



SHREETM
REFRIGERATIONS

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A Niche Naval HVAC Leader Entering a Larger Execution and Diversification Phase

We believe **Shree Refrigerations Limited (SRL)** offers an interesting play on India's naval modernisation and defence indigenisation opportunity. The company operates in the specialised **naval HVAC&R market**, where products are mission-critical, customised and subject to stringent technical qualification, testing and approval requirements. Unlike conventional HVAC, competition is determined less by distribution or branding and more by **engineering capability, successful product qualification, execution track record and reliability**, creating meaningful barriers to entry. SRL has built capabilities across **chillers & refrigeration plants, turnkey HVAC&R systems and electrical control panels**, supported by defence-related registrations and approvals.

1. Strong Position in a High-Entry-Barrier Niche

SRL has evolved from a relatively small entrant in naval HVAC into an established supplier to Indian naval programmes. Management claims the company captured **almost 80% share of new naval HVAC&R orders in FY25**, competing against MNCs and large domestic players. During FY26, the company won more than **₹209 crore of orders**, including AC plants, refrigeration plants and turnkey HVAC packages for programmes such as Fleet Support Ships and Next Generation Offshore Patrol Vessels. The competitive advantage is strengthened by the qualification-intensive nature of the industry. Equipment must undergo naval inspections, Factory Acceptance Testing and specialised environmental/type testing. SRL possesses in-house testing capability for chillers up to **300 TR**, environmental load testing and defence-specific validation, creating both technical and execution barriers for new entrants.

2. ₹271 Crore Order Book Provides Strong Revenue Visibility

At FY26-end, SRL had an unexecuted order book of approximately **₹270.8 crore**, equivalent to **1.8x FY26 revenue**. The order book is diversified across HVAC, AC plants, refrigeration plants, spares & services, turnkey systems and chillers, providing visibility for execution over the coming years.

This visibility comes after a sharp operating scale-up. FY26 revenue increased **55.5% YoY to ₹153.5 crore**, EBITDA increased **21.8% to ₹32.8 crore**, while PAT increased **64.7% to ₹21.4 crore**. Over FY23–FY26, revenue increased from ₹50.6 crore to ₹153.5 crore, demonstrating the company's ability to convert its growing naval position into meaningful financial growth.

3. Capacity Has Been Created Ahead of the Next Growth Phase

A major constraint for a specialised defence manufacturer is the ability to execute increasingly large orders without compromising quality or delivery timelines. SRL has therefore invested ahead of demand. Its existing **37,000 sq. ft. manufacturing footprint** has been supplemented by a new **50,000 sq. ft. Hanbarwadi facility**, which commenced commercial operations in June 2026.

The company invested approximately **₹24.4 crore in capex during FY26**, adding laser cutting, bending, cranes, paint-shop and shot-blasting capabilities. The expansion increases capacity while also bringing more processes in-house, which can potentially improve manufacturing control, reduce dependency on external vendors and shorten execution timelines as utilisation scales.

This is important because a large part of the capital and employee-cost increase has already been incurred ahead of revenue. Higher utilisation of the new capacity therefore provides scope for **better asset turns and operating leverage** if the order pipeline continues to convert into execution.

4. Data Centres Can Create a Second Growth Engine

Until now SRL has remained overwhelmingly defence dependent, with defence contributing approximately **95% of FY26 business**. The company's entry into data-centre cooling therefore represents more than just another product category—it could gradually create a meaningful **non-defence growth engine**.

SRL has partnered with **Smardt Chiller Group** for oil-free magnetic-bearing chillers for Indian data centres and was also selected as a **Danfoss Turbocor Authorised Service Partner in India**. These partnerships allow SRL to leverage technologies already familiar from its naval applications into high-efficiency commercial cooling and potentially create equipment as well as recurring servicing opportunities.

Successful scaling of data centres, followed by merchant marine and industrial cooling, can gradually **increase the addressable market, reduce customer concentration and create a more diversified revenue mix**.

5. Balance Sheet Strengthening Provides Capacity to Execute Growth

The IPO and earlier equity raises have significantly strengthened SRL's capital base. Debt/equity reduced from approximately **0.7x in FY23 to 0.2x in FY26**, giving the company greater financial capacity to fund large naval projects.

Working capital remains structurally high because naval projects require upfront procurement, long manufacturing/testing cycles and formal inspections before dispatch and collection. However, the direction has improved: working-capital days declined from approximately **464 days in FY25 to 317 days in FY26** in our analysis, while company presentation disclosures also highlight a substantial improvement in the operating cycle.

Industry Structure & Addressable Market

Specialised HVAC&R: A Niche Within the Larger HVAC Industry

The global HVAC industry covers residential air-conditioning, commercial cooling, industrial chillers, ventilation, controls, installation and lifecycle services. However, **Shree Refrigerations does not compete meaningfully in mass-market residential or commercial ACs.**

Its relevant market is the much narrower **mission-critical HVAC&R segment**, where cooling systems are customised for the operating environment and failure can affect the functioning of the underlying asset.

Industry Segmentation

Broad HVAC Market	Mission-Critical HVAC&R	Shree's Relevant Markets
Residential AC	High-reliability cooling	Naval & Defence HVAC&R
Commercial HVAC	Customised engineering	Marine Refrigeration
Industrial Cooling	Precision temperature control	Data Centre Cooling
Chillers	Redundancy / uptime requirement	Industrial / Process Cooling
Ventilation & Controls	Lifecycle service support	Retrofit, Spares & Services

The key difference is that defence and marine HVAC is an engineering and qualification business rather than simply an equipment-selling business. Naval systems have to operate in confined spaces under high humidity, salinity, vibration and demanding operating conditions.

Modern defence HVAC also protects sensitive electronics, radar systems, weapons infrastructure, control rooms and other mission-critical systems. This results in **high technological entry barriers and long product/vendor qualification cycles.**

Marine HVAC Opportunity — Bottom-Up TAM

A useful way to estimate Shree's market is to start with the value of upcoming vessels and estimate HVAC content.

Defence Marine

Approved / identified naval projects: ~₹2.35 lakh crore

Estimated AC/HVAC content: ~1%

Implied Defence Marine HVAC Opportunity: ~₹2,350 crore

Management expects Indian naval expansion to be the biggest structural driver of this opportunity.

Non-Defence / Merchant Marine

Projects being tendered: ~₹1.90 lakh crore

Estimated HVAC content: ~0.5%

Implied Commercial Marine HVAC Opportunity: ~₹950 crore

Combined Identified Marine HVAC Opportunity: ~₹3,300 crore

Importantly, this calculation primarily captures **new-build equipment opportunity.**

It does **not fully capture:**

Spares + Maintenance + Retrofit/Replacement + Merchant Marine Expansion + Defence Exports + Lifecycle Services

An earlier company presentation independently estimated the Indian Naval HVAC opportunity at approximately **₹3,200 crore over 5-7 years**, excluding merchant vessels, replacement demand, exports, spares and services, broadly supporting the current bottom-up estimate.

Naval & Defence HVAC: Structural Multi-Year Opportunity

Indian Defence & Naval Modernisation Creates a Long Growth Runway

India's defence ecosystem is undergoing a structural change from an import-dependent procurement model toward **domestic design, manufacturing and sourcing**.

For FY2026-27, India's defence allocation increased to an all-time high of **₹7.85 lakh crore**, up 15.2% over the FY26 Budget Estimate. Capital acquisition spending is budgeted at approximately **₹1.85 lakh crore**, up ~24%, while **₹1.39 lakh crore—around 75% of the capital acquisition budget—is reserved for procurement from domestic industry**.

Key Industry Numbers

Indicator	Latest Position	Why It Matters
FY27 Defence Budget	₹7.85 lakh cr	Larger overall defence spending pool
Capital Acquisition Budget	₹1.85 lakh cr	Supports new platforms and modernisation
Domestic Procurement Allocation	₹1.39 lakh cr	Direct benefit to Indian defence supply chain
FY26 Defence Production	₹1.78 lakh cr	+15.6% YoY
FY26 Defence Exports	₹38,424 cr	Growing export opportunity
Naval vessels currently planned	52 ships	All being constructed in India
Additional pipeline	75 ships & submarines	Orders in final stages of approval

India's defence production reached a record **₹1.78 lakh crore in FY26**, while private-sector contribution increased to 24%, highlighting greater private participation in defence manufacturing.

The Navy's shipbuilding pipeline is particularly important: the Government stated that **all 52 warships currently planned for induction are being built in India, while orders for another 75 ships and submarines were in the final stages of approval**.

Why Every New Naval Platform Creates HVAC Demand

A naval vessel cannot use normal commercial air-conditioning equipment.

