Aeroflex Industries

Operator: Ladies and gentlemen, good day and welcome to the Aeroflex Industries Ltd. Q2 FY27 earnings conference call. As a reminder, all participants' lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star, then zero, on your touchtone phone. Please note that this conference is being recorded.

Before we begin, this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

Asad Daud - Managing Director: Thank you so much. Good morning, everyone. I welcome you all to the Aeroflex Industries Ltd. Q2 FY27 earnings call. Joining us today are members of our senior management team along with representatives from Strategic Growth Advisors, our investor relations partner.

I hope you had the opportunity to review our financial results and investor presentation, which are available both on the stock exchange and on our company's website.

We are pleased to report our best-ever results, with quarterly revenue crossing the 200 crores milestone for the first time ever. This achievement reflects sustained growth momentum across all our verticals, supported by strong demand for our core products and the increasing traction that we are witnessing in the liquid cooling vertical. It also highlights the strength of our diversified business model, the growing contribution from value-added products, and our strategic positioning in high-growth segments, especially high-performance data center infrastructure.

During H1 FY27, our metal flexible hose business delivered strong growth, with revenues increasing by 40% year-on-year, supported by demand across various end-user industries and our established international customer base. The assemblies and other value-added products business also registered growth of 44% year-on-year, which reflects increased demand for high-precision engineered flow solutions. The liquid cooling vertical continues to gain significant traction, driven by the growing adoption of advanced cooling technologies in high-performance data centers. This vertical contributed 24% of our revenue in H1 FY27, which marks a significant milestone in our evolution from being just a flexible hose provider to an integrated provider of advanced flow control and liquid cooling solutions.

We have also announced the merger of Hyd-Air Engineering, which is our wholly owned subsidiary, with Aeroflex. This is aimed at strategically integrating the operations of Hyd-Air into Aeroflex and creating a more streamlined and efficient business structure. The merger is also expected to leverage existing infrastructure. It will help optimize resource allocation and strengthen the company's ability to scale in-house capabilities in line with our business requirements. By eliminating operational overlaps, simplifying the corporate structure, and optimizing costs, this consolidation is expected to reduce administrative and compliance-related costs, enhance

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operational coordination, improve resource utilization, and facilitate more efficient capital allocation.

Now, talking about the data center opportunity, the rapid advancement of AI and high-performance computing is transforming the entire global data center infrastructure, including in India. Higher computing requirements are driving increased rack densities and heat generation, which is accelerating the shift from conventional air cooling to advanced liquid cooling technologies. Hyperscalers, cloud service providers, and global technology companies are making huge investments in data centers, not only internationally but also in India. This is creating growing demand for reliable, leak-proof, and precision-engineered flow control solutions.

Aeroflex is well positioned to participate in this opportunity through its expertise in flexible flow solutions, including engineered assemblies and liquid cooling skid assemblies. Our SS and skid assemblies facilitate coolant circulation and support efficient data center cooling operations. We are also strengthening our capabilities in advanced flow control components and flexible connection solutions to address the ever-evolving requirements of liquid cooling infrastructure. We aim to progressively strengthen our presence across the data center value chain, leveraging our manufacturing capabilities, customized engineering solutions, and diversified product portfolio.

Now, talking about our capacity expansion, this month we announced a capacity expansion involving total capital expenditure of 202 crores. This is aimed at supporting our long-term growth outlook and the increased demand visibility that we are seeing across both our sectors.

In terms of stainless steel flexible flow solutions, we have already completed the expansion of our manufacturing capacity to 20 million meters per annum. We have planned a further expansion of 10 million meters per annum, which will take our total capacity to 30 million meters per annum. This is estimated to be completed by March 2028 and involves an investment of approximately 124 crores. This expansion program will comprise a mix of brownfield expansion at our existing {? Taloja ?} facility and a proposed new manufacturing facility for hose assemblies.

Now, talking about the expansion plans for skid assemblies, our current capacity expansion plan to reach 15,000 units per annum is expected to be completed by December 2026. Out of that, we have already commissioned 12,000 units per annum. In addition to that, we have planned the next phase of expansion, thereby raising our capacity from 15,000 units per annum to 30,000 skid assemblies per annum. This is expected to be completed by March 2028 and will entail an additional investment of Rs. 78 crores.

