UNIMECH AEROSPACE AND MANUFACTURING LIMITED

(FORMERLY UNIMECH AEROSPACE AND MANUFACTURING PRIVATE LIMITED)

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ISO 9001-2015 & AS 9100 Rev D Certified

GSTIN: 29AABCU9719Q1ZC || CIN: U30305KA2016PLC095712

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19 February 2025

Corporate Relationship Department
BSE Limited
PJ Towers, Dalal Street,
Mumbai-400 001
Scrip Code: 544322

The Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai - 400 051
Symbol: UNIMECH

Dear Sir/Madam,

Subject: Transcript of Earnings Conference Call

In continuation to our letter dated 11 February 2025, regarding the intimation of earnings conference call, and in pursuance to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of earnings conference call held on 17 February 2025 at 16:00 Hrs.

We request you to kindly take the above on record.

Thanking You,
For **Unimech Aerospace and Manufacturing Limited**

Krishnappayya Desai
Digitally signed by Krishnappayya Desai
Date: 2025.02.19 16:50:32 +05'30'

Krishnappayya Desai
Company Secretary & Compliance Officer

Encl: A/a

"Unimech Aerospace and Manufacturing Limited

Q3 FY '25 Earnings Conference Call"

February 17, 2025

MANAGEMENT:	**MR. ANIL PUTTAN KUMAR – CHAIRMAN AND MANAGING DIRECTOR – UNIMECH AEROSPACE AND MANUFACTURING LIMITED** **MR. RAMAKRISHNA KAMOJHALA – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – UNIMECH AEROSPACE AND MANUFACTURING LIMITED** **MR. RAJANIKANTH BALARAMAN – WHOLE-TIME DIRECTOR – UNIMECH AEROSPACE AND MANUFACTURING LIMITED**
MODERATOR:	**MR. MANISH VALECHA – ANAND RATHI SHARES & STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Unimech Aerospace and Manufacturing Limited Q3 FY '25 Earnings Conference Call hosted by Anand Rathi Share & Stock Brokers Limited. 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. If you need assistance during the conference call, please signal an operator by pressing star then zero on the touchtone phone.

I now hand the conference over to Mr. Manish Valecha from Anand Rathi Shares & Stock Brokers Limited. Thank you and over to you, sir.

Manish Valecha: Thank you. Good afternoon, ladies and gentlemen. Welcome you all to the 3Q FY '25 Results Conference Call of Unimech Aerospace and Manufacturing Limited. We have with us from the management Mr. Anil Puttan kumar, Chairman and Managing Director, Mr. Ramakrishna Kamojhala, the Whole-Time Director and CFO, and Mr. Rajanikanth Balaraman, the Whole-Time Director. Over to Mr. Anil for your opening comments. Over to you, sir.

Anil Puttan Kumar: Thank you, Manish. Good evening, everyone. I'm really excited to be part of this, to take the first investor's call after our IPO listing. So, on behalf of the entire Unimech team, I would like to extend our heartfelt thanks to our investors, partners, and stakeholders for unwavering support and trust as we embark on this exciting new chapter.

On this new chapter as a publicly listed company, we are committed to delivering sustainable growth, creating long-term value for our shareholders, and maintaining the trust and confidence of our investors. We remain focused on executing our strategy and driving continued success in the years to come for our customers, investors, partners, and stakeholders.

Overall, the last quarter was a fantastic quarter for us from the long-term aspects because we've made a strong foundation for growth and harvesting opportunities, actually. And I will talk about certain small setbacks also while I touch base on the first slide. So overall, capacity addition to strengthen operations and drive growth.

So, we have added significant capacity for the future growth and also easing our operational challenges, and closing on strategic leadership on both sales as well as the operational position to support our future expansion.

We have closed a lot of the positions from business-related sales and the operational aspects, a lot of the key positions, focusing on the business units like aero-tooling, or efficient components, inefficient components, aerospace, and non-aerospace. A lot of these positions have been closed.

And coming to the third point, sharpening our focus on core businesses, verticals, streamlining operations, and achieving greater efficiency. As I mentioned here, we have created a very strong systems and focus teams on each of our core verticals to increase our efficiency, the operational efficiency, to focus on the margins and the overall revenues.

And coming to the fourth point, working on key SKUs qualifications, the new products, I would say, when I say SKUs, new products, qualifications, and high growth opportunities within our aerospace nuclear semiconductor segments to fuel the future growth.

So, we have been kind of part of a lot of the fair activities with a couple of our new customers, or the emerging customers who are already there, and also the nuclear customers where we are working on high-value kind of product lines where we are getting qualified for the future orders. Okay. There's a very significant momentum happened because we created a focus on – focus teams on these areas.

And customers' confidence are very high on us on these low verticals. And I would say in a nutshell, overall, these focus teams or systems have laid the ground work for stronger foundations, positioning, for a mid- and long-term growth, actually. So, a lot of these will translate into kind of the stronger business performance quarter to quarter as well as the yearly, what you guys are going to see in the future.

So, while I would say overall, nine months, the business performance has a decent growth, about 19% kind of growth compared to the last year. But the quarter-on-quarter, if you compare to the last quarter, our performance is a little down, let me be transparent on that, because of the two major setbacks that we had, which we didn't anticipate also. One of the factors was kind of the lease licensing, which we didn't anticipate even during the last quarter of the last year.

