



Commitment to Excellence

May 11, 2026

To, The General Manager, Department of Corporate Services, BSE Limited, P.J. Towers, Dalal Street, Mumbai – 400001 Company Code No.: 543972	To, The Listing Department. National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (E), Mumbai – 400 051 Trading Symbol: AEROFLEX
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Dear Sir/Ma'am,

Subject : Transcript of the Investors' Conference Call held on May 06, 2026, for Q4 & FY26 Results

In continuation to our earlier intimation dated May 06, 2026, regarding audio recording of the Investors' Conference Call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Investors' Conference Call held on Wednesday, May 06, 2026, at 11:00 a.m. (IST) for Q4 & FY26 Results.

The transcript is also available on Company's website at:

<https://www.aeroflexindia.com/wp-content/uploads/Transcript-for-Q4-Earning-Conference-call-held-on-May-06-2026.pdf>

The audio recording of the Investors' Conference Call held on May 06, 2026, for Q4 & FY26 Results is available on Company's website at:

<https://www.aeroflexindia.com/wp-content/uploads/Q4-Audio-Recording.mp4>

Request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For AEROFLEX INDUSTRIES LIMITED

Ruthu Parampogi
Company Secretary & Compliance Officer
Membership No.: A60982

Encl: As above



"Commitment to Excellence"

“Aeroflex Industries Limited
Q4 & FY26 Results Conference Call”
May 06, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 06th May 2026 will prevail.



"Commitment to Excellence"



**MANAGEMENT: MR. ASAD DAUD – MANAGING DIRECTOR &
CHAIRMAN – AEROFLEX INDUSTRIES LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Aeroflex Industries Limited Q4 and FY26 Results Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinion and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

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

Asad Daud:

Thank you so much. Good morning to everyone. I welcome you all to Aeroflex Industries Limited Fourth Quarter and FY26 Earnings Call. Joining us today are members of our senior management team, along with the representatives from Strategic Growth Advisors, SGA, who are our Investor Relations Partner. I hope you have had the opportunity to review our financial results and the investor presentation, which is available on the stock exchange website and also on the company's website.

I'm happy to report that FY26 has been a great year for the company, where our execution excellence, our strategic expansion and the market opportunity have all come together to deliver the highest ever quarterly and yearly performance up to date. I'm also happy to share that the Board has also recommended a final dividend of 20%, which translates to about INR0.40 per equity share of face value INR2 each. This reflects our continued commitment to delivering value to our shareholders.

The company operates in a very niche global market with limited competition, and we also benefit from a competitive advantage as the only India-based manufacturer with such scale and with such capabilities. FY26 has been a landmark year, which has been marked by our successful entry into the skid assemblies and advanced flow control solutions for high-performance liquid cooling applications, which are used specifically in data centers and AI infrastructure segment.

As the consumption of data increases and continues to scale rapidly across the world, primarily led by AI, cloud and high-performance computing, there is a limitation of traditional air cooling and which is becoming increasingly evident. And that the liquid cooling is emerging as the preferred solution for the next-gen data center infrastructure, given its performance -- superior performance efficiency.

Now talking about the key highlights for the quarter. Our hoses and assemblies business continues to demonstrate steady and consistent growth, which is also supported by robust demand coming in from diverse end user industries and also our established global customer presence.

We have achieved an EBITDA margin of 23.86% in Q4, which also reflects our strong operating leverage and also is a result of the continued improvement in our product mix. Talking about our subsidiary, Hyd-Air, which has continued to gain strong traction during this quarter,

delivering a robust year-on-year growth, primarily driven by healthy demand across its entire product portfolio.

We also continue to enhance the product portfolio and expand the market of Hyd-Air. And also Hyd-Air in the future would play an important role in the new age businesses that Aeroflex plans to enter into in the coming years. Our newest segment of providing liquid cooling solutions continues to expand and with the ongoing supplies of the skid assemblies, which has commenced from the end of Q3 and also the supply of advanced flow control components for high-performance applications.

In the last financial year, we achieved a strong traction in our skid assemblies business with the sales of 617 skid assemblies, which resulted in an overall sales of approximately INR21.2 crores, and this has been done over the last 4 months itself. This performance shows the increasing market acceptance of our products, and it also reinforces our capability to deliver customized high-value and solution-oriented offerings, positioning this segment as one of the key drivers of the company going forward.

We have also -- we also showcased our entire portfolio of advanced flexible flow solutions at the Data Center World Exhibition, which happened in Washington last month. And it reinforced our strategic focus towards the next-generation thermal management technologies for the global markets.

Currently, we have scaled our skid assemblies capacity from 2,000 units per annum to 6,000 units per annum, and we are on track to further expand the same by the next two quarter to 15,000 skids per annum. We are also strengthening our innovation pipeline with more than 16 products under development, which are primarily focused on high-growth segment.

Now coming to our assemblies segment, we have continued to strengthen our capabilities through expansion of capacity and also have commissioned 2 robotic welding lines to enhance automation, precision and operational efficiency. In addition, we are also investing in advanced manufacturing capabilities, including a new annealing furnace facility targeted for commissioning by the end of this year.

These initiatives are expected to increase our product offerings, also increase our throughput and also support the deeper penetration that we want to do in especially mission-critical applications. Our metal bellows segment has begun to gain traction across a range of applications, and we are expecting that this division to deliver strong growth in the coming years.

Now talking about our financial performance for Q4 FY26, our total income stood at INR126.5 crores, which is a growth of 38% on a year-on-year basis, which is driven by an improved product mix and a growing contribution from value-added solutions.

