

June 02, 2026

To,

National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051.
NSE Scrip Symbol: **AEQUS**

BSE Limited,
20th Floor, P.J. Towers,
Dalal Street,
Mumbai - 400001.
BSE Scrip Code: **544634**

Subject: Transcript of Earnings Conference Call pertaining to the Financial Results of the Company for the quarter and financial year ended March 31, 2026

Dear Sir/ Ma'am,

Pursuant to Regulation 30 and 46 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), enclosed herewith is the transcript of the audio recording of the Earnings Conference Call held on Tuesday, May 26, 2026 on the Financial Results (Consolidated and Standalone) of the Company for the quarter and financial year ended March 31, 2026.

The above-mentioned transcript will also be uploaded and made available on the Company's website at <https://www.aequs.com/investor/>

Kindly take the same on record.

Thanking You,

For Aequs Limited

Ravi Mallikarjun Hugar
Company Secretary and Compliance Officer
Membership Number: A20823

Encl.: As above

Aequs Limited (formerly known as Aequs Private Limited)

Corporate Identity Number: L80302KA2000PLC026760

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“Aequs Limited
Q4 & Full Year FY26 Earnings Conference Call”
May 26, 2026



**MANAGEMENT: MR. ARAVIND MELLIGERI – EXECUTIVE CHAIRMAN
AND CHIEF EXECUTIVE OFFICER – AEQUS LIMITED
MR. RAJEEV KAUL – CO-FOUNDER AND MANAGING
DIRECTOR – AEQUS LIMITED
MR. DINESH IYER – CHIEF FINANCIAL OFFICER –
AEQUS LIMITED
MR. HARISH BANG – VICE PRESIDENT-FINANCE –
AEQUS LIMITED**

Moderator: Good evening to all the participants on the call, and thank you for joining in. We welcome you to the Q4 and Full Year FY26 Earnings Conference Call of Aequus Limited. Before we proceed, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown uncertainties and other factors. These statements should be viewed together with our business risks, which may lead to actual results and performance differing materially from what is expressed or implied.

To take us through the results and answer your questions today, we have the management of Aequus Limited represented by Mr. Aravind Melligeri, Executive Chairman and CEO; Mr. Rajeev Kaul, Co-Founder and Managing Director; Mr. Dinesh Iyer, Chief Financial Officer; and Mr. Harish Bang, Vice President-Finance. We will start the call with a brief overview of the previous quarter and the full year and then conduct the question and answer session.

With that said, I now hand the conference over to Mr. Aravind Melligeri. Thank you and over to you, sir.

Aravind Melligeri: Thank you. Good evening, everyone, and thank you for joining. FY26 has been a truly landmark year for Aequus, defined by strong execution, meaningful business expansion, and our IPO, a transformational milestone that marks a new chapter in our journey as a company.

Today, we stand as a globally scaled precision manufacturer driven by the combined strength of our aerospace and consumer verticals. FY26 has firmly validated our platform strategy, showcasing our ability to execute tenaciously and captures the growth opportunity across our portfolio.

Our focus on execution is clearly reflected in the financials, with our full year consolidated revenue growing by 33% to INR12,304 million. EBITDA grew 43% to INR1,545 million, with the margins expanding to 13%. We capped-off the year with the strongest quarter in Aequus history, with INR3,671 million in revenue and 47% year-on-year growth.

Crucially, the performance was unified. Both our aerospace and consumer segments delivered strong growth across the board. While our financial performance reflected our current momentum, our strategic focus remains firmly on the future.

This year, we made significant strides in laying the foundation for our next phase of growth, with substantial new investments spanning both our aerospace and consumer segments, firmly anchoring our long-term manufacturing ambitions in India.

In February 2026, we signed an MoU with the government of Tamil Nadu to invest INR1,900 crores for 10 years for a new vertically integrated aerospace manufacturing ecosystem within a new aerospace and defense park at Hosur, across 250 acres in the SIPCOT Shoolagiri Industrial Park. This will be India's first fully vertically integrated aero engine and landing gear components manufacturing ecosystem.

And in March 2026, we signed a second MoU with the government of Karnataka, committing investments of INR2,856 crores over five years across our existing clusters in Belagavi and Hubballi. This covers expansion of our aerospace precision engineering operations in Belagavi

and significant capacity enhancement for our consumer segment at our Hubballi manufacturing cluster. Collectively, these investments accelerate our broader objective of making Aequs and India a premier destination for global aerospace and consumer precision manufacturing.

To help execute on our large-scale ambitions, we are actively deepening our leadership bench. We are pleased to have Ravi Kumar Assudani join us as head of engineering for consumer segment effective Q1 FY 2027. Ravi brings over 16 years of experience at Apple Inc., where he led global tooling and manufacturing design operations across multiple product lines.

Scaling precision component manufacturing for global consumer electronics OEMs requires a unique combination of engineering depth and operational discipline, and we continue to enhance both. In our journey of continuing the expansion of our capabilities, we established an advanced materials R&D ecosystem at IIT Dharwad campus.

The facility will focus on cutting-edge material characterization, failure analysis, and manufacturing process simulation. This partnership reflects Aequs long-term commitment to strengthen India's advanced manufacturing ecosystem through sustained investments in research, innovation, and skill development. The collaboration will enhance IIT Dharwad's applied research capabilities and industry engagements, apart from enabling Aequs to deliver cutting-edge products to its customers.