The overall investment of Rs. 202 crores will be funded primarily through a combination of internal accruals, bridge loan financing, and an equity fundraise, if required. At peak capacity utilization, these additional capacities are expected to generate incremental revenue potential of approximately Rs. 500 to 550 crores per year. The expansion will be implemented in a phased manner, strengthening our ability to execute larger customer programs and capitalize on opportunities across data centers and other high-growth industries.

To talk about our technology, innovation, and R&D, which remain central to our long-term growth strategy, we continue to invest in new production capabilities, new product development, manufacturing process improvements, and the enhancement of our engineering capabilities. I am

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also glad to share that we have been granted a patent for our invention of developing a system and method for automatically generating a 3D computer-aided model for braided hose assemblies. This technology automates the generation of 3D CAD models of braided hose assemblies, enabling greater efficiency, consistency, and precision in product development. Going forward, we will continue to focus on product innovation, process automation, and advanced manufacturing technologies to develop customized solutions for specialized and mission-critical applications.

Looking ahead, we remain confident about our long-term growth prospects. Our strategy is focused on three key priorities. First, to strengthen our core metal flexible hoses and assemblies business through capacity expansion, automation, product innovation, and deeper market penetration. Second, to scale up our liquid cooling solutions business by expanding our manufacturing capability and capacity, strengthening our engineering capabilities, and increasing engagement with our customers across the data center ecosystem. Third, to continuously invest in technology, R&D, and advanced manufacturing to develop specialized solutions for these high-growth industries.

The global transition towards AI-led computing and liquid-cooled data center infrastructure represents a multi-year opportunity for us. Our recently announced expansion program reflects our confidence in this opportunity and our commitment to building the capabilities required to support future growth. Alongside our growth investments, we also remain focused on maintaining a strong balance sheet, healthy cash flows, and financial discipline. This will provide us with the financial flexibility to fund our future growth initiatives while maintaining a strong financial position.

Now, talking about our financial performance for Q2 FY27, our total income for the quarter stood at a record 207.68 crores, up 87% year-on-year. Our EBITDA stood at 50.34 crores, representing growth of 94% year-on-year. Our EBITDA margin was 24.27% as compared to 23.34% last year. Profit after tax stood at 36.56 crores, which is a 150... and our PAT margin for the [cut off]

Operator: Sorry to interrupt you, Asad sir. We are losing your voice intermittently.

Asad Daud - Managing Director: Okay. [pause] Am I audible now?

Operator: Yes, sir. Please continue.

Asad Daud - Managing Director: Okay, sorry. I will just repeat the last couple of lines. Profit after tax stood at 36.56 crores, which is a growth of 157% year-on-year. PAT margins stood at 17.6%.

Talking about H1, total income for the period stood at 353.66 crores, representing growth of 81% year-on-year. EBITDA stood at 83.83 crores, representing growth of 103% year-on-year. EBITDA margins stood at 23.77% compared to 21.19% in H1 FY26. Profit after tax stood at 55.35 crores, and the PAT margin for the period was 15.65%.

During the quarter, we changed our depreciation method from WDV, which is the written-down value method, to the straight-line method, effective from April 1, 2026, to better reflect the expected usage of the assets. This change resulted in a reduction in depreciation expense of Rs. 8.41 crores for both Q2 and H1. The change in the depreciation methodology was undertaken based on the advice of technical experts and also considering the significant investments being

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undertaken in capex, as well as an assessment of the pattern in which the future benefit [trails off]

Management: [inaudible] of the assets that are expected to be utilized, this depreciation method or methodology was changed from WDV to SLM.

Our financial performance during H1 FY27 has been extremely encouraging, with the company already achieving financial numbers close to its entire FY26 performance within the first 6 months of FY27. This reflects the strong business momentum that we are seeing, the robust growth across our segments, and the increasing contribution from our liquid cooling solutions business, positioning us well for the remainder of the year.

