Operator: Ladies and gentlemen, good evening and welcome to Apsis Aerocom Ltd. H1 FY27 maiden earnings conference call hosted by {? Capital ?}. We have with us today from the management team Mr. Basavaraj KS, Managing Director; Mr. Mihir Kumar Pradhan, Chairman and Executive Director; Mr. Vinod Kumar Mariappan, Whole-time Director; Mr. K N Shashidhar, Chief Financial Officer; and Ms. Saloni Jayati, Company Secretary and Compliance Officer. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and zero on your touchtone phone.

Before we begin, I would like to remind everyone that today's discussion may contain forward-looking statements. These statements are based on the company's current expectations, assumptions and estimates regarding future events and are subject to various risks and uncertainties. Actual results may differ materially from those expressed or implied in these statements. We encourage participants to refer to the company's filings with the stock exchange for a detailed discussion of the risk factors.

I would now like to hand over the call to Mr. Mihir Kumar Pradhan, Chairman and Executive Director of Apsis Aerocom Ltd., who will begin with his opening remarks and provide an overview of the company's business. After that, Mr. Basavaraj KS, Managing Director of Apsis Aerocom Ltd., will provide an update on key developments, growth outlook and the company's financial performance for the half year ended September 30, 2026. Thank you, and over to you, sir.

Mihir Kumar Pradhan – Chairman & Executive Director: Hi, good afternoon to everyone. I am Mihir Kumar Pradhan, Chairman and Executive Director of your company. On behalf of the Board of Directors and the management team, I extend a warm welcome and thank all the shareholders, investors, analysts and stakeholders for joining us today for our earnings call for the first half of the financial year 2026-27.

The first half of FY26-27 has been an important period for the company as we continue to strengthen our operational capabilities, enhance our manufacturing infrastructure and pursue opportunities across the aerospace, defense, healthcare and high-precision engineering sectors.

One of the key developments in our growth journey has been the operation of Unit 2. During the current financial year, our focus has been on strengthening the operational readiness of the facility, improving capacity utilization and aligning resources to meet the evolving requirements of our customers. This expansion provides us with additional manufacturing capacity and the ability to undertake larger, more complex and technically demanding projects.

Our strategic priorities for the remainder of FY26-27 and beyond will continue to evolve around the following key areas.

First, operational efficiency and capacity utilization of Unit 2. We will continue to focus on optimizing our manufacturing operations, improving productivity and enhancing the utilization of our existing facilities, particularly Unit 2. Our objective is to progressively translate our expanded capacity into improved operational performance and sustainable business growth.

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Second, customer diversification and business development. We remain focused on strengthening our relationships with existing customers, and we are actively exploring new business opportunities with new customers. Regarding the business aspect, our Managing Director, Mr. Basavaraj, will take you through it. Regarding the financial aspect, our CFO will explain it in detail.

Once again, thank you all for your support and trust in us.

Basavaraju KS – Managing Director: Good afternoon, everyone, and thank you for joining us on the H1 FY27 earnings call of Apsis Aerocom Ltd. I am Basavaraju KS, Managing Director.

Over the next 10 minutes, I will take you through the results for the half year ended September 30, our business update and outlook. We will then be happy to take your questions. Before we begin, please note the disclaimer on the screen in the presentation.

Here is our agenda. I will start with the highlights of the half year, then discuss the financial performance, followed by the order book and outlook. A short company overview and the detailed financial statements are included for your reference.

Let me begin with the highlights of H1 FY27. This has been a strong first half. Revenue from operations grew 55% to 21.17 crore. EBITDA grew 36% to 6.52 crore, and profit after tax grew 21% to 3.97 crore. The order book stands at 31.8 crore, about 1.5 times the H1 revenue.

Our balance sheet remains strong, with net worth of 52.9 crore and net cash of about 11.6 crore during the first half. We invested 21.3 crore in capacity, including advances paid for capital assets from the IPO funds. Of this, 13.3 crore went into new fixed assets, which nearly doubled our fixed assets since March.

The key words to describe this half are growth, capacity and visibility. Growth because revenue rose 55%, with defense up 56% and healthcare nearly tripling. Capacity because we inaugurated Unit 2 on August 14, with 15 machines and 45 people by September. And visibility because our 31 [trails off]

Management: 31.8 crore order book supports the FY27 revenue target of about 48 crore, which we reiterate today.