And business as usual for our customer as well as for us, because Saffron or CFM or any of the customers on the leap, end customers like airlines or MROs, they were doing regular transactions without any issues. It's just that a lot of the high-value, the product lines didn't come to us in the form of the order for us, which kind of had a small setback on the revenue only for the quarter. It's a kind of once-in-a-decade kind of an experience, because even it was not a big issue for our customers, because the transaction was going as usual for us as well as for them.

But I'm giving you all the confidence on this. This has been solved already. We have taken care of this. And it's just that I see that last quarter, a small dip was there from the overall business performance. I'm coming to the second point, which is the nuclear segment, where we had one of the standard parts, which kind of goes into the complete subsystem. During the final testing, it kind of had a final technical glitch, which we realized when we loaded these subsystems, the completed subsystems onto the testing station, which we have built in one of our facilities.

So this technical glitch has moved our revenue by a quarter, actually. Otherwise, the manufacturing aspect, the assembly aspect, all these have been taken care. It's just that that one bought-out item, which is approved, which is bought by one of the approved vendors in, by our nuclear customer, it had that technical glitch where we had to send all those items back, one of the items, items back to re-qualify, retest at OEM.

And then we got it back. And even that problem is also solved. It's just that we lost that particular time then, because we have a limitation on capacity issues on the test station, because these have to be, every assembly that we've built have to be tested on our test station.

And, once you lose that capacity on the test station, I think you can't regain. So that's the bad news. But we have learnt a lot from that. And as a company, as a group, we stay confident. And we gain more customer confidence with, the process that we adapted , how we address all the challenges that we came out. So I would request Ram, our CFO, to take care of the rest of the slides.

And then we are happy to answer all your questions after the presentation. Thank you.

Ramakrishna Kamojhala: Thank you, Anil. Good evening, everyone. My name is Ramkrishna. I'm the CFO, Co-Founder here. Next couple of slides, I'm going to touch the company overview as well as, the financial overview. The slide number four, the business overview.

We specialize in machine engineering and manufacturing of critical system and components, predominantly supporting to MRO tooling, and ground supporting both into electromechanical as well as operations parts segment.

The focus of Unimech is high mix, high complex, low volume category is again, continue to focus on that, dividing into both, addressing both into build to print and build to specification segment. And while, business segment wise, as you all know, like we remain focused on two major segment, aero tooling, MRO tooling, where we manufacture, the machine assemblies or aero tools, for MRO, for aero engine segment, as well as airframe segment, and coming to patient parts and assembly segment, while aerospace is the main focus.

We also focus on defense, semiconductor and other emerging sectors, in this segment, while the nature of both work, are completely different. And we have a separate facility and separate team, to focus both the segment aero tooling as well as patient parts. While coming to the other part and other aspects of the financial business, the revenue for the nine months ended, we close at INR174 crores, wherein 95% now is exports.

And in terms of the other, the main key enabler, which is the SKU qualification and number of eligible SKUs, we are close to 4,000, slightly above 4,000 SKUs so far qualified over eight years of time. And in terms of facilities, as you all know, like we operate into two facilities with 1,80,000 square feet. And the only development is like we have now added another 60,000 square feet, which is almost ready and we are ready to use that.

So coming to customer side, we have strong customer pipeline and the customer base. 25 customers we have overall from seven different countries, as I told, like the main focus on the export segment and industries, aerospace side, we are still strong and nuclear is going to be definitely our next priority in the defense and semiconductor energy segment.

Coming to the next slide, which is slide number 5, nine months highlights. Here in a nutshell, as I mentioned, the revenue perspective, we are at INR174 crores comparable from nine months of last year from INR146 crores we have moved to INR174 crores, which is 19% growth. And EBITDA side, INR64 crores we gained, INR64.5 crores nine months EBITDA and PAT side INR54.2 crores. While profitability wise, in terms of margins, we have remained stable and we have shown a growth from the last nine months, last year period.

Other aspects of operational performance, which will guide you in terms of growth, over the last year to now, or last year until now, which is nine months. Customers wise, as I mentioned, the onboarding is quite good. So far, nine new customers in this nine months we have onboarded, a total of 25 number of customers.

SKUs wise, in the tooling segment, continue to get qualified, do high complex, high tools, we have continued to do that from the existing licenses. As of now, overall, SKUs moved from 2,980 to 4,000 SKUs. And orders, as of now, as of 31st December, INR103 crores we have. And new customer, at that time, nine new customers we were working in pipeline.

Capacity wise, as Anil mentioned, Chairman mentioned, like just significant capacity added from 2,22,000 hours to 4,22,000, more critical high end emissions were added. Right now, the majority of the addition happened in November and December. So utilization seems to be low. But the utilization in over 18 months to 24 months is going to be optimum because it should be there.

To handle this growth, definitely, key people and the leadership team is definitely required, which we did last nine months. So the headcount moved from 384 to 661, which includes leadership team for both the segments. And most important thing is, last quarter was a lot of skilling activities in terms of operational training as well as onsite training has been conducted successfully.

