Commitment to Excellence

January 21, 2025

To,	To,
The General Manager,	The Listing Department.
Department of Corporate Services,	National Stock Exchange of India Limited
BSE Limited,	Exchange Plaza, C-1, Block G
P.J. Towers, Dalal Street,	Bandra Kurla Complex
Mumbai – 400001	Bandra (E), Mumbai – 400 051
Company Code No.: 543972	Trading Symbol: AEROFLEX

Dear Sir/ Madam,

Subject: Transcript of the Investors' Conference Call held on January 16, 2025 for Q3 & 9MFY25 Results

In reference to our earlier intimation dated January 16, 2025, regarding audio recording of the Investors' Conference Call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Investors' Conference Call held on Thursday, January 16, 2025 at 11:00 a.m. (IST) for Q3 & 9MFY25 Results.

The transcript is also available on Company's website at:

https://www.aeroflexindia.com/wp-content/uploads/Transcript-of-Q3-9MFY25-Earnings-conference-call-held-on-January-16-2025.pdf

The audio recording of the Investors' Conference Call held on January 16, 2025 for Q3 & 9MFY25 Results is available on Company's website at:

https://www.aeroflexindia.com/wp-content/uploads/10028857.mp3

Request you to kindly take the above information on records.

Thanking You,

Yours faithfully,

For AEROFLEX INDUSTRIES LIMITED

KINJAL KAMLESH SHAH

Digitally signed by KINJAL KAMLESH SHAH
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Encl: As above

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Govt. of India Recognised Export House

“Aeroflex Industries Limited

Q3 & 9 Months FY25 Results Conference Call”

January 16, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings mentioned on company website will prevail.”

https://www.aeroflexindia.com/wp-content/uploads/10028857.mp3

MANAGEMENT: MR. ASAD DAUD – MANAGING DIRECTOR – AEROFLEX INDUSTRIES LIMITED
MANAGEMENT TEAM: AEROFLEX INDUSTRIES LIMITED
SGA – INVESTOR RELATIONS ADVISOR – AEROFLEX INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Aeroflex Industries Limited Q3 and 9 Months FY '25 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Asad Daud, Managing Director, Aeroflex Industries Limited. Thank you and over to you, sir.

Asad Daud: Thank you so much. Good morning to everyone. I welcome you all to the Q3 Earnings Call of Aeroflex Industries Limited. Joining me today are our senior management team and representatives from SGA, our Investor Relations Advisor. I hope that you have had the opportunity to review our financial results and the investor presentation which is available on the stock exchange and our company's website.

At Aeroflex, we prioritize innovation and flexibility to deliver high-value solutions for diverse range of industries. Leveraging our advanced technology and our team's expertise and skill set, we create exceptional products for our customers while ensuring sustainability and maintaining our reputation for reliability and commitment to excellence.

I'm pleased to share the highlights of our performance for the third quarter and for the 9 months ended 31st of December 2024. I'm happy to share that our total income for Q3 increased by 35% on a year-on-year basis. Our EBITDA margins improved by 48% on a year-on-year basis and the contribution of assembly business to our total sales for the 9-month period increased to 49% which enabled us to reach our target almost a year ahead of schedule in terms of the contribution.

We have successfully met our EBITDA margin targets for our year that we had promised at the start of the year with an increase of 100 basis points in our EBITDA margins. This accomplishment is due to the increase in sales from our assembly business and as a result we will continue to focus on strengthening our EBITDA margins by focusing on more value-added products in the near future.

We are delighted with the growth that we have achieved in Q3 and the 9-month period which is driven by our strategic efforts towards increasing the sales of the assembly business and also increase in the sales of project-based orders from the domestic market. We have witnessed a significant increase in sales of assembly, both in the domestic as well as in the international markets.

This highlights our ability to cater to both the evolving needs of the Indian market as well as the global customer base, reinforcing the value that we deliver across the entire world. The demand from some of the key domestic players in the last quarter is also a testament to our growing presence and recognition in the local market as well and at the same time we continued to focus and to strengthen our export business.

Our oil and natural gas segment and our steel business has seen an uptick in this quarter driven mostly by domestic and international demand. On the operational front, we have successfully completed our capacity expansion plan by increasing our production capacity to 16.5 million meters for stainless steel hose and braiding. And additionally, we have also started the production of our metal bellows division.

I'm happy to share that we are planning to expand into miniature metal bellows. These bellows are precision-engineered components which are similar to metal bellows, but these are smaller in sizes as compared to the large metal bellows. They range in sizes from 10mm to 50mm in diameter and are used in advanced industrial application.

The manufacturing capacity for these miniature bellows is projected to be 240,000 pieces annually which is approximately 20,000 pieces a month and is estimated to be completed by March of next year which is March of 2026.

In addition, we are also expanding our capacity of stainless steel hose and braiding from 16.5 million meters to 20 million meters and it is projected to be completed again by March 2026. This additional 3.5 million meters will be utilized to meet our increasing demand for stainless steel hose and braid and assemblies in the international and as well as in the domestic market. We are also planning to increase our assembly stations from 40 currently to about 70 within the next 1 year.