Lastly, I would like to thank our employees, customers, suppliers, business partners, and, most importantly, our shareholders for their continued trust and support.

Thank you, and with that, I would like to conclude my remarks. We can now open the floor for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Raman KV from Sequent Investments. Please go ahead.

Raman KV – Sequent Investments: Hello, sir. Can you hear me?

Operator: Yes, we can.

Raman KV – Sequent Investments: I have a few questions. One is with respect to the merger with Hyd-Air. How much cost savings are you expecting?

Management: We do not have a specific number in terms of that, but we expect at least a couple of percentage points of margin improvement on account of the cost savings. In addition, the whole idea behind the merger is to utilize the existing facilities of Hyd-Air for manufacturing products that will be used by Aeroflex Industries. Hence, we felt that it was prudent to merge both companies.

Raman KV – Sequent Investments: If you can, could you give us a ballpark figure for the margin expansion you are expecting? How many basis points, approximately?

Management: It is difficult to say right now. Once we complete the merger, we will be in a much better position to share the exact numbers with you.

Raman KV – Sequent Investments: Understood, sir. Now, my second question is that our liquid cooling skids contribute upwards of 30% of our total revenue. Can you share the current order book and the execution period for those orders?

Management: Typically, we see a pipeline of confirmed supply over the next 3 months. We already have a frozen pipeline for this quarter and the beginning of the next quarter. It will be difficult for me

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to give you numbers because of confidentiality with these customers. However, we typically get a horizon of a minimum of 3 months, and for the months after that, we get a ballpark estimate of their requirements.

Raman KV – Sequent Investments: Can you also let us know what the bid pipeline is with respect to these liquid cooling skids? How much worth of orders are you bidding for?

Management: We are working with one customer exclusively for India for the liquid cooling business, and we do not bid directly to the end user of the data centers. We are working with this very large US multinational company to provide liquid cooling solutions to them.

Raman KV – Sequent Investments: The particular solution that you provide for the Indian market for the US multinational company with which you have the exclusivity agreement—what is the size of this market, and who are the key players in the market?

Management: The global size of the liquid cooling market is currently upwards of approximately $4 billion to $5 billion, but it is growing at more than 30% year-on-year. The biggest player in this industry globally is Vertiv Energy. They are also the biggest player in India.

Raman KV – Sequent Investments: What is the market size in India?

Management: The exact numbers for the Indian market size are not available. I do not have them at the top of my head right now, but I can share them with you later.

Raman KV – Sequent Investments: Okay, thank you, sir.

Operator: Thank you. Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, please rejoin the queue.

The next question is from the line of Nikhil Choudhary from Toro Wealth Manager. Please go ahead.

Nikhil Choudhary – Toro Wealth Manager: Good morning, sir. Congratulations on a good set of numbers. I have just two questions. We have been attending many conferences, especially the recent one that you mentioned, Tech Week Singapore. I want to understand how the export opportunity is developing for Aeroflex's liquid cooling solutions. Are any new qualifications underway with global OEMs? Are we in talks? And the second question would be—yes, sorry, go ahead, sir.

Management: We have already been speaking to a couple of international players for the supply of liquid cooling solutions. The progress is going quite well. Once something is finalized, only then will we be able to share more details on that, but yes, we are already looking at international expansion.

Nikhil Choudhary – Toro Wealth Manager: Understood. Also, regarding the incremental 15,000 skids that we have announced, taking the capacity to 30,000, now that the export opportunity can probably begin, if it does, will this also mean that the capacity will not meet our requirements, or will we decide on the incremental skid capacities as the quarters go by? Because another—

Management: You are talking about the additional capacity that we have planned, right?

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Nikhil Choudhary – Toro Wealth Manager: Yes.

Management: We will be utilizing this additional capacity both for the Indian market and the international market. We have earmarked certain capacity for the international market as well, so this expansion is being undertaken considering both opportunities.

Nikhil Choudhary – Toro Wealth Manager: Understood. However, I believe the incremental capacities would take care of only approximately 250–300 MW. I am thinking that the expansion we are seeing in India itself would be significantly large over the next 3–4 years. Considering that you are working with a leading player, do you think the current incremental capacities would also fall short?