Moving on to the next slide, slide number 6, overall financial highlights, which gives you kind of overview as to how from the last couple of years we have moved. Revenue side, definitely, upward trend would be there and by year end. And EBITDA margin levels, any point of time, like 35% level, we are always showing. And in terms of PAT margins, so it remain constant and strong showing more than 24%, 25% level.

In terms of the return on capital employed and return on equity, while post capex addition and asset addition, so in the last November, December, there is a utilization of asset perspective. It is going to be future realistic, while you all appreciate that as of this quarter and maybe in a couple of quarters, the ROCE is going to be slightly lower, but we are confident that 18 months, 24 months, it is back to normal. And fixed asset turnover ratio, we also mentioned earlier that it is always 3.5 kind of turnover ratio where we always maintain once assets come into full utilization for the year.

Coming to the next slide, slide number 7, quarter highlights. This quarter, definitely it is less than our expectation as a quarter. Again, even if you compare with the last quarter or last year quarter, it is definitely low.

And, Yes, as Anil mentioned, quite unique challenges we are facing in terms of customer license renewal, as well as nuclear power, one of the standout parts, technically which as Anil mentioned has caused us to spend more time on solving out this technical issue and resolving that while good part is, I think there is no more any issue now, and we have resolved it and we are back to normal.

In addition to that, the last quarter, all the kind of efforts put in more towards hiring the talent, as you can see, like in the first slide, we were in a 380 kind of headcount, now 661, we have moved. Majority of the talent pool enhancement happened in the last quarter. And prior to the quarter, whomever we have hired for the majority of the training happened, it's a time that people hiring, people training, their efforts are gone in.

And next in facility expansion, 60,000 square feet, aerospace, special economic zone facility has been now completed and it got kind of put to -- utilized now. So while the quarter, last quarter kind of more of, like, facility alignment from old facility to enhanced facility. And even the other facility where Peenya factory, where nuclear power segment working, there also innovation work was happening.

And a lot of machines were moved to the new facilities and existing facilities, almost 20 new machines were delivered in Q3 alone, out of 17 new machines, which we planned in IPO money. So, the efforts, the kind of major strategic initiatives, actions were carried out in the last quarter, which we are very confident that that will give good results in the coming quarters and coming years.

Slide number 8, the consolidated revenue, Q3 and the 9 months ended, as you can see, the overall revenue from INR53 crores and for 9 months INR174 crores were reported. And PBT level, INR19 crores, and overall 9 months, INR69 crores. And PAT level, it is further quarter, INR15 crores, and overall INR54 crores.

However, a couple of important aspects that I would like to highlight here is in terms of cost perspective, material cost remain under control. So we do not see any major ups and downs in any material cost consumption level in terms of prices or anything. There is no major issue as such. Subcontracting level, as you can see, slightly it is coming down because of more machineries are coming into the facilities and own machineries are going to be used more.

So there would be small reduction in subcontracting charges, you know, would be noticing going forward as well. And the employer benefit side, definitely, referring to the previous slide, the percentage of employee benefit may be higher, but the question is -- the important aspect is, majority of hiring happened and where the actual benefit out of that is going to be derived in the future.

Other expenses side, it is remaining under control. We do not see any major issue, except the quarter 3, some of the expenses would be of one-time nature, we have seen, whether it is the compliance related, some of the indirect compliance related, IPO cost related or filing cost could be. So we have some cost we have noticed, which has pulled down the EBITDA margin in addition to the sales reduction.

And while EBITDA, overall, YPD level, it is about 35% in line with any of the previous year, and we remain confident that like the EBITDA level, while leading quarter 3, but it is definitely going to be attractive in the next coming quarters, definitely in the next quarter. And the PBT level and the PAT level, overall nine months, we reported 28% level, which is definitely better than in the last nine months or last financial year.

The 9th slide, which I don't want to highlight too much, but here just like the top four customers, who are our first customers, we feel proud to be saying this that they remain our top contributor in our revenue and their support is continuing to be growing in relation to the new customers in terms of revenue. And the customer confidence and extension to that is, we remain conservatively a green channel partner for majority of their shipment wherein we are authorized to drop their shipment in different locations. So that kind of benefit, the resilience is through reduction, customer concentration, geographically this is happening.

So this is a kind of positive side which you would go to see always. Quickly move on to the business segment update. Slide number 11, I'll bring the attention of the investors to the Slide number 11. So, again, the emphasis of business is two segments, segment one, aero tooling and segment two efficient parts. In the segment one, aero tooling, as you all know we focus on two major categories of tooling, aero engine tool, airframe tool.

Aero engine tool where we focus on the top engine programs and directly work with their licenses and some of the OEMs as well. And airframe side as well as some of the OEMs we'll work, while aero engine tooling is always the first business which we started and now the focus of the segment or the revenue contributor in this segment is very, very high. And the revenue as of now is coming from the segment is 86%.

And the growth strategy of segment is mainly important aspect is like the revenue or the kind of size of the revenue or margin is always dependent on the kind of choice of the complexity we select. And every time, every quarter, every year we will continue to focus on the complex tools and large size tools which we have not previously attended, but we would always, you know, we will try to attempt that.