Our subsidiary which is Hyd-Air which has its facility in Chakan, Pune has undergone a significant upgrade in terms of its infrastructure, which includes enhancements to the quality lab and to the R&D center. We are also pleased to announce the addition of advanced and new technology CNC machines, and we have also received a major order from the railway coach factory which has contributed to the growth of Hyd-Air in this quarter. And we are also planning to install more such CNC machines in the near future as well.

As part of our commitment to sustainability and for ESG compliance, we have taken significant steps to reduce our environmental impact. And I'm happy to share that we have commissioned a 750-kilowatt rooftop solar project which will help us significantly reduce our reliance on non-renewable energy sources. It will also help us to reduce our electricity cost and reduce our carbon footprint.

As our company scales up, we believe that we need to further professionalize the management and in order to achieve our long-term objectives of growth and hence I'm delighted to share that we have appointed Mr. Kiran Kagalkar as the Chief Operating Officer of the company with effect from 1st of February 2025. Mr. Kiran brings with him more than 37 years of experience in the engineering industry. And he has worked for more than 25 years at Parker Hannifin India which is the subsidiary of Parker Hannifin U.S. which is a USD20 billion global giant in the industrial engineering space. He was a General Manager at Parker India, and he was incharge of the entire P&L of the Motion Systems division which he helps scale to an annual turnover of more than INR600 crores with a 25% margin.

I'm sure that Mr. Kagalkar will be a catalyst in helping us achieve our long-term objectives and goals. As we look ahead, we are focused on strengthening our team as well our sales in both the assembly and the fittings business. We are also excited about the upcoming automization project of our assembly section which will start from this quarter, which is Q4, which we believe will have a significant impact on our revenues starting from the next financial year.

In line with our goals, we are also looking for ways to grow both organically and through new opportunities to keep our momentum going. We'll be focusing on new product development, capacity expansion and growing the domestic and international project-based sales which will help us to create long-term value for our shareholders.

This has been a transformative time for our company. And with the consistent growth in income margins and in operations, we are confident that we -- that our focus on innovation and strategic initiatives will help us to grow sustainability in the years ahead.

Now talking about some of the financial metrics in terms of our Q3 highlights. I'm happy to share that for the first time in the history of the company, our Q3 total income stood at INR100 crores which is a growth of 35% on a year-on-year basis.

Our EBITDA stood at INR22 crores which is a growth of 48% on a year-on-year basis. And our EBITDA margin was at 22%.

Our PAT for this quarter stood at INR15 crores which is a growth of 68% on a year-on-year basis. And our PAT margins for this quarter was at 15%.

Talking about the 9-month highlights. Our total income for the 9 months stood at INR287 crores which is a growth of almost 18%.

Our EBITDA stood at INR62 crores which is a growth of 25%. And our EBITDA margins for the entire 9-month is at 22%.

Our profit after tax for the 9 months stood at INR41 crores, which is a growth of 30% on a year-on-year basis.

With this, I would like to conclude my speech and open the floor for Q&A. Thank you so much, everyone for joining the call.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Surabhi from NV Alpha. Please go ahead.

Surabhi: Congrats on a very good set of numbers. I have a couple of questions. The first one would be what kind of capex are you going to put for the miniature metal bellows which is I think the capacity is 2,40,000 and additionally, apart from that what kind of capex is going to be in the subsidiary and also for the 35 lakh meters expansion that you're doing in hoses?

Asad Daud: Yes. So, in terms of the capex, the -- for the miniature metal bellows we have planned a capex of approximately INR23 crores for the -- for increasing our capacity in the stainless steel hose and braiding from 16.5 million meters to 20 million meters and also adding the assembly station from 40 to 70 plus also robotizing and atomizing a lot of the welding process. The entire capex for this particular stainless steel hose division would be about INR54 crores.

And then in Hyd-Air, we had budgeted a capex of INR18 crores two quarters back. Out of that, we have spent approximately INR6.5 crores. And the remaining INR11.5 crores would be spent over the next 1 year to upgrade the facility of Hyd-Air plus also for adding new machines and new equipments that will be utilized in Hyd-Air. So that is the overall capex plan from now up until March 2026.

Surabhi: Got it. And another question how is the margin profile different in the miniature metal bellows from the regular ones? And between assemblies and just hoses what is the margin differential currently?

Asad Daud: So, in terms of miniature metal bellows, so these are similar to metal bellows in terms of the design aspect, but it is just that they are smaller in size with more higher precision. The margins in this particular bellows which is of smaller size it tends to range anywhere between 30% to 35% on an average. And in terms of the hose and the assembly, so the margins in the hose business ranges anywhere from 15% to 19% and in the assemblies, it ranges from 22% to 25%.

Surabhi: Got it. That’s all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Aman Agrawal from Carnelian Capital. Please go ahead.