Two milestones made this half special. On August 14, we inaugurated our Unit 2 at the Hi-Tech Aerospace and Defense Park in Bangalore. On September 24, we received the Lifetime Contribution Award in Precision Engineering and Aerospace Manufacturing at the ADM Machinists Aerospace and Defense Summit. We are proud of what our team has achieved.

As of September 30, we operated 33 CNC machines, 18 at Unit 1 and 15 at Unit 2, with 125 employees across a total of 28,500 square feet. We also added one new customer during the half. Last year, we deployed about 250 new parts, around 140 of which are already in production. We expect to generate around 15 crore this year across both units. More than 100 additional parts are expected to convert to production orders during FY27 and FY28. This pipeline supports future growth.

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Let me now take you through the financial performance. Revenue grew from 13.65 crore to 21.17 crore, up 55%. EBITDA grew 36% to 6.52 crore. Profit before tax grew 25% to 5.31 crore, and profit after tax grew 21% to 3.97 crore. Profit grew strongly in absolute terms, but margins moderated, so I will explain why on the next slide.

Our EBITDA margin moved from 35.2% to 30.8%. Two factors explain this. First, material costs rose to 37.5% of revenue, reducing the margin by 3.8 percentage points. Second, other expenses rose to 12.4% of revenue, mainly because Unit 2 started operations ahead of achieving full utilization. These items together added back about 1.2 percentage points. As Unit 2 utilization increases through the second half, we expect this to support margins.

Our key indicators remain healthy. The EBITDA margin is 30.8% and the PAT margin is about 18.7%. In absolute terms, EBITDA grew 36% and profit after tax grew 21%. Debt-to-equity is 0.07 and interest coverage is 25 times. Diluted EPS is 3.29. It is lower than last year only because of the additional shares issued in the IPO.

Defense remains our largest segment at 12.86 crore, up 56% and representing 61% of revenue. Aerospace grew 27% to 5.79 crore, and healthcare nearly tripled to 2.24 crore. This demonstrates the strength of our diversified, multisector business.

Our balance sheet is strong and nearly debt-free. Net worth has grown to 52.9 crore. We hold 15.07 crore in cash and bank balances against borrowings of only 3.46 crore, giving net cash of about 11.6 crore. Property, plant and equipment has doubled to 24.6 crore since March.

We generated 2.78 crore of operating cash flow and invested 23.33 crore in capacity during the first half. This was funded from our IPO proceeds, cash and cash equivalents, which closed at 12.95 crore. For H1 FY27, receivable days were 45, inventory days were 56 and payable days were 38, giving a net working capital cycle of 63 days. We are actively managing the cycle, especially collections and inventory.

Now, regarding business updates and outlook, our IPO proceeds have been put to work as planned in advanced CNC machines and inspection equipment for Unit 2. We invested 23.33 crore during the first half, including advances for capital assets. Gross new fixed assets were 13.3 crore, and our net block doubled from 12.3 crore to 24.61 crore. As of September 30, Unit 2 had 15 machines, taking our total to 33 machines.

Our order book as of September 30 was 31.8 crore, comprising 16 crore from defense, 9.9 crore from aerospace and 4.4 crore from healthcare. We reiterate our FY27 revenue target of about 48 crore. In H1, we achieved 44% of it. To reach the target, H2 requires about 26.8 crore, and our order book already covers this by about 1.2 times.

Here is our growth roadmap. From 30.65 crore in FY26, we are targeting about 48 crore in FY27. As Unit 2 ramps up, our FY28 plan is about 80 crore, with both units at full capacity. Our aspiration is to reach 300 crore by FY32, supported by Unit 3, assembly and new plants. That is a 5-year plan to grow by around 50% to 55% year-on-year.

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Four things will support this: added capacity, with the Unit 2 near-Aerospace Park plant planned for construction to start by FY29; moving up the value chain into assembly, with around 50 new components at an advanced stage; more than 100 developed parts turning into production orders; and continued investment in technology and people while keeping our margins healthy.

Our strategy rests on five priorities: growing with the customer across all three sectors; ramping up Unit 2 and planning for Unit 3; maintaining the highest quality; bringing more processes in-house while developing around 50 new components; and investing in technology and automation.

