segment.

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Management: The EMU order has already been received. I am sorry if I did not hear your question clearly. Could you please ask it again?

Divyansh Jajoo – Trinetra Asset Managers: My question was regarding the MCF and {? Rail Bareilly ?} tender mentioned in your investor presentation. We are a new entrant in this segment. Has the order been received, or is it yet to be finalized?

Management: The MCF order has already been received and is in hand. It has to be supplied within 24 months.

Operator: Thank you. Divyansh, kindly come back for a follow-up question. I request all participants to kindly limit themselves to two questions per participant.

The next question is from the line of Lokesh Surana from Sangvi Family Office. Please go ahead.

Lokesh Surana – Sangvi Family Office: Thank you for allowing us to ask the question. My first question is to understand the cash flows of one order. For example, if we deliver an order today, in how many days do we receive cash from the Railways? Also, have we availed any working capital facility for this?

Management: As we have already disclosed in our prospectus, the total overall business cycle is 105 days. However, we have made three dispatches to the Railways, and payment was received well within 15 days in all three cases.

I think this reduces our overall working capital cycle, and it is possible for the cycle to be completed in much less than 105 days. I would say that the majority of the time required will be the 45-day procurement cycle. That is the longest part of the cycle.

If you need to achieve a turnover of approximately 40 propulsion systems per month, or tentatively 1,000 crore, you need working capital of approximately 200 crore to cater to the maximum requirement.

Lokesh Surana – Sangvi Family Office: Just to squeeze in one more question: for locomotives, EMUs, MEMUs, and Vande Bharat, would the average ticket size be the same across all four categories, or would it increase as we move toward Vande Bharat? Also, what timeframe would be required for RDSO approval for each category?

Management: As far as EMUs and MEMUs are concerned, as we have already mentioned, we have the order in hand, and it has to be supplied within 24 months. Rest assured that within that timeframe, we will develop the product, obtain approval, and supply the six train propulsion systems.

Secondly, regarding the value of the propulsion system, you asked me about approximately {? 16 ?} train systems—16 systems—16 train systems. A 12-coach EMU train is worth approximately 16 crore, because this is not just the propulsion system; it includes the complete electrical system of the train set.

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When it comes to Vande Bharat, at present, it is approximately 40 crore for 16 coaches. Tentatively, it is for 16 coaches. For a 16-coach Vande Bharat train, the propulsion system and associated electrical systems are worth approximately 40 crore.

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

Deepak Poddar – Sapphire Capital Partners: Sir, am I audible?

Management: Yes, you are audible, sir.

Deepak Poddar – Sapphire Capital Partners: I wanted to understand whether the average realization per propulsion system is close to 1.75 crore. Would that be the right understanding? The total order book also includes a 3-year AMC, correct?

Management: The supply portion is 1.67 crore. However, the AMC would be approximately {? [unclear] ?}. We arrive at this figure only tentatively.

Deepak Poddar – Sapphire Capital Partners: So, 1.67 crore is the right number?

Management: Yes.

Deepak Poddar – Sapphire Capital Partners: My second question is on your pipeline. Can you provide more information on the pipeline and order inflow? We have received this 564 crore order, correct? What kind of pipeline are we looking at, and what order inflow do we expect for this year? You mentioned that next year you are looking at 40 propulsion systems per month, which would itself amount to approximately 480 crore. This year, you are closing at approximately 200 crore. I wanted to understand what kind of order inflow we are expecting.

Management: First of all, 564 is not the order value; it is the number of systems. The value of the order is tentatively 989 crore for the locomotive propulsion systems that we currently have in hand.

In addition, there is an 86 crore purchase order for EMU propulsion systems. Combined, these represent an order pipeline of more than 1,000 crore currently in hand.

You saw that this was an annual requirement. We hope, and are confident, that we will receive a similar kind of order book for locomotive propulsion systems very consistently in the coming years, year over year.

As far as growth prospects are concerned, we are also working on EMU propulsion systems. Once we receive approval for this, you will see further growth from that segment.

Operator: Thank you. The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead.

Tushar Bohra – MK Ventures: Thank you for the opportunity. You mentioned the fault locator systems that you are developing with the South Korean company. What kind of potential exists for this technology over the 5–7-year horizon that you mentioned? What kind of tendering do you expect across the years?