Aman Agrawal: Thank you for the opportunity and congrats on a good set of numbers in the capex plans. The first question was on the metal bellows project which we have recently commenced rate. So, like is the plant going as per our expectation or are we facing any issues? And have we started trial production and like approvals with customers, if you can highlight a bit on that, sir?

Asad Daud: Okay. So yes, we have already started the production at our metal bellows plant. We have already applied for the certifications, and we have sent a lot of samples to our customers for the approval. We have already started to receive orders from the domestic market, and we have already begun the dispatch of the same. We are in talks with a few customers for the orders from the export market and we are expecting to receive the same in this month. So far, the project is on track.

Obviously, the real -- since it is a highly technical product, the initial -- there will be an initial gestation period to scale up or to ramp up the production because it is directly linked to the orders from the customers. So, we will expect that in the next couple of quarters we can see slowly and steadily the growth in the metal bellows division. And also, the miniature metal bellows will also act over a period of the next -- after three or four quarters it will also act as a product basket which we can offer to our customers.

Aman Agrawal: Sir like on the metal bellows like how do we see capacity utilization basically like by end of this year, where do you expect to reach in like when do you expect to fully utilize it, like any time period you are looking at or any internal targets?

Asad Daud: So ideally, I think we can expect the optimum utilization of -- for the metal bellows in the financial year of '26-'27 because right now we have just started. So, FY '25-'26 would ideally be the first full year for that particular business. So, in terms of peak utilization or optimum utilization we can look at FY '26 to '27 would be the year that we will reach the optimum utilization for bellows.

Aman Agrawal: And sir when do we break even in this new plant like we've spent INR40 crores for this project like at what level of utilization do we breakeven and like anything on that side and do we achieve that in financial year '26 itself or like would that basically drag down to FY '27?

Asad Daud: So, in terms of profitability and breaking even we would definitely be profitable from the metal bellows business starting from the next quarter which is Q1 of FY '26 in itself. Obviously, in terms of the return on the -- or the ROI on the investment I think that would be generated in the financial year of FY '26 or '27 because in terms of the capex that we have done, we have also purchased a lot of quality control machines which will be a part of both Phase 1 and Phase 2.

So, some of the capex for phase 2 in terms of the equipments, in terms of the quality control and in terms of certain testing equipment side we have already purchased for both the phases. So, hence, the ROI on this investment would be achieved in FY '26-'27.

Aman Agrawal: Understood, sir. And sir like what milestones will we be waiting for before going ahead with the phase 2 like what level of utilization we want to reach or like how much order book we want before we go ahead with the phase 2 for metal bellows?

Asad Daud: So, in terms of that, so there'll be a couple of factors that will depend in terms of our expansion in phase 2. So, one is as I mentioned even in metal bellows there are various sizes that are being produced right from 50 mm to all the way up to 3,000 mm. So, we will be doing the expansion of the phase 2 in terms of a phased manner depending on what sizes that are we getting the most order from.

So, say, for example, if we get a lot of orders say in terms of the 500 mm size and if our machines for the 500 mm are being fully utilized then we would spend on getting the machines which can produce 500 mm of bellows. So, we -- so in that manner like the phase 2 of metal bellows there would be a project which would also depend on the results of the phase 1 in terms of what kind of machines and what sizes of the machines that you want to order for phase 2.

Aman Agrawal: Got it, sir. Sir, a question on the miniature metal bellows, so like...

Moderator: Sorry to interrupt, Mr. Aman, could you please come back in the queue for further questions. The next question is from the line of Deep Gandhi from Ithought PMS. Please go ahead.

Deep Gandhi: Congratulations on very good set of numbers. So, sir, my first question is regarding exports. So, if you can talk about the reason for slower growth in exports for the last 9 months? And what is the outlook for the export business growth in FY '26?

Asad Daud: So, if you see in terms of the growth on a year-on-year basis. So as compared to Q3 of FY '24, our exports have increased. Obviously, our domestic sales has increased in a much higher ratio as compared to our export, but there is also a growth in the exports business. In the domestic business, we have seen some two, three large project orders from the oil and gas and the steel -- from the steel industry which is the reason for the uptake in the domestic sales.

Also, if you see that in terms of a lot of the project orders that we got in Q3 we have been working on these project orders for the past almost 6 months and the results of it actually came in Q3. So, hence even now that we have been working on certain orders and certain projects whose results may come in Q4 or maybe in Q1 of the next financial year. So, there is no degrowth in exports, it's just that domestic has grown slightly higher as compared to exports.

Deep Gandhi: Sure. Sir, just two follow-ups on this. First, if you can talk about what is the life cycle of those new projects which you have got in the domestic, are those like long-term 2 year to 5 year projects or is it like onetime supply and then you will keep supplying the replacement demand, that is the first -- yes, sure, please go ahead?

Asad Daud: Yes, please continue with your question then I will answer.

Deep Gandhi: Yes, sure. And the second follow-up was on the margins because in the past, I think you've explained that the margins in the export business are higher as compared to the domestic. So, if the domestic business keeps growing faster, how should we think about the margins going ahead?