Management: As I said, many projects have been announced in India. Obviously, the projects will be commissioned over a period of time, and we will be increasing our capacity based on the requirements that we see coming in from the market. If you look at the past almost 1.5 years, we have doubled our capacity or planned to double our capacity twice. We went from 2 to 15, which is almost seven times, and now we are moving from 15 to 30. This is based on the increased demand that we are seeing coming in across the verticals, especially in India. In the future also, we would expand based on the requirements that we see coming in.

Nikhil Choudhary – Toro Wealth Manager: Understood. Considering that we have negligible leverage on the balance sheet, you have already said that you will consider an equity raise if needed, but—

Management: That is only if needed.

Nikhil Choudhary – Toro Wealth Manager: Understood. So, that debt should be sufficient for the capex as well as the growth.

Management: The first source would be internal accruals, followed by any kind of bridge financing for an interim period or any kind of long-term financing. Equity would be the next stage.

Nikhil Choudhary – Toro Wealth Manager: Understood. Thank you so much, sir. All the best. Thank you.

Management: Thank you.

Operator: Thank you. Participants who wish to ask a question may press star and one.

The next question is from the line of Tej Patel from Niveshay. Please go ahead.

Tej Patel – Niveshay: Hello, sir. Am I audible?

Operator: Yes, you are.

Management: Yes, you are audible.

Tej Patel – Niveshay: Perfectly. Thank you so much. First of all, congratulations on the results. It is very commendable that you entered the data center business and are now scaling it up.

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Congratulations on that as well.

Taking the previous participant's question, you said this incremental capacity would be for both domestic and international markets, correct? Is it right to assume that the incremental capacity is not exclusively for the customer with whom we already had an agreement for the earlier capacity?

Management: The exclusivity remains intact for the Indian market. Internationally, as I have said previously, there is no exclusivity. This capacity expansion will be undertaken both at our existing facility and at a new facility. Therefore, exclusivity will not be an issue in this case.

Tej Patel – Niveshay: So, you are saying that the newer plant would probably cater to international OEMs, with no exclusivity, but the capacity expansion on the brownfield side for incremental capacity would still be under exclusive agreements, right?

Management: Not exactly like that. We do not manage it plant by plant. We do not say that one plant is exclusive and another plant is not exclusive. We have earmarked certain capacity to be devoted to our customer. That capacity would be dedicated to them irrespective of the plant in which it is manufactured.

Tej Patel – Niveshay: To conclude, you are saying there is some incremental capacity, of which some capacity is exclusive to your earlier customer, but there is also a little capacity that you can sell to other customers, right?

Management: Yes, internationally.

Tej Patel – Niveshay: Perfect. I have one more question regarding Hyd-Air. You have explained the rationale for consolidating it, but once you consolidate Hyd-Air into Aeroflex, does this automatically allow you to obtain certificates from an existing customer for selling Hyd-Air's products to them as well? You are already certified as a vendor, but I think Hyd-Air was not certified, right? Does that advantage also result from this consolidation?

Management: Yes. That is also one of the reasons. We already have certain customers who buy from Aeroflex, and when Hyd-Air is subsumed under Aeroflex, it will help us increase the supply of fittings to Aeroflex's customers. That was one of the criteria for the merger. Another important criterion for the merger was that a lot of Hyd-Air's capacity is now being utilized to manufacture products for Aeroflex Industries. It is almost like backward integration. Hence, we felt it would be prudent to have it within one company rather than have two separate companies. Ultimately, one company is supplying to the other.

Tej Patel – Niveshay: Understood. Your base business has performed quite well this quarter, surprisingly well. In the last conference call, you spoke about some shipment delays. Was there any movement from Q1 to Q2, meaning was some revenue from Q1 booked in Q2 because of shipment delays in Q1?

Management: Not in this case. What we have seen is that the core business has grown, not to our surprise, because we have been working on this since the past year. The real work behind the growth this year is the result of all the work that we have been doing over the past 6 to 9 months. There was no offtake from Q1 to Q2 because we are seeing the shipments go as planned. The only

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concern is that the cost of shipments has increased significantly. If you look at expenses, one of the major expenses that has increased is freight and forwarding, because of the international issues and the increase in shipping costs.

