AEROFLEX INDUSTRIES LIMITED
Commitment to Excellence

November 02, 2026

To, The General Manager, Department of Corporate Services, **BSE Limited,** P.J. Towers, Dalal Street, Mumbai – 400001 **Scrip 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**

Subject : Transcript of Earnings Conference Call held on October 29, 2026 for Q2 & H1 FY27 Results

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and further to our earlier intimation dated October 29, 2026 regarding the audio recording of the Earnings Conference Call, please find enclosed herewith the transcript of the Earnings Conference Call held on Thursday, October 29, 2026 at 11:00 A.M. (IST) for Q2 and H1 FY27 financial results.

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

https://www.aeroflexindia.com/uploads/topics/bfce073f-8cf6-4b59-97ad-352446c6e5db.pdf

The audio recording of the Earnings Conference Call held on October 29, 2026, for Q2 & H1FY27 Results is available on Company's website at:

https://www.aeroflexindia.com/uploads/topics/17932714286574.mp3

Request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For AEROFLEX INDUSTRIES LIMITED

Ruthu John Parampogi
Digitally signed by Ruthu John Parampogi
Date: 2026.11.02 16:38:38 +05'30'

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Govt. of India Recognised Export House

“Aeroflex Industries Limited

Q2 FY27 Earnings Conference Call”

October 29, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th October 2026 will prevail.

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

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

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

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

Asad Daud: Thank you so much. Good morning, everyone. I welcome you all to Aeroflex Industries Limited Q2 FY27 Earnings Call. Joining us today are members of our senior management team, along with representatives from Strategic Growth Advisors, our Investor Relations Partner.

I hope you had the opportunity to review our financial results and investor presentation, which are available both on the stock exchange and also on our company's website. We are pleased to report that our best ever results with quarterly revenue crossing INR200 crores milestone for the first time ever.

This achievement reflects sustained growth momentum across all our verticals and supported by strong demand for our core products and increasing traction that we are witnessing in the liquid cooling vertical. It also highlights the strength of our diversified business model, a growing contribution from value-added products and our strategic positioning in high-growth segments, especially the high-performance data center infrastructure.

During H1 FY27, our metal flexible hose business delivered strong growth with revenues increasing by 40% on a year-on-year basis, supported by demand across various end-user industries and across our established international customer base. The assemblies and other value-added products business also registered a growth of 44% on a year-on-year basis, which reflects increased demand for high-precision engineered flow solutions.

The liquid cooling vertical continues to gain significant traction driven by the growing adoption of advanced cooling technologies in high-performance data centers. This vertical contributed 24% to our revenue in H1 FY27, which makes a significant milestone in our evolution from being just a flexible hose provider to an integrated provider of advanced flow control and liquid cooling solutions.

We have also announced the merger of Hyd-Air Engineering, which is our wholly-owned subsidiary with Aeroflex. This is aimed at strategically integrating operations of Hyd-Air into Aeroflex and to create a more streamlined and efficient business structure. The merger is also expected to leverage existing infrastructure.

It will help to optimize the resource allocation and also strengthen the company's ability to scale in-house capabilities in line with our business requirements. By eliminating operational overlaps and simplifying the corporate structure and also optimizing the cost, this consolidation is expected to reduce the administrative and compliance related costs, enhance our operational coordination, improve resource utilization and facilitate more and efficient capital allocation.

Now talking about the data center opportunity. The rapid advancement of AI and high-performance computing is transforming the entire global data center infrastructure, including in India as well. Higher computing requirements are driving increased rack densities and heat generation, which is accelerating the shift from conventional air cooling to advanced liquid cooling technologies.

Hyperscalers, cloud service providers and global technology companies are making huge investments in data centers, not only internationally, but also in India as well. And this is creating a growing demand for reliable, leakproof and precision engineered flow control solutions.

Aeroflex is well positioned to participate in this opportunity through its expertise in the flexible flow solutions in terms of engineered assemblies and also liquid cooling skid assemblies. Our SFN skid assemblies facilitate controlled coolant circulation and also support efficient data center cooling operations.

We are also strengthening our capabilities in advanced flow control components and flexible connection solutions to address the ever-evolving requirements of the liquid cooling infrastructure.