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Management: Good morning, Tushar. First of all, you need to understand that there are three components of this fault locator.

One is installed at the traction substation. When you travel by train, you can see substations. Every substation will have one automatic fault locator.

Between two automatic fault locators, there is a point located approximately in the middle called a sectioning point, or SP for short. You need one automatic fault locator at that sectioning point as well.

Between the sectioning point and the transformer, there are two subsectioning points. You need two automatic fault locators at those points.

Based on the current rates, the subsectioning point automatic fault locator costs 12 lakh per unit, the sectioning point automatic fault locator costs 24 lakh per unit, and the substation transformer automatic fault locator costs 36 lakh per unit.

You can calculate how many substations there are in India. Once you know the number of sections, you automatically know the number of subsections as well. Roughly speaking, between one transformer and the next, it would represent approximately 1 crore of revenue.

Tushar Bohra – MK Ventures: You also mentioned a few more potential collaborations or product partnerships. Could you highlight the areas you are focusing on? Also, could you provide more information on what you meant by a global business mindset, including the specific steps and the period over which we will start to see results?

Management: As far as collaborations are concerned, distributed power trains are generally a larger subject because associated electrical systems are also involved. You need critical components such as traction motors and traction transformers, as well as several other components such as contactors.

Therefore, you need to collaborate with global or leading manufacturers that have sufficient experience and have supplied these components to global railways in the past. We have entered into tie-ups and are trying to establish more and more tie-ups across these product lines.

Secondly, regarding the global stage, immediately after the setup is completed and we are stabilized, we would like to demonstrate these capabilities on the global stage. Generally, InnoTrans, or the German exhibition, is the platform where this is done effectively because all the global railway players are generally present there.

At the next InnoTrans exhibition, you will see our stall and our product exhibition there. Hopefully, that will give us a good starting point for operating on the global stage.

Operator: Thank you. The next question is from the line of Rohit Sharan from Mythought PMS. Please go ahead.

Rohit Sharan – Mythought PMS: Good morning, sir. Congratulations on the IPO. My first question is about the MEMU propulsion system. After executing this development order, you will receive large

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orders, correct? Will this collaboration continue in the future, or will you develop the system in-house and participate independently?

Management: As far as the future of the business is concerned, EMU is going to have a very strong future for at least the next decade or decade and a half.

Small cities are becoming much larger. Satellite cities such as Chandigarh and Jaipur, and several cities in South India and West India, are expanding rapidly. The distance between two cities is also decreasing. Therefore, we now need EMUs to cater to the populations in these areas.

Very soon, you will see a very large number of tenders for EMUs being issued annually and regularly. We have already published approximately 4–6 active EMU tenders.

The future of Indian Railways is going to include EMUs. We will complete our product, as I mentioned, within 1 year, followed by approval, and we hope to supply it within the stipulated timeframe.

Immediately after we supply those systems, we will be approved for bulk quantities and larger quantities. We will participate in all the tenders that we see in India and also on the global stage.

Rohit Sharan – Mythought PMS: My question is whether you will make it completely in-house.

Management: It will be designed and developed completely in-house with our own IPR and our own technology.

Operator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer – Sequent Investments: Hello, am I audible?

Operator: Yes, sir.

Vignesh Iyer – Sequent Investments: My question is about R&D. How do you see R&D expenses developing every year? Could you provide guidance for the FY27 and FY28 numbers?

Management: The annual R&D expense is tentatively 9 crore per year for the company. However, we may expand our R&D team slightly in the near future to cater to the EMU and Vande Bharat design and development requirements. At present, it stands at 9 crore.

Vignesh Iyer – Sequent Investments: Considering the model we have in place, where everything is done in-house and the IP is in our name, and assuming that we continue with a similar model in the future, do we have a number in mind? For example, will we consistently spend 3–4% of our revenue on R&D four or five years from now?

Many Original Equipment Manufacturers, and companies in the engineering and pharmaceutical sectors, maintain a certain percentage of turnover as R&D expenditure. Is there a similar target for us?

Management: In our case, it will be approximately 3–4% of total revenue.

