"Aequs Limited
Q1 FY27 Earnings Conference Call"
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MODERATOR: **MR. MANAV POAL – EY**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY27 Earnings Call for Aequs Limited. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone.

I now hand over the conference to Mr. Manav Poal from EY. Thank you, and over to you, sir.

Manav Poal: Thank you. Good evening to all the participants on the call and thank you for joining in. We welcome you to the Q1 FY27 Earnings Call of Aequs Limited. Before we proceed, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown uncertainties and other factors. These statements should be viewed together with our business risks, which may lead to actual results and performance differing materially from what is expressed or implied.

To take us through the results and answer your questions today, we have the management of Aequs Limited represented by Mr. Aravind Melligeri, Executive Chairman and CEO; Mr. Rajeev Kaul, Co-founder and Managing Director; Mr. Harish Bang, Vice President of Finance. We will start the call with a brief overview of the previous quarter and then conduct the Q&A session.

With that said, I'll now hand the call over to Aravind sir.

Aravind Melligeri: Good evening, everyone and thank you for joining us. Q1 FY27 marks a strong start to the year we described in our Investor Day, a year about translating our expanded capacity into the financial returns. This quarter demonstrated exactly the beginning of that translation.

Consolidated revenue grew 55% year-on-year to INR3,955 million, up 8% sequentially on what was already the strongest quarter in our history. Growth was broad-based, aerospace grew 40% year-on-year and our consumer segment nearly tripled, reflecting the consumer electronics ramp at Hubballi. Consumer contributed 19% of our revenue this quarter, up from 10% the year ago.

I want to address the profitability picture directly because the headline and the substance point in different directions this quarter. Reported EBITDA at INR215 million is lower than the Q4, but that movement is mainly due to other income, foreign exchange, which was unusually high in the Q4.

On the operational basis, excluding the other income, EBITDA improved from INR42 million in Q4 to INR148 million, a more than three-fold sequential improvement, driven by narrowing consumer loss. That operational trajectory, not the currency line, is the measure of execution and it's moving exactly as we committed. Our consumer segment EBITDA loss narrowed by INR112 million sequentially. The path to consumer EBITDA breakeven by Q4 '27 now has its first quarterly proof point.

Let me share the highlights from Farnborough, which just came back from there last week, from which our strongest airshow yet. We signed long-term agreements with two new aerostructure

Tier-1 customers, expanding our global base. And we signed our first contract for fully integrated Airbus A320 wheels with Safran Landing Systems.

Aequs will deliver completely assembled wheels built from India-sourced aerospace-qualified aluminum with forging, machining, surface treatment, and assembly, all within the Belagavi Aerospace ecosystem. That is 100% Make in India for a flight-critical product. Notably, these wins come after a quarter-end order book of over USD1 billion.

You should see these new wins reflect in the next quarter's order book. Given the scale and the delivery of requirements of these new wins, we are evaluating acceleration of aerospace capex plan to ensure that required capacity is available in line with our customer timelines.

Our FY27 priorities are unchanged from what we set out in May. First, grow aerospace revenue profitably 25% to 30% with a segment EBITDA margins above 20%. Q1 delivered 40% growth at a 23% segment margin. Second, drive consumer utilization to unlock the operating leverage embedded in our existing asset base. Third, move our consumer EBITDA breakeven by Q4 FY27, which will be a major inflection point in our consolidated profitability.

At a consolidated level, we continue to expect approximately 45% to 50% top-line revenue growth for the full year with the doubling of our operational EBITDA, a target that is weighted to the second half as consumer utilization builds through the year.

Since our listing, we have seen exceptional broadening of our shareholder base and a rapid deepening of our investor engagement with our long-term manufacturing story. In a remarkable short period, we have achieved a breadth of shareholder participation that the manufacturing companies typically take several years to build, an acknowledgment of our strength and our differentiated platform and the magnitude of the opportunity before us.

On the CFO transition, as communicated in May, Dinesh Iyer has stepped down at the end of June and our search for a full-time CFO is progressing well. In the interim, Harish Bang is leading our finance function and he will take you through the financials shortly.

With that, I'll hand over to Rajeev Kaul, Co-founder and Managing Director, to take you through the operating performance.

Rajeev Kaul: Thank you, Aravind, and good evening everyone. I'll begin with our aerospace performance. Aerospace revenue increased by 40% year-on-year and 6% sequentially to INR3,222 million. The growth was supported by higher customer build, rates and the progression of additional parts into production.