For those who are new to Apsis, here is a short overview of the company. Apsis was founded in Bangalore in 2012. Today, we have two operating units, and a third unit is planned. We have 33 machines and 125 employees as of September. We serve more than 17 customers, with exports to the US, Israel and India, as well as many other European countries. Revenue has grown at 43% annually from FY23 to FY26, with 100% customer retention.

From a 4,000-square-foot workshop in 2012, we have grown step by step. We received our first aerospace order in 2014 and became AS certified in 2016. We are the sole supplier for some critical machined components. We listed our company on the NSE in March 2026. Unit 2 was established in August, and Unit 3 is the next step.

We have three locations in Bangalore. Unit 1 in Peenya, Bangalore, has 8,000 square feet of machine-shop space. We also have additional spare capacity for offices and other spaces, with 18 machines. Eighty people work there.

Unit 2 at the Hi-Tech Aerospace and Defense Park has 20,000 square feet of machine-shop and office space. As of September, we had 15 machines there and more than 45 people currently working at the Unit 2 facility.

Unit 3 is planned as a 40,000-square-foot greenfield project. The facility is very close to Bangalore airport and is planned for future growth.

Our machine base covers 3-axis, turning, multitasking and advanced 5-axis machining, including many simultaneous 5-axis multitasking machines. These technologies allow us to finish components with higher accuracy and shorter lead times. Every part follows a disciplined workflow from CAD to CAM and machining, so we have a controlled process environment backed by more than 20 years of experience.

Management: We offer a complete solution covering aluminum, steel, titanium and nickel superalloys, as well as surface treatment and full inspection, all under a {? AS9100 ?} quality-certified system.

Why do customers choose us? We make parts with a competitive advantage, with around 40% of our revenue coming from the most complex parts. We convert new parts to production quickly. Of the components developed last year, 140 are already in production. Our quality rating is around 99%. We offer a complete solution under one roof, and we continue investing in advanced technology. The result is 100% customer retention.

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We are guided by an experienced Board of Directors comprising 3 executive directors and 3 independent directors, bringing expertise in manufacturing, aerospace, defense and finance.

The detailed financial statements follow in the appendix for your reference. The income statement for H1 FY27 is compared with H1 FY26. The balance sheet as of September 30, 2026, is compared with March 2026 and 2025. The cash flow statements for H1 FY27 and FY26, as well as for FY25, are also included.

Thank you, and please feel free to ask any 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 Adarsh Sharma from Spring Tree Investor. Please go ahead.

Adarsh Sharma – Spring Tree Investor: Good afternoon, sir. My first question is: what is the current capacity utilization over the plant, and what utilization level do you expect to achieve by the end of FY27?

Management: [pause] You are asking about the current capacity utilization of Unit 2, right? Or the total?

Adarsh Sharma – Spring Tree Investor: Total.

Management: I will tell you about both units. The current capacity utilization of Unit 1 is around—it is completely full. So the unit—hello?

Operator: Mr. Adarsh has disconnected the call. We will move ahead to the next question. The next question is from the line of Abhijeet from VP Capital. Please go ahead.

Abhijeet – VP Capital: Yes, good afternoon, sir.

Management: Good afternoon.

Abhijeet – VP Capital: My question is that the company has 17-plus customers, and around 40% of revenue comes from parts for which it is the sole approved supplier. How is management planning to reduce customer concentration risk and add new OEM customers?

Management: [pause] I mean, we do not have a plan to reduce customer concentration. We always want to increase customer concentration. The largest customer's share reduced from 35% to 33%, but in parallel, we have increased our revenue. Hello?

Abhijeet – VP Capital: Thank you, sir. Okay.

Management: Yes.

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Operator: Thank you. The next question is from the line of Mayank Dubey from RP Capital. Please go ahead.

Mayank Dubey – RP Capital: Good afternoon, sir. My first question is: what is the expected revenue contribution from Unit 2 in H2 FY27 as capacity utilization improves?

Management: [pause] Unit 2 in H2—we are generating approximately 15 crore.

Mayank Dubey – RP Capital: Okay. My second question is, management has proposed a 40,000-square-foot Unit 3 facility, with construction planned from FY27. What investment will be required, and how will this be funded?

Management: [pause] That Unit 3 plan is at a very initial stage. It will be communicated to investors later, at this stage, because presently we are working on the business plan and business roadmap for Unit 3. Once that is completed, we will prepare the budget for Unit 3 construction and equipment investment. These details will be communicated at a later stage.