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Operator: Thank you. Yash, I request you to please come back for a follow-up question.

The next question is from the line of Yash from Invid Research. Please go ahead.

Yash – Invid Research: Am I audible, sir?

Management: Yes, please go ahead.

Yash – Invid Research: I am very new to railways as a market. Before discussing MV Electrosystems Ltd., I would like to take a step back and understand the propulsion market better.

Could you explain the current annual demand and the future demand for propulsion systems? Who are the existing suppliers, and which new players are entering the market? Recently, a listed company called Hind Rectifiers also received a development order from the Railways. I know only Medha among the existing players. Are there any other players? Are you seeing more players entering the market, and could this lead to cost pressure and margin pressure?

Management: Regarding propulsion systems, a propulsion system supplier is always welcome in any country in the world. Globally, there are no more than 9–10 manufacturers of propulsion systems, and I am referring to the entire world. These manufacturers cater to the railway industry globally.

Fortunately, we were successful and registered our name among these 9–10 suppliers in September last year. It is also very important from our country's perspective to have our own IPR and technology because sometimes you cannot seek help from other countries for your priorities and platforms.

Our country has its own priorities, requirements, and areas of focus. If we have Indian-origin IPR, along with indigenous players, this can provide significant support to these platforms and allow us to prioritize them.

Secondly, when we discuss the overall potential of the propulsion business, the global rolling stock business is very large. Why should we consider only Indian Railways? Locomotives operate all over the world. In the United States, there are 240,000 kilometers of track compared with 80,000 kilometers in India. There are also much larger rail networks in countries such as Russia and China.

Globally, there is a huge requirement for diesel locomotives, electric locomotives, metro trains, EMU trains, and high-speed trains. It is therefore a very large industry and application.

Specifically in India, as we have already mentioned, we manufacture 1,600 locomotives every year. We already have 15,000 locomotives running in India, some of which are retrofitted. We also manufacture approximately 300–400 EMUs every year.

We have specialized trains such as Vande Bharat and Amrit Bharat, and we are now discussing RRTS, or rapid rail transit systems. These kinds of corridors will be developed in Delhi, Mumbai, and the southern part of India.

All these factors add up to a very large total available market and significant potential for the propulsion industry.

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Operator: Thank you. The next question is from the line of Kushal Goenka from Mangal Keshav Financial Services. Please go ahead.

Kushal Goenka – Mangal Keshav Financial Services: Thank you for giving me the opportunity. We have been investing heavily in R&D for the last 5 years and are still in expansion mode. Is there any insight you would like to share regarding whether we can gain a cost advantage over our peers, whether our products are more specialized, or whether they are at par and the L1 bidder will always be the winner? That is my first question.

Management: Your voice had an echo, or I do not know what the issue was, but I could not hear you properly. You will have to repeat the question.

Kushal Goenka – Mangal Keshav Financial Services: Am I audible now, sir?

Management: It is still not coming through clearly. Please try again.

Kushal Goenka – Mangal Keshav Financial Services: Is it better now, sir?

Management: Please continue. We will try to understand.

Kushal Goenka – Mangal Keshav Financial Services: My question is that we have been investing heavily in R&D for the last 5 years and are still expanding. Is there any insight you would like to share regarding whether we can gain a cost advantage over our peers, whether our products are more specialized, or whether they are at par and the L1 bidder will always be the winner?

Management: First of all, the L1 bidder will always be the winner. However, as far as the propulsion industry is concerned, Indian Railways keeps everyone in business.

The last time we bid in a tender, there were 7 bidders, and even the L7 bidder was given a small quantity. It is very difficult to build manufacturing capacity for propulsion systems. Therefore, once the capacity is built, Indian Railways ensures that everyone receives a sufficient amount of business so that their business continues to operate.

That is why we say that it is a very safe business in this regard.

Secondly, you asked about R&D over time. Locomotive propulsion systems represent a very consistent business. We decided to start with locomotive propulsion systems because we had historical data. From 1950 through 2026, we can see how many propulsion systems were built and how many locomotives were manufactured, and we can see the year-over-year growth.

We found this very promising because it provides us with a stable order book and stable revenues. When we built the R&D center and developed these capabilities in-house, it enabled us to—

Management: —use these capabilities and the R&D center to develop more products, which are actually required by India, with our own IP, as I mentioned.