We aim to progressively strengthen our presence across the data center value chain, leveraging our manufacturing capabilities, our customized engineering solutions and our diversified product portfolio.

Now talking about our capacity expansion. In this month, we have announced a capacity expansion, which involves total capital expenditure of INR202 crores. This is aimed at from a long-term growth outlook and also increase the demand visibility that we are seeing across both our sectors.

In terms of the stainless steel flexible flow solutions, we have already completed the expansion of our manufacturing capacity to 20 million meters per annum. And we have planned a further expansion of 10 million meters per annum, which will take our total capacity to 30 million meters per annum, and it is estimated to be completed by March 2028.

And it involves an investment of approximately INR124 crores. This expansion program will comprise a mix of both brownfield expansion at our -- at the existing Taloja facility and also a proposed new manufacturing facility for hose assemblies.

Now talking about the expansion plan for the skid assemblies, our current capacity expansion plan of expansion to 15,000 units per annum is expected to be completed by December 2026. Out of that, we have already commissioned the 12,000 units per annum.

And to add on top of that, we have planned the next phase of expansion, thereby raising our capacity from 15,000 units per annum to 30,000 skid assemblies per annum, and the same is expected to be completed by March 2028. And this will entail an additional investment of INR78 crores.

The overall investment of INR202 crores will be funded primarily through a combination of internal accruals, bridge loan financing and equity fund raise if required. At the peak capacity utilization, these additional capacities are expected to generate incremental revenue potential of approximately INR500 crores to INR550 crores per year.

The expansion will be implemented in a phased manner, strengthening our ability to execute larger customer programs and capitalize on opportunities across data centers and other high-growth industries.

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

I'm also glad to share that we have been granted a patent for our invention of developing a system and method for automatically generating a 3D computer-aided model for braided hose assemblies. This technology automates the generation of 3D CAD models of braided hose assemblies, enabling greater efficiency, consistency and precision in product development.

Going forward, we will continue to focus on product innovation, process automation and advanced manufacturing technologies to develop customized solutions for specialized and mission-critical applications.

Looking ahead, we remain confident about our long-term growth prospects. Our strategy is focused on 3 key priorities. First is to strengthen our core metallic flexible hoses and assemblies business through capacity expansion, automation, product innovation and deeper market penetration.

Second is to scale up our liquid cooling solutions business by expanding our manufacturing capabilities, capacity, strengthening our engineering capabilities and also increasing the engagement with our customers across the data center ecosystem. And thirdly, to continuously invest in technology, R&D and advanced manufacturing to develop specialized solutions for these high-growth industries.

The global transition towards AI-led computing and liquid-cooled data center infrastructure represents a multiyear opportunity for us. And our recently announced expansion program reflects our confidence in this opportunity and also our commitment to building these capabilities required to support the future growth.

Alongside our growth investments, we also remain focused on maintaining a strong balance sheet, healthy cash flows and financial discipline. This will provide us the financial flexibility to fund our future growth initiatives while also maintaining a strong financial position.

Now talking about our financial performance for Q2 FY27. Our total income for the quarter stood at a record INR207.68 crores -- 87% on a Y-o-Y basis. Our EBITDA stood at INR50.34 crores, which is a growth of 94% on a Y-o-Y basis.

Our EBITDA margin [inaudible 0:11:29] 24.27% as compared to [inaudible 0:11:33] last year. The profit after tax stood at INR36.56 crores, which is a -- 157% and our PAT margins...

Moderator: Sorry to interrupt you, Asad sir, we are losing your voice in between.

Asad Daud: Okay, am I audible now?

Moderator: Yes, sir. Please continue.

Asad Daud: Okay. Sorry. So, I'll just repeat the last couple of lines. Profit after tax stood at INR36.56 crores, which is a growth of 157% on a year-on-year basis. PAT margins stood at 17.6%. Talking about H1, the total income for the quarter stood at INR353.66 crores [Errata: INR 353.66 crores is total income for H1FY27, not for Q2FY27], which is a growth of 81% on a Y-on-Y basis.

The EBITDA stood at INR83.83 crores, which is a growth of 103% on a Y-o-Y basis. EBITDA margins stood at 23.77% compared to 21.19% in H1 FY26. Profit after tax stood at INR55.35 crores and the PAT margin for the quarter was at 15.65%[Errata: 15.65% is PAT margin for H1FY27, not for Q2FY27].