The EBITDA for the quarter came in at INR30 crores, which is a robust growth of 59% on a year-on-year basis. And our EBITDA margin also saw an improvement of 326 basis points, and it came at about 23.86%. The profit after tax stood at INR17.6 crores, which is a growth of 57% on a year-on-year basis with a PAT margin of almost 14%. Our cash profit grew significantly to

INR25.4 crores, which is a growth of 67% on a year-on-year basis, which reflects strong cash generation and improved operational performance of the company.

Now talking about our FY26 as a year, the total numbers. I'm happy to share that we have been able to achieve the targets that we had set out at the start of the financial year. Our total income stood at INR443.3 crores, which is a growth of 17% on a year-on-year basis. This is despite the fact that we had a very weak first quarter.

EBITDA stood at almost INR100 crores, INR99.7 crores to be precise, translating to an EBITDA margin of 22.6% and a growth of 26% in value terms on a year-on-year basis. Our PAT stood at INR55.5 crores with a PAT margin of 12.5%. Our skid assemblies segment, which is our newest segment has begun contributing to the top line and is right now accounting for only 5% in FY26, but we expect that this share to scale significantly in the upcoming years.

Our value-added product segment, which includes assemblies and fittings and bellows contributed 52% of the total sales. The domestic sales contribution has also increased to 31% from 26%, which is mainly driven by the increased traction coming in from the skid assemblies and also from Hyd-Air.

Now looking ahead to the current financial year, which is FY27, we remain focused on deepening our strategic shift towards higher value-added products and also expand our presence in emerging sectors such as data centres and AI infrastructure.

We will continue to pursue growth through new product development, through optimization of margins, capacity expansion, geographic diversification and also inorganic opportunities. These initiatives position our company to strengthen our market leadership and deliver consistent growth, both in terms of top line and bottom line.

With the strong order pipeline that we currently have, long-standing customer relationships and our ongoing investments in technology and capacity, we are well positioned to sustain our growth momentum in the near future. We continue to strengthen our capabilities and to enhance our execution at the ground level and aim to deliver robust growth over the next few years. With that, I would like to conclude my remarks, and thank you so much, everyone, for attending the call. We can now open the floor for Q&A. Thank you.

Moderator: Thank you so much sir. Ladies and Gentlemen we will now begin the question-and-answer session. Our first question comes from the line of Nikunj Bhanushali from Wallfort PMS. Please go ahead.

Nikunj Bhanushali: Yes, thank you for the opportunity am I audible?

Asad Daud: Yes.

Nikunj Bhanushali: So I had a few questions. So what is the order book for the liquid cooling skids that we have currently?

Asad Daud: So in the liquid cooling skids, we work on a long-term contract with our, with the suppliers with whom we have an exclusive contract. And they have given a pipeline for the entire year and then they break it down into quarterly POs.

So since right now, we are dealing with one specific or only one particular supplier due to disclosure agreements, we'll not be able to share the order book with them that we have. But yes, we have a vision for the entire year that they have shared with us. And our capacity expansion is based on the same lines.

Nikunj Bhanushali: Okay. So just for the, so just if you can share something on the planned utilization levels that we'll have for the 15,000 capacity for full year. So in half year, we'll have 6,000 capacity, I think about 6,000 and then we'll go on to 15,000. So what planned utilization levels?

Asad Daud: So I would say the maximum utilization that we can do of the capacity would be about 75% to 80% at the peak level. Obviously, when we start, you know when we commission the capacity to get it up to 75% would take its time as naturally with any expansion. But the peak utilization, you can consider it at between 75% to 80%.

Nikunj Bhanushali: So just a follow-up. 6,000, we can utilize up to 75% in the current year?

Asad Daud: Yes.

Nikunj Bhanushali: Okay. And my second question is regarding the metal bellows. Could you share numbers? So what, how much was the business we did in the current year, in the previous year for metal bellows in FY26?

Asad Daud: In the current year, on an annual basis, we did about INR8 crores of business from the metal bellows section. And the majority of the business came in, in Q3 and Q4, where we have seen the uptick in sales beginning from, in the last 2 quarters. And we expect that this year, the bellows division would grow significantly because we have certain large inquiries coming in from OEMs.

So we are hopeful to get those converted and see a significant uptick in the sales of metal bellows in the current financial year.

Nikunj Bhanushali: Okay. And lastly, what was the Hyd-Air revenue for FY26?

Asad Daud: Hyd-Air's revenue in FY26 was INR31.64 crores.

Nikunj Bhanushali: Okay that's it from my side. Thanks and all the best.

Moderator: Thank you. Our next question comes from the line of Raman K.V. from Sequent Investments. Please go ahead.

Raman K.V.: Yes, sir, my question is just a follow-up on the previous participants with respect to Hyd-Air. So what's our current utilization? And are we planning with respect of Hyd-Air and are we planning to do any capex in the Hyd-Air business?