Now I turn to the financial outlook. As we enter FY27, our financial priorities are clear. First, is to continue to grow aerospace revenues profitably. We have the order book, the capacity and the customer relationships to support this, which should deliver 25% to 30% revenue growth, with EBITDA margins maintained at 20% at the segment level.

Second, drive consumer utilization, unlocking the operating leverage embedded in our existing asset base. Third, move our consumer EBITDA to break even by Q4 FY27, which will be a major inflection point for our consolidated profitability.

At a consolidated level, we are expecting approximately 45% to 50% top-line revenue growth. More importantly, this growth is highly efficient. We project doubling our operational EBITDA, proving immense operating leverage embedded in our current business model. FY27 is about translating our expanded capacity into significant financial returns. I will let Rajeev walk you through the segment-level mechanics of how our aerospace and consumer divisions have performed and will deliver these numbers.

Before I hand over, I want to take a moment to acknowledge Dinesh Iyer, our Chief Financial Officer, who has informed us of his decision to step down at the end of June 2026 for personal reasons. Dinesh has been an instrumental and exceptional partner to this organization, and we are grateful for his contribution and wish him very best.

We are in search of our CFO replacement and will communicate the same as soon as he or she is appointed. Meanwhile, Harish Bang, who most of you know, will be in-charge and your single point of contact.

With that, over to Rajeev Kaul, Co-Founder and Managing Director of Aequs.

Rajeev Kaul:

Thank you, Aravind, and good evening to all of you. It is a pleasure to speak with you again as we close out what has been a very significant year for Aequs operationally. Our manufacturing footprint spans 2.22 million square feet across three integrated clusters in India; Belagavi, Hubballi and Koppal, supported by facilities in Cholet, France, and Paris, Texas in the United States.

Our installed annual capacity has grown to 4.70 million, machining and molding hours on an annualized basis. We scaled our manufacturing operations steadily throughout the year to support the new and existing programs closing FY26 with a robust footprint of 434 CNC machines and 179 molding machines. This represents a disciplined expansion of our manufacturing muscle. We evaluate capacity requirements continuously and keep adding based on our requirements.

Turning to our aerospace segment, our operational momentum translated into exceptional financial delivery. The vertical delivered revenue of INR3,040 million in Q4 and closed the full year at INR10,464 million, representing a robust 27% growth year-on-year. But beyond the revenue growth, what is significant is our portfolio expansion.

We added 433 new parts in Q4 alone, taking our total aerospace portfolio to 5,654 SKUs, with a 26% increase in the portfolio since last year. This represents the breadth and complexity of our engagement with global OEMs. Each of these SKUs represent a rigorous qualification cycle, a secured long-term contract, and a deep-rooted relationship with our customers acting as a high-entry barrier to others.

As a result, our order book in aerospace stood at robust USD \$889 million. We're also actively moving up the value chain into landing gear and engine components, where our integrated forging, machining, and surface treatment capabilities deliver significant competitive advantages. These are higher complexity, higher value products that command better margins and deeper customer relationships.

Moving to our consumer segment. The business is scaling steadily, which is reflected in its growing contribution to our overall top-line. In Q4, consumer accounted for 17% of our total revenue, up from just 5% a year ago. For the full year, its contribution grew from 11% in FY25 to 15% in full year business in FY26.

This growth aligns with a planned transition from pilot production to commercial ramp-up. Based on the increasing requirements from our customers, we are expanding capacity. This will feed directly into our operational targets for FY27. Our primary focus this year will be driving capacity utilization from 23% today to a target of 40% to 50% by the year end.

Talking of our consumer business, as you may be aware, Hasbro has informed us that it has revised manufacturing and sourcing strategy and told us they will stop raising POS with us. While this decision was unexpected, it will not impact the overall growth of the business. We continue serving other equally large and strategic customers.

Looking at the broader consolidated picture, the heavy depreciation load from these strategic consumer investments will – keep our overall PAT negative for much of the year. However, as

our consumer volumes ramp-up and our aerospace segment continues its strong performance, we fully expect to see consolidated PAT hit break-even by H1 FY28.

With that, I will now hand over the call to Dinesh Iyer, our CFO, for a detailed review of our financials.

Dinesh Iyer:

Thank you, Rajeev. Good evening, everyone. I will take you through the key financial highlights for Q4 and the full year FY26. Q4 delivered INR3,671 million in revenue, our highest quarterly revenue ever. This reflects continued ramp-up in aerospace programs and accelerating production in consumer segment. EBITDA was INR321 million at 9% margin.

The margin compression from Q3 reflects the timing of consumer electronics capacity coming fully online. In Q4, we saw the full run rate of depreciation on consumer capex alongside the full operating costs while the plant is still operating at low utilization. This is the expected profile during the manufacturing ramp-up phase.

Reported PAT for Q4 was a loss of INR541 million. This includes higher depreciation from consumer capex and increased tax provisions on the profit from aerospace segment. Our underlying operational trajectory continues to improve.

For the full year, consolidated revenue grew 33% to INR12,304 million. EBITDA grew 43% to INR1,545 million with margins at 13%, a 100-basis point improvement from 12% in FY25. Full year PAT was a loss of INR1,133 million. The negative PAT margin reduced from negative 11% in FY25 to negative 9% in FY26, a 200-basis point improvement.