That is why we have now started with EMUs, because EMUs will be in very high demand over the next decade or decade and a half. We will see a very large number of EMUs being introduced.

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Subsequently, when we develop EMUs, specialized trains such as Vande Bharat will use the same platform. The platform is the same, with only a small amount of variation in the mechanical systems and perhaps a small amount of variation in the electrical hardware. The fundamentals are the same.

Therefore, when you have an R&D center, it makes complete sense to develop more products and produce more products so that they add to your revenue year over year.

Operator: Thank you. The next question is from the line of Tanishka Agarwal from Nivesha Investment Advisory. Please go ahead.

Tanishka Agarwal – Nivesha Investment Advisory: Thank you for the opportunity. What is the expected timeline for securing approvals for Vande Bharat and metro propulsion systems, and when do we expect to apply?

Management: For EMU propulsion systems, we expect to receive approval in approximately {? 14 months, 16 months ?}. The approval time is approximately 3 quarters, or 9–10 months, over and above the development time. Therefore, you can consider that it will take approximately 15–16 months to obtain approval for the EMU propulsion system.

Tanishka Agarwal – Nivesha Investment Advisory: After approval, how many propulsion systems will be delivered, and what EBITDA margin will we realize on them?

Management: As far as the supply of propulsion systems is concerned, as we have already mentioned, we are currently scaling up.

We will supply the first 10 propulsion systems in September. We will scale this up to 25 in November, then to 40 systems in January, and will continue supplying approximately 40 propulsion systems every month, month over month.

Initially, margins were very constrained, or even negative, because the quantities were very low. Once we reach this figure, we expect PAT of more than 10% from these revenues.

Operator: Thank you. The next question is from the line of Anand Modi from Equonimity Growth Fund. Please go ahead.

Anand Modi – Equonimity Growth Fund: Hello, am I audible?

Management: Yes, please go ahead.

Anand Modi – Equonimity Growth Fund: Thank you for the opportunity. Mohit, when do we expect Unit 2 to be set up?

Management: Unit 2 has already been set up. In fact, we will start fabricating our bodies and carrying out the assembly work from Monday onwards.

Anand Modi – Equonimity Growth Fund: How do we recognize R&D expenditure? Do we capitalize it or expense it through the P&L?

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Management: We do not capitalize it. We have never capitalized it, and we will not capitalize it in the future either.

Operator: Thank you. The next question is from the line of the Research Team from Elpro International Limited. Please go ahead.

Vinay Maheshwari – IGI Family Office: Am I audible?

Operator: Yes, sir. Please go ahead with your name first.

Vinay Maheshwari – IGI Family Office: My name is Vinay Maheshwari from IGI Family Office. My question relates to capacity. This year, we will be able to deliver approximately 200 propulsion sets. Next year, given that we will be producing 40 propulsion sets per month, we will make 480 propulsion sets.

Assuming that we receive an order book at the same level next year and in subsequent years, how do you see this capacity? Will capacity become a constraint on growth from FY29? I wanted to understand your view.

Management: As far as capacity is concerned, we can produce, or rather we have built capacity to produce, as many as 65 propulsion systems per month. However, we want to operate at 40 propulsion systems per month so that there is a consistent flow of revenues year over year and quarter over quarter, without disruption.

Sometimes, companies build larger capacity and remain unoccupied. That leads to losses. Considering the past trend and future projections, we believe that 40 systems per month is a very safe level that will keep us occupied.

The additional capacity could be used for EMU propulsion systems, because that opportunity is also not far away from us.

Vinay Maheshwari – IGI Family Office: My second question is about working capital days. We have approximately 238 days payable. How do you see this going forward, and what working capital days would be sustainable in the future? When do we expect cash flow from operations to become positive?

Management: First of all, the total business cycle, or payment cycle, is less than 105 days. That is what we mentioned in our prospectus.

In the last 3 dispatches, we completed production, made the dispatches, and received the payments. The entire cycle was completed in 85 days. I am not saying that this will happen every time, but it has happened in the last 3 instances. From the beginning of the process until receipt of payment, the total period was 85 days.