- Asad Daud:** So in terms of utilization, I think Hyd-Air is currently at about 60% utilization. Our aim in the next, in this financial year is to utilize the capacity of Hyd-Air for internal consumption for Aeroflex Industries because we have certain projects coming up in the next few months, where we have requirements of specific fittings, which we are going to manufacture in-house at Hyd-Air. And these are products for high-end applications. Hence, we want to utilize the capabilities of Hyd-Air for our internal consumption.
- Raman K.V.:** Okay, sir. And sir, on the liquid cooling part, you mentioned that the liquid, you have a technology exclusive agreement with one of the US company, US-based companies with respect to your technology, right?
- Asad Daud:** No, with regards to technology, with regards to supply, with regards to everything. So we have an exclusive contract with them for skid assemblies. Yes.
- Raman K.V.:** So I just want to understand under this agreement, is it a, are you sharing any revenue? Or are you giving them any royalty? And if so, can we know any details for that?
- Asad Daud:** Yes. I would just like to clarify, this is an exclusive agreement, where we are going to supply the skid assemblies to them. So we have an exclusive agreement for the India market, where whatever skid assemblies that we manufacture, we will be supplying it to them. And then obviously, they will be supplying to their customers. So their customers are all the companies, who are setting up data centres basically.
- Raman K.V.:** So basically, you're not paying anything to the US client, right?
- Asad Daud:** So this is a US headquartered company. They have very big operations in India. So we have tied up with the India subsidiary of theirs basically.
- Raman K.V.:** Okay. Understood, sir. And sir, my last question is, so during the quarter, we have seen that the exports have decreased like from almost 69%, it went down up to 60% and your domestic business is picking up. So can we expect this to be the new normal like 40-60 split between domestic and exports?
- Asad Daud:** No, I would just like to clarify, export has not decreased. The ratio has changed. That does not mean the value of exports has decreased. So just wanted to clarify that. Domestic share has increased significantly. The reason being that the domestic sales has almost increased by about 40%.
- So that's why the ratio of domestic is higher as compared to the previous. But exports has also increased in double digits in Q4 despite the fact of the entire situation that you are seeing, which is happening in West Asia. So our exports have also increased, but because the domestic has increased significantly more than the exports, hence, the ratio of domestic is now more. And obviously, because the entire business of skid assemblies will be in the domestic market, so this ratio of domestic would also increase in the near future.

Raman K.V.: So can we expect the same like you mentioned that domestic business increased by almost 40%. So can we expect that domestic business to grow at a higher rate versus the export business? Or will it be normalized?

Asad Daud: Yes, definitely. Yes, definitely. No, because the entire skid assemblies will be sold in the domestic market right now. So the share of domestic would increase for sure.

Raman KV: Okay. Thank you, sir. I will fall back in the queue.

Moderator: Thank you. Our next question comes from the line of Karan Gupta from ACMIL. Please go ahead.

Karan Gupta: Yes. So, my question is related to more understand the product portfolio. So I will have some basic questions to understand. What is the share of our product share of -- in the overall TAM of the data center in the liquid cooling systems? How much our products contribute in the costing side? Do we have any patent on that product or in terms of technology? And any competitive advantage over export market? What's the cost benefit we have. These sort of questions.

Asad Daud: Okay. So first of all, I'll go with the last question first. Right now for the export market for the liquid cooling, we're not supplying our skid assemblies in the export market right now. We are only supplying our whole assemblies, which goes into data centers in the international market. So skid assemblies right now is 100% in the domestic market only.

In terms of the patent, so we are working with, like I mentioned, this company. So we are actually jointly developing the product along with them. But obviously, since they are the principal, we are designing the product along with them. So we are aware of the technology that goes into the product. But right now, we don't have any patent on the particular product. Also reason is because every -- the design of every data center is unique and it's different.

So hence, the skid assemblies required for every data center in terms of the design would be different. So hence, there is no patent per se right now. It is about the technology, how do you manufacture the product in such a way that you reduce the operational cost for the data center. That's the real skill in this particular business because ultimately, there is a huge operational cost for the data center in terms of cooling. So how do you reduce the operational cost, that's the real USP in this.

And then the total TAM, I think, in the data center market right now is huge. It's growing at almost 35% on a year-on-year basis. Right now, it's about -- I think we are about INR3-odd billion right now and which is expected to grow to almost about INR21 billion in the next 5 to 6 years. So that's almost a CAGR of close to 34% to 35%, right? So that's the market that we are capturing right now.

Although right now, we have a very, very, very, very small percentage of the market. But our aim is to keep increasing our market share and also to expand into more and more products, which will be used in the data centers in the near future. So our aim is to -- yes.

- Karan Gupta:** Just to follow-up on that because the question will be unanswered. So, let's say, just to add here the unit economics of -- or the cost of 1 gigawatt of capacity. So I have figured, let's say, 1 gigawatt of capacity costing you around INR50,000 crores to INR60,000 crores in India, not the hyperscale AI data center, but the normal one, right? Now this figure is correct, first of all, INR50,000 crores to INR60,000 crores for the 1 gigawatt of capacity?
- Asad Daud:** I will not be able to comment on that because I am not in the business of making data centers. I'm probably not able to comment on something which I don't have the exact...
- Karan Gupta:** Just a broad TAM, I'm just trying to understand here. So let's say, if you just google it, so it will give INR50,000 crores, INR60,000 crores.
- Asad Daud:** Just in the interest of time for everybody, can you be a little specific on your questions? Thank you.
- Karan Gupta:** Yes. So I just wanted to know the cost of 1 gigawatt of capacity, what is the share of our products basically? How much we are...?
- Asad Daud:** I would say in terms of the entire -- I would not -- see, first of all, just to clarify. So we are not selling directly to the data centers, right? We are selling to the company who provides the entire liquid cooling solution. So the skid assemblies is a part of the entire liquid cooling. It is not just the...
- Karan Gupta:** So, let's say the companies who are providing cooling distribution units.
- Asad Daud:** Can I just tell my answer please, if you don't mind?
- Karan Gupta:** Sure.
- Asad Daud:** Yes. So my point was that we are only providing a part of the liquid cooling. Hence, to give you an exact number in terms of how much is our product as compared to the entire cost of the data center would be difficult to answer for us because we are not supplying directly to the data center.
- But from what I understood from the market knowledge that we have gained is that the liquid cooling comes to about 10% of the cost of the data centers, anywhere between 10% to 11%. That's the cost of the entire liquid cooling, which includes your primary, secondary and all kinds of cooling at the data center. So that's the TAM for liquid cooling.
- Karan Gupta:** Okay. That's very helpful. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Tej Patel from Niveshaay. Please go ahead.
- Tej Patel:** Thank you so much for the opportunity and congratulations on a good set of numbers, sir. Sir, first question is regarding -- if I go through the con call of last quarter, probably you said INR42 crores of skids were for immediate execution. So is it like something -- there was some part of execution, which was supposed to be done in this quarter, but was not done? And if not, then what was the reason? Is there some supply bottleneck?

