May 27, 2024

The Manager
Listing Department
BSE Limited
Phirozee Jeejeebhoy Tower,
Dalal Street
Mumbai 400 001
BSE Scrip Code: 532395

The Manager
Listing Department
The National Stock Exchange of India Limited
Exchange Plaza, 5 Floor, Plot C/1, G Block
Bandra – Kurla Complex, Bandra(E),
Mumbai 400 051
NSE Symbol: AXISCADES

Dear Sir/Madam,

**Sub: Transcript of the Earnings Conference Call with the Investor(s)/Analyst(s)**

Further to our intimation dated May 21, 2024, please find enclosed the transcript of the Earnings Conference Call with the Investor(s)/Analyst(s) which is hosted on the website of the Company at www.axiscades.com

We request you to kindly take the above on record as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking You.

Yours faithfully,

For **AXISCADES Technologies Limited**

Sonal Dudani
Digitally signed by Sonal Dudani
Date: 2024.05.27 17:21:32 +05'30'

**Sonal Dudani**
**Company Secretary & Compliance Officer**

**Encl: A/a**

"AXISCADES Technologies Limited

Q4 FY '24 Earnings Conference Call"

May 21, 2024

**MANAGEMENT:** **MR. ARUN KRISHNAMURTHI – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – AXISCADES TECHNOLOGIES LIMITED**
**MR. SHASHIDHAR SK – GROUP CHIEF FINANCIAL OFFICER – AXISCADES TECHNOLOGIES LIMITED**

**MODERATOR:** **MR. SUMEET KHAITAN – ORIENT CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the AXISCADES Technologies Limited Q4 FY '24 Earnings Conference Call hosted by Centrum Broking. 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 a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sumeet Khaitan from Orient Capital. Thank you, and over to you, sir.

**Sumeet Khaitan:** Good evening, everyone, and welcome to Quarter 4 and FY '24 Earnings Conference Call of AXISCADES Technologies Limited. Today from the management, we have Mr. Arun Krishnamurthi, CEO and Managing Director; and Mr. Shashidhar SK, Group CFO. They will take you through the results and business performance. After which, we will proceed for a question-and-answer session.

Before we begin the conference call, I would like to mention that this conference call may contain some forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. Actual results may differ materially. These statements are not guaranteeing the future performance of the company and involve risks and uncertainties that are difficult to predict.

With this, I now hand over the call to Mr. Arun Krishnamurthi for his opening remarks. Over to you, Arun, sir.

**Arun Krishnamurthi:** Good evening, everybody. Welcome to the Q4 FY '24 and our full year earnings call. I'm accompanied by Shashi, who's our Group CFO; Muju who is the CEO of Mistral is at the moment on business travel in California. So it's 3 am for him. So he won't be able to join on this call as he usually does with us. I trust you have reviewed our investor presentation, which we have revamped to provide you with the status and potential of each vertical that we serve, along with business and financial performance.

The financial year 2024 was a momentous year for the company, in which we successfully completed a qualified institutional placement, made two acquisitions, acquired new logos, strengthened our strategic relationship with several OEMs, had several deal wins, retired high-cost debt and strengthened the balance sheet.

I am pleased to report good performance in most of our verticals in FY 2024, except heavy engineering and PES where we had macro challenges. The company completed the financial year with consolidated sales revenues of INR952 crores, recording a growth of 17% over FY '23, revenue of INR814 crores. Our growth was much higher than the ER&D industry growth rate of 7.4% as per the NASSCOM report.

Our constant dollar revenue growth was 14%. The revenue growth was driven by engineering services revenue, which grew by 21% from INR576 crores in FY '23 to INR694 crores, led by aerospace, automotive and energy. This growth came about despite degrowth and softness in heavy engineering and product engineering verticals, which I will elaborate going forward.

The defence revenues grew by 8% from INR238 crores to INR258 crores with production revenues in Mistral defence tripling from INR39 crores in FY '23 to INR112 crores this year. The company recorded consolidated EBITDA of INR130 crores in FY '24 as against a normalized EBITDA of INR124 crores in FY '23, a growth of 5%. The EBITDA margin stood at 13.7% as against normalized EBITDA margin of 15.3% in FY '23.

As stated in our earlier earnings call, the company continues to make significant investments in building digital capabilities, which in short to medium-term impact on EBITDA. The financial year also saw a onetime cost and organizational costs because of two acquisitions as well as non-permitted expenses of equity raise event, which was charged to the P&L statement.

The company hired senior leadership talent during the year and continue to retain experienced and billable resources in heavy engineering and product engineering services despite de-growth. As it expects normalcy to return to these verticals in the later part of FY '25, the reduced EBITDA margins in FY '24 should also be seen in the context of these.

The company recorded a PAT of INR33.4 crores as against a PAT loss of INR4.8 crores in FY '23. The normalized PAT after adjusting for exceptional charge in FY '23 was INR63.23 crores. With prepayments of borrowings and proceeds raised by QIP, the finance costs will significantly decrease in FY '24, which will add to the PAT. The business performance for the fourth quarter, the company continues to record consistent year-on-year growth in its engineering services business.

For Q4, Engineering Services business grew by 23% year-on-year to INR182 crores from INR149 crores in Q4 FY '23. The sequential revenue growth from Q3 FY '24 in Engineering Services was flat, mainly due to lower revenues from product engineering services and automotive. The defence business in Q4 FY '24 at INR73 crores, grew by 49% from the previous quarter with defence production revenues accounting for INR42 crores, doubling from INR22 crores recorded in the previous quarter. The EBITDA was at INR32 crores in Q4 FY '24 as against INR29 crores in Q3 FY '24.

Let me now delineate on some of the vertical-wise business performance and outlook for FY '25. The aerospace vertical constituting 30% of consolidated revenue reflected robust growth of 27% over previous year, recording a revenue of INR285 crores as against INR225 crores in FY '23. Our long-term relationship with aerospace OEMs continues to expand and will benefit from the enhancement in production run rate by OEMs, backed by large order backlog with the OEMs. As such, recurring revenues from manufacturing support and in-service repairs will continue to show healthy growth in FY '25.

The company is bidding for several other programs for which we will be a preferred supplier given our legacy and proven competencies. The company has also initiated several digitization projects in the aerospace vertical, which will enhance productivity and margins. Our outlook for this vertical continues to be bullish for the foreseeable future.