And another strategy is to some of the customers we would like to get into potential exclusive contact with them which bind for the long term positioning clearly. And we always try to get large valid share with this kind. And more important aspect of tooling segment is creating capacity important, the winning possibilities will always increase when you create capacity. Towards that some of the key strategic initiatives were already carried out in the last few 3 and 4 months.

The number one capacity expansion has the unit one aerospace SEZ INR88 crores capital has been earmarked for building machinery as well as working capital wherein we already created, capacity of 3,870 hours which is a kind of almost double size compared to last year March. And in addition to that, as the vertical is growing and the facility is increasing and business opportunity will increase.

We also enhance the talent pool here, more than 210 employees are recruited in this segment only, including the training is also over. And major important thing is now the organizational structure for interview, we are adding the first level strong festival people, senior management people also have been hired recently. And in this segment six new customers were added.

Moving on to the next segment Slide number 12. This is segment two, precision component assembly, the PCA segment is again while this segment is started a couple of years before. This segment focused on precision engineering component as well as subassemblies and assemblies, focusing into beyond aero and beyond aero, while in this segment, we focus nuclear, nuclear aerospace, defense, and semiconductor and other emerging industries while nuclear of late started focusing, gaining more focus on this being the more government attention, as well as an opportunity in this segment is very high.

Overall, this segment has reported year-on-year growth of of INR6 crores to INR46 crores and one important aspect which I would like to bring to investor notice in terms of revenue from the precision component assembly segment while I heard from a couple of investors what I call it.

So between tooling and precision component segment, there is one nature, one item which is coming from the one of the shock mode which is coming from the one of the customer is of both the nature as well as tooling as well as precision component nature.

And it can be considered in any of the segment. Leaving that precision part new customers are going to be continued here. And this segment growth strategy is definitely on creating more capacity and the approval process of because it's kind of a statutory inspection paid approval process. Now, we focus more on that. And the PCA segment growth will depend on diversifying across various industries, new clients.

And mainly the focus on nuclear segment, while we are really banking on the new tender, which is going to come up EMCCR projects as well as new projects in the nuclear segment. So, towards the strategies, some of the strategic initiatives we have taken is definitely the point number one capacity expansion.

So, the existing unit two in Peenya in Bangalore under innovation to accommodate the large capacity of the missionaries. We have earmarked INR62 crores for this segment towards plant and machinery, working capital. And already we created 56,000 hours of capacity, which is a kind of 31% growth. And to handle the capacity and the business definitely the second strategic initiative, important initiative is talent pool has been enhanced, hired almost 69 number of headcounts were added including SMT kind of category, UNICEF as well.

And the new customer acquisition happened in the segment three new customers were added. And also this segment focusing exploring high growth opportunities towards the nuclear, as I mentioned. So, there more than five to six kind of phase under process now, which is the key approval process, which decides the size of the next coming quarter orders as well as coming year orders.

So, the focus is there on this thing. And yes we would also want to highlight the segment, a lot of new projects which is the nuclear - new nuclear reactor projects are coming up. We are gearing up for towards that, as well as the renovation project which is EMCCR projects also we are ready for that. And just a second, Anil wants to add a few things in the segment.

Anil Puttan Kumar: So, when you see the kind of the slide, the revenue segmentation between tooling and precision components. So, the precision components there is a drastic change in that number, because one of the customer, one of the product clients, few of the product clients come as they just detail precision parts as part of the scope of manufacturing for us, which is purely positioning nature. So, only we kind of move that those parts or revenues into kind of the precision segment.

But still it is under the tooling categories from overall. Since we don't submit the offer the whole assembly solutions there. So, this comes under the precision, because this needs different kind of systems, operational systems and the business unit approach. So, that's where we move that to precision side. I know it has created some confusion to a couple of the investors, but we would try to give the regular report to you guys on the tooling overall as a review and precision component separately.

And then probably based on the customer investor request, we are okay to share the customer's report for you guys. But in a nutshell, I would say the big portion of the precision component review is still under, coming from the tooling. We will give more clarity on the slides in the coming days.

Ramakrishna Kamojhala: Thanks, Anil. Moving on to the next slide, slide number 13, details of manufacturing facilities, wherein we would like to highlight a couple of important aspects and strategic initiatives that we have taken out, taken now in the last quarter. So, in addition to the two facilities the third facilities is under discussion and we are very keen to close the new site which is again in Bangalore and it's going to come up, you know, in a couple of days.

So, third facility is needed towards an enhancement for the kind of capacity that we are adding for the future business. And in terms of the installed capacity and utilization perspective, unit number one the machine capacity has been moved, increased from 1,79,000 to 3,72,000 hours, which is a 107% growth.

This capacity utilization while added very recently, the utilization is 54%. And similarly in unit two, which is nuclear segment and precision component segment where the capacity enhanced from 43,000 to 56,000 31% growth. Here, again, utilization is 50% level. So, in addition to this as part of the IPO, what you could have noticed that the new machinery is going to be added or arrived in the coming, months.

Total 40, 50 machineries is going to come up, which will add further capacity to the both units. And overall, the capacity utilization for the next two years we would definitely reach to the 90%, level over 18 to 24 months. And in terms of manufacturing capabilities, again we remain to be strong in, design engineering, manufacturing, fabrication, special process and electronics and assembly side.