Asad Daud: So the -- right now, the main bottleneck is from the design aspect, where the design which was initially to be provided by the principal is actually now being done by our entire team. So designing of the skid assemblies is the critical aspect here, where until and unless the skid assemblies is designed and finalized, the production cannot start for the same.

Plus also what we have seen over the past few -- a couple of months is that there is a significant supplier quality control and -- sorry, like customer quality control and customer audits, the end customer I'm talking about, not the one that we are working with, the end customer, who is ultimately at whose data center, the particular skid assemblies will be installed.

So there is a very, very stringent and very detailed quality check that has been conducted -- that are conducted by each and every customer and every customer have their own unique way of doing the audits. So obviously, some look at some specific things, some look at the welding aspect, some look at the design aspect.

So that is one, where we still feel that I think we are still slightly behind the supply as compared to the demand is because that the design and the quality checks post the manufacturing, that is where something we -- yes, we're seeing a bit of a bottleneck in terms of the time.

But yes, so I think we are hoping that over the next couple of months, I think that will be streamed out and smoothed out, I'm sorry. And then we'll be able to see more business in the sense, more sales happening from this particular business. So we have also -- so in terms of manufacturing, they are still much higher, but obviously, supply depends on a lot of these quality controls and quality checks.

Tej Patel: Understood, understood. That helps sir. Sir, my second question is, you also said for 6,000 skids you will be probably reaching 75% of the utilization. But let's say, once we expand it to 15,000, right, the incremental capacity would probably reach up to what utilization by, let's say, the end of year?

Asad Daud: Well, our target would be that by the end of the financial year to reach -- to reach to at least 60% to 70%. So almost very close to the capacity that we are setting up. Our target would be to reach there by, say, March of next year. Obviously, it depends on a lot on the operational side because the business right now is -- so there is a lot of operational excellence required for this kind of -- to manufacture these kind of skid assemblies.

Tej Patel: Understood. But sir, let's say that's great. And let's say, if we are probably expecting to reach 60%, 70% of the utilization, are we probably planning to add more capacity towards skids? Are you planning to go beyond 15,000?

Asad Daud: See our ultimate aim is to go beyond 15,000. But I would say right now, the focus of -- our focus is to get the first 15,000 commissioned and get it up and running. Obviously, the first focus is over there. And then obviously, once that is under process and once it's commissioned, we will then look at further expansion.

Tej Patel: Great. And sir, you have mentioned in the PPT as well, you probably represented in an expo in U.S.A. Any engagement from there, any leads from there? Are we engaging with some

customers apart from the one which we probably won in domestic? Are we engaging with some other customers in the international market through that expo somewhere else?

Asad Daud: So yes. So our aim in that exhibition was to expand our business internationally also in terms of the liquid cooling space. And that is why we exhibited. In that exhibition, we have already got certain leads. And then the team has started working on those leads and to discuss with those customers with regards to the liquid cooling solutions.

Tej Patel: Great, great.

Asad Daud: And we have already started the exhibition, but very difficult to comment on that right now about the status here.

Tej Patel: No, understood. Understood. And sir, for Hyd-Air, you said we're probably using it for niche applications and high-end applications. So would Hyd-Air, we probably use for connectors in DC as well?

And if yes, probably then what I understand is for us to probably use Hyd-Air connectors, you need approvals from the HVAC players, right, the customers we are right now working with. So are those sampling and approvals going to them? What stage are we in that?

Asad Daud: Yes. So like I mentioned, we want to utilize the capacity of Hyd-Air for our internal use right now because we are seeing a lot of demand coming in from end fittings and connectors, not only for the -- for our hose assemblies and for some specific applications in HVAC and also for data centers. So hence, we want to -- we're planning to utilize the capacity of Hyd-Air over there.

Yes, in terms of supplier checks and -- sorry, customer checks and customer audits, I think at whatever manufacturing facility we manufacture any product, right, they are kind of -- obviously, first, we require all kinds of certifications, which are required by the customer. And then obviously, customer audits and customer supply checks are a must before we start supplying to these high-end industries.

Tej Patel: Okay. And we are in the process of...

Moderator: I'm sorry to interrupt you, Mr. Patel, but you may please rejoin the queue for more questions.

Tej Patel: No, problem. Thank you. Thank you so much.

Asad Daud: Thank you.

Moderator: Our next question comes from the line of Saumil Jain from Lucky Investment. Please go ahead.

Saumil Jain: Yes, hi. Thanks for the opportunity. First question at 15,000 skids full utilization, can you give us a sense on how many megawatts of liquid cool data centers that can support?