Tej Patel – Niveshay: Understood. Perfect.

Tej Patel – Niveshay: Regarding the international customer with whom you are engaging, is it the same customer with whom we are dealing domestically? If not, which geography is this customer from? Is it the same customer?

Management: The same customer.

Tej Patel – Niveshay: In the previous conference call, we also alluded to looking beyond SFN. Could you provide a more elaborate answer on this? What kind of products are we looking at, what stage are we at, and are we looking to make an inorganic acquisition to expand beyond SFN? Any details would be helpful.

Management: We are looking at developing products that are adjacent to SFN and are used in the liquid cooling space itself. It would be difficult for me to comment on the product we are building until we have developed it and obtained the approvals for it. However, we are developing certain products that will be used in liquid cooling infrastructure and will be complementary products to SFN. The development is still ongoing in terms of product design, sampling, testing, and ultimately commercialization. I will not be able to provide more clarity until the approvals for those products are completed.

Tej Patel – Niveshay: Is it more of a backward integration product? Is it part of SFN, or is it something else and not part of SFN?

Management: It is not exactly part of SFN. It is used in the liquid cooling space itself. It is not SFN; it is complementary to SFN. That is the only thing I can say right now.

Tej Patel – Niveshay: No problem, sir. One last question. What would be the Bellows revenue in this quarter? What contribution came from Bellows this quarter?

Management: 6 crores.

Tej Patel – Niveshay: 6 crores?

Management: Yes.

Tej Patel – Niveshay: Are these Bellows mostly sold as standalone products, or are they part of assemblies?

Management: Bellows are sold both as Bellows and as expansion joints. When we sell them as expansion joints, they are in a form similar to how we sell hose assemblies.

Tej Patel – Niveshay: I have a couple more questions. I will join back in the queue. Thank you so much.

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Management: Thank you.

Operator: Thank you. The next question is from the line of Alisha Mahawla from Trust Mutual Fund. Please go ahead.

Alisha Mahawla – Trust Mutual Fund: Good morning, sir. Thank you for the opportunity. First, considering that our capacity ramp-up has been quite strong and that growth from Q1 to Q2 has also been strong, what are your thoughts on our capacity utilization by the end of the year? When we started, we were being very conservative and saying it would probably be 30-35%. Would we be able to utilize 50% or more of this capacity in the first year itself?

Management: As per our plan, the business and this industry are evolving every month. We are also learning many new things about this industry every month. Therefore, we have to revise our projections almost monthly or, at most, quarterly. We expect that for this financial year, we will reach approximately 40-50% utilization of our total capacity.

Alisha Mahawla – Trust Mutual Fund: For the skids business?

Management: Yes, for the skids only.

Alisha Mahawla – Trust Mutual Fund: Understood. Things are ramping up very well with our customer in India. Is there any reason why the customer is not keen to start giving us orders in other markets as well? We have been in discussions with them, and we have also demonstrated our capabilities. What is the timeline looking like?

Management: We are already at an advanced stage of sampling and pricing. Discussions with our customer for international supply started a couple of months ago. The progress is going quite well, and we are already at the next level of discussions. We hope this will be closed soon. It is difficult to give a timeline because international supply involves many controls, measures, checks, and audits, which may take some time. However, the discussions are at a very advanced stage.

Alisha Mahawla – Trust Mutual Fund: The design and qualification would be the same, right? So, this is stiffening and they have the confidence of the customer.

Management: I would like to clarify that the design of SFN internationally and the design of SFN in India are different. That is why it takes some time. The SFN designed for India has been designed keeping Indian conditions and the Indian environment in mind, whereas the international design takes into consideration the requirements, installation capabilities, and the geography and topography of that particular country. Therefore, the designs are completely different. As I have said in previous calls, even in India, the design for each data center is very different. Hence, the design changes for every data center for which we provide SFN.

Alisha Mahawla – Trust Mutual Fund: How different would the realizations be? How much higher would realizations be in the international market compared with the domestic market?