Asad Daud: Yes. So, in terms of the project orders. So, these orders are for a specific project and once executed the replacement demand for the same would probably come in the next financial year or within the next 1.5 years in terms of the replacement demand because the replacement demand would come when the project is completed, and it starts to run. And then obviously, there will be repairs and maintenance required for that particular project.

So, the project -- and so it's not that the projects only come in a certain quarter we have projects throughout the year. It's sometimes that some of the projects can come in one particular quarter and then in some quarters you will have lesser projects. So, if you see from an annual basis, we get a lot of projects throughout the year. And -- sorry, what was your second question I missed out.

Deep Gandhi: Yes. Sir, outlook on the margins because exports is usually higher margins if domestic keeps growing faster, yes?

Asad Daud: Yes. So, in terms of our assembly so if you talk about both the domestic as well as the export business. In both the businesses we have seen a significant growth of the assembly business. And when I talk about the assembly business the assembly business has definitely much better margins as compared to our hose and braid business.

I agree that export has a higher margin as compared to the domestic, but the margin variation in the assembly when compared to export and domestic, there is not much of a difference. Yes, there might be slightly a few percentage points difference that's natural, but it is not an extremely significant difference which would have a very negative impact for us. So as long as our sales of assembly business increases, whether it is in the domestic or if it is in the export business, you will see that the company getting good margins in the near future.

Deep Gandhi: Sure, sir. And sir just last follow-up. You mentioned that you are working on some other project business in the domestic side. So, if you can maybe quantify the amount of opportunity for which you are bidding for the few projects which you are expecting in future?

Asad Daud: Yes, it's slightly difficult to do that because in terms of -- there are a lot of projects where we bid. Sometimes we get the orders, sometimes we don't get the order also. So, it will be slightly difficult to comment on that. So, I'm afraid I'm not able to comment much on that.

Deep Gandhi: No problem. Thanks for answering my question.

Moderator: The next question is from the line of Praveen Motwani from Bank of India Mutual Funds. Please go ahead.

Praveen Motwani: Thanks for the opportunity and congrats on the good set of numbers. So just two questions from my end. Sir, what was the volume of -- in Q3 and what was our utilization rate?

Asad Daud: So generally, we measure our sales in terms of the value because like I mentioned because in terms of the volume, the more the sales of the assembly business that we have, the better the margin for us. And in terms of -- I can tell you that in this quarter, in the last quarter, which is Q3, we received a lot of the orders from the assembly's business of higher sizes.

So, there was a higher production of bigger sizes of assembly. So, when I talk about the bigger sizes, I'm talking about starting all the way from 3 inches, all the way up to 14 inches. So, we saw a significant demand of the higher diameter of assemblies. And hence, obviously, when we have a higher demand of the assemblies, and we saw the same in both in the domestic business as well as in the international business as well.

So, in terms of our expectation also we have also focused on reducing our inventory. So, if you go through the P&L, you'll see that we have -- we are focused on reducing our inventory and that will be the focus of the company also in the near quarters to optimize our inventory so that we have a better working capital cycle.

Praveen Motwani: Okay. Understood. And the second question is, sir, what was the revenue of Hyd-Air Engineering in this quarter?

Asad Daud: So, revenue for Hyd-Air Engineering in this quarter was INR3 crores and the profit was INR36 lakhs approximately. Although the profit -- I'm talking about net profit, the profit percentage is approximately 12%. But currently the scale of Hyd-Air is still extremely small. And I think once our entire expansion plan is completed and once the entire facility is running at its optimum, I think we can see a profit in Hyd-Air of close to 15%-odd net profit, 15% to 20%-odd.

Praveen Motwani: Understood. And sir in Q3 we have reported 36% top line growth which is higher than the last four, five quarters. So how confident are you sustaining this number for coming 2 years or this number is like one-off because there was a higher offtake in the domestic market, or this number is having a sustainable thing to see in the next couple of years?

Asad Daud: Obviously, this quarter has seen a significant growth. Obviously, it's the combined effort of the entire team. And a lot of the projects were materialized in this quarter. I would look at our company not from one quarter perspective, I would look at us over the period of the next 2 years, 3 years because in our kind of a business if we get a lot of project orders in one quarter, we'll obviously have a very good number.

There might be like, for example, a couple of quarters back our numbers are not good because in that particular quarter, there was not a lot of project orders and higher value orders. So, I would see -- I would recommend that the community sees us more from an annual and obviously, over a period of 2 years, 3 years because over a period of that time everything tends to average out in terms of whether it's growth in the top line, bottom line, whether it's a bad quarter or a very good quarter.

So, I would not like to comment specifically on the growth of this quarter. I would suggest that if you look at the company over 1 year and obviously over 2 years, 3 years to understand the growth pattern of the business. Like I mentioned that we are doing a lot of investments in terms of new projects, new developments, new products, new initiatives, new product segment, new market, building our team as well. So, we are looking at our company over the next 2 year, 3 years plan. I hope I was able to answer your question.