Asad Daud: Well, it's like -- it's difficult to give a number for that in the sense, so I can probably say that in terms of the business, I can say that at 75% capacity utilization, right? And like which as I said,

could be the peak, we can expect a total revenue for the business to come in at about INR325 crores to about INR330-odd crores. Now in terms of...

Saumil Jain: Sorry, go ahead.

Asad Daud: Yes. So INR325 crores to about INR330 crores. In terms of megawatt, it's slightly difficult. The reason being if you see that some skid assemblies that we manufacture sell at a higher price, some skid assemblies that we manufacture sell at a slightly lower price. So -- and the entire design depends on the design of the data center, right?

And how they have designed the entire data center -- is it a more flat data center? Is it a more vertical data center? Is it a different style of data center? So commenting on specific how many megawatts that would convert into would be difficult for me to give an answer. I can talk about the revenue, yes, that how much it will generate us today.

Saumil Jain: And on the base business, can you talk about the share of the largest customer -- and if you could talk about the growth outlook from that customer or from those set of customers given the infrastructure build-up in the U.S. that we are seeing now?

Asad Daud: Are you talking about the U.S. or are you talking about the data center -- the liquid cooling, the skid assemblies?

Saumil Jain: No, the U.S. business ex of skid assemblies, yes?

Asad Daud: Okay. I think our biggest customer in the international market contributes about 25% to 26% of our sales right now. And in terms of the outlook, we have seen -- so despite the fact that the last year, U.S. had all kinds of issues in terms of initially beginning the year with tariffs and then the tariffs got even bigger coming up to the middle of the year and then ultimately starting at the -- almost the middle of Q4 when the tariff release came in, but then suddenly then the war happened.

So despite all of that, I think our U.S. business contribution to our overall sales has increased in terms of the sales. In terms of the value, also the U.S. business has increased as compared to the previous year. So I think despite all of that, we are seeing significant uptake. At the start of the year, to be frank, we were expecting the U.S. business to do much, much better.

I think I would say despite everything that happened this year in the U.S., despite all of that, the U.S. business has still shown a significant jump. I think that's -- I think I would say that's a great achievement by the team to get this kind of business from the U.S. despite all of these issues that have happened in the year.

Saumil Jain: Got it. Good to hear. And one final clarification. The connectors that we spoke of, these are the QDs that have proven to be bottlenecks in the HVAC industry, especially for liquid cooling elsewhere in the world. Is my understanding correct?

Asad Daud: No, not necessarily. The connectors that I'm speaking -- that I'm talking to right now are used - - some of it are used for skid assemblies. Some of it are also used for hose assemblies, which are

ultimately used in data centers. So in terms of our bottleneck, the bottleneck is not the connectors per se. It's -- a bottleneck is right now the design part, as I said. The second is the customer check and the customer audits that happen on a rigorous basis and almost like every day.

Saumil Jain: Okay. And your the largest account growing at a certain pace, is that because of higher wallet share with that specific customer or the end industry for that largest customer growing at that pace?

Asad Daud: You're talking about...

Saumil Jain: In the U.S. business.

Asad Daud: So in the U.S. business, we have seen not only the largest customer grow, but also the other customers that we have, have also shown a lot of growth. We are also seeing a lot of demand coming in for hose assemblies from the U.S. from customers, who we previously did not have. And these customers are the ones, who are looking for the products that we are manufacturing, whether it's the hose assemblies, whether it's -- and like I said, even we have started to receive orders for metal bellows as well. So we are seeing traction for these products in the U.S. as well.

Saumil Jain: Great to hear that, sir. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Shwetha from ithought PMS. Please go ahead.

Shwetha: My first question is a follow-up on the previous question. So this 60% -- around 60% utilization that we are targeting by next year March, is that incremental orders coming fully from this principal company or are we also looking at export orders for the skids?

Asad Daud: Right now, what we have is for the orders, which will come in from the principal only because we have not taken into consideration the orders, which will come in for any other customers because the other customers, the talks have just begun. So it's too early to say that.

Shwetha: Okay. And sir, I saw that in this quarter's PPT, we had increased miniature bellows capacity to 60,000 pieces. So will this be sufficient for our 15,000 skids -- or will we be needing more capex in this regard?

Asad Daud: Sorry?

Shwetha: For the miniature bellows segment. The miniature bellows segment, will we be needing any incremental capex?

Asad Daud: So in miniature metal bellows, like I mentioned in my previous call, we won't be doing any further expansion, except a few ancillary equipment or machinery that we require. We have redeployed the capital that we had allocated to miniature metal bellows to the liquid cooling vertical. So right now, as I speak, there will not be much capex that could happen in the next -- at least this financial year.

Shwetha: One final question...