Including our proportionate share of the joint ventures, consolidated full year revenue was INR13,466 million, up 34% year-on-year with EBITDA of INR1,830 million, reflecting a growth of 42% year-on-year, at a margin of 14%. For Q4, revenue was INR3,984 million with 45% growth year-on-year, with EBITDA of INR417 million, at a margin of 10%.

Coming to detailed segment performance, the aerospace segment delivered a very strong performance, with full year revenue of INR10,464 million, up 27% year-on-year, and EBITDA was INR2,813 million, up 76% year-on-year. For Q4, aerospace segment revenue was INR3,040 million, growing 29% year-on-year, and EBITDA was INR1,010 million, reflecting a growth of over 100%.

Aerospace segment ROCE for FY26 was 20%, up from 14% in FY25, which is in line with our expectation, and demonstrates our ability to scale efficiently. The consumer segment contributed full year revenue of INR1,840 million, up 84% year-on-year. The consumer segment EBITDA loss was INR783 million for the full year, a 173% increase year-on-year, which reflects our planned investment to build capacity at scale.

In Q4, the revenue was INR631 million, with EBITDA loss of INR473 million. Q4 was the first quarter where all manufacturing costs hit simultaneously with new capacity that was recently commissioned. The consumer electronics team is moving through the learning curve of a new production environment.

This is standard in a manufacturing ramp-up phase. As utilization improves from 23% to our 40% to 50% target for FY27, the depreciation and fixed costs will be absorbed across higher volumes, and margins will recover sharply.

Turning to the balance sheet. Total assets stood at INR26,905 million as of March 31, 2026, compared to INR18,598 million a year ago. This increase reflects the significant capital invested in consumer electronics capacity during the year, increased working capital in line with revenue growth, and retained IPO proceeds.

Our net debt-to-equity ratio was 0.23 as of March 31, 2026, an improvement from 0.99x at the end of FY25, which shows that we are well capitalized for the next phase of growth. Fixed asset turnover moderated to 1.18x in FY26 from 1.84x in FY25. This is expected as we have added significant consumer electronics assets that are not yet generating proportionate revenues. As utilization improves through FY27, this ratio will recover meaningfully.

Net working capital days increased to 151 days in FY26 from 132 days in FY' 25, which was primarily driven by growth in revenues. Cash and cash equivalents stood at INR3,015 million as of March 31, 2026, compared to INR609 million at the end of FY25.

Finally, on a personal note, I announced earlier this year that I will be stepping down as CFO at Aequs at the end of June 2026. It's been a great pleasure to serve Aequs through the IPO and in this wonderful journey of becoming a listed company. The business is in an excellent position, well capitalized, growing strongly, and with a management team that is deeply committed to delivering on our promises to shareholders. Thank you.

With that, over to the moderator to open the floor for questions.

Moderator: Thank you very much. We will now begin with the question and answer session. Your first question comes from the line of Nikhil Jain with IIFL Capital. Please go ahead.

Nikhil Jain: So, my question is regarding capex, segmental capex. What is the planned capex for FY27-'28 in both the segments separately? And on the second question, after discontinuation with Hasbro on the toys business, any roadmap of ramp-up expected with Mattel?

Harish Bang: On Capex: In our aerospace segment, we have planned about INR160 crores approx. And in our consumer segment, we have planned about INR500 crores approx for the full year FY27.

Rajeev Kaul: On the second question, Yes, we have signed a long-term agreement with Mattel and both sides are fully committed to scaling volumes. We also expect Mattel volumes to absorb the capacity impact from Hasbro. More broadly, we continue to engage with large strategy customers across the consumer segment and remain confident that overall growth of the business will not be materially impacted.

Nikhil Jain: Okay. And sir, any PLI income booked for FY26?

Harish Bang: No. So, FY27 will be our first year where we will be eligible for the PLI.

Nikhil Jain: Okay. And broadly, your guidance on revenue & margins?

- Harish Bang:** So, on aerospace, as Aravind mentioned earlier, we are expecting a growth of 25% to 30% and maintaining EBITDA numbers at about 20% level. On consumer, we see a revenue growth of about 125% to 150%. And Q4 FY27 will be the quarter wherein we will hit EBITDA break-even.
- Nikhil Jain:** Okay. Thank you. That's it from my side.
- Moderator:** Thank you. The next question comes from the line of Priyankar Biswas from JM Financial. Please go ahead.
- Priyankar Biswas:** Thank you for the opportunity to ask this question. Sir, could you please elaborate on whether there was any impact in March and the last week of February due to the West Asia crisis? This may have been on account of airspace closures, as well as the significant increase in air freight costs.
- So, would that be a right assessment? And if that had happened, what sort of margin impacts we would have seen? So, what I'm trying to understand is, if this one off the events, let's say, were not there, so what would have been our fundamental margin?
- Aravind Melligeri:** Well, in the last quarter, we did not see any significant impact from a margin perspective. Our material prices are largely covered under long-term agreements. What we did see were some supply constraints and a slight increase in logistics costs, but in our view, these were not material for the business.
- We have long-term agreements that takes care of the material. So, logistics side, only thing what we have seen is the expansion of the working capital. We are bringing inventory almost four weeks to six weeks ahead of the time, so that we don't have any problem in delivering to our customer commitments in aerospace predominantly. This is mostly on the aerospace side.
- And on the consumer side, plastics especially, material prices have shot up. But because we have back-to-back agreement with the customers, that has been a passed-through to customers. Therefore, there has not been a significant impact on performance. The increase in inventory and working capital days during the quarter was mainly driven by our need to stock material ahead of requirements.
- Priyankar Biswas:** So, would it be fair to say that the large build-up of working capital that we saw in fourth quarter, so that is predominantly on aerospace and because of the excess inventory you need to carry, because of the crisis at the moment?
- Aravind Melligeri:** Yes. And we are taking precautions to do this most probably for another two quarters till we see the stabilization. Because generally the logistics has increased by five to six weeks what we have seen -- sea logistics. Air has gone up by six days to eight days, somewhere in that range.
- Priyankar Biswas:** Okay. So, let's say if we have some sort of a normalization eventually. So, we should see, let's say, the working capital, let's say, moderate. Would that be a fair assumption