With the acquisition of add-solution, the share of revenues from automotive constitutes 11% of our total revenue at INR103 crores in FY '24 as against 4% at INR35 crores in FY '23. The company added new capabilities in this vertical in HMI testing, automation and EDI. The company added several new logos in FY '25 and acquired a cybersecurity work package with an automotive OEM in the UK which designated us as a preferred supplier. With the current emphasis on software-defined vehicles, we are building a brand differentiator with Mistral's hardware and add-solutions automotive.

We, however, see some signs of softness in some of our automotive clients due to challenges from Chinese OEMs on their EV portfolio. With the acquisition of EPCOGEN in December '23, AXISCADES closed the financial year '24 with revenues from energy vertical at INR33 crores, constituting 3% of total revenue as against INR19 crores in FY '23.

With EPCOGEN AXISCADES serves both domestic and overseas clients in the oil and gas refineries, power and green energy sectors, with expertise in front-end engineering, pre-award proposal engineering, detailed engineering, construction and commissioning support with multidisciplinary capabilities covering the full self-spectrum of the energy sector.

The company, considering the potential of this vertical has positioned the business unit head in Dubai to enhance current relationships and build new relationships in the Middle East and seeks to open a marketing office in Dubai in FY '25. AXISCADES projects healthy growth from energy verticals in FY '25. As stated earlier, the growth of 21% in Engineering Services business has come about despite the de-growth in heavy engineering and the PES verticals, mainly in the US region.

The share of heavy engineering to total revenue declined from 21% at INR170 crores in FY '23 to 16% at INR152 crores in FY '24. The decline of 11% in this vertical is due to slowdown in the US region with low capex deployment for heavy earthmoving equipment. The company's revenue from a major heavy engineering OEM is mainly from low-margin staff augmentation business, which is dis proportionally exposed to any slowdown.

Hence, we have embarked on a journey to structurally alter our quality of revenue in this vertical by acquiring new logos and graduating to new value-added services, especially in digital, plant automation, process automation, and autonomous solutions by leveraging internal and Mistral capabilities. That growth will be muted in this vertical in the first two quarters of FY '25, we expect growth to return to this vertical in the second half of the financial year FY '25.

The product engineering business of Mistral constituting 13% of total revenue, recorded a marginal decline of 2% to INR125 crores in FY '24 from INR128 crores in FY '23. While the services part of the PES business recorded stable growth of 6% at INR59 crores in FY '24 from INR55 crores in FY '23. There was a degrowth in the production part of the PES business which de-grew by 8% from INR72 crores in FY’23 to INR67 crores in FY'24. As stated in the earlier earnings calls, this is due to overproduction and overstocking of semiconductor chips by global semiconductor majors during the pandemic.

We expect that growth will return to this vertical during the later part of FY’25 with fleshing out of built-up inventories. Mistral continues to focus on new product development and innovation in this vertical. FY’24 was characterized by the release of autonomous aerial robotics controllers product for a drone fit and edge AI box in partnership with the semiconductor OEM. We also entered into new business deals with major automotive Tier 1 and Tier 2 clients.

During the year, Mistral developed and tested a next-gen proteins synthesizer. All these initiatives will result in deal wins for us in the coming quarters. As stated earlier in FY'24, the total revenue from defence business, which constitutes 27% of our total revenues, grew by 8% from INR238 crores to INR258 crores.

In this, the defence business of Mistral grew by 37% from INR148 crores to INR203 crores. Out of this, the production revenue grew by 3x from INR39 crores to INR112 crores and prototype revenues were at INR92 crores. The overall growth in defence business was restricted to 8%, despite significant growth in Mistral defence as a large order being executed by our subsidiary, ACAT for the man portable counter drone device got deferred to FY'25 due to delay in pre-delivery inspection.

Despite the delay, ACAT delivered 24 numbers of these MPCDS to the Indian army in the month of March 2024. On successful execution of hundred numbers, which is an existing contract, by Q2 FY'25. There are significant opportunities for repeat business and additional orders for this proprietary and one-of-a-kind drone technology developed by ACAT.

This system is first of its kind of anti-drone system that has been inducted into the armed forces and is currently being used. The system being a small portable battery cum mains operated system, caters to multiple frequency spectrums including command and control and navigation. And can detect and jam a wide variety of drones. Completely made in India, It performs both electronic spectrum monitoring and electronic countermeasure functions up to 5 kilometres. It also covers certain special frequency spectrums not addressed by any other system in the market. The Indian Ministry of Defence and Defence Forces plans to acquire counter-UAV capabilities, including that of MPCDS through multiple other RFPs. The addressable opportunity in this area within India is about INR3,000 crores for the next five years, not to speak of potential for exports.

We are confident that the defence vertical will continue to grow on the back of strong order pipeline, which has been built up with design wins and prototype certifications over the last 10 years. The company added to its pipeline in FY'24, with design and prototype wins in several different programs such as HISAR, which is a missile launching program, next-generation ERP for combat aircrafts. Intel-based SBC, which is single board computers, deal satellite terminal design, direction finding for naval programs, etcetera. Mistral production order revenue will continue to grow at a robust pace in FY'25.

Now coming to the digital initiatives. The company currently has a 75-plus member digital team with deep competencies in automation, AI ML and robotics with complete digital project execution capabilities in an agile environment. The team is focused on internal process automation as well as offering digital capabilities as a service to both existing and new customers.

The digital team has developed a machine vision-based quality inspection system for AOL validation of manufactured products. The team is working with various customers, both current and potential, to offer digital solutions for process and cost optimization. As stated earlier with the digital investments was negative to EBITDA in FY'24, the same as expected to be neutral to positive in FY'25.

As stated in my previous call, I'm pleased to report that in the last two years, we have made significant progress in implementing our three-pronged strategy of vertical diversification, customer diversification and digital first. And the business stands significantly de-risked with six business verticals, addition of several new strategic logos, new acquisitions and our investments for a digital future.

We continue to build our team for growth and have added more than 500 billable resources in the last 12 months, and our people resource stands at 3,000 plus across all the businesses. The outcome of this can be seen from revenue from new customers increasing by 5x from INR14 crores in FY'23 to INR69 crores in FY'24 and contributing to 7% of revenue in FY'24 versus 2% in FY'23.

We currently work directly with more than 10 OEMs across our different verticals. We have delivery centres with multiple global locations as part of our global delivery model. We have been able to attract and retain quality talent having deep engineering expertise. Our attrition has fallen from 20% in FY'23 to 16% in FY'24. There is substantial headroom for growth in each of these verticals we serve.