The HVAC&R system has several functions:

1. Crew Environment

Maintains temperature, humidity and ventilation inside living and operating areas.

2. Electronics & Combat Systems Cooling

Provides thermal management for control rooms, communication equipment, radar and electronics.

3. Refrigeration

Preserves food and provisions during long deployments.

4. Equipment Cooling

Supports heat-sensitive machinery and mission-critical systems.

5. Environmental Control

Maintains controlled operating conditions across different compartments.

Because naval vessels face **salt exposure, vibration, space limitations, shock requirements and continuous operation**, products must be specifically designed, tested and qualified for naval use.

Industry Economics

New Ship

↓

HVAC Design & Vendor Qualification

↓

Equipment Manufacturing

↓

Installation & Commissioning

↓

Spares & Maintenance

Mid-Life Retrofit / Replacement

This creates a potentially attractive lifecycle business.

Once equipment is deployed on a vessel class, the installed base can generate opportunities for **spares, servicing, repairs, upgrades and eventual retrofit**, beyond the original equipment sale.

Data Centre Cooling & Commercial Marine: Expanding the TAM

Data Centre Cooling — A New Structural Growth Vertical

The second major HVAC opportunity is emerging from India's rapidly growing data centre industry. India had approximately **1,123 MW of operational data centre capacity in H1 2025**. JLL expects capacity to reach approximately **2,073 MW by the end of 2027**, implying an ~85% increase and requiring roughly **US\$6.3 billion of investment**.

A separate JLL forecast expects India's capacity to reach around **1.8 GW by 2027**, supported by cloud service providers, AI workloads, BFSI digitisation and data localisation.

Why AI Increases Cooling Intensity

Traditional servers

- Lower rack density
- Conventional cooling

Cloud + GPU + AI servers

- Higher power consumption per rack
- More heat generated
- Higher precision cooling requirement
- Greater importance of energy efficiency and redundancy

Data centres increasingly require:

Precision Thermal Management**24x7 Reliability & Redundancy****Lower Power Usage****Low-Maintenance Cooling Systems****Oil-Free Magnetic Bearing Chillers****Liquid / High-Density Cooling Solutions**

Shree's FY26 investor presentation estimates that **cooling systems can account for approximately 12–13% of total data centre project cost**, illustrating the significance of cooling within data centre capex.

The company also highlights the transition toward energy-optimised systems, magnetic-bearing technology and liquid cooling.

Commercial Shipbuilding Adds Another Marine Opportunity

India is simultaneously pushing domestic commercial shipbuilding.

In September 2025, the Government approved a **₹69,725 crore package** for shipbuilding and the maritime sector, including financing assistance, a Maritime Development Fund and capacity expansion incentives.

By July 2026, the Government had prepared a **fleet acquisition plan for 400+ vessels**, providing long-term demand visibility to Indian shipyards.

Separately, **456 vessels across 288 contracts worth ₹19,748 crore** had already received in-principle approval under the Shipbuilding Financial Assistance Policy as of March 2026.

Why this matters for HVAC

Every commercial vessel can require some combination of:

AC Plants + Chillers + Refrigeration Plants + Ventilation + AHUs/Fan Coils + Control Panels + Installation + Lifecycle Service

Therefore, expansion of India's domestic shipbuilding capacity gradually creates a second marine HVAC market beyond defence.

Industry Opportunity is Becoming Broader

Vertical	Growth Driver	Industry Character
Naval / Defence	Fleet expansion + localisation	Highest barriers, long qualification
Data Centres	AI + cloud + digitalisation	High growth, energy efficiency critical
Merchant Marine	Domestic shipbuilding push	Large emerging new-build opportunity
Industrial Cooling	Manufacturing / pharma / chemicals	Customised process cooling
Aftermarket	Growing installed base	Spares, service and retrofit

Shree's addressable industry is evolving from a largely naval HVAC opportunity into a broader mission-critical cooling market. Defence provides a qualification-protected base business, while data centres, commercial marine, retrofit and lifecycle services can progressively expand the addressable market and reduce dependence on individual naval programmes.

Shree Refrigerations Limited (SRL) is a specialised engineering and manufacturing company focused on **mission-critical HVAC&R (Heating, Ventilation, Air-Conditioning & Refrigeration) systems**, with its core business centred on the **Indian defence and naval marine market**. Unlike conventional HVAC companies that largely sell standardised commercial or residential cooling products, Shree designs and executes **customised, qualification-driven cooling systems for warships, submarines and other demanding marine applications**, where reliability, vibration resistance, corrosion protection and continuous operation are critical.

What Does the Company Manufacture?

Shree provides an integrated portfolio covering almost the entire cooling requirement of a

naval vessel:

Product / Service	Application
AC / Chilled Water Plants	Centralised cooling for warships and naval vessels
Refrigeration Plants	Low-temperature storage of food and provisions onboard
Turnkey HVAC&R Systems	Complete design, supply, installation and commissioning
Submarine Air-Conditioners	Compact specialised cooling systems for submarines
AHUs / ATUs / Fan Coil Units	Distribution of conditioned air across compartments
Electrical Control Panels	Control and protection of HVAC equipment
Spares & Aftermarket Services	Maintenance and replacement during equipment life
Retrofit / Modernisation	Replacement and upgrading of HVAC systems on existing vessels

Shree is among the few Indian companies with registrations across the three important naval HVAC categories — **chillers & refrigeration plants, turnkey HVAC&R solutions and electrical control panels** — enabling it to supply a larger portion of the cooling package rather than remaining a single-product vendor.

How the Business Works

The business is primarily **project and order-book driven**. Shree participates in naval and shipyard tenders, develops a system according to vessel-specific specifications, completes design and engineering, procures/fabricates components, manufactures and tests the equipment, and subsequently undertakes installation and commissioning at the shipyard.

Tender / Order → Engineering & Design → Procurement & Fabrication → Manufacturing → Testing & Defence Inspection → Installation & Commissioning → Spares / Service → Retrofit

This creates two revenue opportunities. The first is **new-build revenue**, generated from equipment such as AC plants, refrigeration plants and turnkey HVAC packages supplied for new ships. The second is the **lifecycle opportunity**, where the installed equipment can generate recurring demand for spares, maintenance, repairs, upgrades and eventual replacement or retrofit.

Customer Base & End Markets

The company's major customers are the **Indian Navy, defence establishments and Indian shipyards**, making defence and marine applications the core business. Government revenue increased to around **77% of sales in FY25**, reflecting the increasing contribution from naval HVAC project execution.

Alongside defence, Shree is gradually building additional growth verticals in **data-centre cooling, merchant marine and industrial/process cooling**, which can diversify the business over time.

Manufacturing & Engineering Capabilities

Shree's competitive positioning is built around **in-house engineering, manufacturing, testing and execution capabilities**. Naval HVAC equipment needs to operate under high humidity, salt exposure, vibration, limited space and varying loads, making engineering capability and product validation substantially more important than in conventional HVAC.

The company historically operated approximately **37,000 sq. ft. of manufacturing space** across Karad and Vagheri and commissioned an additional **50,000 sq. ft. facility in June 2026**. The new facility includes backward-integration capabilities such as robotic welding, laser cutting, bending, painting and shot blasting, which should increase control over manufacturing and support larger project execution.

Emerging Data-Centre Opportunity

Shree is using its experience in high-efficiency and magnetic-bearing cooling systems to enter the **data-centre cooling market**. Its subsidiary, Trezor Technologies, has entered into an agreement with **Smardt Chillers** for sale, installation and after-sales servicing of chillers for data centres in India. Shree has also been selected as a **Danfoss Turbocor Authorised Service Partner in India**, creating another potential aftermarket opportunity around oil-free magnetic-bearing compressors.

Product Portfolio



AC Plant / Chilled Water Plant

The AC plant is the central cooling system of a ship. It cools water to nearly 6°C or as per customer requirement, and this chilled water is circulated to AHUs, ATUs and fan coil units across the vessel. In naval platforms, the system supports crew comfort as well as cooling of control rooms, electronics areas and other heat-sensitive compartments. Shree offers these plants in 5 TR to 300 TR capacities, with seawater-cooled or air-cooled configurations. This is the core product family for Shree, as marine chillers/HVAC systems form the bulk of its revenue.



Refrigeration Plant

The refrigeration plant is used for low-temperature storage onboard ships and submarines, including food, provisions and other temperature-sensitive supplies during long deployments. Shree's marine refrigeration plants are offered in 0.5 TR to 10 TR capacities. Compared with normal cold-room equipment, the product has to be compact, rugged and reliable enough for shipboard operation, making it a natural extension of Shree's marine HVAC capability.