- Aravind Melligeri:** Working capital has been impacted, right? We saw some of the numbers. We went from 132 days to 151 days
- Priyankar Biswas:** Okay. This is just for sake of clarity for everyone. I know you have provided the exports and the domestic break-up, but I also understand most of your domestic sales are also, sort of, deemed exports or, let's say, domestic dominated. So, what percentage of your overall sales would be, USD-linked, even though the currency is depreciating so fast?
- Harish Bang:** Yes. So, including deemed exports, it could be about 93% to 94% overall in US dollar.
- Moderator:** Thank you. The next question comes from the line of Suraj Malu from Catamaran. Please go ahead.
- Suraj Malu:** Hello. Sir, can you help understand what is the current gross block in consumer electronics?
- Harish Bang:** So, at a consumer overall level, we have a gross block about INR830 crores approx.
- Suraj Malu:** And you are adding INR500 crores to that?
- Harish Bang:** That's correct.
- Suraj Malu:** Got it. And at total consumer electronics, we can expect a 2x asset -- turn at peak utilization?
- Aravind Melligeri:** So, it should be closer to 1.5 level in the consumer electronics side.
- Suraj Malu:** Understood. And the last question is, in FY26, in aerospace, we have delivered an EBITDA margin of 27%. And now for next year, we are guiding at 20%. So, just can you help understand the reconciliation?
- Harish Bang:** So, 27% is the segment EBITDA, which includes other income and it excludes the unallocated corporate costs.
- Suraj Malu:** Okay. And like to like, what will that be?
- Harish Bang:** So, we continue to drive 20% EBITDA margin excluding these two elements.
- Suraj Malu:** Understood. Okay. Thank you.
- Moderator:** Thank you. The next question comes from the line of Bhavika Singhvi from Niveshaay. Please go ahead.
- Bhavika Singhvi:** So, basically on the aerospace side, I want to understand that we are delivering quite good margins from last two quarters. And we have also added 1,000 approx parts. So, are we achieving these margins because of a higher share of high-margin products? Also, going forward, can we expect margins to improve as new products are added in the aerospace segment?

- Aravind Melligeri:** Yeah. I mean, look, this is a normal course of business and complexity of what we do. And we expect this margin to sustain as we grow and our ability to execute more number of parts. And as we increase our vertical integration into engine component side, we do expect some margin expansion. However, aero structures, which currently constitute a major portion of our parts portfolio, are broadly in line with the margins we are delivering today. Our focus remains on maintaining operating margins at around the 20% level.
- Bhavika Singhvi:** Got it. And on the consumer side, as we see that we have already did good capex, and we are also planning to do capex in FY27. And as I look at the current utilization of consumer, it's 23%. So, can you make me understand why we are going with the, like, additional capex when we are already underutilized at 23%, as we are seeing the additional products getting added in the consumer electronics, or if you can give me the clarity on that? And also, if you can provide me in terms of what exactly we are doing on the consumer electronics side, and what volumes we are making currently, and it can go to at what extent?
- Aravind Melligeri:** Well, look, the customer wants us to have a meaningful share of their requirements, you know, And together we are committed to scale up the operations and absorb more work in India. And this additional capital is basically, driven by clear customer demand and the opportunity to capture the meaningful share of the customer India manufacturing requirement.
- The current asset base is still in the ramp-up phase, with a 23% utilization, it will go up. And we continue to expand that, making sure that we are going to be a significant supplier to this customer in the country. You know, if we don't do it, then the customer will see some alternates otherwise, because it's important that we scale and deliver their needs.
- And so, there is a timeline in which we have to do this. And we will continue to make sure that we are aligned on that. And we are both committed to make sure that where utilization goes up. And that's why we've guided our EBITDA break-even in the Q4, as utilizations improve.
- Bhavika Singhvi:** And what margins we can expect at our optimum utilization from the consumer side?
- Aravind Melligeri:** In consumer, we have guided the similar margins as the aerospace, overall 20% EBITDA is our long-term goal.
- Bhavika Singhvi:** Okay. And as I see on the Q4 side, there is an increase in the other expenses. So, can you give me understanding why there is a sudden increase in Q4 other expenses? Is there any particular expense which you want to mention?
- Harish Bang:** So, as Dinesh mentioned earlier, Q4 was the first quarter where all the costs pertaining to the consumer capacity came in, since we commissioned the plant and started commercial production in Q3. So, the increase is across all the expenses what we see in Q4.
- Bhavika Singhvi:** Okay. And if you can give me the clarity of ROCE, which can be expected from the consumer segment going forward at optimum utilization with all the additional topics we are doing?