- Asad Daud:** Yes, yes, please go ahead.
- Shwetha:** Yes. Sir, please continue.
- Asad Daud:** Yes. Also just wanted to say that with regards to the utilization of 60%, right? So the 60% is on -- I'm talking about March closing, which would mean that by March, we expect that in the month of March, we will be hoping to achieve 60% utilization. So just wanted to clarify to everyone that it's not 60% for the entire year, it's for the March closing.
- Shwetha:** Okay, sir. And this is on the 15,000 skids, right?
- Asad Daud:** Yes, that's correct.
- Shwetha:** Okay. All right. Sir, last question. There was an income tax demand of around INR40 crores relating to a waiver in 2019, if I'm not wrong. So this is like almost a full years' PAT number. So how confident are we on this appeal? And like could you give me an expected time line for when this will get resolved?
- Asad Daud:** Yes. So this relates to, I think, financial year '18, '19, I think -- sorry, financial year '17, '18, assessment year '18, '19. This is with regards to the -- so when we took over this company, which was a stressed company, there was a waiver of loans -- sorry, the waiver of interest by the banks and by the bank basically.
- We have already -- we had done the necessary disclosures in both our financials and our income tax return. So we are confident that this is something, which will be -- which would come in our favor in the appeal that we are going to file.
- Also, I would like to just tell everyone that because of time bar situation also, I think the income tax department reopened this particular assessment year, where the assessment for this particular year was already closed previously, but it was reopened.
- And because of time bar issues, I think they have claimed that it is an undisclosed business income that it was clearly disclosed both in financial statements and also in the income tax return. So as per our advisers and our lawyers, we are extremely confident that these things is going to be reversed in the appeals that we're going to file.
- Shwetha:** All right, sir. Thank you so much.
- Moderator:** Thank you. Our next question comes from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** My first question is on the data center business, new products ex of skids. So could you talk about when can we expect these products to be launched in the market and start contributing as well as I believe we are also adding a lot more products. So, what is your strategy in terms of building a team, what it is today? What do you see this team size in next 2, 3 years?
- Asad Daud:** So, in terms of the team, right, I think the entire team, whether we talk about sales and marketing, operations, technology, I think everywhere you'll see significant push on increasing the team,

which is also pretty evident by the increase in the employee cost, if you see from our financial numbers. So, the thrust is to build the team and to scale it up. With regards to the -- sorry, I forgot your first question. What was the first question?

Aman Vij: Yes. It was when do you expect new products apart from skids? We are adding a lot more new products in data center business.

Asad Daud: So. In the data center business, apart from these skid assemblies, we have our hose assemblies, which we are designing specifically for data center projects. So, these hose assemblies will be used in data center applications, whether it's for the last mile cooling or whether it is for the firefighting solutions or whether it's for transfer of any kinds of other liquids. We have already started developing those products. It is under approval at the customers end.

Also, our annealing plant that we are coming to commission would also contribute to this because a lot of the hose assemblies in data centers have to be annealed. So that would be -- that would also contribute to that. So, these are the new products that we are developing. Some of it are under development, some of it are under customer approval. And I'm hoping that from the next quarter, we'll start to see the sales coming in from these products as well.

Aman Vij: Sure, sir. That is helpful. My second and final question is, so sir, we have started supplying skids for domestic market, and I believe our customer will put their skids in the data center. So, I also think that you would have already started the process of getting some global approval because the same customer is a very big player in the global market. So where are we in that journey of getting the approval of the skids for the global markets? Can we expect something in FY '27 or mostly in FY '28 only we'll start getting the approval and maybe supply also for the global market?

Asad Daud: See, in terms of the global market, our aim is to have or to start at least some supply of skid assemblies in the international market in the current financial year. But it will be difficult to give any specific number or any specific guideline on that. But yes, the idea is that the future expansion plan for us is that apart from the business in India with regards to skid assemblies, there is also a very big business internationally for the skid assemblies.

So definitely, we will be working on it. Now whether it is with the -- our existing exclusive partner or whether it's with different other companies internationally, I think that's a decision that we will take as and when we see some inquiries coming in.

Aman Vij: Sure, sir. Thank you for answering the question.

Moderator: Thank you. Our next question comes from the line of Ashok Shah from Eklavya Invesco Family Office. Please go ahead.

Ashok Shah: Sir, we are manufacturing skid assembly and also metal bellows and also hose pipe. So, can you just give some rough idea how much is we are competitive compared to the -- if it is manufactured outside India or it's in U.S. or something like that?

Asad Daud: Well, in terms of skid assemblies right now, we are manufacturing and supplying only in India. So, our competitiveness internationally, I'm not able to comment because we have not started to supply internationally. But obviously, in India right now, we are among the only players, who are manufacturing and supplying skid assemblies.

So, I think right now, it's more about supply than about pricing. With regards to the bellows and the hose assemblies, so yes, we are the largest manufacturer in India for hose assemblies, right? So, from the economies of scale perspective, we are extremely competitive in terms of our pricing, especially if you consider the international market, where in terms of our business, almost -- so 60% of our overall business is exports.

But if you see from the hose assemblies perspective, almost 75% to 80% of the business of hose assemblies actually comes from exports, which means that our products, first of all, are meet the quality, which is requirement of the international market. And secondly, it comes at a much better price as compared to what they would be buying locally, so you know...

Ashok Shah: So, percentage wise, it could be 30%, 40%, we are cheaper?

Asad Daud: Yes. I would say on a ballpark companies are on a landed cost will be definitely 25% to 30% cheaper. But that would depend a lot on product to product on market to market. So, it's slightly more in the U.S., it's slightly lesser in Europe. It's even slightly lesser in the Middle East and Africa. So, it depends -- so internationally, it's a big market. U.S. works very differently as compared to Europe, which works very differently as compared to Middle East and Africa.

Ashok Shah: Thanks for answering. And my last question is regarding -- we have got this group company. So, are there any plan to merger it, to get some economy of scale or something like that? Or can you explain what are the business we are doing there?

Asad Daud: Well, we have other group companies, but I think since this call is specifically for Aeroflex Industries, I'll limit my answer Aeroflex Industries itself. So, if you have any other questions on Aeroflex Industries, I'll be able to answer. With regard to the group companies, we can discuss it offline.