Mayank Dubey – RP Capital: Okay, sir. Thank you.

Management: [pause]

Operator: Thank you. Participants who wish to ask questions may press star and one at this time. The next question is from the line of Sanjay Shah, an individual investor. Please go ahead.

Sanjay Shah: Hi. Good afternoon. Thank you for taking this call. I wanted to ask you because Unit 3 will take some time to come up, and by FY28, looking at the targets we have, we will probably be at full utilization, and please correct me if I am wrong, for Unit 1 and Unit 2.

While you mentioned on the call that we have an aspiration to grow 50% to 55% per annum, we will not have spare capacity to grow in FY29, at least for some time, because the third unit will take some time to come up. Are we thinking about it correctly, or could you clarify how we should think about FY29?

Management: [pause] The year-on-year growth I mentioned is supported by additional plants and additional value addition for growing 50% to 55%. Within the existing setup itself, we are trying to add more value addition in terms of the existing services we are providing.

Also, whatever plan we have made for Unit 2 is valid until FY29. It can support our journey at a 50% to 55% scale. I also mentioned that by FY29, we will be beginning construction of Unit 3 and further expansion. This will be decided tentatively by the beginning of the next financial year.

These further facility and scalability plans are required for FY29. By that time, we will have a concrete plan. As per the plan, we will execute it. It may be Unit 3, or we may expand our further investment within the existing facility somewhere nearby or in the same building. We have additional land available.

Sanjay Shah: Thank you. If you could also enlighten us, with all the retrofits and further additions, at peak utilization of Unit 2, what kind of revenue can it contribute to you in, of course, FY28? I assume FY28 will have limited utilization, but if you assume 100% utilization in FY29, what kind of

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revenue can it contribute then?

Management: [pause] Sir, it can contribute in the range of around 50 crore to 60 crore. Fifty crore is an aggressive plan. If we stretch a little and concentrate on more and more complex parts, that can increase the revenue by another 5 crore to 6 crore additionally.

Sanjay Shah: Understood. That was my apprehension: if you combine Unit 1 and Unit 2, the ability to grow at this kind of rate in FY29 might be constrained unless we think about additional facilities in the interim period to continue our growth.

Management: As you said, if we concentrate only on machining activity, it is a constraint for FY29 [trails off]

Management: But as I mentioned in my presentation, we are also planning vertical integration of assemblies and other service activities. If we add that value addition for our customers, we can also increase our revenue by at least 10% to 15% by using the Unit 2 facility itself.

Sanjay Shah: Understood. Thank you so much. This is really good, and all the best. Thank you for all the insights.

Management: Thank you. Thank you very much.

Operator: Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. The next question is from the line of Aditi Devi Dasani from Vinnero Capitals. Please go ahead.

Aditi Devi Dasani – Vinnero Capitals: Hi. I wanted to point out that I have been trying to get in touch with management for about 2 months now, but I do not get a response from the secretary. I have tried to reach out multiple times, so perhaps you could look into it.

Management: Hi, ma'am. Thank you for this information. Sorry about that, but we will definitely look into it and get in touch with you.

Aditi Devi Dasani – Vinnero Capitals: Right, okay. Thank you.

Operator: Thank you. The next question is from the line of Jimmy Jain from Wealth Mine Advisory Services. Please go ahead.

Jimmy Jain – Wealth Mine Advisory Services: Hello. Am I audible, sir?

Management: Yes.

Jimmy Jain – Wealth Mine Advisory Services: I wanted to ask regarding the June conference call. You had mentioned that at peak revenue, you could achieve 500 crore by FY31 or FY32, but now you are guiding for 300 crore by FY32. Can we get the reason why you have scaled down the revenue ambition?

Management: [pause] That 500 crore aspiration still exists; we have not dropped that plan. The reason is that we are discussing one potential project with some prospects, and that is at a very

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initial stage.

We have 2 plans. One is a concrete plan through which we can achieve around 300 crore by FY32. The other opportunity that we are discussing with the prospect could definitely allow us to achieve 500 crore if it works. However, the committed plan is 300 crore as of now.

Jimmy Jain – Wealth Mine Advisory Services: Okay, sir. Could you give us any sustainable EBITDA margin guidance? In the June conference call, you had also said that due to listing expenses and operating expenses, we could not achieve the EBITDA margins. What could be the sustainable EBITDA margins going forward?