- Harish Bang:** So, at a steady state basis, I mean, we see expect same ROCEs as we do in our aerospace segment.
- Bhavika Singhvi:** Okay. That's all from my side. Thank you.
- Moderator:** Thank you. The next question comes from the line of Praveen Kumar from Equitas Capital Advisors. Please go ahead.
- Praveen Kumar:** Yes. Hi. Thanks for the opportunity. My question was on the consumer electronic segment. In the earlier call, you had referred to the client asking you to, expand your capacity. But this time around, you are talking about increasing the utilization and, achieving EBITDA breakeven. So, does this imply that over the next few quarters, your focus will be more on ramping up rather than, demanding more from the customer in terms of more product lines, etc.?
- Aravind Melligeri:** Obviously the focus always is to maximize the utilization. At the same time, we are also investing this year as Harish mentioned, we are investing about INR500 crores new capital into the consumer business. So, it's a combination. So, we're not changing our objective. Obviously, whatever assets we have, we want to maximize the utilization.
- Praveen Kumar:** Understood. But just to understand this in more detail, like you're putting already INR500 crores more capex on top of what you've done. So, looking at your peak utilization of 1.5x, even if I take half of that, just on this INR500 crores incremental capex, half of that 1.5x should give you closer to INR350 crores kind of number, right? So, I'm just trying to understand, is that the kind of top line that you're likely to see from the consumer electronics part in the next year or so?
- Aravind Melligeri:** Yeah. I mean, we have guided towards going to 50% utilization,. So, that's what it is in terms of capacity-wise. And our goal is to grow by 125% level this year from a consumer business, predominantly driven by the consumer electronics.
- Praveen Kumar:** Understood. Thank you.
- Moderator:** Thank you. The next question comes from the line of Ashish Poddar with Motilal Oswal. Please go ahead.
- Ashish Poddar:** Yeah. Thank you. Sir, my question is related to the aerospace revenue growth potential. While we are targeting 25% growth in FY27, looking at your order book position, which is roughly around 8 to 9 times of last year's revenue, and we are adding more revenues in terms of engine components and other verticals over the coming years.
- So, what kind of growth CAGR can we expect from a longer-term perspective? I'm talking about 5 to 10 years perspective. Can we see the similar rate of 25% CAGR for the next 10 years, or it is not the case? If you can give some clarity, sir? Thank you.
- Aravind Melligeri:** Yeah. I mean, look, we have given the guidance based on the customer demand and order book. There are not many aerospace companies in the world at our size that are growing at this rate organically. It's a complex business to grow, adding hundreds of components every month, and also adding machines to support that, FAIs and everything. And we feel very strongly this growth rate is achievable, because we have achieved and we have visibility.

As we expand, regarding this specifically asked about the engine components, that is not going to be impacting us much this fiscal year. This is a long-term, starting FY28, we'll start seeing some of this coming into the revenue.

So far this year guidance is concerned pretty much what we have, aerostructures focused the business growth coming in, and we'll add some on the engine side, but it is predominantly continued to be our core, what has been in Belagavi Aerospace cluster. And the opportunity is there, we see a multi-year opportunity to grow this business at this rate.

Ashish Poddar: At this rate, you are saying?

Aravind Melligeri: Yeah. We don't see any reason. The 20-plus percent is what we have guided in the past, in the long-term

Ashish Poddar: And with a similar rate of EBITDA margin which you are guiding?

Aravind Melligeri: Yeah. That has been our guidance always.

Ashish Poddar: Okay. Thank you so much.

Moderator: Thank you. The next question comes from the line of Nikhil Chowdhary with Toro Wealth managers LLP. Please go ahead.

Nikhil Chowdhary: Yeah. Hi. Good evening, sir. Thank you for the opportunity. Just, I had two questions. Sir, we've been guiding that consumer margins will be probably heading towards the aerospace margins. So, just wanted to understand when we see Chinese precedent for our products. We see that probably the margin compression has happened over 8 to 10-year cycle. So, just wanted to understand, will we also have a similar trajectory after we achieve those margins?

Second is, wanted to understand that in DRHP had probably flagged that critical equipment's dependency on China, and lately, we've been hearing some feedback that Chinese have been restricting a lot of equipment's. So, are we facing any issues in getting those equipment's? If there's any non-Chinese vendors, like have we found any non-Chinese alternate vendors for the same?

Aravind Melligeri: Look, from the consumer electronics side, we are in the components manufacturing business and we feel confident of our capital and value addition, what we do in these products. We should be able to sustain our EBITDA margins in the long run, once we get maturity in the business. We don't see that as a concern.

And there are suppliers in China who continue to do this. And I don't think we have any concerns about that, our ability to sustain those margins, because it reflects the value-add we do on the products and the components. It's not like assembly business. So, that's what I want to bring the differentiation and communicate to you. It's a highly complex, you know, huge amount of value-add on these products, what we do in-house. So, that's a big differentiator.

And coming down to the China geopolitical issues on equipment, look, we have had, gone through some of these challenges in the past. It continues to evolve over a period of time. At the

same time, we are working with customers always to find alternate different geographic locations, including India.

But it takes time to get the suppliers developed and qualified for this kind of equipment. These have happened over decades in China, and it won't happen overnight here. So, we just need to be going through that process, working with the customer

Nikhil Chowdhary: Thank you so much, sir. All the best.