Self-Contained Air Conditioner

A self-contained air-conditioner is a compact packaged cooling unit for localized marine applications. It is useful where a full chilled-water connection or ducted system is not practical, but a specific compartment or equipment space still requires cooling. For Shree, this product broadens the company's ability to address smaller shipboard cooling requirements beyond the main AC plant.

Product Portfolio



Marinised Split Air Conditioner

A marinised split AC is a split air-conditioner redesigned for maritime environments. It is used to cool localized heat pockets on ships where standard domestic split ACs may be unsafe or unreliable. The value is not in the basic AC cycle, but in adapting the product for shipboard safety, corrosion protection, vibration resistance, mounting and naval serviceability. This product shows Shree's ability to solve practical heat-management problems inside naval vessels.



Starter and Control Panels

Starter and control panels manage the electrical operation of HVAC equipment such as compressors, pumps, fans and motors. They provide starting, protection, monitoring and control functions. This is strategically important because Shree is registered for naval electrical control panels, allowing it to offer a more integrated HVAC&R package rather than only mechanical cooling equipment.



AHU / ATU and Fan Coil Units

AHUs, ATUs and fan coil units distribute cooled air across compartments. They usually do not create cooling themselves; instead, they use chilled water supplied by the central AC plant and transfer that cooling into room or compartment air. These products complete the shipboard HVAC chain: the AC plant generates chilled water, while AHUs and fan coil units deliver usable cooling across the vessel.

Product Revenue concentration

Particulars	2023	2024	2025
Chillers			
(1) Marine	37.2	70.6	82.8
As a % of revenue	74%	88%	84%
(2) Other Chillers	3.6	3.5	5.2
As a % of revenue	7%	4%	5%
Fabrications	5.6	3.2	4.0
As a % of revenue	11%	4%	4%
Other Products and services	4.2	3.0	6.7
As a % of revenue	8%	4%	7%

Product vs Services Split

Particulars	2023	2024	2025
Sale of Products	53.5	86.2	108.6
Sale of Services	2.0	2.4	2.2
Packing and Forwarding Receipts	0.1	0.1	0.1
Freight Charges	0.1	0.1	0.0
Other Charges	0.0	0.0	-
Less : Goods & Service Tax on Sale	5.0	8.4	12.2
Total Revenue	50.6	80.3	98.7

Govt. vs Non Govt. Split

Particulars	2023	2024	2025
Government Sector	32.3	65.8	75.9
As a % of revenue	64%	82%	77%
Non- Government Sector	18.3	14.5	22.9
As a % of revenue	36%	18%	23%

Government revenue increased from 64% of sales in FY23 to 77% in FY25, driven by higher execution of naval HVAC orders for the Indian Navy and PSU shipyards. This segment provides stronger order visibility and higher entry barriers, but revenue recognition is project-led and working capital remains elevated due to long manufacturing cycles, inspection requirements and delayed payment processing. Margins can also fluctuate depending on the mix of equipment, turnkey HVAC, spares and services.

Non-government revenue grew from ₹18.3 crore in FY23 to ₹22.9 crore in FY25, but its share declined as naval revenue scaled faster. This segment is likely to have shorter approval and collection cycles than defence orders, but currently lacks the same order-book visibility and scale. Going ahead, data centres, merchant marine and industrial cooling can improve customer diversification and working-capital mix, provided these verticals scale profitably.

Statewise Split

Particulars	2023	2024	2025
Gujarat	0.8	0.1	0.1
Telangana	0.1	0.2	0.4
Haryana	0.9	0.7	0.8
Uttar Pradesh	7.3	6.0	5.5
Kerala	0.0	0.0	0.0
Maharashtra	28.0	51.9	35.6
Rajasthan	0.1	0.0	0.0
Madhya Pradesh	0.1	0.0	0.0
Daman & Di	0.0	0.2	0.5
Andra Pradesh	0.6	0.4	1.3
Goa	0.1	0.0	5.1
Assam	0.0	0.1	0.0
Bihar	0.0	0.0	0.0
Chhattisgarh	0.0	0.1	0.0
Dadra and Nagar	0.0	0.0	0.0
Himachal Pradesh	0.0	0.0	0.0
Jharkhand	0.2	0.0	0.0
Karnataka	0.0	0.0	0.5
Tamil Nadu	0.1	0.4	6.9
Uttarakhand	0.1	0.0	0.0
West Bengal	12.0	20.1	41.9
Delhi	0.0	0.0	0.0
Punjab	0.2	0.0	0.0
Export	0.0	0.0	0.1

Shree's geographic revenue mix primarily mirrors the location of executing shipyards rather than broad-based regional demand. Maharashtra and West Bengal remained the dominant revenue centres, though FY25 saw a shift toward West Bengal and emerging contributions from Tamil Nadu and Goa. While this indicates wider participation across shipyards, revenue remains concentrated around a limited number of naval customers and programmes, making annual state-wise mix inherently volatile.

Gross Profit Margin

Particulars	2023	2024	2025	2026
Revenue from Operations	50.6	80.3	98.7	153.5
YoY Growth		59%	23%	56%
COGS	24.1	39.8	50.1	86.6
YoY Growth		65%	26%	73%
As a % of revenue	48%	50%	51%	56%
Cost of materials consumed	25.7	36.4	61.2	85.2
Purchase of Stock in Trade	0.0	0.0	0.0	0.0
Changes in inventories of finished goods, work-in-progress and Stockin- Trade	-1.6	3.5	-11.1	1.4
Gross Profit	26.4	40.5	48.6	66.9
Gross Profit Margins	52%	50%	49%	44%

Trend: Gross profit increased from ₹26.4 crore in FY23 to ₹66.9 crore in FY26, but gross margin declined from 52% to 44%. Margins were broadly stable at ~49–52% till FY25, before compressing sharply in FY26.

Reason: The FY26 margin decline was mainly mix-led. Management indicated that spares revenue fell from almost 40% of revenue last year to around 8% in the current year, while revenue shifted toward new HVAC/order execution. Spares require lower production effort and typically carry better margins, whereas new AC plant/HVAC systems are more material-intensive due to compressors, heat exchangers, refrigeration controls, fabrication and electrical components. Hence, COGS rose 73% YoY in FY26 versus revenue growth of 56%, increasing COGS/revenue from 51% to 56%.

Operating Profit Margin

Particulars	2023	2024	2025	2026
Employee benefit expenses	7.1	8.7	14.3	21.7
YoY Growth		23%	64%	52%
As a % of revenue	14%	11%	15%	14%
Other expenses	7.5	7.4	7.4	12.4
YoY Growth		-1%	0%	68%
As a % of revenue	15%	9%	7%	8%
EBITDA	11.9	24.4	26.9	32.8
EBITDA Margins	24%	30%	27%	21%
Depreciation and amortisation expenses	3.6	3.8	4.2	5.8
As a % of revenue	7%	5%	4%	4%
EBIT	8.3	20.6	22.7	27.0
EBIT Margins	16%	26%	23%	18%

Trend: EBITDA increased from ₹11.9 crore in FY23 to ₹32.8 crore in FY26, but EBITDA margin moved from 24% in FY23 to 30% in FY24, 27% in FY25 and 21% in FY26. EBIT margin followed a similar trend, expanding from 16% in FY23 to 26% in FY24 before moderating to 18% in FY26.

Reason: FY24 was the strongest operating leverage year, as revenue grew 59% while employee cost grew only 23% and other expenses declined marginally. FY25 saw margin moderation due to a sharp step-up in employee cost, reflecting manpower addition for larger naval HVAC execution. FY26 margin compressed further due to three factors: lower gross margin from reduced spares mix, front-loaded employee cost for a ₹327 crore order book, and higher execution infrastructure costs. Management clarified that spares fell from almost 40% of revenue last year to around 8%, while employee cost was front-ended because the company had already deployed teams for orders to be executed over the next two to three years.

Interpretation: The FY26 margin decline should be viewed as normalization from a high-spares/high-operating-leverage phase rather than structural deterioration. During large new-build execution years, EBITDA margin may remain closer to management's guided 20–22% band. Margin upside can come when spares, services and retrofit revenue rise as a share of revenue.

Net Profit Margin

Particulars	2023	2024	2025	2026
Finance costs	4.4	4.5	4.5	3.5
As a % of revenue	9%	6%	5%	2%
Other Income	0.3	0.9	0.4	1.5
As a % of revenue	1%	1%	0%	1%
EBT	4.3	16.9	18.5	25.0
EBT Margins	8%	21%	19%	16%
Tax expenses	1.7	5.4	5.0	3.5
As a % of Revenue	3%	7%	5%	2%
Effective Tax rate	39%	32%	27%	14%
PAT	2.6	11.5	13.5	21.5
PAT Margins	5%	14%	14%	14%

Trend: PAT increased from ₹2.6 crore in FY23 to ₹21.5 crore in FY26, while PAT margin expanded from 5% in FY23 to ~14% from FY24 onward. Interestingly, PAT margin remained broadly stable at ~14% for three consecutive years despite EBITDA margin moderating from 30% in FY24 to 21% in FY26.