Moderator: Yes, sir. The current participant has been disconnected. We will move onto the next question it's from the line of Chirag Shah from ICICI Securities. Please go ahead.

Chirag Shah: Good morning, sir and congratulations for the great set of numbers. Sir, though we mentioned about exports, but can you throw some more color on how the demand in the export market is and probably which geography is looking more stronger to you and which segments? I think mainly we supply mostly to the U.S. market and probably we have not scratched the surface of the kind of opportunity that market has thrown for us -- has store in for us. So, can you just throw some color on the export markets?

Asad Daud: Yes. So, in terms of our export markets, U.S. is by far our biggest market now in the exports followed by the European region. And we have seen a significant uptake from the U.S. market. Europe, obviously, we all know is going through a little bit of rough patch right now. Although we are not seeing a significant downfall in the European business, but in terms of the demand that we had expected to come from the European region.

The growth in Europe is not as much as compared to the U.S. market, but I'm sure that if hopefully with the new policies that will come up in the U.S., I think the demand in the U.S. is definitely going to grow because if industrialization becomes a big point in the U.S., our products are definitely would be the ones that will be utilized or there will be a higher demand for our products in the U.S. market.

We are also seeing, we are also tapping into the untapped markets right now which is the Middle East and Africa, although the base is very low right now to comment on much, but I'm sure that over the next I think 3 years to 4 years, you will see that even the Middle East and the Africa market would be a significant contributor to our export business.

Chirag Shah: And sir my second question pertains to your EBITDA margin guidance for FY '27. So is my calculation right that if all your new product development starts flowing in terms of revenues plus your share of assembly business rising the way it is right now way beyond expectation or earlier than expectation and probably a 25% kind of a margin is doable by FY '27, because the kind of the rate at which our product mix is changing in our favour for the positive, probably is 25% a doable number for FY '27 in terms of margins?

Asad Daud: So last year we had set out a target of increasing our EBITDA margin by approximately 100 basis points every year. I think for this financial year we are in line with achieving our target of the EBITDA margin increasing by about 100 basis points. Now if you take that average, I think by the financial year FY '27 we should be close to about 24% to 25% range.

Obviously, hard to pinpoint on an exact margin number, but yes, in the next 2 years to 3 years we are expecting about 200 to 300 basis points growth in our EBITDA margins and also the same -- similar pattern for our profit margins as well, our profit after tax margin as well.

Chirag Shah: No, because I'm coming from the point that metal bellows is still not in our product portfolio in terms of revenues. So if that number starts flowing from FY '26 and '27, where your margins are 30% plus on an average, both taking the normal bellows and the miniature bellows, then probably 25% is quite doable number in terms of mathematics, obviously, there are a lot of variations on the ground in terms of but again, mathematically, I think 25% can be a doable number for you?

Asad Daud: Yes. Ideally, we would want to have 24%, 25% even, for example, margins in the next year itself. But being on a conservative number I think your point is correct that by FY '27, we should be in the range of 24% to 25% EBITDA margins on a conservative level. Our aim -- our internal aim is to definitely achieve it much before that. But being on the conservative side, I think FY '27, yes, we can try to achieve our margins.

Chirag Shah: And sir, my last question pertains to the resolution that we have passed in terms of raising funds via QIP or equity issuance. And if I get your capex plans, we are mostly funded by internal accruals. So, is my assessment right that you are -- you guys are looking at some inorganic opportunities?

And if yes, then what would be the area of acquisition and whether it will be an international acquisition or not, because U.S. as a market can be an easy cakewalk for you if you have some facilities out there?

Asad Daud: Yes. So first of all, nothing would be an easy cakewalk honestly speaking with the market is tough and even the U.S. market which has a lot of potential the market is tough to penetrate. But yes, in terms of inorganic acquisitions as we mentioned that we've already done one inorganic acquisition in this year itself which we have planned to expand into the fittings business.

There are obviously a couple of discussions ongoing in terms of inorganic acquisitions. Unfortunately, until and unless anything materializes and is approved, we'll not be able to comment much on that. But in terms of the QIP, so our capex is not linked to the fundraise that we are planning from the QIP, our capex will be funded mostly by internal accrual. And we have obviously obtained the approval from our shareholders in terms of raising funds from the QIP.

The exact amount and the utilization of the receipts of the QIP can only be discussed once it is approved by the management and the Board. So, it will be difficult for me to comment specifically on the use of the funds for QIP, but yes, we -- as a company we are always looking out for opportunities, for inorganic acquisitions, both in India and in the international market.

In the international market, I think specially the two markets of U.S.A. and Europe are the regions that we are actively looking at opportunities. Obviously, if I talk about the international market, it will definitely be in the forward integration where we'll be acquiring a company which has its base in the U.S. or in Europe.

And if it is in India, mostly it will be an acquisition in terms of a backward or into some of products which are adjacent to our business. So, beyond that, I will not be able to comment much on that, I'm afraid.