I do not know where you saw 238 days. Perhaps you may have seen the figures for the first propulsion system, or perhaps for some other product.

Secondly, regarding profitability, we are very hopeful that in the next 2–3 months you will see us becoming profitable, because 25 propulsion systems per month is also a substantial quantity. That

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will make us comfortably profitable.

Operator: Thank you. The next question is from the line of Ashish Soni from MM Capital. Please go ahead.

Ashish Soni – MM Capital: You mentioned capacity of 40 propulsion systems per month, but the annual locomotive tenders amount to only 1,600 units, correct? How do you plan to utilize the capacity, and how much can you win every year?

Management: This year, we won approximately 560 locomotives. We are therefore very hopeful that we will definitely be able to secure 480 propulsion systems year after year. That is very much possible.

As an Indian supplier, and because we have significant flexibility, this is very much possible. Secondly, there has always been growth in locomotive quantities, as we have seen in the past trend.

A few years ago, we used to see 1,000 or 1,100 locomotives being built. Today, we are building 1,600–1,700 locomotives, as we did last year. There is always an increase year over year, and that also contributes to the order book or helps us maintain the same level of efficiency.

Ashish Soni – MM Capital: My second question is about the Vande Bharat train propulsion system. What is our status, and how will this propulsion system capacity be utilized? You mentioned that it is somewhat different from locomotive propulsion systems, EMUs, and Vande Bharat systems.

Management: First of all, the manufacturing facilities, production facilities, and machines remain the same, whether you manufacture a locomotive or a Vande Bharat-type train.

Generally, we refer to this as a distributed power propulsion system. There are two types of propulsion systems. One used in a locomotive is called a concentrated propulsion system because it is concentrated within one locomotive.

When you have trains such as Vande Bharat, EMUs, or MEMUs, the propulsion system is distributed. In simple terms, you can say that you cut or divide the propulsion system into smaller pieces and attach them below each coach of the train. In that case, the propulsion system is distributed.

That is why EMUs, Vande Bharat trains, MEMUs, and metro trains all operate on the same platform. Once we develop the EMU train, developing all these other trains will not take much time. It will only require a small amount of mechanical iteration, a small amount of software iteration, and, because we have our own IP, the process will be even quicker.

Operator: Thank you. The next question is from the line of Darshit Shah from Nirvana Capital Group. Please go ahead.

Darshit Shah – Nirvana Capital Group: Good afternoon. Thank you for the opportunity. In terms of the capacity you mentioned, do we intend to operate two shifts from next year once we start manufacturing 40–45 systems?

Management: Yes. We have already made two units, and we would also operate two shifts in our existing factory.

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Darshit Shah – Nirvana Capital Group: In terms of capex, do we plan to incur any capex over the next 1–2 years, or is no further capex required from the company, at least for this year and next year?

Management: No capex is required for machinery or production facilities. The only capex required will be for testing machines or test setups.

We have already ordered 3 additional test setups so that we can test more propulsion systems and supply them faster. Hopefully, we will complete the installations within the next 45–60 days.

Darshit Shah – Nirvana Capital Group: Thank you, sir.

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

Ankur – Genunity Capital: If you can help us with the deliveries made in Q2 so far, that would provide more color on the run rate for this quarter and on the guidance given in the presentation.

Management: How much did we supply in Q2?

Management: Q3.

Ankur – Genunity Capital: This quarter—the nearly 2 months that have passed.

Management: There is only 1 month left in this quarter. In that 1 month, we will be able to supply 10 propulsion systems. That is our target.

Ankur – Genunity Capital: So, there have been no deliveries during the first 2 months?

Management: No, there have been no deliveries. September will involve 10 systems.

Ankur – Genunity Capital: Thank you, sir. All the best.

Operator: Thank you. The next question is from the line of Darshil Zaveri from Crown Capital. Please go ahead.

Darshil Zaveri – Crown Capital: Good afternoon, sir. Thank you for taking my question. Some of my questions have already been answered.

I wanted to understand the point regarding the approximately 1,600 locomotives for which new orders come in. When does the order inflow begin? I wanted to understand the current situation. Our capacity is fully booked, but when will the new annual orders start coming in? What is our target for the order book during this year?