Aravind Melligeri: Thank you.

Moderator: Thank you. The next question comes from the line of Priyansh Miri with NGP Family Office. Please go ahead.

Priyansh Miri: Sir, I want to understand the split of revenue between the 3 verticals within the consumer portfolio, consumer electronics, plastic and durables. Can you throw some light on that?

Harish Bang: So, we essentially track at consumer segment level and the numbers what we have given is at the overall consumer level. Consumer durables, is a joint venture, which doesn't get consolidated in the consumer segment since it's a 50-50 JV.

Priyansh Miri: Okay. Understood. So, next question is on the plastics, particularly on the toys part of it. So, do we own the IP for this product or we have some sort of partnership with some other vendors who we share in terms of design in plastic division?

Rajeev Kaul: See, we are into contract manufacturing. So, we only manufacture for brands. So, we don't own any IPs.

Aravind Melligeri: We might have processes IP, we might have developed certain processes to do some things, but we don't really patent them. That's more of an internal process what we consider.

Priyansh Miri: Understood. Sir, one more question on the long-term strategy. I just want to understand what sort of dependency this consumer whole division has on aerospace. That is one first part of the question.

And second, are we looking into say, 5 year or 10 years down the line this whole consumer portfolio to be spin-off from the core business? Why am I saying this? Because sir, if you have got two separate line of business merging on the same entity type, we get a whole-core holding company discount, right, at overall level, which doesn't let us re-rate to the peers that we have in aerospace. So, I just want to understand the whole strategy behind this, making it within the same company?

Aravind Melligeri: Look, we are building a precision manufacturing platform here. The verticals are more of a capability certain specific to products, but we have a common, -- for example, we have CNC machines in both the places, consumer side and aerospace side. So, that's like a precision manufacturing piece. And similarly, injection molding will go both the sides.

So, I think it is not a two business whole-core discount. That is not what we are talking about here. We are trying to build capability here, a platform here, so that we can scale this in the right way.

Priyansh Miri: Okay. Sir, if I understood this correctly, just a follow-up question, the same CNC that is used in aerospace interior that we built in the dashboard, plastic molds, that's the same CNC machine we are utilizing for, say, plastic toys. Is that a fair understanding of the whole process?

Aravind Melligeri: No, CNC machine is just machining happens on each of these products. You got to come and see, at some point in time visit our facilities when next time visit happens, reach out to our investor relations team, then you get to see capabilities, differentiation, and also commonality.

Priyansh Miri: Okay. Sir, product lines are different...

Dinesh Iyer: Yeah. Sorry, just one more clarification to your comment. CNC machine is for metal. So, it's not in toys. Molding machine is for toys, just to clarify.

Priyansh Miri: Yes, sir. Sorry. Yeah, I meant molding machine, sir, like the molding machine that we use for aerospace are different lines altogether when you talk about toys and aerospace line.

Dinesh Iyer: No, again, let me clarify. CNC machines are used for metals, which is what we use in aerospace and consumer electronics, which Aravind just mentioned. For toys, which is plastics, it is molding machines. So, these are very, very different machines. I hope that helps.

What Aravind was clarifying was, the nature of work is precision manufacturing. So, that is the common platform we are building. Industries that are served are aerospace, consumer electronics, and so on. Is that helpful?

Priyansh Miri: Yes, sir . Thank you for the opportunity.

Moderator: Thank you. Your next follow-up question comes from the line of Nikhil Jain with IIFL Capital. Please go ahead.

Nikhil Jain: Sir, I have a question on raw material. So, I'll try to break this down in three parts. Part one, we understand that procurement of raw materials like titanium and superalloy, especially typically involves longer lead time. So, could you please help us quantify the usual lead time for sourcing such metals, and how far in advance you typically plan and hold inventory?

On the second part, is there a meaningful difference in procurement cycle and inventory planning between aeroengine and aerostructure business? And lastly, given the West Asia crisis, are you seeing any disruption or taking a different approach to sourcing and inventory buildup compared to the normal strategy?

Aravind Melligeri: Well, okay. Titanium and the superalloy, some of the steels, for example. In fact, right now, steels have one of the longest lead times in the industry. Some of the specific steels as high as - - we're talking 65 weeks to 75 weeks lead times. And titanium typically is 52 weeks lead time. We have to plan. We can always buy a spot, but the cost is going to be prohibitive. So, it's all about planning and executing.

So, the procurement strategy is all about making sure that customer gives you the right demand and you plan your procurement based on that. And obviously, what you mentioned, your third question of current disruption, geopolitical, West Asia issues, what we are seeing are all impacted. That does disrupt. That's why we always have certain amount of material covered before the beginning of the quarter.

And in this kind of situation, we proactively cover a little more, maybe 125% of our needs in a quarter, which may spill over to the next quarter demand also. We may have been typically 70% in the past, in the beginning of the quarter.

So, we have to go through some strategy changes to address this. And it costs us working capital, but at least we are making sure the customer deliveries are there and we're protecting our customer needs.

Nikhil Jain: Okay. And sir, the difference between aeroengine and aerostructures raw material usage?

Aravind Melligeri: Look, we are dealing with almost every material today. And most of the time, the material is enabled by the customer in terms of where to buy. So, it's more driven by that. It's just a different process.

Moderator: Thank you. The next question comes from the line of Disha with Sapphire Capital. Please go ahead.