And our aim is to expand the addressable market with our service offerings honed over two decades. Our confirmed order book across all entities stands at INR749 crores as against INR589 crores at the beginning of the year, an increase of 27%. While we do not provide specific guidance on revenue and margins, our directional guidance on each of the verticals has already been delineated.

So overall, I strongly believe that we should be able to put up a better performance and better than industry growth rate in FY'25 even though we believe the growth will be generally back-ended to Q3 and Q4 due to the unique nature of some of our verticals and our overweight presence in defence, which are lumpy in nature and cannot be calibrated across quarters.

To conclude, the fundamentals of the business remains strong, and we enjoy excellent customer relations to take us forward on our growth journey. Some verticals will grow faster than the others. And to some extent, that will be determined by macroeconomic trends and sector-specific seasonalities. I now invite Shashi, our CFO, to provide a review of the financial performance. Thank you.

**Shashidhar SK:** Thank you, Arun, and good evening to everyone. As explained by Arun, the company had an impactful closure in FY'24 with revenue growing at 17% despite challenging macroeconomic environment and de-growth in heavy engineering and product engineering services. After having successfully concluded the acquisition of add-solution's in Q2 and EPCOGEN in Q3, we are now focused on making our acquisitions margin accretive by synergizing our offerings, cross-selling capabilities and rationalizing costs and resources.

The company recorded a consolidated EBITDA of INR130 crores in FY'24 on sales revenue of INR952 crores, as against normalized EBITDA of INR124 crores in FY'23, a growth of 5% over previous year. The EBITDA margin stood at 13.7% as against normalized EBITDA margin of 15.3% in FY'23. As you would remember in FY'23, the company had reported an EBITDA of INR137 crores on a revenue of INR 814 crores, which included a onetime net benefit of INR13 crores in Covid grants in its US entity.

The company's EBITDA in FY'24 came at a lower margin of 160 basis points. This was on account of our investment in the digital team, the bench being maintained for heavy engineering and product engineering services despite de-growth, where we expect growth to return in FY'25, which together accounted for 100 bps. The shift of MPCDS program FY'25, which was planned in Q4 of FY'24, which Arun spoke about shifted about 50 basis points to FY'25.

The company took a one-time charge of INR3.17 crores in the recalibration of the Mistral entity, Aero electronics, accounting for about 30 basis points. The one-time organizational cost on acquisitions, expenses pertaining to qualified institutional placement and hiring of non-billable senior leadership hires accounted for other 50 basis points.

All of this aggregating to about 230 basis points. The employee benefit expenses of INR499.8 crores, a 39% increase over the previous year takes into account the headcount of around 200, which have been added from the two acquisitions namely add-solutions and EPCOGEN, which added a payroll cost of INR38 crores,

Net new billable resources of 500 in number as well as INR7.5 crores, from the currently non-billable digital team and senior leadership hires during the year. The company's finance cost came higher by INR20.48 crores at INR56.37 crores in FY'24 as compared to INR35.9 crores in FY'23. This was because of the full year impact of interest costs of funding of Mistral acquisition, prepayment charges and unwinding costs pertaining to the refinancing of this debt.

The company's PAT in FY '24 was INR33.41 crores as against PAT loss of INR4.8 crores in FY '23. Out of the net proceeds from the capital raise of INR203.47 crores out of the INR220 crores being the size of the QIP, INR158.45 crores is meant for repayment of the borrowing and balance INR45.02 crores is for general corporate purposes. From the QIP proceeds the company has since retired INR120 crores in long-term debt to Investec and bank borrowings and will further retire a minimum amount of INR50 crores in September of 2024.

With this -- on an as is basis the finance cost in FY '25 will reduce by about 50%. The net borrowings including working capital and optionally convertible debentures as on the 31st of March 2024 is at INR84.52 crores as against INR214.37 crores as on the same date of the previous year a reduction of 60%. The company has the healthy balance sheet with shareholders' equity standing at INR592.82 crores as against INR343.86 crores in the previous year. The cash bank and liquid investments from the balance sheet amounted to INR182 crores.

To conclude, our focus in FY '25 will be to build a sustainable business and further strengthen growth and profitability. We will now open the floor to questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

**Jyoti Singh:** Thanks for the opportunity. Sir, my question is on the revenue mix side if I see on the geography side and if I see on the - so there is a huge variance compared to last quarter to this quarter. So like we have increase in certain segments and we have decrease in certain segments. So can you explain on that, it will be going to be consistent from here onwards or will be doing a decrease or increase in every segment?

**Arun Krishnamurthi:** Hi Jyoti this is Arun here, So is your question about the segment or the geography?

**Jyoti Singh:** Hello.

**Arun Krishnamurthi:** Can you hear me is the question on vertical or is it on geography because on the verticals like I said we have seen very good growth from aerospace and that will continue for us. We have seen growth from automotive and we see growth from energy. And of course, the defence business which is all India-based business that is also something that will significantly grow. So these are the verticals that we see consistent growth.

**Jyoti Singh:** Thank you sir. I will come in the queue. I think some network issue is there. Thank you.

**Moderator:** Thank you. The next question is from the line of Prakshal Jain from Lucky Investment Managers. Please go ahead.

**Prakshal Jain:** Yes, sir. So sir, my question is that the total cost of goods sold that we have in our P&L that pertains to the product revenue of the defence and the semiconductor business right?

**Shashidhar SK:** You're right. The material consumption is what we see there is only from the semiconductor and the defence vertical, yes.

**Prakshal Jain:** Yes, sir. So for FY '24 if I see the total product revenue for these two verticals it is about INR180 crores, and the cost of goods sold is also about INR185 crores. So currently, are we negative of the breakeven level at the gross margin level for these two verticals in the product segment?

**Shashidhar SK:** So with respect to the material cost the denominator as to the revenue is just a minute, let me take this.

**Prakshal Jain:** Yes, sir. So you're saying that I should take the denominator as the total revenue for this vertical not only the product revenue that has been mentioned in the presentation?

**Shashidhar SK:** It is the total revenue. If you look at the semiconductor revenues of Mistral what is the production revenue. The total the number which has to be taken as a denominator is INR383 crores which essentially means 50% of material cost.

**Prakshal Jain:** Okay. So you're saying we make 50% gross margin on the semiconductor business. So combined with the design and the product line?