Management: Generally, the tenders start being issued in September. Do not quote me exactly, because it may vary by approximately 1 month in either direction. September is generally the month when the tendering process starts.

In line with this, CLW has already published a tender for approximately 748 locomotive propulsion systems, if I am not mistaken. Subsequently, we expect tenders from Banaras Locomotive Works

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and Patiala Locomotive Works in the coming weeks, perhaps within a week's timeframe.

CLW is always the first, followed by Banaras Locomotive Works and then Patiala Locomotive Works. By the end of the calendar year, these orders will be finalized and orders will also be placed with the suppliers.

Darshil Zaveri – Crown Capital: By the end of the calendar year, we will also have those orders in hand, correct? I also wanted to know who the other players are that we compete with. With our current capacity, we can serve nearly one-third of the market. Is there high competition in this area, and how do we manage the competitive intensity?

Management: As far as competition is concerned, we have global players such as Siemens, Alstom, and ABB, and Indian players such as Medha and BHEL.

We managed to secure approximately 25–26% of the total quantity that was tendered. We are very hopeful that we will maintain this percentage in the future.

That is why I mentioned that we can increase our capacity without any problem. In fact, we already have a capacity of 45 locomotive propulsion systems per month, but we want to keep it very consistent.

That is why we chose to produce 40 propulsion systems per month, so that we remain stable and consistent in this progress.

Operator: Thank you. The next question is from the line of Rahul Yadav from Ocean City. Please go ahead.

Rahul Yadav – Ocean City: Congratulations once again, as everyone has done, and most of my questions have been answered. I have one question regarding the bidding pipeline. How much have we bid as of today for which we have not yet received orders? What is the likely number or value of tenders expected before March, so that we can have visibility beyond the order book we already have?

Management: As I mentioned, the tendering cycle has just begun in September. We have an open tender for 748 locomotives, and we will be bidding in that tender.

In the subsequent months, I think we will have tenders from Banaras and Patiala Locomotive Works, which will collectively amount to approximately 1,600–1,700 locomotives.

In addition, I think there are more than 100 EMU propulsion system tenders published by ICF Chennai. A further 200 electric train sets have also been published by ICF Chennai.

These are all open tenders at present; they have not yet closed. We have not bid in any of them yet. We are preparing our documents and will hopefully submit our bids.

Rahul Yadav – Ocean City: That provides good visibility. Beyond the current order book, we have visibility for the production lines to remain active.

Management: Correct.

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Rahul Yadav – Ocean City: As of now, we have seen one competitor, Medha, in this segment. Next year, do you expect any third player, whether a domestic player or otherwise, to enter? Or is the current situation likely to remain unchanged for the moment?

Management: I cannot comment on any other company. However, if a competent company wants to enter, it is most welcome because we need to build our own capacity in India.

We need to give priority to this. You all know what happened with the bullet train project. We experienced a slight delay on the rolling stock side. If we had our own technology, and if there had been no delay, we might have been operating our bullet trains by now.

Therefore, it is necessary to build capacity in India. This is the time to build capacity, and we should work collaboratively. That is what we say in our company, including collaboration among companies, so that we can contribute more effectively to modernization and to the requirements of Indian Railways and other industries.

We would welcome those IPRs and indigenous technologies if they become available.

Operator: Thank you. The next question is from the line of Prateek Shrivastava from Nivesh Wisdom. Please go ahead.

Prateek Shrivastava – Nivesh Wisdom: Congratulations again on the strong future prospects. At the beginning of the call, you mentioned optionality, which investors appreciate. Can you provide a 3–4-year vision for renewable energy, industrial power systems, and energy storage, where your technologies are also relevant?

Management: We see a significant role for power electronics in electrical transmission and distribution and in the electrical sector, and we are definitely going to participate in that process.

We see marine and naval applications as a very promising industry as well. We would definitely like to participate in that sector.

As you mentioned, on the renewable energy side, there is also a significant need for power electronics, converter-inverter systems, and UPS systems. We will remain very busy with railway systems for the time being. However, we are also planning to enter the electrical and marine sectors in parallel.

As far as renewable energy is concerned, we have not planned anything yet.