Reason: FY24 was the key profitability inflection year, driven by strong revenue growth, better fixed-cost absorption and only marginal increase in finance cost. FY25 PAT margin remained stable despite EBITDA margin moderation, supported by broadly flat finance cost and lower effective tax rate. FY26 needs to be interpreted carefully: while operating margin compressed due to lower gross margin, reduced spares mix and front-loaded execution costs, PAT margin was protected by finance cost declining from ₹4.5 crore to ₹3.5 crore, other income increasing to ₹1.5 crore, and effective tax rate reducing sharply to 14%.

Interpretation: The stability in PAT margin is not purely operational. FY26 reported PAT benefited meaningfully from below-EBIT factors, especially lower finance cost, higher other income and lower tax rate. Hence, for valuation, EBITDA margin remains the cleaner measure of operating performance, while PAT should be normalized for sustainable tax rate and recurring other income.

Asset Turnover

Particulars	2023	2024	2025	2026
Revenue from Operations	50.6	80.3	98.7	153.5
YoY Growth		59%	23%	56%
Total Assets	94.3	124.1	185.6	299.9
YoY growth		32%	50%	62%
Fixed Assets	6.4	7.0	13.6	39.5
YoY growth		9%	94%	190%
Total Asset turnover	0.5	0.6	0.5	0.5
Fixed Asset turnover	7.9	11.4	7.3	3.9

Shree's asset-turnover profile reflects the nature of a defence project business. Total asset turnover has stayed around 0.5x because the business requires high working capital, inventory and receivables during long inspection-led execution cycles. The sharper decline in fixed asset turnover is more tactical: the company has front-loaded fixed assets for future growth. FY26 fixed assets jumped 190% YoY to ₹39.5 crore, while revenue grew 56%, indicating that capacity addition ran ahead of revenue recognition. This is acceptable if the incremental asset base is linked to confirmed order execution, testing capability and faster delivery timelines. However, if order conversion slows, the same asset build-up can depress ROCE and cash generation.

Leverage

Particulars	2023	2024	2025	2026
Total Assets	94.3	124.1	185.6	299.9
Debt	32.1	36.8	39.7	39.5
Equity	45.2	60.7	114.7	219.6
Debt/Equity	0.7	0.6	0.3	0.2
Leverage (Total assets/Equity)	2.1	2.0	1.6	1.4

Trend: Shree's balance sheet has strengthened meaningfully over FY23–FY26, with debt/equity reducing from 0.7x to 0.2x and total assets/equity reducing from 2.1x to 1.4x. However, this deleveraging is primarily equity-led rather than debt-repayment-led, as absolute debt has remained broadly stable at ~₹32–40 crore while equity increased from ₹45.2 crore to ₹219.6 crore due to retained earnings and fresh capital raise.

ROE

Particulars	2023	2024	2025	2026
Profit after tax	2.6	11.5	13.5	21.5
Revenue from operations	50.6	80.3	98.7	153.5
Total Assets	94.3	124.1	185.6	299.9
Equity	45.2	60.7	114.7	219.6
Leverage	2.1	2.0	1.6	1.4
Total Assets turnover	0.5	0.6	0.5	0.5
PAT Margins	5%	14%	14%	14%
ROE	6%	19%	12%	10%
ROE (Leverage Constant)	6%	19%	15%	15%
ROE (Asset Turnover Constant)	6%	16%	12%	10%
ROE (PAT Margins Constant)	6%	7%	4%	4%

Trend: ROE improved from 6% in FY23 to 19% in FY24, before moderating to 12% in FY25 and 10% in FY26 despite continued growth in PAT. The moderation is primarily due to a significant expansion in the equity base following the capital raise and retained earnings, while the expanded capital base is yet to generate proportionate earnings.

Interpretation: Shree's profitability has remained resilient, with PAT margins sustaining at ~14% since FY24. Going forward, ROE improvement will be driven less by margin expansion and more by higher asset utilization as the recently created manufacturing capacity ramps up with execution of the growing order book. Faster order execution and improved working capital rotation will be the key drivers of return ratios.

Working Capital

Particulars	2023	2024	2025	2026
Revenue from Operations	50.6	80.3	98.7	153.5
YoY Growth		59%	23%	56%
Working Capital	51.3	83.4	125.5	133.2
As a % of revenue	101%	104%	127%	87%
Inventories	29.9	32.2	47.4	54.8
As a % of revenue	59%	40%	48%	36%
Trade Recievables	31.6	63.6	95.2	105.4
As a % of revenue	62%	79%	96%	69%
Trade Payables	10.2	12.3	17.1	27.0
As a % of revenue	20%	15%	17%	18%
WC Turnover	1.0	1.0	0.8	1.2
Inventory Turnover	1.7	2.5	2.1	2.8
Trade Recievables turnover	1.6	1.3	1.0	1.5
Payable Turnover	5.0	6.5	5.8	5.7
Working Capital days	370	379	464	317
Inventories days	216	146	175	130
Debtor days	228	289	352	251
Payable days	73	56	63	64

Trend: Working capital remained structurally elevated due to Shree's long-cycle naval project model, rising from ₹51.3 crore in FY23 to ₹125.5 crore in FY25 before moderating to ₹133.2 crore in FY26 despite 56% revenue growth. Working capital intensity improved sharply from 127% of revenue in FY25 to 87% in FY26, while working capital days reduced from 464 to 317 days.

Reason: The business requires upfront procurement of project-specific components, extended manufacturing and testing cycles, and customer/Navy inspection before dispatch and payment. Revenue from equipment sales is generally recognised on dispatch, while collections follow shipyard verification, documentation and acceptance, keeping receivables high. FY26 improvement was driven by faster inventory rotation, better receivable conversion and stronger execution.

Outlook: Working capital should improve gradually as the expanded manufacturing and in-house testing infrastructure shortens execution and inspection timelines. However, the business is likely to remain working-capital intensive, with the key monitorable being whether working capital grows slower than revenue

ROIC

Particulars	2023	2024	2025	2026
EBIT	8.3	20.6	22.7	27.0
EBIT Growth		147%	10%	19%
NOPAT (EBIT-Cash tax)	8.3	19.5	28.7	32.6
NOPAT Growth		134%	47%	13%
NOPAT Margin	16%	24%	29%	21%
Fixed Assets	6.4	7.0	13.6	39.5
Working Capital	51.3	83.4	125.5	133.2
Invested Capital	57.7	90.5	139.2	172.6
YoY Growth		57%	54%	24%
Invested Capital Turnover	0.9	0.9	0.7	0.9
ROIC	14%	22%	21%	19%
ROIC Pre Tax	14%	23%	16%	16%

Re-Investment Rate

Particulars	2023	2024	2025	2026
Capex for the year	0.6	1.4	7.8	24.4
Working capital changes	16.4	29.1	58.0	24.8
CFO before WC	12.0	25.0	27.1	33.2
Reinvestment rate = Capex + changes in WC/CFO	142%	122%	243%	148%

Trend: ROIC improved from 9% in FY23 to 16% in FY24, before moderating to 12% in FY25 and recovering slightly to 13% in FY26. The decline from the FY24 peak was driven by invested capital growing faster than operating profit, as the company absorbed capital into working capital and new manufacturing capacity ahead of revenue ramp-up.

Interpretation: Shree remains in a high-reinvestment phase, with reinvestment exceeding operating cash generation in every year. FY25 was particularly capital-intensive, with the reinvestment rate rising to 243% due to a sharp working-capital build-up, while FY26 remained elevated at 148% because of capacity expansion and continued working-capital requirements.

Outlook: ROIC improvement will depend primarily on higher utilisation of the expanded capacity and better working-capital rotation as order execution ramps up. Since the recent investments have already been made, revenue growth without proportionate additions to fixed assets and working capital should support higher invested-capital turnover and improve returns over time.

Shree Refrigerations operates an order-led, defence-oriented HVAC&R value chain where demand is created through naval tenders, shipyard relationships, technical qualification and long-cycle project execution. The company's core value addition is not in manufacturing every component in-house, but in designing, sourcing, integrating, testing and commissioning complete shipboard HVAC&R systems that meet Navy-approved technical and quality protocols. This makes the business closer to a mission-critical systems integrator/manufacturer than a standard HVAC equipment supplier.