During the quarter, we changed our depreciation method from the WDV, which is the written down value method to the straight-line method effective from 1st April 2026 to better reflect the expected usage of the assets. This change resulted in a reduction in depreciation expense of INR8.41 crores, both for Q2 and for H1.

The change in the depreciation methodology was undertaken based on the advice of technical experts and also considering significant investments being undertaken in the capital -- on capex and an assessment of the pattern in which the future benefits of the assets are expected to be utilized, this depreciation methodology was changed from WDV to SLM.

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

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

And with that, I would like to conclude my remarks, and we can now open the floor for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Raman KV from Sequent Investments.

Raman KV: Yes. Sir, I have a few questions. One, with respect to the merger with Hyd-Air, how much cost savings are you expecting?

Asad Daud: So, we don't have a specific number in terms of that, but we expect at least a couple of percentage margins to increase just on account of the cost. And plus, the whole idea behind the merger is to utilize the existing facilities of Hyd-Air for manufacturing of products, which will be used for -- by Aeroflex Industries. Hence, we felt that it was prudent to merge both the companies.

Raman KV: If you can -- can you give a ballpark figure and margin expansion you are expecting, how much bps, like, ballpark number?

Asad Daud: It's difficult to say right now. I think probably once we complete the merger, I think that we'll have a much -- I'll be able to share with you the exact numbers.

Raman KV: Okay. Understood, sir. Sir, now that our -- my second question, now that our liquid cooling skids contribute upwards of 30% of our total revenue, can you share the current order book and what's the execution period of those orders?

Asad Daud: So, we -- typically, we see a pipeline of confirmed supply over the next 3 months. So, we have -- we already have a freeze pipeline for this quarter and the start of the next quarter. It will be difficult for me to give you numbers on that, due to confidentiality with the customers. But we typically get a horizon of minimum 3 months. And then obviously, for the months after that, we get a ballpark estimate in terms of the requirements.

Raman KV: And sir, can you also let us know what's the bid pipeline with respect to this, liquid cooling skids? How much order are you bidding worth?

Asad Daud: So actually, we are working with one customer exclusively for India for the liquid cooling business. And -- and we don't bid directly to the end-user of the data centers. We are working with this very large U.S. multinational company for providing the liquid cooling solutions to them.

Raman KV: Okay. The particular solution which you provide for the India market, for the U.S. multinational company which you are bidding, like, which you have the exclusivity agreement with, what's the size of this market? And who are the key players in the market?

Asad Daud: The global size of the liquid cooling market is upwards of -- as of now, it's about $4 billion to $5 billion, but it's growing at about more than 30% on a year-on-year basis. And the biggest player in this industry is vertiv energy globally. And yes -- and they are also the biggest ones in India.

Raman KV: And in India, what's the market size?

Asad Daud: India market size, exactly the numbers are not available in terms of the market size in India. I don't have it right now on the top of my head, but yes, I can share with you later.

Moderator: The next question is from the line of Nikhil Chaudhary from Toro Wealth Manager.

Nikhil Chaudhary: Congratulations on a good set of numbers. I have just 2 questions. We've been attending many conferences, especially the recent one that you've mentioned, Tech Week Singapore, I just want to understand how is the export opportunity developing for the liquid cooling solutions of Aeroflex? Any new qualifications underway with global OEMs we are in talks? And second would be...

Asad Daud: Yes. So, we have already -- we are already speaking to a couple of players internationally also for the supply of liquid cooling solutions. The progress is going quite well. Obviously, once something is finalized only then we'll be able to share more details on that. But yes, we are already looking at international expansion.

Nikhil Chaudhary: Got it. Got it. And also, this -- the incremental 15,000 skids that we have announced, taking it to 30,000, now that export opportunity can probably kick in if it does. Won't this also be like not meeting our requirements or we are -- like we will decide with quarters gone by like on the incremental skid capacities because another...

Asad Daud: You're talking about the additional capacity that we planned, right?

Nikhil Chaudhary: Yes.

Asad Daud: Yes. So, we have most of the -- so we'll be utilizing this additional capacity both for the India market as well as have earmarked certain capacity for international market as well. So, this expansion is considering both the opportunities.