Operator: Thank you. The next question is from the line of Tushar Bora from MK Ventures. Please go ahead.

Tushar Bora – MK Ventures: Thank you for the follow-up opportunity. First, given that marine propulsion systems are an area of interest for us, my understanding is that it may take a few years to build this business. Even if we are looking at a 3–4-year opportunity, the initial preparation should already have started, or I would expect it to start soon.

Could you highlight the plan of action and how we intend to build this vertical? Second, you mentioned silicon carbide technology and that propulsion systems will move toward it. Could you

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provide more qualitative details on the work we are doing and how it could be relevant from a 2–3–year perspective?

Management: The first point is that marine converters already use analogous technology. This means that they operate on a similar type of platform in terms of ratings and voltage class. It appears similar.

However, as Mr. Mohit mentioned, we are currently fully occupied with MEMUs and our existing propulsion systems. We are exploring the marine market, but initially we will target the 500-kilowatt system that we are also developing for the hotel load converter.

This 500-kilowatt system will match that requirement and will essentially be based on a modular concept. This is the first point regarding marine applications.

The only activity we are carrying out right now is that, because we are developing the hotel load converter, which has the same capacity and modular structure, we would like to use it for marine applications as well. However, we are continuing to study the area in greater detail.

The second point relates to silicon carbide. Since train speed is the major concern at present, reducing the size and weight of the converter-inverter systems would be helpful. If the systems are lighter, trains can operate at higher speeds more easily.

We are first targeting silicon carbide in the auxiliary converter and at the auxiliary converter level. Once we demonstrate this to Indian Railways, and if Indian Railways also wants silicon carbide development to be included in propulsion systems, we will proceed in that direction.

The first application will be our auxiliary converter, followed by the traction level. We are also searching for better devices because devices worldwide are very expensive and are still in the development phase. We are keeping a close watch on that as well.

Operator: Thank you. The next question is from the line of Bharat Sharma from Three Sigma Assets. Please go ahead.

Bharat Sharma – Three Sigma Assets: Thank you, sir. All my questions have been answered. Congratulations on the successful IPO, and best wishes for a great future. Thank you.

Management: Thank you very much.

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

Ayush Agarwal – MAPL Value Investing Fund: Thank you for the opportunity. I would like to understand exactly what stage we are at with the Vande Bharat propulsion system and what the next steps are for becoming a fully approved vendor.

Management: As I already mentioned, the Vande Bharat propulsion system is a distributed power propulsion system. It is similar in principle to an EMU propulsion system.

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We are developing our EMU or MEMU propulsion system. We expect to complete our product within the next 10 months. Once we do so, a small amount of iteration in the mechanical systems, software, and power hardware will allow us to build the Vande Bharat propulsion system. We could also build metro train propulsion systems and any other distributed power train propulsion system.

Please wait approximately 10 months. We will have this distributed power propulsion system ready with us.

Ayush Agarwal – MAPL Value Investing Fund: What kind of trials will we have to undergo after that?

Management: If I talk about the MEMU train, there are 2–3 stages for validating the product.

The first will be at the commissioning shed or commissioning depot. Since we will be supplying to MCF, they will validate the product there for 3 months. There is a protocol for this.

After that validation, performance trials will take place in the field. The product will be validated on the Delhi-to-Ambala route, as they have mentioned.

There are different kinds of trials at different speeds and over different distances. Acceleration and deceleration are calculated and verified to determine whether the supplied product has the required capacity.

After that, there is a trial for 4 months. They normally check whether the product has completed 30,000 kilometers or operated for 4 months. After that, approval is granted.

Operator: Thank you very much. Thank you very much, ladies and gentlemen. We will take that as the last question. I will now hand the conference over to Mr. Mohit Vora for closing comments.

Mohit Vora: Is there any question?

Operator: No, sir. We will take that as the last question. We can proceed with the closing remarks.

Mohit Vora: I once again want to express my deep gratitude to all the participants, investors, and stakeholders for participating in this conference call. Thank you very much.

If anyone wishes to do so, you are most welcome to visit our R&D center and our factory. You are welcome to see the infrastructure that we possess and the way we are progressing. Thank you very much. Greetings, and thank you very much.

Management: Thank you.

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

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.