Value Chain Overview

Value Chain Stage	What Happens	Why It Matters
Demand origination	Navy, shipyards, PSUs or industrial customers float tenders/RFQs or engage for technical-commercial discussions	Business is largely order-book driven; visibility depends on tender conversion and shipbuilding/refit cycles
Technical qualification	Technical data, drawings, binding data and quality assurance plans are submitted for approval	Defence projects require pre-approved technical protocols before manufacturing can begin
Design and engineering	Customer design is reviewed; part/product design, BOM and manufacturing plan are prepared	Shree's engineering role lies in converting customer requirements into manufacturable, ship-ready HVAC systems
Material procurement	Compressors, refrigeration controls, copper tubes, electrical controls and other bought-out items are procured; fabricated structures and heat exchangers are manufactured	Critical bought-out items create supplier dependence; in-house fabrication and integration create value-add
Manufacturing and fabrication	Base frame fabrication, welding, DPT/visual inspection, painting, heat exchanger assembly, pressure testing and electrical wiring are carried out	Manufacturing is process-control driven; quality gates are embedded across fabrication, heat exchangers and controls
Quality inspection and FAT	First unit type testing, factory acceptance tests and dispatch clearance from QA agencies are completed	Defence acceptance is inspection-heavy; dispatch depends on quality clearance rather than only factory completion
Dispatch and receipt inspection	Approved units are dispatched to shipyard; Navy, shipyard and testing authorities conduct joint receipt inspection	Revenue conversion can be delayed until inspection and acceptance milestones are cleared
Installation and onboard testing	Equipment is installed on the ship, set-to-work procedures are performed and machinery testing is conducted	Shipboard installation is a key differentiator versus normal HVAC manufacturing
Harbour/sea acceptance and handover	Harbour trials, sea acceptance trials and staff training are completed	Final acceptance links the equipment to actual ship performance, not only factory-level performance
Spares and services	Base/depot spares, manning, repair, AMC, maintenance and spare sales follow the installed base	Installed base creates recurring revenue potential, though current revenue remains largely product-led

Demand Side: From Tender Visibility to Order Book

Demand in Shree's core business is created primarily through naval shipbuilding programs, refits, shipyard orders and defence ecosystem opportunities. Unlike consumer HVAC companies, Shree does not generate demand through retail distribution or brand-led sales. The company participates in RFQs, RFPs and tenders where technical specifications, quality protocols, delivery milestones and acceptance criteria are defined by the customer.

In defence/marine projects, the process typically involves technical submission, quality protocol approval, price negotiation and contract award. The selected bidder submits technical data and quality protocols for review by relevant authorities, after which price negotiation is conducted with the L1 bidder before contract award. This means that the lowest bid alone is not sufficient; the vendor must also be technically compliant and quality-approved. For Shree, this favours vendors with prior naval registrations, product acceptance history and shipyard execution capability.

The demand cycle is therefore long and qualification-led. The company must maintain relationships with shipyards, Navy directorates and PSU customers, while also keeping technical capabilities ready before orders are awarded. This creates high entry barriers but also makes revenue lumpy, as order conversion depends on naval project timelines and shipyard execution schedules.

Technical Approval and Engineering: The First Value-Add Layer

After receiving a sales order, Shree records the order in ERP, submits binding data including drawings and the Quality Assurance Plan, and obtains approval from the Integrated Headquarters / relevant customer authority before moving into manufacturing. The company then prepares the bill of materials, manufacturing plan, material requirement plan and manufacturing order.

This stage is critical because defence HVAC systems are not standard catalogue products. Each AC plant or refrigeration system must be matched to ship-specific capacity, layout, cooling load, seawater/air-cooled configuration, electrical system, space constraints and customer quality requirements. The engineering value-add lies in converting customer-approved specifications into a manufacturable and testable system.

In normal commercial HVAC, a contractor may choose standard equipment from a catalogue and install it at site. In Shree's naval HVAC value chain, the system must be engineered to customer drawings, approved protocols and shipboard requirements before production begins. This makes technical documentation, design review and approval management a core operating capability.

Supply Side: Raw Materials, Bought-Out Components and In-House Fabrication

Shree's supply side consists of both bought-out critical components and in-house manufactured/fabricated assemblies. Compressors, refrigeration controls and copper tubes are procured as bought-out items. The company also procures electrical controls and other inputs required for control panels. These are then integrated with in-house fabricated structures, heat exchangers, electrical assemblies and piping systems.

The company's manufacturing flow under the chiller vertical shows three important internal workstreams. First, the base frame is fabricated through welding, DPT testing, visual/dimensional inspection and painting. Second, heat exchangers are processed through shell machining, fabrication assembly, fitting of tube sheets/tubes/fittings, pneumatic testing, pressure testing, hydro testing and painting. Third, electrical controls and control panels are assembled, painted, wired and tested.

The value chain therefore has a hybrid nature: Shree does not manufacture all high-end components such as compressors, but it controls the system-level integration, fabrication, heat exchanger work, electrical panel assembly and testing process. The economic moat lies in making the final naval HVAC plant work reliably as a complete system rather than in owning every component technology.

Manufacturing Process: Chiller / AC Plant

Manufacturing Area	Key Activities	Value Created
ERP and planning	Sales order entry, BOM preparation, manufacturing plan, MRP and manufacturing order	Converts customer order into executable production plan
Bought-out items	Compressor, refrigeration controls, copper tubes and other components procured	Brings in critical technologies and components
Base frame	Fabrication, welding, DPT test, visual/dimensional inspection, painting	Creates rugged structural base for marine use
Heat exchangers	Shell machining, fitment of fittings/tube sheets/tubes, pneumatic test, pressure test, hydro test, painting	Critical for heat transfer performance and pressure integrity
Electrical controls	Control panel fabrication, painting, electrical wiring and testing	Enables system operation, protection and monitoring
Final assembly	Integration of mechanical, refrigeration and electrical systems	Converts parts into a complete AC/chiller plant
Inspection and testing	Stage-wise and final testing as per QAP/FAT requirements	Ensures compliance before dispatch and customer acceptance

This is the operating core of the company. It explains why Shree is more than a chiller trader but less vertically integrated than a compressor OEM. The business sits in the middle: it procures critical components, manufactures/fabricates key assemblies, integrates them into a defence-grade system, and gets the system accepted through formal quality protocols.

Quality Assurance: The Most Important Operating Gate

Quality assurance is embedded throughout the value chain. During manufacturing, Shree carries out stage-wise identification and stage-wise process inspection. Fabricated components undergo welding and finishing, followed by painting and post-painting inspection. The final product is assembled and inspected to ensure it meets customer requirements before dispatch.

For defence orders, inspection intensity is higher. The first unit undergoes type testing, and each unit is subject to factory acceptance testing before dispatch. Dispatch clearance must be obtained from the appointed quality agency. After dispatch, the equipment undergoes joint receipt inspection at the shipyard by representatives from the Navy, material testing authorities and the shipyard.

This creates both a moat and a working-capital burden. The moat comes from the ability to repeatedly clear technical, quality and acceptance gates. The burden comes from the fact that inventory, work-in-progress and receivables can remain locked until inspections, dispatch clearances, shipyard acceptance and service milestones are completed.

Installation, Manning and Sea Trials: Why Shree Is Not Just a Factory Business

A major differentiator in Shree's value chain is that the company's responsibility does not always end at dispatch. In naval projects, the equipment is installed onboard the ship, followed by set-to-work procedures and machinery testing. Shree also provides manning services to operate plants and systems until the ship is fully operational. The project is completed only after harbour and sea acceptance trials validate shipboard performance, while training is provided to ship staff for effective operation.

This is important because naval HVAC performance is proven in real ship conditions, not merely inside a factory. A supplier must understand installation, shipboard access constraints, integration with the vessel, commissioning procedures and operating handover. This creates a practical execution barrier for new entrants, especially those that only manufacture standard HVAC equipment.

Aftermarket: Spares, Repairs and AMC

Shree's post-sale value chain includes base and depot spares, repair services, warranty support, annual maintenance contracts and spare-part sales. Chillers and AC plants require ongoing maintenance because compressors, pumps, valves, heat exchangers, refrigeration controls, electrical panels and sensors need service or replacement over time.

The prospectus states that base and depot spares are ordered, inspected and supplied to ensure availability of necessary spare parts. It also describes repair services for AC plants and refrigeration equipment on naval ships, including diagnostics, troubleshooting, replacement of faulty components, system calibration, leak detection, safety compliance and documentation. In addition, the company offers warranty, AMC, repair and maintenance services to minimize downtime and extend system life.