**Shashidhar SK:** Yes. Correct.

**Prakshal Jain:** Okay. And would the margins be similar on the defence side as well?

**Shashidhar SK:** So in defence, there are two parts to it. One is the production revenues which are the regular runs in terms of what Arun described which has tripled from about INR39 crores to INR112 crores. There the EBITDA margins are about 29% and then the other part of INR90 crores of what we did for prototypes essentially is a negative margin because of the fact that the objective at this point in time is to get into the order pipeline. As a result of which we have steep bidding from various competition, and we ensure that we a bid appropriately to ensure that we are in order pipeline.

**Arun Krishnamurthi:** Just to clarify the life cycle of the defence win is that when we win an order we work on the R&D and the design part and usually that part is where we made some investments. Thus, of course, because we are in competitive bidding we have to go low on price. So typically, the margins in that phase are low and that's what we refer to as prototypes. So if you look at this year other than the INR100 crores which is production the rest of it is prototypes.

But then as it moves into certification and production that's where we have the part number and when we know the production the margins are much higher. It is anywhere in the 25% to 30% EBITDA region. So the INR100 crores of production revenues comes at extremely high margins. But the prototypes come at a lower margin because like I said for two reasons. One is we need to invest in R&D and secondly it is also competitive bidding.

**Prakshal Jain:** Okay. So the production is -- you said 29% EBITDA margin?

**Shashidhar SK:** Yes. So essentially, for FY '24 the production revenues was INR112 crores on which we made an EBITDA of INR33.18 crores which is about 30% and at the same time the prototype revenues was INR91.62 crores on which we lost INR3.37 crores as what I told you because at that point time and objective is different. Essentially, the blended EBITDA for the defence vertical of Mistral was INR30 crores at 15% against INR203 crores of total revenue.

**Arun Krishnamurthi:** Yes. And the prototype business is important for us because this is the pipeline that we build. So this is the future production order that we have. So we may consciously make an effort to make sure that we win orders where there is a high production potential and depending on the amount of prototypes, there is an investment that we need to make.

**Prakshal Jain:** All right, sir. I have one more question. If you can tell us sir for the finance cost for the FY '25?

**Shashidhar SK:** Yes. So the total finance cost for FY '24 from the financial statement of what you see is INR55.76 crores and that essentially involved the long-term debt which we raised for the purpose of acquisition of Mistral which was a total amount of INR210 crores of which now with the QIP proceeds we have returned INR105 crores or repaid INR105 crores and we will be repaying a minimum of other INR50 crores to INR60 crores in September.

So upon the retirement of debt in FY '25 we expect that these INR56 crores of finance cost and what is there on the P&L will reduce by at least 50%.

**Prakshal Jain:** All right sir. Those are my questions. Thank you very much.

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

**Deepak Poddar:** Thank you very much sir for this opportunity. Just first up I just wanted to understand -- I mean in the previous call as well I think we had a objective maybe what by FY '26 I guess or 2026 a PAT objective of INR180 crores. Now given this issue in the semiconductor sector as well as underperformance in heavy engineering. How is that outlook stands as we speak now?

**Shashidhar SK:** We are still gunning for that. So what we said is that by 2026, that is from FY'23 to FY'26, we would like to double our revenues, and we'd like to triple our PAT. So we were $100 million, if I talk in dollars, in FY'23. So we are aiming for $200 million in FY'26 and tripling of PAT . So like I said in my opening remarks, in heavy engineering we are looking at structurally changing our business from some of the low-margin mechanical engineering work we do to do more work in the embedded and the digital side. And that's the journey that we are on.

We have seen some success in the previous quarter and this quarter. It's been incremental increases but that is something that we will work on. So we will expect that heavy engineering, the main client will improve, but also that we will be able to work with some other clients in the heavy engineering space. So that's how we expect to see that to improve.

And of course, the other one which was a drag was the production of PES. We're hoping that the inventory stocking issue will sort of ease itself out by maybe H2 of this year. And if that happens, then, again, production revenues in PES, like in defence, are very high margin. So that will also then come back and contribute to the revenue base. So, obviously, these are some of the macro trends. And of course, heavy engineering is also impacted by the U.S. election year, but we hope to see some recovery happening during the year.

**Deepak Poddar:** Okay. So effectively, when you said double revenue and triple PAT, so FY'23, we are basically from INR820 crores, we are looking at INR1,600 crores plus kind of a top line. And PAT, I think adjusted PAT, you had an exceptional item of INR68 crores that year, right? So adjusted for that, your PAT would be close to about INR50 crores. So, 150 crores…

**Shashidhar SK:** That is what we have said. So we are aiming for anywhere between INR160 crores to INR180 crores of PAT by FY'26.

**Deepak Poddar:** By FY'26, right?

**Shashidhar SK:** That's right.

**Deepak Poddar:** Okay. And then how will we achieve that? In terms of margins, if I have to see currently, we are at about 12.5% to 13% kind of a margin level. So if you have to achieve that FY'26 kind of a bottom line, your EBITDA margin has to improve to around 18% plus, right? So do you think that this is something that is achievable for us once this segment that you spoke about can come back actually?

**Arun Krishnamurthi:** Yes. So Deepak, couple of things. One is that the doubling of revenues also include an inorganic component to it. I just wanted to mention that. For this year or next year, we will also look at some acquisitions. So there will be some revenue contribution from there.

Secondly, I think on the EBITDA, you're right. This year we want to focus on profitability. So we have sort of structured our team, we have put in some measures, we have appointed a Chief Delivery Officer and we have changed the organization structure.

So we will look at getting to about 15% or anywhere in the range of 15% to 15.5% on EBITDA this year. And then we will look at also enhancing, like I said, our production revenues from both defence and PES, which will happen later part of this year to next year. So we're hoping that the ramp up of that quality of revenue of production will also give us a disproportionate benefit on EBITDA into FY'26. So, that's the plan that we have.

**Shashidhar SK:** And just to add to that, the entire digital team as what we have built, one of the main focus areas is to remove the linearity between revenue and HR resources. And what they do is they automate the repetitive processes, and their objective is to remove at least about 30% of the touch labour, if I can call it that, involved in that. So these automation of processes in our fixed cost projects will also add to the EBITDA margin.

**Deepak Poddar:** Okay. I got it. That's very clear. And just a final clarification, you mentioned this year you are expecting a growth that is better than FY'24 growth that we have seen, and that growth will largely be back-ended to second half, right? Your first half will be flattish because of the oversupply in semiconductor and even the heavy engineering that you expect to have some improvement maybe in six months, yes?

**Arun Krishnamurthi:** Yes. So we are expecting, obviously, to grow better than industry. So if the industry growth rate is 14%-15%, we expect to grow better than that. And in certain verticals, yes, the growth will be back-ended specifically when it comes to PES, for example.