Chirag Shah: Okay sir. That was quite helpful and that's all from my side. All the best for the future.

Moderator: The next question is from the line of Saurav Bhutra from IIFL. Please go ahead.

Saurav Bhutra: Thank you for giving me the opportunity first of all and congratulations for your good set of numbers. So almost all the questions has been asked. So, I just wanted to ask on your color on what is the demand outlook you are having in the U.S.A. market? Can you throw me the color on that after Donald Trump coming into the U.S. election, which they have come?

Asad Daud: So, I think for us so say, for example, if Mr. Trump does not do anything as well still the demand for our product is seeing a strong -- there's a strong demand for our products in the U.S. market. And if like how everybody is expecting that Mr. Trump would focus on Made in America products.

So, in that case, also, if there is higher industrialization in the U.S which would also mean there will be a higher demand for our products. And that's why we are also saying that over the next few years, the U.S would continue to be the biggest market for us by far. And obviously our efforts, our directions have been towards the -- towards increasing our presence in the U.S. And in the future definitely we will have certain base in the U.S now whether it is through organic or through inorganic that only time will tell.

Saurav Bhutra: Okay. And can you just tell me what is your current debt right now in your book?

Asad Daud: Zero. We're debt free.

Saurav Bhutra: Okay. Thank you.

Moderator: The next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: Yes, sir. Just a couple of questions if I missed it earlier. So, what was our capacity utilization on, I think, 16.5 million capacity?

Asad Daud: Yes. So, we completed about 16.5 million capacity by the end of the last quarter. So, in this quarter -- sorry, in the -- in Q3, the capacity was approximately 15 million meters only. So, because the additional 1.5 million meters capacity was commissioned in almost towards the end of the quarter. And if you look at our utilization, so our utilization is ranging in the range of around 82% to 85% in this year.

Prathamesh Dhiwar: Okay. And sir, if I just wanted to know on the revenue mix side, so from which all different segments or from which all different industry, do we get maximum revenue out of?

Asad Daud: So, there are three, four major industries that we get the bulk of our revenues from. So, it includes your traditional industries which is oil and gas, chemical, petrochemical, steel industries. And then the new age industries which includes, firefighting equipments, solar.

We have also supplied some of our products to one of our customers based in the Netherlands, who was then supplied our products to the machine manufactures who manufactures machines for the semiconductor industry as well. We have also started to penetrate into the automotive segment wherein we have supplied some products to the -- the construction machinery industry, sorry.

So, there are sectors that we are penetrating now in the near future. And obviously, there are some sectors which are the core for the company which has been the backbone of the company over the last 5 to 6 years.

Prathamesh Dhiwar: Okay. Sir, as of now if I wanted to know regards -- in terms of percentage, so which sector contributes the most, if you can talk in terms of percentage, it will be really helpful?

Asad Daud: So exact percentage I think the new age or the sprinkler business it contributes about 26% and very close to that is steel which is about 24% to 25%.

Prathamesh Dhiwar: Got it, sir. Sir, just last question. After doing the expansion, how much time it takes to ramp up the utilization or take the utilization to peak levels?

Asad Daud: So ideally, it takes -- so once the machinery is commissioned and once it is into the production, ideally it takes anywhere between 3 months to 4 months in an ideal scenario to -- for the capacity to be up and running at optimum level. It may vary depending on the size of the machine.

So, for example, generally, if a machine is producing smaller diameter, it tends to be in operation and at optimum utilization faster. But if the machine is -- that we have got, if it produces a higher diameter of hose, then obviously the utilization at peak level tends to take some time because the orders for the larger sizes tend to be in smaller quantities.

Prathamesh Dhiwar: Okay. Got it sir. Thank you so much.

Moderator: The next question is from the line of Lokesh Maru from Nippon India Mutual Funds. Please go ahead.

Lokesh Maru: Congratulation, sir, on excellent set of results in this quarter. Two questions from my side. Obviously, there's a lot of capex expected in the next 2 years, 3 years. So, if you could help in just a number in -- if you could put a number to the capex in terms of FY '26-'27 or whatever, what is the combined capex amount that you are going to spend in the next 3 years? So today -- for essence today we have a gross block, I think of INR160 crores. So, this gross block will turn into what number in next 2 year, 3 years?

Asad Daud: Okay. It will be difficult to give a number in terms of how much with the gross block increase, but I can share with you a few numbers which might be helpful for you. So the last capex that we had planned and before this capex was approximately INR482 crores which was -- which included expansion of the capacity from 11.5 million meters to 16.5 million meters also included additions of assembly stations for composite hoses, for metal bellows and the entire basically capex of the entire company which also includes the solar project that we have commissioned and so on and so forth.

So, I'm happy to share with everybody that out of the budgeted capex of INR82 crores, we have completed all the projects as planned over there at a total capex of INR75.5 crores which means that we have had a saving of about INR6.5 crores. So, the entire capex up to 31st of December 2024 was completed and your company had a saving of approximately INR6.5 crores on that capex.