Nikhil Chaudhary: Got it. Got it. But I guess incremental capacities would be taking care of only just like probably 250, 300 megawatts. So, I'm just thinking the expansion that we are seeing in India itself is like in next 3, 4 years should be significantly large and considering you are working with a leading player, won't the current capacities -- the incremental capacities also fall short in your opinion?

Asad Daud: Yes. So, the -- like I said, in India, there is a lot of projects have been announced. Obviously, there will be -- the projects will be commissioned over a period of time. And I think we will be increasing our capacity based on the requirements that we see coming in from the market. So, if you see right now also in the past almost 1.5 years, we have doubled our capacity or plan to double our capacity twice, right, from 2 to 15, that's almost 7x, but from now 15 to 30.

So that's based on the increased demand that we are seeing coming in from across the verticals, especially in India. In the future also, we would be expanding based on the requirements that we see coming in.

Nikhil Chaudhary: Got it. And considering that we have a very negligible leverage on the balance sheet, you have already told that you will be discussing equity raise if needed. But like...

Asad Daud: That is only if needed.

Nikhil Chaudhary: Yes, yes. Got it. Got it. Understood. So, debt should be sufficing the capex as well as the growth.

Asad Daud: Yes. The first would be internal accrual, any kind of bridge financing for an interim period or any kind of long-term financing and then equity would be the next stage.

Moderator: The next question is from the line of Tej Patel from Niveshaay.

Tej Patel: First of all, congratulations for the result and it's very commendable that you guys entered the DC business and now quite scaling up. So, congratulations on that as well. So, my question is, taking from the previous participant, you said that incremental capacity would be for both domestic and international, right? So, is it right to assume that the incremental capacity is not exclusively for the customer that we already had an agreement for the older capacity? Is it right to say that?

Asad Daud: Yes. So, the exclusivity remains intact for the Indian market. Internationally, like I said previously also, there is no exclusivity. This capacity expansion will be undertaken both at our existing facility and also at a new facility. So, the exclusivity will not be an issue in this case.

Tej Patel: So, you are saying the newer plant would probably cater to the international OEM. In that, there would be no exclusivity, but the capacity expansion on the brownfield for incremental capacity would still be under exclusive agreements, right?

Asad Daud: Well, not exactly like that. So, we don't do it based on plant to plant. Yes. So, we don't do like this plant is exclusive, this plant is not exclusive. Here, we have earmarked certain capacity to be devoted to our customers. So that capacity would be dedicated to them irrespective of in whichever plant unit is being manufactured.

Tej Patel: Perfect. So just to conclude, you are saying there is some incremental capacity, from this, there is some capacity which is exclusive to your earlier customer, but there is a few -- there is a little bit of capacity, which you can probably sell it to any other customers, right?

Asad Daud: Yes, internationally.

Tej Patel: Perfect. Perfect. Great. Great. And sir, again, a question on Hyd-Air. I mean, just one more -- of course, you've told the rationale for consolidating it. But let's say, once you consolidate Hyd-Air into Aeroflex, does this probably automatically, let's say, let you -- I mean, get you the certificates from, let's say, our already existing customer for selling, let's say, Hyd-Air product to them also?

Is it -- does that benefit also come in because we are already, let's say, certified from one -- are already the vendor but I think Hyd-Air was not certified, right? But does that advantage also comes in with this consolidation?

Asad Daud: Yes. So that is also one of the reasons where we already have certain customers who are buying from Aeroflex. And when Hyd-Air is subsumed under Aeroflex, it would help us to increase the fittings supply to Aeroflex's customers. That's one of the criteria for merger. But also, one of the important criteria for merger that we had was that a lot of the capacities of Hyd-Air are now being utilized to manufacture products for Aeroflex Industries.

So, it is almost like a backward integration. So hence, we felt it is -- it will be prudent to have it in one company as compared to have 2 separate companies. Ultimately, one is supplying to the other.

Tej Patel: Superb. Superb. Got it. Got it. And sir, your base business has done quite well this quarter. I mean, it surprisingly done really well. So just wanted to understand, in last con call, you were speaking about some shipment delays. So, is there some lag of, let's say, Q1 to Q2? Is there some revenue booking here as well from Q1 to Q2 because of, let's say, shipment is in Q1 now probably might have got booked in Q2?