**Deepak Poddar:** Correct. What I was trying to understand, if FY'24 we have grown by about 16% and ideally, if we like to grow higher than that, maybe 17%-18% or 20%, my second half growth on a Y-o-Y basis would be higher than my first half growth rate?

**Arun Krishnamurthi:** That's correct.

**Moderator:** The next question is from the line of Amish Kanani from JM Financial Services.

**Amish Kanani:** Congrats, sir, on a relatively good set of numbers. Sir, in terms of defence, you know, good ramp up that we saw on the production side where the margins are high from INR38 crores to INR112 crores. And you have mentioned that, you know, executable production orders for the coming year could be INR272 crores. So one clarification, sir, and thanks for this, you know, that it gives us some clarity on the trajectory. The question is, sir, is it one year or it could be 12 to 18 months should we take it is the first question?

And in that context, sir, we were looking at some time back, we were talking about some design win orders, you know, and with some quantum. So this new opportunity on the drone side that we are talking about with addressable market opportunity of INR3,000 crores, is it in addition to the all design win orders that we have had all this while or it's part of that?

**Arun Krishnamurthi:** Yes, Amish thanks a lot. So the drone potential of INR3,000 crores over five years is in addition to the production revenues that we are talking about. So the production revenues this year was about INR100 crores. We expect that to get close to about INR200 crores next year. It might be slightly less than INR200 crores, but it will be in that region. And we are looking at -- we are working on quite a few prototypes as we speak in FY'24, which also will sort of contribute to some of the revenues. So the anti-drone revenues is in addition to the production revenues, the potential revenues.

**Amish Kanani:** Okay. And, sir, this drone where we are talking about 40 and plus probably 60 and stuff like that, it's all Army because we understand drone will go beyond the Army and defence as well. So any thoughts there or it's as of now only Army?

**Arun Krishnamurthi:** So the current order that we have is for 100 units of the anti-drone system, out of which 40 has been delivered. So all this is for the Army, and they'll be deployed in the borders of the Himalayas as well as Rajasthan. And we are in the process of completing the balance 60, which would happen, like I said, by Q2 of FY'24.

And the other pipeline of orders that we've seen anti-drone also we are seeing at the moment from the Army. But like you said, you know, this will be across the board. It will be from Air Force, it will be from Army, it will be from Navy, it will be from the Home Guard Security Service as well.

So we see the overall INR3,000 crores potential to be widespread across. And of course, I must mention that we are only focused on defence when it comes to drones. We're not really looking at commercial or logistics or agricultural drones. So everything I talk about in this is mainly related to the defence use cases of drones.

**Amish Kanani:** Sure. Okay, sir. And sir, last question on the aerospace side, we had one of our anchor client where we had good wins and we have got a good growth in that aerospace division as well. Any thoughts in terms of growth being led by the key client or we are diversifying the client base there?

**Arun Krishnamurthi:** Sorry, I missed the last part. Can you just repeat that?

**Amish Kanani:** Any thoughts on, is this loaded in favour of one key client, anchor client that we have or it's diversifying across many multiple clients, smaller clients which could ramp up? Is it dependent on the key anchor client or how are we diversifying that part?

**Arun Krishnamurthi:** Yes. So if you look at the aerospace vertical, unlike, say, automotive or any other vertical, there's a small set of OEMs. As you know, there's Airbus, there's Boeing, there's Bombardier, and to a smaller extent, Embraer. So typically when we work with an OEM, a lot of it comes from the OEM which is doing well and at the moment, obviously, Airbus is doing extremely well and we have a long relationship with them, a good track record. So, of course, we also do a lot of work with Bombardier in Canada.

So we expect a lot of the growth in the aerospace vertical specifically to come from the commercial aerospace side from one particular OEM, which has had a lot of success in terms of selling a lot of aircraft and has a lot of deliveries which will go right up to 2030. So it will be based on one client. Of course, what we're also trying to do in aerospace is to look at going beyond OEMs into Tier 1s, etcetera.

We have signed a small order in the U.S. with a company where we do engineering for their interiors, the cabin interiors, which go into the aircraft like seats and galleys and trolleys and stuff like that. But I would say a lot of the demand in aerospace for us is really dictated by one big client.

**Moderator:** The next question is from the line of Faisal Zubair Hawa from HG Hawa & Company.

**Faisal Zubair Hawa:** My question is about the defence offset. Do we have any kind of more defence offset that we may have tie-up for, and which could yield us a very big business in coming years. Second question is, sir, with regards to your estimate for FY '26 of INR1,600 crores revenue. Does it include our defence business or just purely the software services business? And thirdly, sir, while our attrition at workforce level has come down, our attrition at top level, CEO and CFO has always been a point of concern for investors.

So what kind of systems are we putting in place so that we are agnostic to the leader who is at the helm of affairs? And secondly, sir, with regards to Mistral how do we want to now incentivize as to know we can retain the old team at Mistral because this is also very IP-related business and which has been built up over the years and we need to incentivize the team, otherwise that could cause some kind of problems to us in the future.

**Arun Krishnamurthi:** Yes. So Faisal, thanks a lot for all your questions. So I try and remember all of them and answer it in the same order. I think firstly, your question was on defence offsets. What we are seeing is that the offsite business is actually declining in India, it's not just for us, but across the board. The reason being that offsite was meant so that there could be a technology transfer, which could happen to India. Otherwise, there was a penalty in very simple terms. Now what most foreign companies that have been doing is that their pricing in the penalty to their contracts. Therefore, they don't do the transfer of technology.

So when we talk of defence, predominantly the Make in India, it's Atma Nirbhar programs, which is a big driver for us. And everything that we talk about in terms of production, in terms of prototype wins, etcetera, across the whole electronic warfare area most of it, I would say almost all of it is electronic warfare. Of course, we have a small part of the business, which we do for some French multi-national in one of our subsidiary in AXISCADES. And that is the manufacturer of test benches for a couple of clients. So that will continue, but that was sort of more legacy. So we don't see much offset business going forward in defence. -- we see more of make in India initiatives, which is a driver for growth. So that's point number one.

The second question you had about the INR1,600 crores that include defence, yes, definitely it includes defence. In fact, defence is one of the big drivers which is part of that because we -- given the differentiators that we have and the relationship that we have, we expect to grow defence and that will be a big contributor to the revenue ambitions and the EBITDA ambitions that we have. So definitely, it's part of it.