We'll continue to focus on the segment and strengthen further. And that was about overall business and financial update. And I'll hand over to my fellow founder to explain about the strategic initiative.

Rajanikanth Balaraman: Good evening, ladies and gentlemen. So, I'm now in Slide 15. We'll be talking about strategic and new initiatives. The first update is on data engineering. As you know, we signed agreement to acquire 30% stake in data engineering. So, the work that they're doing is among the top in the country where they're looking at filling this white space of developing micro gas turbine which is indigenously developed for aerospace applications like UAV, missiles, etcetera.

We feel this is going to be a very, very critical IP-led growth for a deep tech company. And as part of this agreement, Unimech will also be an exclusive manufacturing partner for their creating more pipeline and runway for business. This also, this partnership also further expands Unimech's capability in built-to-spec solutions and turbo machinery manufacturing, not just for micro gas turbine, but also in engine manufacturing as well.

Coming to the M&A opportunity, we continue to explore inorganic expansion opportunities that align with our long-term vision, making sure we are looking at deals, looking for deals which are accretive to our business, there's synergy to it, and at the right value. And as we find one, we will be closing that in. So far, we're mostly in the deal flow stage.

As part of the geographical expansion, we are looking at expanding opportunities in the U.S. and European countries by increasing our value share, both for existing suppliers and customers, as well as onboarding new customers. We are also in the lookout for collaboration with global players to look at any of the newer opportunities and product lines. With that, I hand it over back to Ram.

Ramakrishna Kamojhala: Thank you, Rajaini. So, that was our last slide. And, Manish, so over to investors for any Q&A

Manish Valecha: Rutuja, we can take the Q&A, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

Kamlesh Jain: Yes, thanks for the opportunity and many thanks for the elaborate presentation. Just one observation, like we just came out with the IPO and we are also told that this decline in revenue was let us say one time happens in a decade. So, why such a disclosure was not made in the IPO prospectus itself because I believe it would have happened in the October to December quarter. So, why those disclosures were not made there?

Management: Okay. So, your question is, if I understood rightly, why the disclosure was not made relevant to the license aspect. Is that right?

Kamlesh Jain: Yes.

Management: Is it revenue downward or the license?

Kamlesh Jain: No, the development. I am not talking about the fall in revenue. I am saying just about the that key development which happened in that regarding the renewal of your tooling license. Because you have just articulated in your opening remarks that this happens once in a decade, then why such disclosures are not being made during the prospectus itself?

Management: Yes. See, thanks for the question. A good question. See, the thing is, we did not know that there was a license renewal pending at that point of time. And we got to know, I think we realized it as we went through the process in probably December or something like that, that okay, the formal timing is still pending.

Okay, though, because the regular business was happening regularly with our customer and our customer to their end customers, be it MROs or airlines or the kind of OEMs, they were negotiating, it seems that okay, they were negotiating on a couple of rebates and the long term pricing fixation and something, not major clauses actually, because it has happened with all the three licenses, not just with our top customers.

And I think we never made realize because we don't see their website, customer websites or their certificates or anything like that. We were unknown of this factor. But when we saw the revenue downtrend, we got to know that they have not, our customers have not ordered high value tools, which are very recurring in nature and volume in no nature, that they have not ordered, procured in the last quarter.

When we kind of, executed -- when we are doing the last end of the quarter, we got to know that, they have not carried the inventory that they used to carry because of the renewal pending. Otherwise, the regular orders that were coming from their OEMs or their end customers were happening.

And we thought, okay, this was kind of, you would be able to recover within like a INR10 crores, INR15 crores kind of downtrend without understanding the kind of the detail of the license or the complexity or anything like that. Now that okay, they have taken care of it during December. And it has also been, the order intake also have been significantly improved from probably November, December.

So it was already a solved issue by our customer without our awareness, actually. So we kind of, didn't notice that significant change. But, what hampered our, the quarterly revenue was not just the tooling licensee, also the kind of, the technical glitch that we had in the nuclear reactor.

We kind of, had a setback of almost like we had to move about INR7 crores, INR8 crores kind of revenue in that quarter, which kind of affected this. So the combination is what affected. Otherwise, the tooling alone, we would have recovered. And we are still looking at possibility of recovering that, actually.

Kamlesh Jain: Okay. And I hope that whatever such developments happen, we do disclose on the exchange. I know it's just a matter of days that you have got listed. But I hope in the future, you will be having a proper disclosure on those particular parts?

Management: Sure. Yes, we understood the expectations because we are new to this, and definitely we'll take care of that. Thank you.

Kamlesh Jain: Yes. Thank you. And sorry, a second on like currently the flavor of the market is that whole tariff issue. So we have around 77% of business comes from the U.S. So what are the tariffs which currently U.S. imposes on tariffs which we have in India, anybody imports those materials? So can you elaborate on that particular part?

Management: So in terms of the tariff increases, we heard some of the materials, raw materials side, some tariff increase. As of now, we are trying to understand better. But while, raw materials are, materials are imported as of now lesser. So in terms of manufacturing or consumption side, we're not so worried.