Asad Daud: Well, not in this case. Also, what we have seen is, yes, well, the core business has grown not to our surprise because we have been working on this since the past last year. So, the real work behind the growth in this year is a result of all the work that we have been doing over the past 6 to 9 months.

There is no offtake from Q1 to Q2 because we are seeing the shipments go. The only one concern is that the cost of the shipments have increased significantly. If you see in terms of expenses also, one of the major expenses that has increased is the freight and forwarding because of the -- because we are aware of the issues internationally of the increase in the shipping cost.

Tej Patel: Got it. Perfect. And sir, this international customer you are saying with whom you are engaging, is it the same customer with whom we are dealing in domestic? And if not, which geography is this customer? Is it the same customer?

Asad Daud: Same customer.

Tej Patel: Okay. Superb, superb, superb. And sir, in the previous con call also, we have alluded to probably look beyond SFN as well, right? If you could provide some elaborative answer on this, what kind of products are we looking at? What stage are we in? Are we looking to make some inorganic acquisition probably to expand beyond SFN? If you can throw some light on this, that would be very much helpful?

Asad Daud: Sure. So, we are looking at developing products which are adjacent to SFN and which are used in the liquid cooling space itself. It will be difficult for me to comment on what is the product that we are building until and unless we have developed it and we have got the approvals for it. So -- but yes, we are developing certain products which are -- which will be used in the liquid cooling infrastructure and which is -- which will be a complementary product to the SFN.

The development is still ongoing in terms of product design and then sampling of the product and then testing and then obviously, the commercial. So, I would be able to give more clarity on that once the approvals are done for those products.

Tej Patel: Superb. So, sir, is it like more of a backward integration product? Is a part of SFN or is it like something else only? It's not a part of SFN?

Asad Daud: It's not exactly a part of SFN. It's actually -- but it's used in the liquid cooling space itself. It's not SFN, it's complementary to SFN. So that's the only thing I can say right now, yes.

Tej Patel: No problem, sir. No problem. Sir, last question from my end -- last question from my end. Sir, what would be the bellows revenue in this quarter? What contribution came in from bellows this quarter?

Asad Daud: INR6 crores.

Tej Patel: INR6 crores?

Asad Daud: Yes.

Tej Patel: Superb, superb.

Asad Daud: Last year -- last quarter was INR3 crores. So, we are seeing also the bellows business increase.

Tej Patel: Got it. And sir, are these bellows more shortly stand-alone sold or is it a part of assemblies?

Asad Daud: No, bellows are sold as both a bellow and also as an expansion joint. So, when we sell it as an expansion joint, it's in the form of -- it's something similar to how we sell hose assemblies.

Moderator: The next question is from the line of Alisha Mahawla from Trust Mutual Fund.

Alisha Mahawla: First question is, obviously in skids our capacity ramp-up has been quite strong, in Q1 to Q2, the growth has been strong. So, any thoughts on what will be our capacity utilization by the end of the year? Because I believe when we started, we were being very conservative and saying it will probably be 30%, 35%. So, will we be able to use 50% or more of the capacity in the first year only?

Asad Daud: Well, yes, the -- as per the plan that we have, so the business, like I said, this industry is evolving every month, right? Even we are learning a lot of new things about this industry every month, right? So that's why we have to, I would say, revise our projections almost on a monthly or maximum on a quarterly basis. So yes, I think we are expecting that for this financial year, we would be reaching closer to about anywhere between 40% to 50% of our utilization of our total capacity utilization.

Alisha Mahawla: For the skids business?

Asad Daud: Yes, for the skids also.

Alisha Mahawla: Yes. That's great. Sir, second question was that, obviously, since we are ramping up so well with our customer in India, any reason why the customer is not very keen to also start giving us orders in other markets? We've been in discussions with them, but now we've demonstrated also. So, what is the timeline looking like over there?

Asad Daud: We have already -- we are now in advanced stage of sampling and pricing and also we have already -- so the discussion with our customers for international supply started about a couple of months back. So, the progress is going quite good.