The aftermarket opportunity is strategically important because naval ships and submarines have long operating lives. Once Shree equipment is installed, the company can potentially earn from spares, repairs, AMC, retrofit and replacement cycles. However, current revenue still appears largely product-led, so aftermarket should be treated as an improving quality driver rather than the primary revenue base today.

Other Industries Value Chain

For non-defence industries, the value chain is shorter and more commercial. The process begins with customer enquiry, technical discussion, supplier price collection, finalization of technical offer, submission of technical-commercial offer, negotiation, purchase order, proforma invoice and advance payment. Manufacturing is then carried out according to an agreed quality assurance plan, followed by dispatch, installation if required, final inspection, performance demonstration, service contract discussions, spare sales and collection of remaining payment.

This shows that Shree's non-defence business is more conventional and customer-led compared with naval projects. It still involves technical discussion and QA plans, but the process is less complex than the defence-marine cycle involving Navy approvals, QA agencies, joint receipt inspection, onboard testing and sea acceptance trials.

Operating Insights

Shree's value chain explains why the business has both attractive entry barriers and structural risks. The attractive part is that the company is embedded in a qualification-heavy ecosystem where technical approvals, quality protocols, Navy registrations and shipyard relationships matter. Once a vendor proves itself across platforms, future orders, spares and service can become easier to win.

The risk is that this value chain is long, working-capital intensive and dependent on customer milestones. Revenue can be delayed by technical approvals, material procurement, type testing, FAT, dispatch clearance, shipyard inspection, onboard installation and sea trials. Critical inputs such as compressors and controls also create supplier dependence. Therefore, Shree's business quality should be judged not only by order book size, but also by order conversion, working capital discipline, inspection clearance cycle, service revenue growth and ability to reduce bought-out dependency over time.

Particulars	FY23	FY24	FY25	FY26
Debt	32.1	36.8	39.7	39.5
Long Term Borrowings	4.8	5.4	6.4	5.9
Short Term Borrowings	27.3	31.4	33.4	33.6
Finance Costs	4.4	4.5	4.5	3.5
Avg total cost of debt	14%	12%	11%	9%
Interest Coverage Ratio	1.9	4.5	5.0	7.6
Debt as a % of Total Asset	34%	30%	21%	13%
Debt/Equity	0.71	0.61	0.35	0.18

Trend: Total debt remained broadly stable at ₹32–40 crore over FY23–FY26, but leverage reduced sharply as the equity base expanded. Debt/equity declined from 0.71x to 0.18x, while debt as a share of total assets reduced from 34% to 13%. Despite similar absolute debt, finance cost declined from ₹4.5 crore in FY25 to ₹3.5 crore in FY26, reducing the implied average cost of debt from ~11% to ~9%. Consequently, interest coverage improved from 1.9x in FY23 to 7.6x in FY26.

Reason: The decline in finance cost appears to reflect an improvement in the borrowing mix rather than a major reduction in closing debt. In FY25, secured bank term loans and working-capital facilities largely carried interest rates of around **9–12%**, whereas unsecured business loans from banks and NBFCs carried substantially higher rates of **15–18.5%**. The company's cash-credit facilities included SBI at 9.75%, Yes Bank at 9.5%, and other secured facilities around 9.25–11.65%, while several unsecured loans were priced at 15–18.5%.

Interpretation: The FY26 reduction in borrowing cost likely reflects repayment or lower utilisation of expensive unsecured loans and greater reliance on lower-cost secured banking facilities following the equity raise. With leverage now comfortable and interest coverage at 7.6x, financial risk has reduced materially; however, short-term borrowings continue to form the majority of debt because of the company's working-capital-intensive operating cycle.

Table of Equity

Particulars	FY23	FY24	FY25	FY26
Shares outstanding at the beginning of the year	3,19,033	2,03,14,200	2,44,90,850	2,80,69,409
Add : Issued during the period	34,404	19,61,950	35,78,559	75,61,000
Add : Conversion From Class B	10,000	0	0	0
Add : Conversion From 0.01% OCPS	42,847	22,14,700	0	0
Less : Bought-back/ repaid during the year	0	0	0	0
Shares outstanding at the end of the period	4,06,284	2,44,90,850	2,80,69,409	3,56,30,409

Shree's equity base expanded materially over FY23–FY26 through successive private placements and the FY26 IPO. The sharp increase in reported share count during FY24 is partly optical, as the company subdivided each ₹100 face-value share into 50 shares of ₹2 each in March 2024; accordingly, the FY23 and FY24 share counts are not directly comparable without adjusting for the split. Further, conversion of Class B shares and optionally convertible preference shares into ordinary equity increased the reported equity-share count but did **not** represent fresh cash inflow during the respective years. These instruments were largely held by the Maharashtra Defence and Aerospace Venture Fund, which had entered as a strategic investor through Class B shares and OCPS in December 2020.

During FY23, the company raised approximately **₹10 crore** by issuing 34,404 shares at ₹2,906.64 per ₹100 face-value share, equivalent to ₹58.13 per share after adjusting for the subsequent split. The placement, led by YMS Finance Private Limited and other private investors, implied a pre-money equity valuation of approximately **₹108 crore**. In FY24, Shree raised a further **₹15.9 crore** through private placements at ₹4,061.20 per ₹100 share, equivalent to ₹81.22 on the present ₹2 face-value basis. Participants included Rajasthan Global Securities, promoter and individual investors, while the remaining OCPS held by the Maharashtra Defence and Aerospace Venture Fund were also converted at the same valuation. The FY24 placement implied an equity valuation of approximately **₹165 crore before the allotments**.

The most material pre-IPO raise occurred in FY25, when the company issued **35.79 lakh shares and raised approximately ₹44.7 crore** across three private placements. The first two allotments were undertaken at ₹123 per share and the final allotment at ₹130 per share. Investors included Ashish Kacholia, Meru Investment Fund PCC–Cell 1, Multiplier Share and Stock Advisors, Coral Pebble LLP, SN Capital Management, Dinero Finance and Investment and several other investors. These transactions implied a pre-money equity valuation ranging from approximately **₹301 crore to ₹352 crore** across the different tranches. Notably, the final pre-IPO allotment was undertaken at ₹130 per share, above the subsequent IPO price of ₹125 per share.

In FY26, Shree completed its IPO at **₹125 per share**, issuing 75.61 lakh fresh shares and raising gross fresh capital of **₹94.51 crore**. The issue implied a pre-money equity valuation of approximately **₹350.9 crore** and a post-money valuation of approximately **₹445.4 crore**. The IPO also included an offer for sale of 18.25 lakh shares worth ₹22.81 crore by the Maharashtra Defence and Aerospace Venture Fund; these proceeds accrued to the selling shareholder and did not fund the company. After issue expenses, ₹70 crore of the IPO proceeds was earmarked for long-term working-capital requirements and ₹10 crore for general corporate purposes, reflecting the capital-intensive nature of naval projects and the need to fund inventory, receivables and bank-guarantee margins ahead of revenue recognition.

Interpretation: Shree raised approximately **₹165 crore of fresh equity capital over FY23–FY26**, progressively moving from private investors to institutional and public-market capital. These funds strengthened the balance sheet and created the financial capacity required to execute a significantly larger naval order book. However, the equity base expanded faster than earnings in the near term, resulting in moderation in ROE and ROIC. Future value creation will therefore depend on the company converting the newly raised capital into revenue and cash flow without requiring proportionate additional dilution.

Expansion of India's Naval Shipbuilding Pipeline

India's growing naval shipbuilding programme remains the most important industry growth driver for Shree Refrigerations. New orders across frigates, corvettes, submarines, fleet support ships, offshore patrol vessels and other naval platforms directly expand demand for AC plants, refrigeration plants, turnkey HVAC systems and electrical control panels. Since cooling systems are mandatory for crew habitability, electronics, control rooms and mission-critical equipment, every incremental vessel adds to the addressable naval HVAC market.

Rising Defence Indigenisation

The Indian Navy's focus on indigenous sourcing under Make in India and Atmanirbhar Bharat is structurally shifting opportunities away from imported systems toward qualified domestic vendors. Naval HVAC is a high-entry-barrier segment because suppliers require registrations, technical approvals, platform experience and extensive testing capability. This creates a larger domestic opportunity for established companies such as Shree that can supply refrigeration plants, HVAC packages and electrical control panels through an integrated offering.

Higher Cooling Content per Naval Platform

Modern warships and submarines are becoming increasingly electronics-intensive, with more sensors, communication systems, weapon controls and mission-critical equipment onboard. This increases heat generation and raises cooling requirements per vessel. As platforms become larger and more complex, the number, capacity and sophistication of AC plants, chillers, ventilation systems and local cooling units can increase, thereby expanding Shree's potential value content per ship.