Now in terms of the capex for -- from now on till March of 2026, like I mentioned there will be approximately INR54 crores spend for increasing the capacity from 16.5 million meters to 20 million meters, along with that increasing the assembly stations from 40 to 70 and also the installation of the automized welding station which would start from this quarter. And obviously, once we get a few machines up and running, we will be -- our aim is to build up the automized line as soon as possible.

And then the miniature metal bellows it will involve a capex of about INR23 crores which will be used to -- for the machineries and for the other equipment that will be utilized for manufacturing of the miniature bellows and also ultimately for converting the bellows into end assembly product. Also, like I mentioned earlier on in the call that we had projected a capex of about INR18 crores for Hyd-Air. Out of that, we have spent approximately 6.5 so far and the remaining would be spent in the next 1.5 year approximately.

And for the financial year FY '27 and beyond, so unfortunately since our Board has not yet approved it, so it will be difficult to give a number to everyone right now.

Lokesh Maru: Correct, sir. So, if my understanding is correct, this year we have done INR75 crores already since March till December. And we are on track to do INR54 crores. So, this is on top of INR150 crores?

Asad Daud: Yes, this financial year we have done approximately INR67 crores, remaining about 7 -- so the difference between INR75 crores and INR67 crores was done in the Jan to March of last year. So, when I talk about the total INR75 crores, it is right from the day we planned the capex. So, it includes like a few quarters of the last financial year as well.

Lokesh Maru: Understood. And we are yet to do INR54 crores and INR23 crores and INR18 crores. That's it, right? And all this is supposed to be done within next 1 year?

Asad Daud: Yes, till March 2026. Yes.

Lokesh Maru: Okay. Understood. Thanks a lot for this. Lastly, sir, on exports, since export has been like, let's say, a growth of 10%-odd that is one. Another is given the kind of capex that we have, we are planning and that we have done, are we confident of achieving round about, let's say, a 20% growth in terms of volume or value for the next 2 years, 3 years?

Asad Daud: So, in terms of our growth, so if you see that our focus always -- if you see in my previous commentary as well. Our focus always has been on the margins because we are in an industry which is more of providing highly technical products. And hence our focus always has been how we can improve our bottom line because in terms of the top line our aim, obviously, is to grow our top line.

But the focus of the company over the past 4 years to 5 years has been to not only increase the top line, but with a more significant focus on increasing the bottom line. Now that happens through value-added products, new product segment and obviously in terms of the new product segment that we are entering.

And if you see that in terms of our profit growth also our EBITDA margins (Absolute EBITDA) have grown by 25% in this year on a 9-month basis. And if you see our PAT margins, they have grown by 30%. And our aim is that over the next 3 years to 4 years to grow in terms of our EBITDA and in terms of our PAT margin. And the debt, simultaneously, you'll see a growth in the top line as well.

Lokesh Maru: Understood. So, EBITDA growth is something that we should be focused on?

Asad Daud: Yes.

Lokesh Maru: Okay sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, this will be the last question for today's conference call, it's from the line of Prem Luniya from Astute Investment Management. Please go ahead.

Prem Luniya: Yes, sir, it was great that you had such great numbers. Congratulations on that and also on the project orders and the Hyd-Air order. So, most of the questions have been asked. I just wanted to -- wanted a picture on how much can be the revenue contribution from the metal bellows because it is considerably the miniature bellows which is around 5% more EBITDA margin compared to the normal bellows which we are doing now. So, what can be the revenue which this can clock, let's say, at the peak, whenever the utilization comes in?

Asad Daud: Yes. So right now, we are -- with this expansion of the metal bellows -- sorry, miniature metal bellows as we call it project. So, we are expecting a revenue of approximately INR25 crores to INR30 crores at its optimum capacity in terms of the revenue on an annual basis.

Prem Luniya: Okay, for the miniature metal bellows and for the metal bellows, we already have around INR80 crores to INR90 crores of...

Asad Daud: Yes, INR80 crores to INR90 crores, yes.

Prem Luniya: Also, on Hyd-Air's front, I wanted to understand what can be the guidance on that front in the revenue numbers?

Asad Daud: So, obviously, this is the first year of the operations of Hyd-Air. So, in terms of the potential, I think next year we would see the real growth of Hyd-Air and we expect that over the next couple of years, the top line of Hyd-Air would grow to about INR40 crores to INR50 crores over the next couple of years in terms of the top line.

Prem Luniya: Yes. I also wanted to understand this that last time we gave the guidance of 16.5 million meters. If there is a best-case scenario of 50%-plus of assembly business which we are currently reaching that would result in to almost INR500 crores of number because in this business, we can't quantify it in number of units or meters, so it is revenue which we have to look at. So, on 20 million meters what would be the optimum sales in the optimum scenario?

Asad Daud: So, if we talk about 20 million meters and if we talk about, I'd say -- so currently, our aim is that over the next couple of years to have a higher portion of the business coming from assembly. So, say, for example, if I assume that if I get 70% of my sales from assembly over the next couple of years -- sorry, after 2 years, so then we are looking at a revenue potential of anywhere just from INR650 crores to about INR675 crores at peak utilization.