Third was your question of your on CEO and CFO. Well, we've been around here for now 2.5 years. you're right. I think in the past, there has been concerns. There's been a fair amount of attrition, etcetera. But I think like we have sort of spoken about this in the previous calls, we are -- both me and Shashi are people who have stayed in companies for a long tenure. So from our perspective, definitely, we don't switch a lot.

Secondly, even from a company's perspective, there are financial incentives, there are stock options, which are all performance-based vesting. So those are incentives which are sort of meant to keep the key management team and its also not just the CEO, CFO. It's obviously across the board. But since you asked the question of CEO, CFO, I mentioned that.

Lastly on Mistral; We have, again, rolled out a stock incentive plan, which we are in the process of finishing everything is almost done and dusted. We are very confident that we'll be able to retain all the key talent and in fact, we have also promoted some of the key leaders of Mistral to very key leadership roles across the group. So for example, one of the cofounders is Rajiv Ramachandra, he now becomes the Chief Delivery Officer for the entire group and he's instrumental in working along with me to drive some of the profitability and EBITDA improvement actions. Mujahid, who is the CEO of Mistral. We will look at how we can consolidate the defence business under him, and he will play an integral role both for the defence as well as for the service business.

So if anything, we are working extremely closely. I think that integration has gone very well. And of course, in addition to career progression opportunities. We're also looking at financial incentives and stock incentives to retain the talent out there.

**Faisal Zubair Hawa:** And sir, is there any thinking within the company to demerge Mistral and listed separately also because it's a pure IT business and it does get confused by the stock market with the software services business, which is much more commoditized.

**Arun Krishnamurthi:** All I can say is that we will -- we do understand the point about there being 2 different entities. So we can look at how we can consolidate. I think anything beyond that, as you will understand, its price sensitive information. So I really can't talk about it, but we will definitely look at the clearer structure here going forward as to whether we monetize it or not, unfortunately, I don't think I'll be able to comment on this today.

**Faisal Zubair Hawa:** And sir, can you just elaborate on the role of Mr. Abidali Neemuchwala and how he is really guiding us because he comes from a very, very large platform and to him to even agree to become a Chairman of a company, which is much smaller is a big thing. So I mean, what kind of goal that is setting us and what kind of specific inputs that the company is utilizing at this point of time from him?

**Arun Krishnamurthi:** So Abid is the chairman of our company. And as you know, he was the CEO of Wipro and my association with Abid started when I was within Wipro as well. So we have worked together out there. And I and the board, we have to requested Abid to come and steer the company because, like you said, he's got a lot of achievements under his belt. He's run large businesses. He is based in the US. He knows how to scale businesses both from a top line perspective as well as a profitability perspective.

So we obviously benefit a lot from his advice. He's on board with us just for the -- just for more than 5 months and of course, he is relatively new as far as the other board members are concerned. But from our perspective, we are obviously looking at how we can leverage his guidance and how we can have the benefit of his advice and wisdom and experience.

**Moderator:** The next question is from the line of Jalaj from Svan Investments.

**Jalaj:** Could you help me reconcile 1 number. So for the defence, you guys told me that 112 was the revenue for production, then 91.6 was for the design or the prototype. What explains the balance because this doesn't -- this adds up to 203 -- so there is a difference of INR55crores.

**Shashidhar SK:** So essentially, the revenue from our other subsidiary, which Arun was talking about, which manufactures the counter drone system.

**Jalaj:** Okay. So what -- so the revenue for that comes out to be INR55 crores for this year, is right?

**Shashidhar SK:** Right.

**Jalaj:** And what was the revenue from the same last year?

**Shashidhar SK:** Last year it was INR90 crores and this year, the reason as to why there was a degrowth is essentially because of the fact that the entire anti-drone system, which was one of the main focus, I would say, revenue for this year got pushed

**Jalaj:** Okay. And what sort of margins do we make in that business?

**Shashidhar SK:** Of course, about 20%.

**Jalaj:** Okay. That explains it, thank you. And my second question was with regards to the other ER&D business of us. So if I were to see the margins separately the segmental margins, as you mentioned. So there has been a dip -- if I were to compare the FY '23 and the '24 numbers. So could you help me understand what explains it and what we are doing to improve them both ways?

**Shashidhar SK:** Yes. So essentially, if you remember during my call has explained to you, there were -- the cost is what we incurred for the digital team, which contributed a substantial number and also the onetime cost of what we incurred for the QIP as well as the acquisitions which we did and also the revenue from the HEG and the PES business or the degrowth with respect to that and the people who are working those verticals we decided to retain. That's what was the cause for a marginal degrowth in EBITDA, which we hope to come off, I would say, clawback in FY '25.

**Arun Krishnamurthi:** Yes. So Jalaj, I'll just add out here. I would say that traditionally, this has been the part of the business for us, which has been low margin. So when we talk of improving our margin, say, going up to FY'26, the defence margins sort of approximately remained in the same region. The improvement that we will hope to bring in is in the Engineering Services business. So this is the sort of transformation journey that we're undertaking. And when I talk of a lot of profitability measures, optimization, delivery optimization, etcetera, a lot of it will be targeted towards the engineering services business, and that's where we will bring in some actionable items.

**Jalaj:** Got it. So just maybe a little deep dive into it. So what gives us confidence? Or is it the -- more from a capability perspective that we need to improve? Or it is more to go with the delivery per se. You feel like there may be both the short-term and the long-term perspective to it is on to that? Could you deep dive a little into that?

**Arun Krishnamurthi:** Yes, sure. So I think there's a couple of things. So one is that in certain sectors, we are present in, I would say, commoditized mechanical engineering work. I think one of -- I mentioned about engineering where the margins are not very high and some of it also tends to be staff augmentation in nature. So number one, we are looking at how we can change structurally those businesses where we are in commoditized low-margin areas into, say, moving into embedded or into more profitable areas. So that's point number one.

Point number two is that we will look at how much we can automate and digitize a lot of our external workloads. And for example, in aerospace, we had some pretty good success because we have very good domain knowledge. So we've done some of that in FY '24. But going forward, we will bring in AI and automation to a large extent so that we can sort of break the link of the linearity between revenue and headcount. So that is the second thing that we'll be looking at. I think the third thing that we will look at is that traditionally, a lot of people in our various verticals have tended to stay in those verticals.