Ashok Shah: So -- but our management which will be involved in that managing other companies also. That's why my question.

Asad Daud: No. So right now, I'm managing Aeroflex Industries.

Ashok Shah: Okay. Thanks for answering and very best wishes for current year. Thank you, sir.

Asad Daud: Thank you. Thank you so much.

Moderator: Our next question comes from the line of Akshay from AK Investment. Please go ahead.

Akshay: Hi, sir. Thanks for taking my question First of all, congratulations for the great set of numbers. Sir, specifically for the other business, excluding the skid assemblies, what type of growth are we seeing in this year? And if you can specify about the EBITDA margins, consolidated EBITDA margin for FY '27, that would be very helpful

Asad Daud: Yes. So, in terms of the business, right, the overall growth in the business, I think if you see in this quarter, we have grown by almost more than 35%, right? Our aim is to have a similar growth in the next few quarters as well. In terms of our EBITDA margins, last year, we had an EBITDA margin of 22.5%.

I think this year, the full year target is to have an EBITDA margin of around 23% in terms of EBITDA. So -- and our aim is that ultimately, over the next couple of years, the EBITDA margin should reach to about 25% annually.

Akshay: Okay, sir. And specifically for skid assembly, what type of EBITDA margin currently are we enjoying in skid assembly for data center cooling?

Asad Daud: We'll not be able to comment on specific EBITDA margins for specifically skid assemblies, reason being that we are working with just one customer right now. So, we'll not be able to share that on a public forum. But I can say that the overall margin for skid assemblies is in line with the average margins of the company.

Akshay: Okay. So, the average selling price of skid assembly, what type of ASP can we expect in this year or the going forward for the next 2 to 3 years? Currently, for this year, we had around something INR3.4 lakh average selling price for skid.

Asad Daud: See typically, skid assemblies, there's a wide range with regards to per skid. And like I mentioned, the wide range is because of -- because the different data centers have different specifications and different requirements. So I would say to consider an average, I think INR3 lakhs to INR3.25 lakhs would be an average that we can consider in terms of the average selling price for skid assembly.

Moderator: Our next question comes from the line of Maitri Shah from Sapphire Capital.

Maitri Shah: So congratulations on the good set of numbers. A few questions from my side. Firstly, on the cooling skid. So you mentioned that we'll reach close to 60% utilization on the 15,000 capacity by March. So that's close to a 700 unit number just for the month of March. So how do you see the volumes of skid assembly kind of panning out for FY'27 and maybe FY'28 as well, if you could guide?

Asad Daud: If I want to give a volume specific number, like I mentioned, right, skid assemblies, right now, we are at about -- so last financial year, we sold about 617, right? Obviously, the plan for this year is to obviously just scale it up to 6,000 and then for further scaling up to 15,000 by the next quarter.

The idea is, like I said, to reach by March '27, to reach about 60% utilization for that particular month. That's the aim that we have right now. Obviously, I think one year is a big time, where a lot of things can change for the good.

So last year, same time, we did not even have skid assemblies as part of our business. We just ventured into it. And this year itself, it's now contributed about 5% of our business. And I think,

I expect that the contribution of this business in the current financial year would be close to, I would say, anywhere between 20% to...

Maitri Shah: I'm sorry, I lost. I couldn't hear the last part?

Asad Daud: 20% to 22% contribution of the entire business would be through skid assemblies.

Maitri Shah: In the liquid cool. Okay. That's great. Also, secondly, on the metal bellows, so you said you had INR8 crores revenue figure for FY '26. How do you expect that scaling up? Because I think the margins in metal bellows are the best of all of your products currently. So how do you expect that business to kind of scale up in the next two years? How much contribution you expect coming from metal bellows specifically?

Asad Daud: Yes. So yes, I think this year has -- at least the start of the year was a bit of a challenge for the metal bellows division, specifically owing to the fact that we were expecting this business to -- big business to come in from the US and the tariff did not -- the tariff actually paid us as points for specifically for the metal bellows business because that was a new vertical for the company.

But if you see that over the past couple of quarters, we have started to see the traction. We are at an ARR right now of about INR12 crores right now at an ARR. We are looking to grow that significantly over the next two years so that we reach at least 50% to 60% of our capacity utilization.

Metal bellows definitely has the best margins as compared in relation to all our products, but the sales cycle in metal bellows is slightly longer as compared to our other products.

Maitri Shah: Okay. And this 50%, 60% capacity utilization will you achieve in that two-year time frame, that's certainly our kind of?

Asad Daud: Yes, that's the target between two to three years, yes.

Maitri Shah: Okay. And the current utilization for metal bellows for '26 was at what level?

Asad Daud: Very low. I do not have the exact figures, but yes, I think extremely low and so less than 20%.

Maitri Shah: So at that kind of utilization, what sort of revenues could you achieve on the metal bellows side?

Asad Daud: I think at the peak utilization of the metal bellows, I think we would reach about INR80 crores at the top utilization, the maximum utilization.

Maitri Shah: But close to 85% utilization?

Asad Daud: Yes, about approximately.

Maitri Shah: Again, you said that we are targeting the 20%, 22% from the liquid cooling. So how do you see the proportion of the business vertical kind of changing? Where do you see the assemblies and the metal bellows kind of having a proportionate in the sales going forward? Because this year, I think they contributed close to, I think, 52%, 53%, so?