And in terms of like, our supply to the U.S., what tariff those details, as of now we don't know. But I would like to emphasize one important aspect here is, when tooling the business with India is not that they're focusing, some cost-saving angle or, low-cost angle. It's the kind of complexity and, the complex manufacturing with, the in-time, lead time. That was the kind of U.S. that Unimech established. So we don't see as of now any worry in that. But, yes, to the extent, like, how it is going to be costly for U.S. side, you need to evaluate.

Kamlesh Jain: But if you can quantify what is the duty currently U.S. charges, like, say, what are the materials for your product supply?

Management: We don't know, actually, how much U.S. is charging on our tools.

Management: Most of what we do is ex-shipment where a customer basically bears any of the customs duty. We are not aware of that.

Management: In fact, we spoke to our customers also a few days ago, and then they say, okay, they don't see a big, you know, change in this arrangement as of now. That's just a speculation. But we are still working closely with our customers and their end customers also because that's where this one of these licensing, it seems, renewal got delayed because, all this consideration they were making for the purpose of rebate.

For example, now, more business you do with OEMs or airlines, the more rebate you get. So they were considering these, tariffs and other stuff as a factor, but I have not seen any big change in the kind of contract that they have kind of, agreed.

Kamlesh Jain: Thanks, sir. Thanks a lot and best of luck.

Moderator: Thank you. The next question is from Jagvir Singh from Shade Capital. Please go ahead.

Jagvir Singh: So, sir, my question is related to the Q3 revenues. So, these revenues are shifted to the next quarter or what?

Management: So, okay. Next quarter, if I understood your question, like, the impact of this Q3, these two setbacks, would it continue for the next quarter? Is that your question, right? Hope I understood the question right.

Jagvir Singh: Yes.

Management: So, towards it, a couple of aspects I would like to highlight here. While licensing side, there is no issue because it started out issue. And technically glitch in terms of in NPCIL segment, while it started out in January kind of mid, impact would be there from, NPCIL point of view. While overall, like, as of now, in terms of the revenue, what we see in the next quarter Q4, while nuclear power is still need to assess, but leaving that now we are kind of view that now as of, December in INR100 crores opening order, approximately we have now.

So, 65% conversion is very easily possible. And we see that the 65% conversion is going to happen. So, to that extent, revenue for the Q4 will happen. And nuclear power, subject to like, testing and all those stuff, capacity constraint and main piece, test the side, if it happens successfully, we might feel a little bit upset, but no, we don't want to, bullish about that aspect as of now.

Jagvir Singh: So, in the Q4, we may see around INR65 crores to INR70 crores of revenue?

Management: Approximately that range, you are right.

Jagvir Singh: Okay. What is about the EBITDA margins? Because in Q3, EBITDA margins are very low around 28%. So, Delhi, we are doing around 36% to 38% EBITDA margins. So, what is the target for Q4 and the next financial year?

Management: So, okay. Q3 EBITDA margin is never going to be a benchmark, because that was exceptional quarter. And now that the next quarter, the revenue is decent. Then, EBITDA margin, we definitely see higher, more than 40-ish would be there, for the quarter and quarters to come. So, because anytime, we cross revenue of, 60-ish, so the EBITDA always will be good. So, 40-ish kind of content about that.

Jagvir Singh: So, around 40%?

Management: Yes.

Jagvir Singh: And so, what is the sustainable EBITDA margin for the next year by 2036?

Management: Sustainable EBITDA level would be the same range would be there, sir, next 4 quarters also, next subsequent 4 quarters also.

Jagvir Singh: Okay. So, next question is related to the order book. Generally, we have a small order book. So, how we can see the revenue growth in the coming years?

Management: Sure. See, that's the reason why we kind of, created the focus articles also on, the Christian conference, where we've added a lot of, strategic and key leadership positions. And that is to build more resilience and, the kind of diversity in the business. So, honestly speaking, today, we had a very good, India also, other than the leads that we are already working on emerging customers, with emerging customers already who are already onboarded.

We had a very new, at least 15 to 16 kind of, the leads, strong leads from, the customers, the OEMs predominantly, both on Airframe as well as some of the defense, the leads. So, that is definitely going to give a strong boost for our visibility and resilience and growth actually for the business.

So, as a listed company now, we have very different, customers have a very different kind of, the viewing on us because a lot of credibility has been built. And, with the existing customer, the success story, they want to be part of our success journey going forward. So, definitely, there's going to be a strong growth and very sustainable growth kind of, the aspect that they're looking at.

Probably, we are working on all the kind of consolidation of all the leads and the emerging customers. Probably, in the next quarter, you would get to see some idea about those, the longer visibility.

Jagvir Singh: In this budget, so government has a big planning related to the nuclear power. And many, there are a lot of investments are going in the semiconductor also in India. So, what is your take on this semiconductor and nuclear power opportunity?

Management: See, honestly speaking, we are fortunate to be in that segment. Already, we are in that segment. It's not a segment that we are kind of, tapping now. We are already present in these two segments. And we are working with a couple of OEMs. These are a couple of OEMs because, see, for example, a semiconductor, we are working with OEMs who are manufacturing the lab equipments as well as, the semiconductor, building equipment, actually. So, there is a very strong traction happening around that.