Management: For the next 2 years, we have always committed to achieving at least 35% EBITDA margins. This was already committed, and we are on track with that.

Jimmy Jain – Wealth Mine Advisory Services: So we would be able to maintain this going forward, right?

Management: Yes, for at least the next 2 years, we are going to maintain these margins.

Jimmy Jain – Wealth Mine Advisory Services: Okay, sir. That is it from my side. I will get back in the queue.

Management: Thank you.

Operator: Thank you. The next question is from the line of Somnath, an independent investor. Please go ahead.

Somnath: Hello. Am I audible, sir?

Management: Yes, sir.

Somnath: You said that you have 250 parts already produced and 140 parts in production. Can you tell us roughly how many of these parts, percentage-wise, contribute to defense and how many to aerospace? Is this the correct question?

Management: Around 50% of the parts are for defense, 40% of the parts are for aerospace and another 10% of the parts are for the healthcare business.

Somnath: Okay. You also said that you currently have around 60% defense share, 27% aerospace and the rest in healthcare. In the next 2 years, how do you see this developing? Will aerospace increase its market share, or how do you expect things to move?

Management: The ratio may more or less remain the same. We expect aerospace to contribute up to 30% of revenue. Defense will remain the major contributor to our revenue even after the next 2 years.

Somnath: You also mentioned that you have an existing order book of 30 crore. Normally, in defense and aerospace, there is also a bid pipeline. Would you be able to provide some color on this? What conversion rate have you historically seen with the bid pipeline that you may have?

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Management: Earlier, the customer commitments and contracts used to take a very long time. Regarding the pipeline, as we mentioned during our last call, we always maintain a minimum pipeline of 100 crore. The conversion ratio is roughly 30% to 35%.

Somnath: You also said that you have additional land available. Is that near Unit 2, and what is the total additional land available?

Management: It is around 40,000 square feet of additional land available, sir. We have to construct it. That is our Unit 3 plan. That is near Aerospace Park.

Somnath: We normally see that in companies serving defense, receivable days are much longer, around 90 to 180 days. Yours seem to be around 45 days. What are you doing differently that allows you to keep your receivable days so low?

Management: Our CFO will answer that.

Management: Generally, some companies deal with the government and other agencies. We generally deal with third parties, private companies, some EOUs and other customers, where the customer receivable cycle is generally 35 to 40 days. We are on track with the same. Over the last 2 to 3 financial years, we have seen that receivable days have been maintained at only 40 to 45 days. That is the reason we are able to achieve those receivable days.

Somnath: My last question is regarding the vertical integration you are planning within your existing facilities. Will there be any difference in margins? Will margins increase once you do this?

Management: For the next 2 years, the business concentration we are targeting has to be aligned with our margins. It is not going to disturb them, even if we undertake any kind of vertical integration, such as assembly or other activities. These plans are still at an initial stage, and we are not disclosing them at this moment. The plans we execute over the next 2 years will have the same margins.

Somnath: Okay. That is all from my side, and I wish you all the best.

Management: Thank you. Thank you very much.

Operator: Thank you. Before we take the next question, we would like to remind participants that you may press star one to ask a question. The next question is from the line of Hardik Agarwal from Param Capital. Please go ahead.

Hardik Agarwal – Param Capital: Hi, sir. Am I audible?

Management: Hi, sir.

Hardik Agarwal – Param Capital: Great, and congratulations on the numbers and the continued performance. My question was partially answered earlier. Could you quickly reiterate the maximum capacity from Unit 1 and Unit 2 with the expansion of vertical integration? Am I right in saying something like 100 crore, perhaps 35 crore from Unit 1 and 60 crore, which is a stretch, from Unit 2 with vertical expansion? Is that correct? Also, could you answer what utilization we are currently at in Unit 2?

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Management: Yes, sir. Thank you for this question. By adding Unit 1 and Unit 2 with the existing business, we can generate up to 80 crore. That is existing business, meaning machining business. With vertical integration, we can stretch up to 90 crore to 95 crore. Your numbers are right.

Regarding your second question, the utilization of Unit 1 at this moment—the Unit 1 facility—[trails off]

Management: [trails off] is fully 100% utilized. The Unit 2 facility is utilized around [pause] 30% to 35% with 15 machines. It is supposed to have 30 machines in total. Fifteen machines have arrived, but we are not fully utilizing them because installation and commissioning are still ongoing. We are utilizing around 30% to 35% as of September and also during October, so [trails off]

Hardik Agarwal – Param Capital: All right, thank you.