So now with our new delivery structure such as with our chief delivery officer, we are looking at building our competencies and we're looking at horizontal competencies which we can build, so that there's more fungibility and mobility of people from one vertical to the other. So that next time we have a requirement, say, a new vertical -- we don't have to go out to the market and hire, but rather we can pick an existing person, retrain them and deploy them. So the whole resource movement, fungibility, the utilization of people that is the third lever that we will look at. So these are 3 levers that we will broadly look at.

Of course, there are a few other things like we are looking very aggressively at Tier 2 centres. So we are sort of very close to finalizing 1 of 2 centres in -- not in urban areas, so that can reduce the cost of delivery. We're also very aggressively looking at increasing the bottom of the pyramid, so recruiting more interns looking at how we can get diploma holders to do some of the lower end work rather than engineers so that lowers the cost base. So there's a few items that we are putting in, which is sort of work towards this.

**Jalaj:** Understood. And one last question, if I squeeze in. For the semiconductor business, per se. So there is a drop in the production revenue. I understand for FY '24, maybe the overstocking thing is at. But the design part also, there has been -- it's been more flattish. So is it because of some client-specific issues or the client is also facing a headwind? Or there is some other thing you believe like because I do understand production can be a thing, but design, there is a lot of -- across AI and all stuff.

There is a lot to do with the semiconductor layout or the motherboard designing there. So could you help me understand that? Or are we building in more capability, which is required? Are we on the lower end of the capabilities there in the value chain? What explains that? And what are we doing to fix it?

**Arun Krishnamurthi:** Yes. sure. So I think if you leave out the production part, if you look at the design part of it. Actually, what we do is pretty high end. And actually, some of the problem lies in that because what we do is that we work on silicon validation boards, with OEMs. So basically, before the new chip is released, we work on picking it up for the end customer, developed use cases, et cetera. So almost every 6 months to 1 year as a new chip is developed, we sort of work with that. So it's almost a cutting edge of technology.

Now the challenge with that is in order to -- and of course, we are seeing some growth from FY '23 to 24. But I think the challenge out there is also to find the right kind of skills because these are pretty specialized skills. So for us, unlike in say, aerospace or automotive there, we can go, and recruit say 50 engineers to get people who have very good embedded kind of capabilities is hard. Plus the other factor which is happening is that we also have a lot of GCCs coming into the country who are obviously setting up base and they're making up a lot of the people. So we have some supply chain issues, I would say, in the semiconductor space.

I would say the pipeline is pretty robust. We have very good relationships. But there, it's more a question of getting some of the high-end resources. And even if you to train them it takes longer. It's not like a 6-month or a 7-month training course. It's probably much longer than that. So those are some of the challenges that we have in order to build up that business at scale. But the good thing is the market opportunity is there. So we are looking at how we can sort of improve on that front as well.

**Moderator:** Thank you. The next question is from the line of Manju Bhashini from JM Financial Services Limited. Please go ahead.

**Manju Bhashini:** First question clarifications here. First, on the Mistral part, the production revenue is clear, INR120 crores for the year, vis-a-vis INR38-odd crores. The other part, the R&D and design revenue has really been the numbers, what was the 9-month number in this? And the full year number you have talked about is close to INR146 crores. So what was the 9-month revenue run rate here, sir?

**Shashidhar SK:** Look, we have -- you are wanting to -- the full year revenue from prototype is INR90.66 crores. You want only the nine-month?

**Manju Bhashini:** No, because 9 months from whatever data I have, that it suggests some INR167-odd crores. And you are saying full year is only INR91 odd crores. So I just wanted to clarify.

**Shashidhar SK:** The prototype is only INR91 crores. And if you want the first 3 quarters, then of course, I will pull it out. I can pull it out and let you know. but the actual prototype revenue is INR90.66 crores.

**Manju Bhashini:** Okay. And on this INR91-odd crores, you said there is a loss of close to INR3.5 odds crores for the full year, right?

**Shashidhar SK:** That's right.

**Manju Bhashini:** Okay. And this INR91-odd crores, this is also like the growth of this R&D and prototype revenue will be based on whatever newer projects that you are working on and things of that is sort of a lead indicator that isn't sir, how the production revenues will build up over the next few years.

**Shashidhar SK:** You are right.

**Manju Bhashini:** Okay. And the Mistral sales is a summation of production revenues and prototype revenues only, right?

**Shashidhar SK:** Right.

**Manju Bhashini:** And what was the Mistral…

**Shashidhar SK:** Production revenues and the prototype revenues and of course the PES revenues, which Arun just talked about.

**Manju Bhashini:** Yes. So what was the mistral overall sales for the current quarter for Q4 FY'24 and the comparable number, Q4 FY'23 as well as Q3 FY'24?

**Shashidhar SK:** Yes. Just give me a minute here. So for the quarter, the just concluded quarter Q4, the total revenues of Mistral was INR91 crores the immediate previous quarter, which is Q3 of 2024 is INR71 crores. And the immediate, I would say, previous year, which is Q4 of 2023 was INR77 crores. So essentially, year-on-year, we have grown from INR77 crores to INR91 crores on a quarter-on-quarter basis, which is INR71 crores to INR91 crores.

**Manju Bhashini:** And the margins that we had indicated for the production revenue is somewhere in the range of 30%-odd, right?

**Shashidhar SK:** Yes. So, this year it is 30% on a production revenue of INR112 crores.

**Manju Bhashini:** Okay. And the visibility of growth of the production revenue is it can double in the following year from INR112 crores, or it can be INR200-plus-odd crores in FY'25 based on the visibility that you have currently.

**Shashidhar SK:** That's right.

**Manju Bhashini:** Sure, sir. And the other part is on the aero business. Aero business, there were certain commencement of contract that had happened in the previous quarter, Q3 '24, if I understood correctly, from orders which you had on a 6 months earlier. And the expectation is the delivery of -- the execution of these orders will continue to be better is what the expectation was. So is it as per our expectation, sir, is the delivery of the aerospace revenues in this quarter, is it up to the company's expectations? Or you think that it could have been better?

**Shashidhar SK:** So, it is as per expectations. As you would have seen, the Aerospace revenues have grown by 27%. And in even with respect to a quarter-on-quarter growth, if you look at the aerospace revenues, from INR77 crores in Q3 of FY '24, our aerospace revenues was at INR80 crores. And the same number for the last year, Q4 FY '23 was INR62 crores. So we have been growing at a healthy pace, including a new, I would say, the contract of what is being currently ramped up.

**Manju Bhashini:** Sure, sir. So this is the ramp-up execution mode, the revenues of INR80-odd crores per quarter. So this is a sustainable run rate is what you're suggesting for aero?