Prem Luniya: Right. I also wanted to get an idea of the steel which we use. Also, on the price what is fluctuated in the last quarter and also how much of the steel which we use is being imported or mostly is it within...

Asad Daud: We use stainless steel. Obviously, there are different grades of stainless steel that we use in a wide range of grades of stainless steel. There has been minor price fluctuation in the prices of the stainless steel raw material in the last quarter, maybe like a few percentage points which is not of extreme significant.

Right now -- so what we are doing is right now we are still predominantly importing the stainless steel coil, while the stainless steel wire we are buying 100% locally from India. In terms of this particular -- sorry, in terms of the last quarter, Q3 we slightly increased our procurement from the domestic sector especially of the sizes wherein we had to produce a larger diameter of hose.

And hence in those particular segments we had to rely on the domestic procurement because of the delay in the supply chain from the international market. And hence for the higher sizes, we procured slightly more from the local market. But overall, still import is -- in terms of the stainless steel coil, import is by far the biggest contributor in terms of our raw material.

Prem Luniya: And most of this would be from China?

Asad Daud: Yes. Most of it is from China, but it's actually an American company which has its joint venture in China.

Prem Luniya: Also on the metal bellows last question, like we had a capacity which we were going to do of 25 millimeters to 600 millimeters which was guided. And now what we are saying is that the normal ones would be 50 to 3,000 millimeter and miniature would be 10 -50 millimeter. So, are we seeing a growth in the size of the thing as well and also in the miniature in the normal bellows are we seeing that there will be orders of larger diameter once where we can have better margins, let's say, the upper guidance of 25 to 30 in the bellows?

Asad Daud: So generally, when I just talk about the metal bellows as a product. So, metal bellows as a product generally actually goes in higher diameters. Miniature metal bellows is a specific category of bellows where it is used for applications where there is precision components are required. All right.

So, in terms of our -- obviously, the miniature ones would come in this calendar year, say, by the end of this calendar year or by the next -- by Q4 of FY '26. So right now, our focus would be on selling of the metal bellows which is of the larger sizes like ranging from approximately to 50 mm all the way up to 3,000 mm. So that will be the focus right now because miniature would take time to come in.

It will not be something that we will start in this quarter because once we get the machines and once, we get the shipments of that particular product only then we'll be able to start the sales of that particular product.

Prem Luniya: Right. You can give some idea about the application industries of both the things so that we can get some idea?

Asad Daud: So, in terms of metal bellows, the bellows are used -- now we talk about miniature on metal, I'll talk to you about the application industry for the entire bellows space project. So, the power sector is a big buyer of metal bellows, the steel industries, the steel plant. Petrochemical industry also buys metal bellows. Then the turbine industry and the shipbuilding industry, they buy bellows for their ships and for the turbine.

Metal bellows is actually also used as an exhaust system in the automobile industry where it is used for the exhaust gas system and the miniature ones are used in certain precision industries as well, which is your laboratory equipments, your robotic industry where they require very small sized bellows, some of the electronic manufacturing industry buy bellows.

And then obviously, space and the aviation industry is the one where there is requirement of bellows. Obviously, our plan is that in the future we would look to tap into these new age -- I would say, the new age or the next -- the future industries of the world. And the bellows are also used in the semiconductor machine. So, the machines which manufactures the semiconductor equipment the bellows are used in those machines as well. So, there is a wide range and a wide application of metal bellows.

Prem Luniya: Sure. Thank you so much and these were the questions and if there is any, I will connect with you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Asad Daud: So, thank you so much, everyone for joining the call today. I would just like to also update on one point where there was a question with regards to our QIP as well. So, in terms of the aim of the company and the management itself is, obviously, we are planning to do a fundraise of the details of which once finalized by management and the Board will be shared with the investors.

But before that also as I already highlighted in my speech also, I would also like to highlight that as a company we are looking to grow not only in terms of our product segments or our manufacturing capacity, but also in terms of our manpower. And when I talk about manpower, I'm talking especially about the top-level management of the company.

And we feel that for us to grow to the next level and to reach that scale that we are looking at, we have to deploy more professionals on board. And hence, we have appointed Mr. Kiran whose task would be or whose main responsibility would be to make Aeroflex from an Indian company to a multinational company with presence across the globe.

And he brings with himself a huge experience of more than 37 years in working with specifically with MNCs. And I'm confident that with him coming on board and with more people that we have planned to hire over the next 1 year, I think the entire team would be able to take this company to the next level and truly be a multinational company based out of India. So, I just wanted to highlight that to everyone.

And lastly, again, thank you so much everyone for joining the call today. If I've not been able to answer any questions from anybody, so you can get in touch with us or you can get in touch with SGA, who is our Investor Relation Advisors. Thank you so much, everyone and hope you have a great week ahead.

Moderator: On behalf of Aeroflex Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.