Operator: Thank you. Participants who wish to ask questions may press star and one now. The next question is from the line of Rahil Mehta from Ashmaveer Financial Consultants. Please go ahead.

Rahil Mehta – Ashmaveer Financial Consultants: Hello. Hi, sir. Am I audible?

Management: Hi, sir. I can hear you.

Rahil Mehta – Ashmaveer Financial Consultants: Thank you for giving me the opportunity. My first question was regarding the decline in PAT margins in H1 FY27. Would you please explain the reason behind this, and what blended EBITDA and PAT margins can we expect for the full years FY27 and FY28?

Management: [pause] There has been a decline in EBITDA and PAT margins compared with H1 FY26. The major 3 reasons are as follows.

First is the increase in the cost of materials consumed, which increased by around 3.83% compared with H1 FY26. This was due to the change in the product mix and increases in raw material and other production-related costs.

Secondly, other expenses increased by 1.75% on a year-on-year basis. This was due to rent, electricity, security and some other fixed operating costs generally associated with Unit 2. Since the facility has yet to achieve the expected revenue contribution, these costs have impacted our PAT and EBITDA margins.

Thirdly, when we compare PAT, depreciation has increased by 1.27% in Unit 2 due to the fixed assets and other machinery purchased for Unit 2. These costs are generally associated with expansion initiatives and investments in future growth.

We expect better capacity utilization and increased revenue contribution as Unit 2 becomes fully operational. Regarding EBITDA and PAT margins, we expect EBITDA margins of around 35% and PAT margins of around 23% for this and the next financial year.

Rahil Mehta – Ashmaveer Financial Consultants: Blended EBITDA margins of 35% and PAT margins of 23% will be applicable for FY27?

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Management: Yes, these are what we generally expect for the next 2 financial years.

Rahil Mehta – Ashmaveer Financial Consultants: Okay, and FY28 as well?

Management: I would like to add one thing. Generally, if you see this business, H1 performance is a little lower compared with H2.

Rahil Mehta – Ashmaveer Financial Consultants: H1 is 40% for this year and 60% is going to be in H2, right?

Management: In general, it will be like that, sir. Demand during H2 will be higher.

Rahil Mehta – Ashmaveer Financial Consultants: My second question was regarding the Unit 3 expansion and funding plan. What are the expected timelines and expenditure for Unit 3 if you are opening a 40,000-square-foot unit? What will be the capacity and capital expenditure, and how are you going to fund it? Will you fund it through internal accruals, debt or an equity raise in FY29?

Management: As I mentioned, the Unit 3 plan is at a very initial stage. We are still working on the business plan. That Unit 3 plan involves more specialized activities that we want to undertake within the same segment. That is why the plan is at a very initial stage, and we will discuss it in the future. Since the configuration and business plan have not been decided, we have not prepared our budget.

Rahil Mehta – Ashmaveer Financial Consultants: Okay.

Management: This cannot be copied there. That is why we still have not decided the investment plans there. Once the business plan is ready, we will prepare the budget and communicate it to you at a later stage.

Rahil Mehta – Ashmaveer Financial Consultants: My third question is that you mentioned Unit 1 and Unit 2 together have the capacity to generate around 80 crore in annual revenue at full utilization. Please correct me if I am wrong.

Management: Correct.

Rahil Mehta – Ashmaveer Financial Consultants: Is 80 crore the maximum revenue potential of both facilities combined, assuming 100% capacity utilization in FY28, or is there scope for higher revenue from the existing facilities?

Management: The existing business can generate revenue of up to 80 crore from both units. As I answered in response to the previous questions, we are also considering vertical integration by providing additional value addition to our customers. With that, revenue can increase by another 10% of our total revenue. It can go up to 90 crore.

Rahil Mehta – Ashmaveer Financial Consultants: It can go up to 90 crore. We might also see operating leverage come in, where margins might increase if capacity utilization is at a higher level, right?

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Management: Yes. Regarding margins, we are definitely going to [pause] maintain the same margins, with PAT margins of up to 25% and EBITDA margins of up to 35% for the next 2 years. That is for sure. Beyond that, it depends on the specific case, including the customer, the finalization and the negotiations for the order. That actually depends on the specific circumstances.