Management: It is difficult to comment on realizations until we have started the first supply. However, we expect realizations to be definitely higher than in the Indian market, but it is too early for me to comment on that.

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Alisha Mahawla – Trust Mutual Fund: What about discussions with international customers other than this key customer? What is the stage of progress there?

Management: Apart from the customer with whom we are dealing, discussions with these other customers are currently at an early stage. We expect these customers to convert into customers soon, but it is difficult to give timelines because they are at a much earlier stage.

Alisha Mahawla – Trust Mutual Fund: One last bookkeeping question: how much was the revenue from Metal Bellows and {? heilder ?} in H1?

Management: Metal Bellows revenue was 6 crores in Q2.

Alisha Mahawla – Trust Mutual Fund: H1, H1.

Management: H1 was 9 crores.

Alisha Mahawla – Trust Mutual Fund: I thought that was for Q2 when you said it.

Management: No, I said 6 crores for Q2 and 3 crores for Q1, so the total for Bellows in H1 was 9 crores.

Alisha Mahawla – Trust Mutual Fund: And {? heilder ?}?

Management: {? Heilder ?} totaled 11.5 crores. That includes the sales from—yes, sorry, go ahead.

Alisha Mahawla – Trust Mutual Fund: No, it is okay. 11 crores.

Management: 11.5, yes. Thank you.

Alisha Mahawla – Trust Mutual Fund: Thank you.

Operator: Thank you. The next question is from the line of Prem {? Lodhiya ?} from Astute Investment Management. Please go ahead.

Prem {? Lodhiya ?} – Astute Investment Management: Hello?

Management: Hello?

Operator: Yes, sir, you are audible.

Prem {? Lodhiya ?} – Astute Investment Management: Yes, sir. Congratulations on a great set of numbers. I wanted to understand the split of the base business revenue. We used to provide this split between oil and gas and new energy divisions. What is the split currently for this quarter and H1?

Management: Data centers are now contributing a significant portion of the overall business. In terms of the next segment, ports and terminals is becoming a very large business for us, where we are seeing a lot of demand and traction. Oil and gas and steel would be the next major verticals.

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Data centers have now become the largest vertical, primarily on account of the sales from the liquid cooling business. We are also receiving significant demand for hose assemblies from the data center business. These verticals combined are now contributing approximately 26–27% of the business. Firefighting, steel, and oil and gas together contribute approximately 30%, with the remaining contribution coming from other industries.

Prem {? Lodhiya ?} – Astute Investment Management: Regarding the expansion of hoses from 20 to 30, do you see most of it being utilized domestically or internationally, and in which industries are you seeing the most growth?

Management: For hose assemblies, the major business would come from international markets. Internationally, that is the market for our hose assemblies, and it is our largest market. That is where we will see the greatest traction for hose assemblies.

Prem {? Lodhiya ?} – Astute Investment Management: Which industries would that be?

Management: One would be data centers, because they also have a requirement for hoses. Firefighting continues to be one of the high-growth industries internationally. The third is ports and terminals, where we are seeing significant demand for our products. These three will be the major growth drivers for the company in the near future.

Prem {? Lodhiya ?} – Astute Investment Management: Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Shreyans Talesara from Equentis Wealth Advisors. Please go ahead.

Shreyans Talesara – Equentis Wealth Advisors: Hello, am I audible?

Operator: Yes, sir.

Management: Yes.

Shreyans Talesara – Equentis Wealth Advisors: Congratulations on a great set of numbers and on the exemplary execution. I have another clarificatory question. Somebody asked about the international skid assembly business and whether it is for the same customer. We are going to start internationally with the same customer—is my understanding correct?

Management: For international business, the discussions are at an advanced stage with the same customer. Preliminary discussions have also started with other customers for other...

Shreyans Talesara – Equentis Wealth Advisors: We will be doing this from the same plant but for multiple customers, possibly for international markets. The restriction on exclusivity is only for the domestic side, right?