Disha: Yes. Thank you so much, sir, for this opportunity. So, sir, we've seen Q4, the depreciation impact. And given that we're planning for the capex in FY27, how should we look at the overall run rate for depreciation and interest for FY27?

Harish Bang: Yeah. So, Q4, our depreciation was about INR45 crores or INR46 crores approximately. So, of course, that will be the run rate plus the additions during the year. So, there'll be some addition on the depreciation for the capacity enhancement what we are doing in both the segments.

Disha: And on the interest?.

Harish Bang: Yeah, we will see a reduction in interest as compared to previous year.

Disha: Okay. And you mentioned, sir, that the steady-state margins for the consumer business can be 18% to 20%. Any sort of rough timeline as to when we can reach that and what sort of margins can we target for this business in FY28?

Aravind Melligeri: It's pretty much driven by the utilization. You know, when you get to 50%, our expectation is to get 40% to 50% this year. When you get to somewhere around 75% utilization level, we start seeing the margin levels. So, journey continues.

Disha: Okay. So, this 18% to 20% can be seen at 75% to 80% utilization?

Aravind Melligeri: Yeah.

Disha: Okay. That is it from my side. Thank you, sir, and all the best.

- Aravind Melligeri:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Deep Shah from New Vernon Capital. Please go ahead.
- Deep Shah:** Sir, my first question is if we just look at global consumer electronic supply chain, given the quality control hurdles, how Chinese manufacturers have accelerated over a 15 to 20-year time frame. If you could just share your capabilities or your rejection rates or yields in this segment, and how do you plan to scale up? Will we see significant improvement in FY27 and FY28? That's my first question
- My second question is over a three-year time frame, how should one look at capital? Will we see – I mean, I would assume that you would need probably INR1,500 crores of capex over three years. So, how do we plan to fund this capex? These are my two questions, sir
- Harish Bang:** So, on the capex front, I will answer. Essentially, for FY27, we will leverage borrowings and also some bit of internal accruals to fund the planned capex.
- Rajeev Kaul:** See, with respect to your question on the yield perspective, we cannot comment on a specific yield metrics as these are customer confidential. However, the consumer electronic operations are progressing to the normal learning curve. Currently, we are going through a learning curve of production environment and our focus is currently improving utilization, process maturity, quality, and operating efficiency as volume scales.
- Deep Shah:** Yes, yes. That answers my question. Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Praveen Kumar with Equitas Capital Advisors. Please go ahead.
- Praveen Kumar:** Hello. Yes. Thanks for the opportunity again. I had a question on the aerospace segment. In this segment, since you have surface treatment capabilities, which some of your domestic competitors may not have, and which might help you to deliver more integrated and larger products, how do you see that helping you in the next few years in terms of winning more SKUs and, expanding this part of the business? Thank you.
- Aravind Melligeri:** Well, I mean, look, this is a very integral part of our business. In fact, we not only support ourselves, our own requirements, we also support the rest of the market in India. Our joint venture with Magellan Aerospace - API is part of our JVs, and they perform very well, as in line with our overall core aerospace business.
- And so we feel very strongly, and this helps us to deliver the new parts at a rate which nobody else does in their region, what I would say. For that matter, globally, I don't know how many customers, how many suppliers deliver 100-plus, 150 parts per month.
- Praveen Kumar:** So my question, -- yes sir, go on.
- Aravind Melligeri:** That's a definite MOAT for us as a company. We have invested over the last 15 years to get there.

Praveen Kumar: So where do you see that translating into, you know, see, because you have this capability to deliver probably faster turnaround time and maybe to get into more integrated larger product parts, etcetera. So where do you see that playing out over the next few years? Do you think your customers are beginning to take notice of that and giving you more orders which reflect this capability?

Aravind Melligeri: Yeah. I mean, we are seeing our order book growing faster than what it has done in the past. So it's definitely helping us. And also, we are adding more parts on a quarterly basis. That reflects our performance, our customers' ability to absorb the volumes, and our ability to deliver at the same time.

Praveen Kumar: Understood. Thank you.

Moderator: Thank you. The next question comes from the line of Bhavey Ahuja with Asymmetric Asset Managers LLP. Please go ahead.

Bhavey Ahuja: I have one question on the consumer segment. So as we got to know that consumer revenue share has grown immediately from almost 5% to 17% from last year as we see. It is obviously a significant scale-up. However, we still see that the segment is still EBITDA loss-making.

And as we understood that Hasbro has existed as a client and recently, we have diversified with Mattel. So given this backdrop, and alongside the capital expansion as it has been done, so like, how confident the management is on the consumer breakeven, which was mentioned today, like, is there any path to breakeven?

Dinesh Iyer: So to your question, I think like we covered in the earlier call, just to reiterate, Q4 was the first quarter where all the manufacturing costs hit us in the consumer electronics business, because the full capacity was commissioned towards the end of Q3. So Q4 is the first time where the entire cost, all the operational cost, everything has hit us.

This is the standard process in any ramp phase. There is a date on which you start commercial production, all the costs start hitting. As we mentioned earlier, as utilization improves from 23% to 40% to 50%, the absorption of depreciation and fixed costs will be significant through the higher volumes and margins will recover sharply, which is why we have guided that in Q4 FY27, we should be at EBITDA breakeven. I hope that addresses your question.

Bhavey Ahuja: Yeah. Thank you so much.