Rahil Mehta – Ashmaveer Financial Consultants: We are currently operating in the B2P segment. Are there any plans to expand into B2S as well? B2S involves greater design and engineering capabilities, which could help us improve our product portfolio and achieve better margins. Are we planning to enter that area, B2S?

Management: We have a plan. Again, that is at a very initial stage. We are definitely considering it. However, in this case, for the components we are making, there is limited scope for design and testing because we supply components as part of an aircraft or some other complex application. The OEM will take care of the entire system design.

Rahil Mehta – Ashmaveer Financial Consultants: Hmm.

Management: They will not authorize us to design the entire system. However, we are considering working at the sub-module level. There, we are considering design and testing activities.

Rahil Mehta – Ashmaveer Financial Consultants: How many SKUs do we have as of September 2027?

Management: We have added around 100 parts, sir.

Rahil Mehta – Ashmaveer Financial Consultants: What is the total number of SKUs? Out of those SKUs, are we the only ones making 60% to 70% of them?

Management: Yes, sir. We continue to receive repeat orders for around 60% of them. We have not added many new parts; I believe we have added up to 100 parts newly. Among those, we are still the sole supplier for those components.

Rahil Mehta – Ashmaveer Financial Consultants: In total, how many SKUs do we have after adding the 100 parts?

Management: The total will be very large, something like {? 500 to 600 ?}. The reason we discuss the number of parts is that some parts may cost only 200 rupees or 500 rupees. At the same time, a few components may cost around 1 lakh rupees.

Rahil Mehta – Ashmaveer Financial Consultants: Out of 400-500 SKUs, are we making 50% to 60% of the SKUs, with no other company having access to them?

Management: Again, number-wise, it is difficult to provide a percentage-wise bifurcation. In terms of revenue, it is easier.

Rahil Mehta – Ashmaveer Financial Consultants: I have one last question regarding net working capital days.

Management: Yes.

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Rahil Mehta – Ashmaveer Financial Consultants: Your voice is breaking. We are unable to hear you.

Management: Okay. Can you—[cut off]

Rahil Mehta – Ashmaveer Financial Consultants: It is breaking.

Management: [line issue] Sorry. Can you hear me? Hello?

Rahil Mehta – Ashmaveer Financial Consultants: Yes, we can hear you. I had one last question regarding net working capital days. Net working capital days were quite low in FY26, and they have now increased to 60 to 63 days in H1 FY27. What are the main reasons behind the increase, and can we expect working capital days to reduce in H2 FY27?

Management: I will explain the reason. When you compare the balance sheet, the payable days are {? 108 days ?}. While budgeting, we reduced the long-term payables, around {? 1.5 Cr ?} of long-term [trails off]

Satish: ...payable payments, which we had kept on hold due to some quality issues. When you compare it with the balance sheet, it will be reduced, but we thought that we would project the actual days after obtaining everything.

When we compare receivable and inventory days, they remain the same; there is no difference. In H1 FY26, receivable days were around 45 days, and now also they remain around 45 days. Inventory days remain around {? 78 days to 56 days ?}. Only the payable days have been reduced. We have paid some of the long-outstanding bills. That is all.

Going forward, we expect net working capital days to remain around 60 to 65 days.

Satish: [pause] I will explain that. The difference of 2 crore that you mentioned is between the cash balance of 15 crore and 12.95 crore as per the cash flow statement. This relates to bank deposits. These bank deposits are considered part of cash and cash equivalents for presentation in the balance sheet. However, since these bank deposits do not qualify as cash equivalents under the applicable accounting standard for the cash flow statement, they are excluded from the cash flow statement.

Accordingly, there is no discrepancy in the balances. The difference is solely due to the difference in classification and presentation for the purposes of the accounting standard.

Sanjay Shah: So in total, we have 15 crore of cash, not 12.95 crore, right?

Satish: Yes. That difference is solely due to the bank deposits, which we generally do not present in cash flow statements according to the standards we follow.

Sanjay Shah: Got it. Thank you for that, Satish. Thank you so much.

Satish: Thank you. Thank you, sir.

Operator: Thank you. The next question is from the line of Devarsi Pradhan from Force Assets. Please go ahead.