Management: As I mentioned earlier, the exclusivity is for the Indian market. We have dedicated certain capacity for the customer for the Indian market. We are open to utilizing the remaining additional capacity either internationally or for selling to the same customer in India as well. That

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capacity is fungible, so we will utilize it for any exports that we undertake. It is not restricted to one plant; it is based more on capacity and demand.

Shreyans Talesara – Equentis Wealth Advisors: Understood. You provided guidance for FY27, but you also had broader guidance for FY29 of approximately 1,000 crores of top line with 25% operating margins. What would those numbers look like now, given that we have upgraded our FY27 baseline guidance?

Management: We will now definitely achieve much more than the FY29 target of 1,000 crores. Based on the expansion that we are undertaking now, which will be completed by March 2028, we expect this capacity to be at peak utilization in FY30. We expect the top line to be close to 1,500 for FY30.

Shreyans Talesara – Equentis Wealth Advisors: FY30? What would the margin trajectory look like? Can you provide any guidance?

Management: I think we would maintain margins at approximately 25%. That is what we believe. Obviously, there will be certain benefits from economies of scale, but also certain pricing pressures as we scale up in our verticals. Considering both [cut off]

Management: We expect margins to be 25% and slightly higher.

Shreyans Talesara – Equentis Wealth Advisors: I am also factoring in that you will integrate this subsidiary, which could provide some operating benefits. Your guidance of 70% EBITDA margin and 60% net growth by FY27 already implies approximately 24% margins for FY27. I thought it could easily cross 25%, or perhaps you want to remain conservative and overdeliver. I wanted to get your thoughts on that.

Management: I think you have answered my question. [laughs] Regarding this subsidiary, its turnover compared with Aeroflex's quarterly turnover is approximately 3%. Therefore, the margin impact on the overall business would be quite minuscule from that angle.

The broader idea is that our internal targets will always be much higher. However, as I said, we expect margins to be at 25%, with a top line close to 1,500 by FY30.

Shreyans Talesara – Equentis Wealth Advisors: Understood. Very clear. All the best, and thank you very much, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Jainam Doshi from CRISP PMS. Please go ahead.

Jainam Doshi – CRISP PMS: Good morning, sir. Thank you for providing the opportunity, and congratulations on a great set of numbers. I have two questions. First, are our current skid assemblies compatible with the planned 800 VDC data centers, or will the design require modifications? Would the move towards 800 VDC change the coolant flow rate, pressure, or the number of skids required per megawatt of IT load?

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Management: Our designs for SSN are quite fungible. As I mentioned, they also change from one data center to another. The design team of Vertiv works in close coordination with our design team to develop the SSN design and ultimately develop the product. It is a collaborative effort. Our products will be in accordance with Vertiv's requirements.

Jainam Doshi – CRISP PMS: Understood. The average realizations per skid have improved to approximately 3.39 lakhs per skid in the current quarter. Going forward, do we see these realizations improving as the mix improves, or would they remain in a similar range?

Management: Realization per skid can vary significantly. We have sold skids at a value of 1.5 lakhs, and we have also sold skids at a value of 5 lakhs, depending on the complexity of the skid. The number you are seeing is an average. This average can fluctuate depending on the data center project that takes place in a particular quarter. It is simply an average metric and does not indicate whether realizations are improving or declining. It is just the average of what we supplied during the entire quarter.

Jainam Doshi – CRISP PMS: Understood. Those were my questions. Thank you for the opportunity.

Management: Thank you.

Operator: Thank you. The next question is from the line of Deepak Pandey from Shagun Capital. Please go ahead.

Deepak Pandey – Shagun Capital: Sir, I have a question about your parent company's acquisition. The parent company has acquired a valves company that caters to data centers. What are the plans there? Are there any plans for backward integration, and will this act as a supplier to Aeroflex?

Management: I think the parent company has acquired a business that is mostly into sanitary valves, so it would be difficult for me to comment on that during this call. At Aeroflex, we are already working on certain potential acquisitions, and once anything is finalized, we will let you know. It is difficult to comment on the parent company's acquisition.

Deepak Pandey – Shagun Capital: Broadly, the data center basket remains within Aeroflex Industries, right?

Management: Yes, the liquid cooling vertical is under Aeroflex Industries itself.