And there also, it's kind of a high mix and medium and low volume, which attracts a similar kind of margin. That is one thing. And the second aspect is on the nuclear side. As you see, a lot of promotion happening around nuclear, both domestically as well as the international in this space. Okay. So, and also, seeing India collaborating with the U.S. for the technology aspects as well as to Europe. So, I see a very strong growth story around the nuclear.

And we are really strongly poised to capture this growth. And the good thing is we are part of, the various kind of, the category of the reactors today, be it, the 700 megawatts, the key subsystems or, the second generation kind of, the nuclear reactors or the small reactors that, the whole world is banking on.

So, definitely, I see this is going to be a huge journey. And also, we are working with a lot of couple of Tier 1 who kind of, can help us getting the bigger chunk of the order. So, you're right. The question was really, interesting. And we are exploring, we are putting, we're investing more and more on these segments.

And as a, you know, what is very interesting here or probably I would love to mention here is we are high mix and low volume game players and a complex subsystem kind of, you know, solution, end-to-end solutions kind of makers. And these are the segments that require this kind of skill set. And definitely, we are in a right position today at the right time.

Jagvir Singh: This is the last question related to the capacity. So, we did that recently, we did some capacity expansion. And even we have raised some fund in the IP for the capacity expansion. So, if we include all these capacities, so what kind of revenues we can do in at the full peak capacity and in how many years we can achieve this peak capacity?

Management: Okay. I'll divide the question into two parts, in terms of our visibility of the capacity, what we have created recently, and maybe in a quarter, it's going to be created. So, these capacity is going to be reached to fullest extent, we are content, in a 2 year sense. Maybe in the next year, approximately 70%, level now will be reaching and subsequently, 90% will be reaching.

So, what it means in terms of revenue growth? So, while we are, of course, by number one is we are working towards consolidating the kind of leads, recently in India, before the previous customers and our customers. In a 2 month time, we are going to get some good grip on in terms of, long-term visibility and annual business plan is going to be released in April month.

By that time, we will have a better view, in front of you. Having said that, I can give an indicative kind of picture, for the next year is, a 40% kind of growth, we minimum we are anticipating for the coming year, at a full level. But yes, definitely, we will come back in April month, after annual business plan closure, a better picture about that.

Moderator: Thank you. The next question is from the line of Prasheel Gandhi from Anand Rathi. Please go ahead.

Prasheel Gandhi: Yes. Hi, sir. Congratulations on the great listing. I had first question. Sir, in the nuclear side of business, any products that we are planning to add apart from the drive mechanism systems to increase our opportunity price?

Management: Sure. So, apart from drive mechanism, we are working on subsystems level, key parts such as fuel equator -- ceiling plug, end fitting, shielding plug, these are all the high value, large size commodity category, parts or subsystems which we are working on. So, our plan is to complete around eight, category of parts, while we already taken up, five place kind of thing.

So, yes, we already started out of that, three successfully completed and two are in pipeline. By quarter end, five critical parts, in nuclear segment is going to be approved, or we are confident of getting approved from the nuclear power.

Prasheel Gandhi: Sure, sir. That was very helpful. Sir, second question is, I've seen a lot of MRO shops that are being set up in India over this, in this decade. Do our relationships help us in gaining higher share of this business in the MR, Asia side of business, Asia side of Asia region?

Management: Yes. So, that was a good question. And see, since the demand, at least 50% to 60% of the demand aircraft future demand is coming from Asian region. And there is a strong, drive and focus to set up the local MROs in India, and they are growing very, very significantly on the, aircraft purchase. So, there is a, strong focus on Indian MROs. And, and, and we are working with our end customers.

So, basically, we are talking about the two to three kind of the engines that are used on these regular commercial aircrafts, like, be it LEAP or be it Pratt & Whitney. Already, the licenses are there. And what I'm confident of is the kind of valid share that is going to happen from the, from the current, the vendor base of existing customers.

Definitely, it's going to be increasing for us, considering, the kind of the overall cost of the ownership, including the logistics. So, we are better positioned there, because we are very, we are a trustworthy supplier for the kind of, or a key supply chain link for our customers on any of these programs. And we already have a green channel, kind of the kind of status for them with all these customers where we drop ship without their doing any the quality check at our site.

Okay. So, we have earned that kind of trust and credibility with these guys. And definitely, we'll take advantage of this, the new MROs that is coming, that are coming in India. And now, coming to, coming to second aspect, the MROs where they will use the engine or the aircraft tools that are not under the license agreement with our current customers. Definitely, those are something that we are already working, and we already have bagged one decent order with one of the OEMs.

And we are, we are working, and we are in the process of, you know, delivering a lot of those tools now. Okay. So, it's very interesting days for us, and we are exploring more about it now.

Moderator: The next question is from the line of Akshay, an Individual Inventor.

Akshay: Sir, my question is on the US front. So, most of our product goes to US. So, what are the business risk or our order risk we are seeing by, as the new US President Donald Trump is elected, and he's imposing tariffs on various types of goods?

Rajanikanth Balaraman: Sorry, I couldn't hear it fully. Could you just repeat the question?