- Asad Daud:** Yes. I think obviously the hose assemblies would continue to contribute the major portion of the business of the company for the next few years for sure because that's the core business right now. But we'll see over the next few years, the percentage of contribution of skid assemblies would increase year-on-year.
- And obviously, the reason is because that we are expanding our capacity in that particular segment, and this is a segment, where we see a huge opportunity being there right now, and we want to take the full advantage of that.
- So the contribution of skid assemblies would definitely continue to grow to our overall business. But I would say in the next -- at least for the next two to, say, two to three years, I think hose assemblies would still be the major contributor to the business.
- Maitri Shah:** And on the skid assemblies you said you are looking for some global sales. So this will be through the exclusive client we have? Or are we looking to tie up with another company based in US that is also selling in US? How do you see that kind of panning out or are we like?
- Asad Daud:** So like I said -- yes. Like I said, right now, we have not finalized anything. We are open to exploring all opportunities. So right now, we don't have any fixed plan that we would go only on this route. So right now, we are pretty flexible on that.
- Maitri Shah:** Okay. So this 15,000 capacity you saw that....
- Moderator:** I'm sorry to interrupt you, ma'am, but you may please rejoin the queue. Our next question comes from the line of Jai Chauhan from Trinetra Asset Managers. I'm sorry, but the participant has left the queue. We'll move to the next participant. Our next question comes from the line of Muskan from Niveshaay.
- Muskan:** So recently in US, we have announced the Section 232 tariff. So what is the impact of that on our business?
- Asad Daud:** So the 232 tariff was prevalent before as well. But right now on our products, the tariff has been reduced. So with effect from February, I think about 15 of -- 15, the middle of February approximately. So right now, the tariff on our products has been lowered. We don't have any issues with tariffs as I speak.
- Muskan:** Yes. But what is the percentage of tariff currently on our products?
- Asad Daud:** I think it's around 15%, but I will have to just double check. I think in the range of between 10% to 15%.
- Muskan:** Okay. Thank you.
- Moderator:** Our next question comes from the line of Prem Luniya from Astute Investment Management.
- Prem Luniya:** Congratulations on the numbers. Most of the questions are answered. I just wanted to understand, can you just reiterate the company guidance for the year, both ex-bellows, ex-skids and on the base business?

Asad Daud: Well, like I mentioned that with regards to the capacities that are coming up right now, I think we expect in the last quarter, we grew at about more than 35%, and I think on a yearly basis, we expect to achieve that kind of a growth, primarily being that we have significant capacities, which will be commissioned at the start of the year and which will help us to scale up the business.

Obviously, skid assemblies would play a significant role in that growth naturally because we have -- we are expanding significantly on that. So -- but yes, you can say about 35-odd percent growth is something that we are looking at in the financial year FY '26.

Prem Luniya: Sure, sir. And what would be the contribution from the base business? Base business growth would be around what range?

Asad Daud: Base business growth would be somewhere in the range of about 15% to 20%.

Prem Luniya: Okay. Sure. And I just wanted to know as we are expanding into new products in data center, would it only be products, which will be developed in-house or maybe we are also looking at some acquisitions to acquire some capabilities?

Asad Daud: We are open to that. In India right now, there are not many opportunities in companies in this particular space because it's a very, very new space in India. Internationally, there might be, but we are open to that, not finalized or not finalized anything as yet.

Moderator: Our next question comes from the line of Jai Chauhan from Trinetra Asset Managers.

Jai Chauhan: I just had one question. Sir, I just wanted to understand some mature bellow players seems to operate a materially high EBITDA margins than 28%, 30% that we are targeting. I just wanted to understand, is the gap mainly due to product mix, customer qualification maturity, utilization?

I don't, like, I just wanted to understand over the medium term, if Aeroflex moves into more mission-critical export OEM bellows and assemblies, can the margin profile move above the current 28%, 30% that you have guided?

Asad Daud: So the margin in metal bellows is, like you mentioned, is significantly higher as compared to the hose assemblies. In terms of competitors, who have a higher scale of business in bellows, I think the margins with them obviously depends, first of all, on the customer segment that they have.

Second of all, in which industry that they are supplying it. And obviously, like in any business, the higher the scale of the business, the higher the margins, right? That's naturally which comes with most businesses. So these 3 things are critical factors.

Obviously, as we move our products into higher end, for example, applications such as AI infrastructure, data center, plus also some kind of ancillary to aerospace industries, definitely margins over there are much higher than other conventional industries.

Jai Chauhan: Makes sense. So basically, the industry that we are targeting at the moment, we would make approximately the margins that you mentioned 28% to 30%. But obviously, if you move to better industries and learning curve according to scale, margins can get better, right?

Asad Daud: Yes, it can get better. But obviously, it depends on the industry that we are entering into.

Moderator: Thank you. Ladies and gentlemen, due to the time constraint, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you team.

Asad Daud: Thank you so much. Thank you to everyone who's joined the call. And if I have not been able to answer anyone's questions or if you have any further questions that you would like to ask, you can get in touch with SGA, who is our Investor Relations partner. And also you can get in touch with the management to get your queries answered.

Thank you so much. I would just like to also thank the entire team at Aeroflex Industries who have done a great job to achieve the targets that we had set out at the start of the year despite the initial hiccups that we had and despite all the geopolitical issues that have happened in this entire year.

So I would like to congratulate and thank the entire team at Aeroflex for the same. And I just would like to tell everyone that, yes, we are in an industry, which is at a high growth. We are expanding our capacity and expanding our capabilities every year, and we look forward to your support in the future as well. Thank you.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of Aeroflex Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.