Deepak Pandey – Shagun Capital: Okay. Thank you, sir.

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

Disha – Sapphire Capital: Hello. Am I audible?

Management: Yes, you are audible.

Disha – Sapphire Capital: Thank you so much, sir, for this opportunity, and congratulations on a stellar set of results. I have a couple of questions. First, our skid assemblies business has performed very well, but the growth in our base business has also been stellar. Do you see this momentum

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continuing in the second half as well? What sort of growth should we target for both the flexible hoses business and the assemblies business this year?

Management: Our core business is growing at a very healthy pace this year, and we expect the same to continue for the remainder of the year. In terms of overall growth, we expect sales for the entire company to grow by almost 60% this year. We expect the year to close at approximately 715 to 725 crores at least.

Disha – Sapphire Capital: Given the current run rate, would it be fair to assume that the skid assemblies business can generate approximately 200 crores this year?

Management: The initial target for this year was approximately 125 crores. Obviously, that will be achieved in this quarter itself. The target for this year is to achieve between 150 and 200 crores.

Disha – Sapphire Capital: For the SS hoses business, what is the current capacity utilization? After the expansion to 30 million meters, what sort of peak revenue do you expect from this segment?

Management: The peak revenue that we expect from this segment would be approximately 900 crores, or 850 to 900 crores, at peak utilization, assuming that approximately 70-75% of the capacity is utilized for making hose assemblies. In terms of the—

Disha – Sapphire Capital: Yes, please go ahead. Sorry.

Management: In terms of capacity utilization, on an overall basis, we are currently at approximately 80% utilization.

Disha – Sapphire Capital: Currently, we are at 80%?

Management: Yes.

Disha – Sapphire Capital: The capex number you mentioned was 78 crores for skid assemblies, with the remaining amount for the hose assemblies business, right?

Management: Yes, 124 crores for hose assemblies.

Disha – Sapphire Capital: For the 15,000-unit skid assemblies capacity, would it be fair to assume 80% utilization next year?

Management: For the 15,000, right? For Phase 1, which is already commissioned—

Disha – Sapphire Capital: Yes, the one that you have already commissioned.

Management: Our target is to reach peak utilization by next year.

Disha – Sapphire Capital: With 78 crores of capex, right?

Management: Yes. Sorry, 78.

Disha – Sapphire Capital: That is all from my side. Thank you so much, and all the best.

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Management: Thank you.

Operator: Thank you. The next question is from the line of Swaraj Mehta from Perpetual Capital Advisors. Please go ahead.

Swaraj Mehta – Perpetual Capital Advisors: Thank you for the opportunity, and congratulations on a great set of numbers. My first question is on receivables. What is the reason for the increase in receivables this quarter? What would be a sustainable number going forward, and how do you see it developing?

Management: Receivables have grown in line with our growth in sales. However, if you analyze the numbers in greater detail, our receivables have grown at a slower pace compared with our sales, which means that we are recovering money faster from our customers. Our trade working capital and trade receivables days have also reduced in this quarter and in the first half of the year compared with the first half of last year.

Swaraj Mehta – Perpetual Capital Advisors: Regarding welding automation, with the two lines that we have, can we achieve a 0.5–1% improvement in margins, or is this the maximum improvement available?

Management: It is difficult to directly allocate welding automation to an exact increase in percentage margins. The purpose of automating welding is for a couple of reasons. First, it reduces our dependency on manual work. Second, it helps us increase our production capacities. Third, and most importantly, it helps us produce a better-quality product. A product made by machine has fewer rejections compared with one made manually. These are the three most critical factors for us. Obviously, as a result of all three, it helps improve both the top line and the bottom line, but it is difficult to give an exact number for the impact on margins.

Swaraj Mehta – Perpetual Capital Advisors: Understood. Thank you so much.

Management: Thank you.

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

Management: Thank you so much, everyone, for joining today's call. If we were not able to answer anyone's questions, or if anyone has any other questions, please get in touch with SGA, our investor relations partner. You can also contact our investor relations team. Thank you so much, everyone, for joining today's call. Have a great day.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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