Akshay: Yes. What I'm asking is that, as the new President Donald Trump has been elected in the US, so, what are the risks arising from the tariff he's going to impart on all the countries, as most of our product goes to the US?

Rajanikanth Balaraman: So, the question is, what is the risk of tariffs on our business with US? So, as Ram already covered on this topic, we are still studying that. It's still very, very premature in terms of, the potential things. As far as we know now, there are not any tariffs that have been actually applied to us at this moment. And we will keep looking at the developments and see.

Akshay: And another thing is that these are very, very critical and for any kind of a flight operator, just from a logical perspective, we don't believe they can basically slap tariffs on these very critical toolings and equipment. That's a belief that we hold.

Anil Puttan Kumar: So, adding to that, I think these OEMs already have supply chain challenges across the world, and also have this kind of China plus one strategy, where they can't afford to have the price increase again. On top of it, these OEMs need whatever commercial emission OEMs have there, they are kind of planning to kind of increase their supply chain spend in India. Okay.

So, that's a good news for us, again, knowing that we are going to use a couple of more existing volumes to leverage on the friction conference as well. So, definitely, as we sit here, we don't see any risks currently, but once we kind of get to know any of the tariff issues, definitely we'll communicate to the larger community.

Akshay: My second question is on the capacity addition. So, currently, we have around 3,72,870 hours capacity, and we are going to add 23 machines. So, our whole capacity, our consolidated on one plant, one will be 4,76,000. So, after using the proceeds of the IPO, as per the objects, what will be our consolidated capacity in plant one as well as plant two? So, and what is the expected utilization in the coming years?

Ramakrishna Kamojhala: So, after the machines, the other 23 machines in unit one and maybe 27 machines in unit two, that are already ordered in the process of arriving it. So, the capacity going to be added in somewhere 1,00,000 and 1,18,000, respectively. So, more than 5,00,000 hours of capacity will be available in both the plant, utilizing utilization is from May onwards, maybe the utilization would start now.

However, by March end, by 12 months, we would be reaching to 65% to 70% utilization of capacity, both nuclear and aero tooling and nuclear segment put together, I'm telling. And the next year, subsequent year, in 24 months' time, we are going to get fullest utilization. Yes, more than 80% possibility will be there.

Moderator: Thank you. The next question is from JM Financial, please go ahead.

Ashutosh Nimbani: Yes, my question is, again, regarding the revenue decline only, I could not understand when we say delay in customers getting their engine tooling licenses from OEM. So, is there like a lot of aero tools, high aero tool inventory at the OEM end? Or is there a lower demand? Just wanted to understand? And you told it is that issue is solved and we are experiencing a recovery in demand in Q4, you told, right? So, can you...

Anil Puttan Kumar: Yes, I understood. See, as a supplier, the end supplier, we depend on the customer orders from our licenses, predominantly licenses and OEMs. In this case, licenses, because a lot of the effects has happened because of the licensing, you know, the orders. And the licenses work with the end customers like OEMs, MROs and airlines.

And typically, based on the kind of number of shops, new MRO shops that has been set up, or the kind of, you know, the maintenance activities that is happening in the field, or the kind of number of new lines setting up within the OEM or MROs, they will have kind of, you know, the ballpark forecast, based on which they will kind of take a decision on inventory also.

Okay, so high running tools, which has long lead items, or bought out items, long lead time for the bought out items and manufacturing items, they will make a decision to carry some of the inventory, which are very highly recurring and highly high running or highly consumable. So, which is something that they could not, they did not make a decision because of the renewals.

Otherwise, the regular orders, who are, you know, the slowdown, even we did not have any impact on the regular orders. It is just that those high value items, some of the high value items who are, you know, the missing for us from our licenses. I think that is why we kind of, you know, it affected our quarter.

In fact, when you are, you know, you're kind of, you know, in a dilemma, whether the license, you know, what conditions will, because they didn't have any doubt or, you know, the doubt on whether the license will get renewed or not. All they were, you know, working around was, you know, some of the, you know, the conditions or the terms and conditions that with what kind of terms and conditions they should accept the licensing renewal. Okay, so it's not just with my top customer.

It's also with all the three licenses. Okay, so this is just one, as I mentioned, it's just one time event in a decade, which kind of, you know, solved and then automatically they from the probably November, December, they started carrying the heavy high value inventories also in volumes. I think that as a result, we are also seeing a very strong, you know, the business inflow.

Okay, so I hope I have answered the question there.

Ashutosh Nimbani: Yes, just a follow up question. So what is the validation on this license? Is it long term…

Anil Puttan Kumar: 10 years.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Anil Puttan Kumar: So thank you. Thank you all the investors and shareholders. We value your investment. We value your business very well. And we feel very proud to have all of you as part of our investment community. And we kind of, you know, we feel more responsible now. And we kind of, you know, we make sure that, okay, we stay responsible, we stay as transparent as possible. And in creating a long term value or middle long term value for all our, you know, the stakeholders. So definitely the very successful days are ahead for us.

While I agree that there was a small setback on one particular quarter, but that's not the benchmark quarter for us. It's kind of, you know, as I mentioned, it's once in a decade event. And we stay committed to kind of, you know, the long term, mid and long term growth for all the investors and the company. Thank you.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.