Growth in Naval Retrofit and Replacement Demand

The naval HVAC opportunity is not limited to new shipbuilding. Existing vessels require periodic repair, replacement and technology upgrades over their operating life. Ageing conventional systems can be replaced with more efficient oil-free or magnetic-bearing solutions, while platform modifications may create additional cooling requirements. This expands the industry TAM beyond new orders and provides a more recurring opportunity through retrofits, spares and lifecycle support.

Expansion of the Installed Base and Aftermarket Opportunity

Every system delivered creates a long-term service opportunity through installation, commissioning, spares, repairs, maintenance and replacement. As the installed base of Shree-supplied systems across ships and submarines increases, the recurring aftermarket opportunity also expands. This can gradually improve revenue visibility and reduce dependence on only new-build project awards.

Revival of Domestic Merchant Shipbuilding

Growth in Indian commercial shipbuilding can create a second marine HVAC opportunity beyond defence. Cargo vessels, support ships, passenger vessels and specialised commercial ships also require refrigeration, ventilation and air-conditioning systems. If government support, ship financing and domestic yard capacity lead to higher merchant vessel construction, Shree's naval experience can potentially be extended into the commercial marine segment. However, this remains an emerging opportunity and should be treated as incremental TAM rather than a near-term base case.

Rapid Growth in Data Centre Cooling

The expansion of data centre capacity in India is creating demand for energy-efficient and highly reliable cooling systems. Cooling is a critical operating cost for data centres, making oil-free magnetic-bearing chillers attractive due to lower energy consumption, lower maintenance and improved lifecycle economics. Shree's partnership-led entry into this segment can materially expand its addressable market beyond marine applications, although order conversion and execution capability will determine the pace of scale-up.

Shift Toward Energy-Efficient Cooling Technologies

Customers across defence, data centres and industrial applications are increasingly evaluating cooling equipment on total lifecycle cost rather than only upfront price. This supports adoption of magnetic-bearing, oil-free and high-efficiency chiller technologies. As these technologies gain acceptance, the market can expand not only through higher unit demand but also through greater value per installation.

Growth in Industrial and Process Cooling Applications

Pharmaceuticals, chemicals, engineering and other process industries require customised chillers and temperature-control systems. While this segment is currently smaller for Shree, industrial growth broadens the company's addressable market and provides an additional avenue to deploy its engineering, fabrication and cooling-system integration capabilities.

Expanding the Product Portfolio Through R&D

Shree's growth will be driven by developing new cooling products and solutions across naval and data-centre applications. A broader portfolio allows the company to participate in more tenders, address different customer requirements and increase its revenue opportunity across existing and new markets.

Winning New Programmes Using Existing Capabilities

Once a product is developed, tested and qualified, Shree can deploy the same capability across multiple naval platforms and customer programmes. Its experience in AC plants, refrigeration plants, turnkey HVAC systems and control panels can therefore generate repeat opportunities across new ships, submarines and future defence programmes.

Increasing Content per Project

Shree can grow revenue by supplying a larger share of the overall cooling package within the same project. Moving from standalone equipment supply toward integrated offerings across chillers, HVAC systems, control panels, installation, commissioning, spares and service can increase revenue per platform.

Expanding the Customer Base

The company can apply its existing thermal-management and system-integration capabilities to a wider set of customers, particularly data centres and merchant marine. Successful customer approvals and localisation can create additional revenue streams beyond the Indian Navy.

Risk	Description	Mitigation / Key Monitorables
1. Working Capital and Cash-Flow Risk	Long manufacturing cycles, project-specific inventory and PSU inspection/payment processes result in elevated inventory and receivables. Profit growth may therefore not translate proportionately into operating cash flow.	FY26 showed improvement in working-capital intensity and positive operating cash flow. Expanded in-house manufacturing and testing infrastructure should shorten execution and inspection timelines. Monitor debtor days, inventory days and CFO/PAT conversion.
2. Defence and Customer Concentration Risk	A substantial portion of revenue is linked to Indian Navy programmes and PSU shipyards. Delays in naval procurement, ship construction or customer approvals can materially affect revenue growth.	Presence across multiple shipyards, vessel classes, new-builds, retrofits, spares and services provides some diversification. Expansion into data centres and merchant marine may reduce concentration over time, but these verticals are not yet proven at scale.
3. Order Execution and Revenue-Timing Risk	Orders are typically executable over multiple years and remain subject to design approvals, inspections, shipyard readiness and platform-level schedules. Delays may shift revenue between periods without cancellation of the underlying order.	The order book provides visibility, while new capacity and front-loaded manpower support execution. Monitor order-book conversion, dispatch schedules and delays relative to original timelines.
4. Quality, Testing and Naval Qualification Risk	Products are mission-critical and must meet stringent shock, vibration, noise, electromagnetic and performance standards. Product failure or unsuccessful testing may lead to rejection, rework, penalties or reputational damage.	Shree has registrations across multiple naval directorates, in-house testing facilities and an established execution record on ships and submarines. Quality performance must be maintained as volumes scale.
5. Supplier and Imported Component Dependence	Critical bought-out components such as compressors, controls and specialised refrigeration equipment may be sourced from a limited supplier base. Supply disruption, import restrictions, currency movement or vendor-price increases can affect timelines and margins.	In-house design, fabrication, heat-exchanger, panel and integration capabilities reduce dependence at the system level. Vendor diversification, inventory buffers and localisation remain key monitorables.
6. Margin Volatility and Product-Mix Risk	Margins vary based on the mix of higher-margin spares, AC plants, turnkey HVAC projects and onsite execution. Front-loaded manpower and project costs may be recognised before corresponding revenue.	Management expects normalized EBITDA margins of around 20–22%, but interim margins may fluctuate during project ramp-up. Monitor spares mix, onsite execution intensity and employee-cost absorption.
7. Capacity Utilisation and Return-Ratio Risk	Fixed assets and manpower have been added ahead of revenue. If order execution is delayed or new business does not scale as expected, asset turns, ROIC and ROE may remain subdued.	The existing order book supports part of the expanded capacity. Improvement in returns depends on revenue ramp-up without proportionate additions to fixed assets and working capital.
8. Competition and Tender-Pricing Risk	Although naval HVAC has high entry barriers, tenders remain price competitive. Foreign vendors, large domestic engineering companies or new qualified entrants may pressure pricing and market share.	Shree's integrated design, manufacturing, testing, control-panel and service capabilities provide cost and execution advantages. Naval registrations and qualification history also raise entry barriers.
9. New-Business Execution Risk	Data centres, merchant marine and international opportunities are important future growth drivers but remain at an early stage. Enquiry pipelines may not convert into orders, and revenue recognition may take time after project finalisation.	Partnership-led entry and existing technical capabilities reduce market-entry risk. These segments should nevertheless be treated as optionality until firm orders and revenue conversion become visible.

Name	Designation	Background & Experience
Mr. Ravalnath Gopinath Shende	Chairman & Managing Director; Promoter	Founding member of the company and a Production Engineering graduate from VJTI, University of Bombay. The business journey began in 1990, initially in commercial refrigeration before progressively entering industrial and naval HVAC&R. His experience spans sales, manufacturing, operations, planning, finance, compressor manufacturing and vendor development. He has received the G.S. Parkhe Award for innovation and the Brig. S.B. Ghorpade Award for contribution to MSME defence manufacturing.
Mrs. Rajashri Ravalnath Shende	Whole-Time Director; Promoter	Founding member of the company and Whole-Time Director since 2021. Holds a Master's degree in Science and a Diploma in Electronics and Telecommunication Engineering. Her disclosed experience covers leadership, team building and interpersonal communication, and she contributes to the company's strategic and operational functions.
Mrs. Devashree Vishwesh Nampurkar	Whole-Time Director; Promoter	Holds a Bachelor's degree in Mechanical Engineering from Shivaji University and a Master of Science in Business and Management from the University of Strathclyde. Joined Shree in 2016 as Manager – Sales & Marketing and has experience in sales, marketing and development of business strategy.
Commodore Sunil Kaushik, NM, VSM (Retd.)	Whole-Time Director	Holds a Bachelor of Technology in Mechanical Engineering, postgraduate qualification in Industrial Engineering, and Master's and M.Phil. degrees in Defence and Strategic Studies. Brings more than 35 years of experience in the Indian Navy, including shipbuilding, project planning, contract management, operation and maintenance of naval platforms. His appointment materially strengthens Shree's understanding of naval procurement, platform construction and lifecycle requirements.
Mr. Abhijit Govind Saoji	Chief Executive Officer	Appointed CEO in November 2023. Holds a Bachelor of Technology in Agricultural Engineering and has approximately 15 years of experience in the manufacturing industry. He is part of the core team responsible for converting the company from a promoter-managed manufacturing operation into a professionally managed, scalable organisation.
Mr. Manoj Mahavir Kothale	Chief Financial Officer	Appointed CFO in November 2023. A Chartered Accountant with disclosed experience in finance, banking and taxation. He was previously associated with LV Dairys, Patas. His responsibilities have become increasingly important as Shree manages larger turnkey contracts, elevated working-capital requirements and post-IPO financial reporting.