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Devarsi Pradhan – Force Assets: Hello. Good afternoon, sir. Congratulations on the great numbers. My question was regarding the EBITDA margin. As you mentioned, the EBITDA margin contraction was mainly due to an increase in material costs. Why could we not pass on part of this increase in material costs to customers? Should we absorb all future increases in material prices as well?

Satish: Sometimes, sir, for an ongoing project, it is difficult. Sometimes the customer asks us to absorb the difference from these increases because even for our customer, it is difficult to convince their customer and obtain approval for a revised project price. Although POs and other documents should be in place for our customer, OEMs generally do not increase prices for our customer in the middle of a project. The same thing affects us.

Once my customer has prepared its budget, it is very difficult to convince them. However, during the finalization of the next order or a repeat order, we inform them and try to convince them to agree to revised prices. That is one aspect.

When we are able to absorb this kind of increase, we absorb it. If there is a significant impact on our balance sheet, we generally avoid absorbing it and go back to the customer to try to convince them.

Devarsi Pradhan – Force Assets: Thank you so much for that.

Satish: Thank you.

Operator: Thank you. Before we take the next question, we would like to remind participants that you may press star and one to ask a question. The next question is from the line of Prabal Jain from SM Holdings. Please go ahead.

Prabal Jain – SM Holdings: Good afternoon, and congratulations on a good set of results. I know you answered in detail about your Unit 3 plans to a previous participant, and I understand the plans are still at an early stage. However, I wanted to get some color on 2 aspects.

The first is the qualitative aspect of what you are planning. You mentioned assemblies and sub-systems, but could you provide more detail on the kinds of programs you are targeting and the end-use cases for which you would be making assemblies? Is this for domestic players, or are you targeting exports to Israel, the US or somewhere else?

The second aspect is that you also said we have spare land available to move there, or that we may not go ahead with the 40,000-square-foot greenfield plan. What kind of capex amount are we looking at? Is there any tentative amount? I presume that the incremental revenue targets from 90 crore to 300 crore or 500 crore would be coming from here.

Satish: [pause] Thank you for asking this question. Regarding the Unit 3 plans, as I mentioned, we plan for Unit 3 to undertake somewhat specialized applications and exclusive parts, similar to what we are currently doing. At present, around 60% of the business is being conducted through Units 1 and 2. We want to increase that proportion to 80% in Unit 3.

For example, in Units 1 and 2, if we are producing 60% complex parts and 40% medium-complexity parts, Unit 3 will be more specifically focused on complex machined components. That is one area

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we are considering, along with maximizing automation. We are trying to implement that kind of technology within the existing business.

Regarding the non-greenfield project, the land I mentioned is not for this kind of application. It is for the vertical integration I mentioned in the previous answer. That would involve mechanical assemblies and adding more medium-critical components to increase the top line. That is the thought process we have.

[pause] We have not planned the capex as of now because we have not decided which of the 2 options to take up first: the Unit 3 facility or the medium-critical components to increase the top line. We have not decided between the 2. We always decide the investment plan only after preparing a thorough business plan.

Prabal Jain – SM Holdings: Can you name any critical customers you are in discussions with for these new projects, or any programs you are targeting where you are trying to gain a foothold?

Satish: We cannot disclose customer names at this moment. What I can say is that within the same existing defense and aerospace business, we are targeting more value addition. What we are doing currently is limited for these applications. Even within machining itself, there are many other areas we can target.

Right now, in defense, we are involved in communication mechanical parts for communication applications. In aerospace, we are involved in structural parts for aircraft and similar applications. We have more opportunities for engine-related components and many other machining applications. We also have more opportunities for air taxis.

There are plenty of opportunities for expansion in the same areas. The reason we are not scaling 1 times or 2 times is that our components cannot be scaled in that manner. We have to proceed with the proper quality while maintaining quality for our customers. There is an opportunity for scaling medium-critical parts at a larger level, but for these kinds of components, we have to move a little slowly while maintaining quality.

Prabal Jain – SM Holdings: Understood, sir. Thank you so much. All the best.

Satish: Thank you, sir.

Operator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to management for closing comments.

Satish: Hello. Thank you. [off-mic discussion] Closing statement? Okay. Please speak.

Thank you, everyone, for your time and for asking very meaningful questions. We also thank you for trusting us and our business. We assure you that we will maintain the same confidence and try to do our best going forward. Thank you once again. Thank you for your time.

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

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Apsis Aerocom

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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