**Shashidhar SK:** That's right.

**Manju Bhashini:** And the $18-odd million win, which we had highlighted in our presentation as well, -- that is -- part of it is already reflecting in the revenues as well, sir, in this quarter as well as the previous quarter.

**Arun Krishnamurthi:** Yes. So, Manju, so this is something that started from 1st of Jan. So, it's reflected to Q4. Typically in aerospace, some of these large orders, what happens is that we've been a piece of work from an incumbent, usually, there's a 6-month transition because it's very specialized. So it's a little bit slow in the first 6 months plus -- there are 2 reasons comes, of course, we need to ramp up people.

But secondly, the customer also wants to make sure that there's adequate transition, and there's no falling between the lines. So typically, it starts accelerating after about 6 months of time. So it started on 1st of Jan, and we will definitely see this pick up as we go through the year.

**Manju Bhashini:** Sure. That is very helpful, sir. And just a couple of more things, if I'm permitted on our consolidated P&L. The efforts that we had put in terms of improving the employee mix and the digital initiatives which we had taken and the leadership changes. So all those have reflected in the last few quarters, the employee cost. So the current run rate of INR135 crores on a quarterly basis, this should only be inflation-related movement over the next year? Is that the right assumption, sir, on the employee benefit expenses?

**Arun Krishnamurthi:** Yes. I think largely, you're correct. I think of most of the digital team, we have now built up and they're starting to be productive and the business benefits and the return on investment is starting to happen. We will still look at a few leadership hires as we go in technically on the sales front. So that will come in, but it is not going to be a huge number.

And I would say it's only very material, but they will -- every year that we go in because of the nature of the business or the geography that we go into, for example, now with energy, they are going into Middle East. We will need to make a few investments in leadership. And really, the way I look at it is that building a good team then delivers a good business. So it will not be large scale like it was last year with the digital team, but there will be -- definitely, we'll be cherry-picking and doing some leadership is as we go to this year.

**Manju Bhashini:** And is there some leverage possible from the other expense line items, sir? I'm not too sure what is the composition of this? Is this largely sales and marketing and admin related costs only there?

**Shashidhar SK:** Yes, it is largely G&A, which is there in other expenses. As what I told you, in FY'24, we also took some onetime charges, which are also part of the other expenses, which essentially do INR3.17 crores, which was there for the recalibration of the Mistral entity Aero Electronics. There was about INR1.5 crores, which we incurred for the purpose of the due diligence for the acquisitions as well as the disallowed expenses are unallowed expenses with respect to the QIP and a few others. There are onetime charges there, which will close over INR5 crores, INR6 crores is not something which we have repeat in FY'25.

**Manju Bhashini:** Sure. But the current Q4 run rate of close to INR37-odd crores, is that a representative number, sir, from a full year perspective or you think those one-offs are part of this Q4 run rate as well?

**Shashidhar SK:** So, it's part of the Q4 run rate, the QIP excess was part of the Q4 run rate, whereas the INR3.17 crores, which I mentioned to you was actually in Q2. So essentially, I would say that close to about INR2 crores is sitting in other expenses in Q4.

**Manju Bhashini:** Okay. Got it. And there is some -- and this is -- we're going to only grow at inflation linked, and it's not necessarily going to be linear as our revenue growth will happen?

**Shashidhar SK:** You're right.

**Manju Bhashini:** And just 1 last point. INR1,600 crores of top line, you said will also have some inorganic composition to it. Any ballpark number you would like to share with us, sir, in terms of what could be the -- what is the organic and the inorganic composition that you're looking for on your aspirations of doubling the top line?

**Arun Krishnamurthi:** I would say that if you look at 200 million, I'm a little bit more comfortable in dollars. So if you're okay to answer the question. So if you look at 200 million as a target that we are setting for ourselves in FY'26, we'll probably look at something like 30 million, somewhere in that way. I mean I can't give an exact number for inorganic, as you understand. But if we look at something like that to be the contribution of about 30 million. But as you understand, this could change a little bit, but that's the ballpark.

**Manju Bhashini:** And this INR272 crores of executable production order, over what time frame you did mention about this. I couldn't get it clearly. That's -- sorry, I'm repeating this.

**Shashidhar SK:** It would be generally in the range of 12 months to 18 months.

**Manju Bhashini:** 12 months to 18 months. And the overall order book, can we assume that would also be the INR750-odd crores, that will also be over the similar time frame?

**Shashidhar SK:** That's right. Essentially, if you look at the run rate as what we have, the order book is what we are talking about is something which is executable in FY'25.

**Manju Bhashini:** Okay, great. Thank you very much, sir, and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Godwin K, an individual investor, please go ahead.

**Godwin K:** Thank you for taking my question. So, my question pertains to the acquisition of the company EPCOGEN. Can you throw some, because EPCOGEN is into more verticals? If you can kindly help me understand since we are in the process of streamlining our company into good systems and process. And what led us to go and acquire this company during that process, first thing. Secondly, you can kindly help me understand the renewable energy landscape business that this company into and put some colour on the future of this company that will be fine? Thank You.

**Arun Krishnamurthi:** Yes, so the rationale for acquiring this company is that, firstly, like I said, we believe in a diversified vertical base because at some point or the other, there is one vertical or other, which will always have some seasonality. So I think having the diverse base helps. Of course, we don't want to spread ourselves too thin.

So we are happy with the base that we have. But the rationale for acquiring EPCOGEN was energy is a good business to be in, both from a renewable new energy perspective because , as well as from an oil and gas perspective, because oil and gas still has a lot, going in it, at least for the next 10 years to 20 years.

In specific, if you're asking about -- so what EPCOGEN has is the whole procurement construction engineering skills and this is applicable across large capex construction in oil and gas, as well as renewables. So for example, in renewables, we are working with the company, which is a UK based company, which makes, cryogenic fuels. So, we are constructing large storage plants for them.

And the whole procurement and engineering design of that is done by us. But of course, we're doing a lot of work in the oil and gas side as well when it comes to construction and refineries, carbon captures, sulphur capture, gas storage plants, etc. So, the rationale is that we want to have a presence in energy. And we believe that with that middle it is also interested there for us.

**Godwin K:** Thank you, sir. That's it from my end.

**Moderator:** Thank you. As that was the last question for the day. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Shashidhar SK:** We thank all the participants in this earnings call, and we also thank Orient Capital for organizing this call. Thank you very much.

**Moderator:** Thank you. On behalf of Centrum Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.