Management Integrity

Key guidance	FY26 outcome	Assessment
Revenue of ₹140–150 crore, supported by significantly stronger H2 execution	FY26 revenue reached ₹153.5 crore , with H2 revenue of ₹103.2 crore versus ₹50.4 crore in H1	Exceeded
EBITDA margin of 20–22%, despite temporary H1 compression from front-loaded manpower and project costs	FY26 EBITDA margin recovered to 21.4% , while H2 margin reached 26.3%	Met
PAT margin broadly maintained at 13–14%	FY26 PAT margin was 13.9%	Met
Improvement in working-capital efficiency and cash generation	Cash flow from operations turned positive and the company-reported working-capital cycle improved from ~570 days to ~370 days	Directionally met, but remains elevated

Particulars	Sep-25	Mar-26
Promoters -	44.60%	44.60%
Ravalnath Gopinath Shende	35.0%	35.0%
Rajashree Ravalnath Shende	9.6%	9.6%
Varsha Shreeprasad Sidhaye	0.0%	0.0%
Ms. Riana Vishwesh Nampurkar	0.0%	0.0%
Mr. Rajas Vishwesh Nampurkar	0.0%	0.0%
Mrs. Ishani Gaganjeet Mahajani	0.0%	0.0%
Mrs. Amruta Anant Nampurkar	0.0%	0.0%
Mr. Anant Gajanan Nampurkar	0.0%	0.0%
Mr. Vishwesh A Nampurkar	0.0%	0.0%
Mrs. Ashwini Shirish Kokate	0.0%	0.0%
Mrs. Varsha Sakharam Sonawane	0.0%	0.0%
Mr. Devendra Prabhakar Kulkarni	0.0%	0.0%
Mr. Prabhakar Mahadeo Kulkarni	0.0%	0.0%
Ms. Rucha Ravalnath Shende	0.0%	0.0%
Mrs. Devashree Vishwesh Nampurkar	0.0%	0.0%
FII's -	0.70%	0.12%
DII's -	9.60%	8.74%
Maharashtra Defence And Aerospace Venture Fund	5.0%	5.0%
Aarth Aif Growth Fund	1.9%	2.3%
Public -	45.10%	46.56%
Ashish Kacholia	3.4%	3.4%
Bengal Finance And Investment Pvt Ltd	2.3%	2.3%
Saket Agarwal	1.8%	1.7%
Meru Investment Fund Pcc-Cell 1	1.7%	1.7%
Ashaben Amitkumar Patel	1.0%	1.0%
No. of Shareholders	3,381	4,461

Income Statement	2023	2024	2025	2026	2027E	2028E
Revenue	51	80	99	154	215	301
Cost of Goods Sold (COGS)	24	40	50	87	121	170
Gross Profit	26	40	49	67	94	131
Expenses						
Employee benefit expenses	7	9	14	22	28	40
Other Expenses	7	7	7	12	17	24
Short term/long term provisions	-	-	-	-	-	-
EBITDA	12	24	27	33	48	67
EBITDA Margins	24%	30%	27%	21%	22%	22%
Depreciation & Amortization	4	4	4	6	3	3
Depreciation	-	-	-	-	3	3
Amortization	-	-	-	-	-	-
Amortization on ROU Assets	-	-	-	-	-	-
EBIT	8	21	23	27	45	64
Less: Interest (Long Term + Lease)	4	5	5	4	3	4
Add: Other Income	0	1	0	2	0	0
Add: Interest Income	-	-	-	-	-	-
Add: Share of Associates' Profit	-	-	-	-	-	-
EBT	4	17	19	25	42	61
Taxes	2	5	5	3	11	16
PAT	3	12	14	22	31	45

Balance Sheet	2023	2024	2025	2026	2027E	2028E
Liabilities						
Long Term Borrowings	5	5	6	6	6	6
Long Term Provisions	-	0	0	0	0	0
Deferred Tax Liabilities	2	1	1	-	-	-
Lease Liabilities	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-
Other non-current liabilities	1	2	2	-	-	-
Long Term Liabilities	7	9	10	6	6	6
Accounts Payable	10	12	17	27	36	50
Short Term Borrowings	27	31	33	34	34	34
CPLTD	-	-	-	-	-	-
Lease Liabilities	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-
ShortTerm Provisions	1	6	6	1	1	1
Current Tax Liabilities (Net)	-	-	-	-	-	-
Other current liabilities	3	4	5	12	12	12
Current Liabilities	42	55	61	74	83	97
Shareholders' Equity						
Share Capital	24	5	6	7	7	7
Other Equity	21	56	109	213	243	288
Non-controlling interests	-	-	-	-	-	-
Total Shareholders' Equity	45	61	115	220	250	295
Total Liabilities and Shareholders' Equity	94	124	186	300	340	399
Assets						
PPE	6	6	13	22	36	33
CWIP	-	0	0	18	-	-
Goodwill	-	-	-	-	-	-
Intangible Assets	1	0	0	0	0	0
Intangible Assets under Development	-	-	-	-	-	-
Right of use assets	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-
Fixed Assets	6	7	14	39	36	33
Investments	7	7	8	16	16	16
Loans & Advacnes	0	0	0	0	0	0
Other Financial Assets	-	-	-	-	-	-
Income tax assets (net)	-	-	-	-	-	-
Deferred tax assets (net)	-	-	-	0	0	0
Other Non Current Asset	6	3	-	1	1	1
Financial Assets	13	10	8	17	17	17
Cash & Bank	2	1	6	58	24	1
Accounts Receivable	32	64	95	105	148	207
Inventory	30	32	47	55	89	114
Investments	2	3	3	5	5	5
Short Term Loans & Advances	6	5	9	0	0	0
Other Financial Assets	-	-	-	-	-	-
Income tax assets (net)	-	-	-	-	-	-
Other Current Assets	3	3	3	20	20	20
Other Current Assets	75	107	164	243	286	348
Total Assets	94	124	186	300	340	399

Cash Flow Statement	2023	2024	2025	2026	2027E	2028E
Operating Cash Flow						
PBT					42	61
Add: Interest					3	4
Plus: Depreciation & Amortization					3	3
Less: Interest income					0	0
Add: Other Changes					-	-
Profit/Loss of associate and joint venture					-	-
Net Gain/Retirement on Sale of PPE					-	-
Net Gain on Sale of Investments					-	-
Gain on Assets measured at fair value					-	-
Less: Changes in Working Capital					67	70
Less: Other Changes for CA and CL						
Less: Taxes Paid					11	16
Cash Flow From Operations	(4)	(5)	(25)	14	(30)	(19)
Investing Cash Flow						
Investments in PPE (Net) and Intangibles					-	-
Equity Inv., Associates, JVs and Current Investments					-	-
Add: Change in bank balance					-	-
Investments made					-	-
Interest and Dividend Received					0	0
Cash Flow From Investing Activities	(8)	(2)	(9)	(31)	0	0
Financing Cash Flow						
Issuance (repayment) of debt					-	-
Dividends Paid and Dividend Taxes					-	-
Issuance (repayment) of equity					-	-
Premium On Issue Of Equity					-	-
Interest Paid + Interest Capitalised					(3)	(4)
Lease Repayment Principal					-	-
Cash Flow From Financing Activities	14	6	39	69	(3)	(4)
Net increase (decrease) in cash	2	(1)	5	52	(33)	(23)
Opening Cash Balance	1	2	1	6	58	24
Closing Cash Balance	2	1	6	58	24	1

Exit PE Analysis 2 Year

EPS FY26	6.01
EPS FY28 (Forecasted)	12.49
Entry P/E	64
CMP/Share	382
Exit P/E FY30 (Assumption)	40
EPS Growth	44%
Exit Price	500
CAGR	14%

Sensitivity Table						
P/E	CAGR	EPS Growth Rate				
	14%	35%	40%	44%	50%	55%
	30	-7%	-4%	-1%	3%	7%
	35	0%	4%	7%	11%	15%
	40	7%	11%	14%	19%	23%
	45	14%	18%	21%	26%	30%
	50	20%	24%	28%	33%	38%

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