We are already in the next level of discussion. So, we are hoping that this should be closed soon. It is difficult to give any timeline on that because with international supply, there are a lot of controls, measures, checks and audits required, which may take some time. But yes, the discussions are going at a very advanced stage.

Alisha Mahawla: But the designing and the qualification would be the same, right? So, the system -- and we have the confidence of the customer...

Asad Daud: No. So, I would just like to clarify that the design of SFN internationally and the design of SFN in India is different. So -- and so that is the reason why it takes some time because the SFN, which has been designed for India, it has been designed keeping Indian conditions and Indian environment in mind as compared to the design internationally, which is -- which takes into consideration their requirements, their installation capabilities and the geography of that particular country, the topography of that particular country.

So, the design actually is completely different. Also like I said in the previous calls also, even in India, the design for each data center is very different. Hence the design for every data center that we provide this SFN for also changes.

Alisha Mahawla: Understood. So how would the realization be? How much more would the realizations in the international market versus the domestic market?

Asad Daud: Difficult to comment right now on the realization until and unless we have started the first supply. But we expect the realization to be definitely higher than the India market, but it will be too early for me to comment on that.

Alisha Mahawla: Understood. And what about discussions with customers in international markets ex of this new customer? What is the status of progress on that?

Asad Daud: Yes. So, these customers apart from the one who we are dealing with, with these other customers, the discussion is at an early stage right now. And we -- we expect also these customers to convert into customers soon, but difficult to give any timelines for those as they are in a much earlier stage.

Alisha Mahawla: Understood. And last bookkeeping question. In H1, how much is the revenue from metal bellows and Hyd-Air?

Asad Daud: Metal bellows, I've mentioned is INR6 crores.

Alisha Mahawla: H1, H1?

Asad Daud: H1, sorry, INR9 crores.

Alisha Mahawla: I thought that was for Q2 when you said...

Asad Daud: No, I said INR6 crores for Q2 and INR3 crores for Q1, so total INR9 crores for bellows in H1.

Alisha Mahawla: And Hyd-Air?

Asad Daud: Hyd-Air, the total is INR11.5 crores. That excludes the sales, yes, from, yes -- INR11 crores, INR11.5 crores, yes.

Moderator: The next question is from the line of Prem Luniya from Astute Investment Management.

Prem Luniya: Congratulations on great set of numbers. I just wanted an understanding on the split of the base business revenue. So, we used to provide this oil and gas and new energy and new divisions. What is the split currently for this quarter and H1?

Asad Daud: So, data center obviously is now contributing a significant portion of the business in terms of the overall business. In terms of the next, I think ports and terminals is becoming a very big business for us that we are seeing a lot of demand and traction coming. And then obviously, oil and gas and steel, contribute the next best -- the next vertical.

So yes, data center now has become obviously the highest vertical on account of obviously, the sales of liquid cooling business and also a lot of -- we're getting a lot of demand of hoses -- sorry, hose assemblies from the data center business as well.

So, these verticals combined are now contributing almost close to 26% to 27% of the business. And then obviously, firefighting remains one of the verticals, steel, oil and gas, which contributes combined about 30% and then the remaining other industries.

Prem Luniya: Sure, sir. And sir, the expansion we are doing in the hose from 20 to 30, do you see major of it being utilized domestically or internationally? And what industries you're seeing major growth?

Asad Daud: So, for the hose assemblies, the major business would come from internationally because internationally, we are the -- that's the market for our hose assemblies where international is the biggest market for us, and that is where we will be seeing the greatest traction coming for the hose assemblies. And...

Prem Luniya: The industries would be?

Asad Daud: Industries, one would be data center because they also have a requirement for hoses; firefighting, which continues to be one of the high-growth industries internationally. Third being ports and terminals, which we are seeing significant demand of our products coming in from there. So, these 3 will be the major growth drivers for the company for the near future.

Moderator: The next question is from the line of Shreyansh Talesara from Equentis Wealth Advisors.

Shreyansh Talesara: Congratulations on the great set of numbers and doing the exemplary execution that you guys have done. Again, the clarificatory question. So, somebody asked on the international skid assembly side. Is it for the same customer that we have, we are going to start with international? Is my understanding correct?

Asad Daud: So, for the international, yes, the discussion is in the advanced stage with the same customer, but also preliminary discussions have also started with the other customers as well for other regions.