Moderator: Thank you. Your next question comes from the line of Navin Vijay with NS Capital. Please go ahead.

Navin Vijay: Good evening, sir. My question is on the consumer segment. To an earlier participant, you had mentioned that the current gross block is INR830 crores and we are going to add INR 500 crores in the subsequent years. That makes it INR1,330 crores. And you had also mentioned that the asset terms will be 1.5. That gives a turnover of INR2,000 crores in the future. My question is, when do we envisage to hit that number, ballpark, sir?

- Aravind Melligeri:** Most probably closer to in '29.
- Navin Vijay:** '29, okay. That was my only question, sir. Thank you.
- Moderator:** Thank you. Your next follow-up question comes from Bhavika Singhvi from Niveshaay. Please go ahead.
- Bhavika Singhvi:** Yeah. Thank you for the question. So sir, on the aerospace side, I want to understand that as we have our entity in France and even in USA, and can you tell me how both entities are contributing in aerospace segment? Because as per my understanding, they are underutilized. So, are we expecting these two capacities getting ramped up in coming quarters? If you can make me understand, what exactly are we doing in the France and USA units?
- Rajeev Kaul:** See, in North America -- the US basically is predominantly working for the US ITAR, US defense piece. And in France, we work on engine and landing gear components. We are not adding anything for any capacity. Actually, our whole focus of adding capacity is only in India. These sites are basically to support us bring -- like France helps us bring our engine and landing gear capability.
- And North America keeps us doing low -- like there are a lot of programs where there are low volumes and everything and supporting also the US defense side. These are the differences. So, that is our predominant focus from the manufacturing perspective in these regions.
- Rajeev Kaul:** In the utilization perspective, typically, in these regions, it is not driven from the machining, the way what we see in India. In these regions utilization is driven by the number of people, people hours that actually drives the utilization. We normally run these utilization, if we see from the capacity is like a single shift basis, that is how we operate. So, the right way to look at the utilization is the people hours there.
- Aravind Melligeri:** Because of the system where the way it has been published, it still measures on the machine hours. That is why it looks lower.
- Bhavika Singhvi:** Okay, got it. And so, as we say that we are like a wholly vertically integrated facility in the aerospace side, I want to understand that in the aerostructures, where we majorly operate, does this vertically integrated setup provide a benefit on the margin side, or we are making the same margins as any other player in the same part like aerostructures are making or do we see any improvement in the margin because of our advantage being vertically integrated?
- Aravind Melligeri:** We believe we have a right level of margins for this business. And at the rate at which we are scaling, obviously, if we increase our margin, our win rate might come down. Those are all the competitive environment globally we play. So, it is a commercial call where we feel we are achieving the right level of ROCE, right level of growth, that's the combination which we have, we believe it is the right number where we are. We feel confident to continue to grow at this rate.
- Dinesh Iyer:** So, also just to add, I think the way you should look at it and just to highlight, when we built an ecosystem, I think the intent is to give a solution to the customer. So, margin is one element, but the ability for the customer to give more and more work in an integrated ecosystem within a

single zone. And we mentioned this in earlier calls also, there are increasing requirements of ESG where the parts should not travel a lot.

All these are solutions where within one zone in Belgaum, we are able to service. And these are the competitive advantages that we get where our right to win business is higher. So, margin is one element for our ability to grow and get deeper into the customer.

So, for example, this engine ecosystem that we are building, again, the success that we have had here, gives the customer confidence to help us build there as well. So, what you have to look at it is that this is a very long-term relationship with a very large tail of order book and our ability to win this and increase our share of customer wallet is what is important.

Bhavika Singhvi: Okay. Thank you. That's all.

Moderator: Thank you. Your next question comes from the line of Pranjal Agarwal from Molecule Ventures. Please go ahead.

Pranjal Agarwal: Hi, sir. Thank you for giving me this opportunity. My question is focused on the funding. Firstly, I just wanted to understand this INR2,800 crores in Karnataka, that is cumulative or it's a new capex that you're planning over 5 years?

Dinesh Iyer: Yeah. It's over the next 5 years investment.

Pranjal Agarwal: Okay. As for consumer division, we are planning INR500 crores this year. Are there any guidance across next 5 years what we are planning on investing there?

Dinesh Iyer: So, I think we can't really split that data, which is why directionally INR2,800 crores plus is the investment. Like we have mentioned, this is across our Belgaum and Hubli clusters. So, like you said, this year, like Harish mentioned earlier also, INR500 crores roughly and INR160 crores in aerospace. If you see over 5 years, you'll see some similar pattern of investment.

Pranjal Agarwal: Fair enough. My last part would be around funding of this capex. Can you just throw some light on it? Like I understand INR660 crores this year you're planning through internal accruals. How are you exactly you're planning for the rest and how do we plan on going about that?

Harish Bang: So, as I mentioned earlier, we'll be leveraging debt fund this capex along with internal accruals.

Pranjal Agarwal: Can you just give a breakdown on that if possible?

Aravind Melligeri: Let's take that offline.

Harish Bang: Yeah.

Pranjal Agarwal: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take this as our last question for today. I now hand the conference over to the management for closing comments.

Aravind Melligeri:

Thank you, everyone. I appreciate you taking the time to be a part of this call and please feel free to reach out to our team for any further questions. Thank you.

Moderator:

Thank you. On behalf of Aequs Limited, that concludes this conference. Thank you everyone for joining us and you may now disconnect your line.