Shreyansh Talesara: So, we'll be doing from the same plant, but for multiple customers for international. Only the restriction of exclusivity is only for the domestic side, right?

Asad Daud: So, like I mentioned earlier also, the whole idea for exclusivity is for the India market. And we have dedicated certain capacity for the customer for the India market. The remaining additional

capacity we are open to explore either internationally or sell to the same customer in India as well. So that's more of fungible. So, utilizing that for our -- for any kind of exports that we do. So [inaudible 0:41:48] one plant related, it's more of capacity and based on the demand.

Shreyansh Talesara: Got it. Got it. Clear. And so, you provided guidance on -- for FY '27, but you had a broader guidance for FY '29 as well, something around INR1,000 crores of top line like 25% operating margins. What would those numbers look like now given that we have upgraded our baseline FY '27 guidance?

Asad Daud: Yes. Obviously, the target for FY29, INR1,000 crores, we would now definitely be achieving much more than that. Based on the expansion that we are doing now, which will be completed by March of '28, we expect that -- and we expect this capacity to be at peak utilization in FY30. We expect the top line to be close to about INR1,500 crores for FY30.

Shreyansh Talesara: FY30? And margin trajectory, if you can guide any sort of number?

Asad Daud: I think we would maintain at about 25%. That's what we believe. Obviously, there will be certain benefits from economies of scale, but also certain pressures in terms of the pricing as we scale up in our verticals. So, considering both, we expect margins to be 25% and slightly upwards.

Shreyansh Talesara: Because I'm also factoring in that you will integrate this subsidiary and there could be some sort of benefits from there -- operating there as well plus cycle from your guidance that you spoke that 70% EBITDA margin and 60% revenue growth by '27. That already implies a 24% sort of margin for '27. So, I thought maybe it could be easily crossing 25% plus or maybe you want to be conservative and over deliver. Just wanted to get your thoughts around that.

Asad Daud: So, I think you've answered my question. So also, with regards to the subsidiary, right, the subsidiary' turnover as compared to the quarterly turnover of the -- of Aeroflex is about 3%. I'm talking about [inaudible 0:44:14]. The margin impact on the overall business would be quite miniscule from that angle, if you see.

The whole idea is that -- and in terms of the future idea, see, obviously, our internal targets will always be much higher. But what we expect, like I said, that margins to be at 25% and with the top line of close to INR1,500 crores by FY30.

Moderator: The next question is from the line of Jainam Doshi from KRIIS PMS.

Jainam Doshi: Congrats on a great set of numbers. So, 2 questions. One is like are our current skid assemblies compatible with Vertiv's planned 800 VDC data centers or will the design need any modification? And whether this move towards 800 VDC will change the coolant flow rate pressure or the number of skids, which will be required per megawatt of IT loads?

Asad Daud: Okay. So, see, our designs of SFN is quite fungible. Like I mentioned, it changes from data center to data center also. And with regards to their team, so the design team of Vertiv works in close connection with our design team to develop the SFN design and then ultimately develop the product. So, it's more of a collaborative work that we do. So, our products will be in accordance to what is the requirement by Vertiv.

Jainam Doshi: Understood. Understood. And secondly, like the average realizations per skid have improved to like INR3.39 lakhs per skid in the current quarter. So going ahead, do we see these realizations improving as the mix improves or would this be in a similar range?

Asad Daud: So, the realization per skid can vary significantly. It can be -- we have sold skids about at a value of INR1.5 lakhs also, and we have sold skids at a value of INR5 lakhs depending on the complexity of the skids, right?

So the number that you're seeing is an average. This average can fluctuate depending on the data center project that takes place in that particular quarter. So it is just an average metric. It doesn't -- there is no -- it doesn't show whether it's improving or it's declining. It's just an average of what we have supplied in the entire quarter.

Moderator: The next question is from the line of Deepak Pandey from Shagun Capital.

Deepak Pandey: Sir, just a question on your parent company's acquisition. You have some sort of acquired a valves company that caters to data center. So what are the plans there? Any plans for backward integration? And will this as a supplier to Aeroflex?

Asad Daud: So I think the parent company has acquired them mostly into sanitary valves. So it will be difficult for me to comment on this call with regards to that. We at Aeroflex are already working on certain potential acquisitions. And yes, we -- once anything is finalized, we'll let you know, but difficult to comment on the parent company's acquisition.

Deepak Pandey: So broadly, the DC basket remains in the Aeroflex industries, right?

Asad Daud: Yes. The liquid cooling vertical is under the Aeroflex industries itself.

Moderator: The next question is from the line of Disha from Sapphire Capital.

Disha: Congratulations for a stellar set of results. A couple of questions, sir. Firstly, on our -- so our steel assembly business has done very well, but our even base business, the growth has been stellar. So how do you -- do you see this momentum continuing in the second half as well? And what sort of growth should we target for both these -- the flexible hoses business and the assembly business for this year?

Asad Daud: So our core business is growing at a very healthy pace in this year. We expect the same to continue for the remainder of the year as well. In terms of the overall growth, we expect that this year -- we expect the sales on an overall basis to achieve a growth of almost 60% for the entire company for the entire year. So that's between -- so we expect this year to close somewhere about INR715 crores to INR725 crores at the least.

Disha: Right. And sir, for the skid assembly business, given the run rate we are at, would it be fair to assume that we can do around INR200 sort of -- INR200 crores from this business for this year?

Asad Daud: Well, the initial target for this year was somewhere close to INR125 crores. Obviously, that will be achieved in this quarter itself. So the target for this year is to achieve anywhere between INR150 crores to INR200 crores.

Disha: Right. And sir, for the SS hoses business, what's the capacity utilization currently? And post the expansion to 30 million meters, what sort of peak revenue do we see from this segment?

Asad Daud: So the peak revenue that we see from this particular segment would go closer to about INR900 crores, INR850 crores to INR900 crores on the peak utilization and assuming about 70% to 75% of the capacity is utilized for making the hose assemblies. So in terms of the capacity utilization on overall basis, right now, we are at about an 80% utilization.

Disha: Okay. Currently, we are at 80%?

Asad Daud: Yes.

Disha: Okay. And sir, just if I heard it correct, the capex number that you mentioned, INR78 crores will be for the skid assemblies and the remaining will be for the hose assemblies business?

Asad Daud: Yes, INR124 crores for the hose assembly.

Disha: Right. And sir, for this 15,000 sort of capacity, this skid assembly that we have, for next year, it will be fair to assume 80% utilization, right?

Asad Daud: For this year, 15,000, right? For the one which is already commissioned, yes.

Disha: So, yes, the ones that we've already commissioned.

Asad Daud: Yes, our target is to reach the peak utilization by next year, which is FY28

Moderator: The next question is from the line of Swaraj Mehta from Perpetual Capital Advisors.

Swaraj Mehta: Congratulation on a great set of numbers. My question was first on the receivables. What was the reason for increase in receivables this quarter? And what would be a sustainable number going forward? How do we see it going forward?

Asad Daud: So if you see the receivables has grown in line with our growth in the sales. So -- but if you see -- if you analyze the numbers in greater detail, our receivables has grown at a slower pace as compared to our sales, which means that we are recovering the money faster from our customers. Our receivables -- our trade working capital -- trade receivables days have also reduced in this particular quarter and also in this first half of the year as compared to the first half of last year.

Swaraj Mehta: And sir, the welding automation, that 2 lines that we have, can you add 0.5% to 1% improvement in margins or this would be the max improvement is there?

Asad Daud: So, it is hard to directly allocate welding automation to exact increase in percentage of margins. The whole idea for us to automate welding is for a couple of reasons. One, obviously, to reduce our dependency on manual work.

Second, it helps us to increase our production capacities. And I think third, which is the most important is I think it helps in a better quality product because the product which is made by machine has fewer rejections as compared to the one which is made manually.

So, these are the 3 most critical factors for us. Obviously, as a result of all of these 3, it helps in improving the top line as well as the bottom line, but difficult to give an exact number for the impact on the margins.

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

Asad Daud: Thank you so much, everyone, for joining today's call. If we are not able to answer anyone's questions, if anyone has any other questions, you can please get in touch with SGA, who is our Investor Relations Partner. And anything else, you can also contact our Investor Relations team. So, thank you so much, everyone, for joining today's call. Have a great day.

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