During the quarter, we added 86 new parts, further expanding one of India's most extensive aerospace manufacturing portfolio to 5,740 parts. The defining achievement of the quarter was our aerospace order book crossing the USD1 billion mark, following a 13% sequential increase from USD889 million. This milestone is a powerful validation of the trust placed in Aequs by leading global OEMs, the scale and depth of our program portfolio and the enduring strength of our aerospace business.

Our aerospace focus remains on scaling production in line with customer build rates, moving awarded parts into serial production and increasing value addition across our integrated manufacturing ecosystem. We are selectively expanding into high-value adjacencies, including aero-engine and landing gear system components.

Our integrated ecosystem remains a key differentiator, bringing multiple processes together at Belagavi to reduce complexity, strengthen control over quality and delivery, support and continuously add a breadth of parts that is difficult to replicate for others.

Beyond the continued growth of our existing aerospace operation, the proposed Hosur ecosystem represents the next phase of our expansion. It will extend Aequs's integrated manufacturing model into new areas of opportunity and strengthen our ability to participate in larger, more complex programs over time and we expect revenues kick off from FY'29.

Moving to consumer. Revenues increased by 190% year-on-year to INR734 million as production volumes increased across the portfolio. The consumer segment achieved 16% quarter-on-quarter revenue growth while operating at a similar capacity utilization level as Q4. This reflects enhanced throughput, better product mix and improved execution, enabling the business to drive higher revenue from the existing manufacturing footprint.

We expect utilization to improve through the course of the year as this ramp progresses and remain confident in the trajectory towards our profitability goals. Our priorities in consumer remain clear. In the near-term, our focus is on steadily scaling the existing product portfolio, improving utilization across our operations.

As the business matures, we intend to deepen our customer relationships by broadening the component portfolio and progressing towards integrated kit supplies. From FY2030-31 onwards, our ambition is to engage earlier in customer new product development cycles and evolve from a component supplier into a preferred manufacturing and co-development partner. We have a clearly defined roadmap ahead and remain focused on executing each phase with discipline.

To conclude, Q1 saw continued aerospace growth, a larger order book, further expansion of the parts portfolio and measurable sequential improvement in consumer performance. The operation priorities for the remainder of FY'27 remain disciplined program execution, consumer scale-up, utilization improvement and careful deployment of capital against customer-backed opportunities.

I will now hand over to Harish Bang, Vice President Finance, to take you through the financial performance in greater detail.

Harish Bang: Thank you, Rajeev, and good evening everyone. I will take you through the key financial performance highlights for Q1 FY'27. Revenue from operations increased by 55% year-on-year and 8% sequentially to INR3,955 million for Q1 FY'27, supported by continued aerospace growth and scale-up of consumer.

Reported EBITDA, which includes other income, stood at INR215 million with a margin of 5% for the quarter. EBITDA for Q1 FY'26 was INR399 million. The year-on-year comparison reflects the recognition of consumer electronics operating costs in the current quarter, whereas these costs were capitalized in Q1 FY'26.

EBITDA for Q4 FY'26 was INR321 million. The sequential comparison was affected by the movement in other income, which reduced from INR279 million in Q4 FY'26 to IN67 million in Q1 FY'27.

Excluding other income, operational EBITDA increased from INR42 million in Q4 FY'26 to INR148 million in Q1 FY'27, an improvement of approximately 3.5x with the margin increasing from 1% to 4%.

Revenue including proportionate share from joint ventures increased by 53% year-on-year and 8% sequentially to INR4,301 million. EBITDA stood at INR307 million with a margin of 7%. In aerospace, the revenue increased by 40% year-on-year and 6% sequentially to INR3,222 million.

Segment EBITDA stood at INR731 million, representing growth of 35% year-on-year, although it moderated sequentially from Q4 FY'26 due to significant other income in Q4 FY'26, which mainly included foreign exchange gain. The aerospace business continues to grow strongly, supported by higher customer build rates, the progression of additional parts into production, and USD1,004 million order book.

Consumer revenue increased by 190% year-on-year and 16% sequentially to INR734 million. The segment's EBITDA stood at a loss of INR361 million compared with a loss of INR74 million in Q1 FY'26 and narrowed from a loss of INR473 million in Q4 FY'26.

The year-on-year comparison reflects the commencement of consumer electronics commercial operations and the resulting recognition of operating costs in Q1 FY'27, whereas these costs were capitalized in Q1 FY'26. Sequentially, the consumer EBITDA loss narrowed by INR112 million or approximately 24%, supported by increasing production volumes and improving operating performance.

Continued progress in utilization and cost absorption will support the next phase of improvement as we advance towards consumer EBITDA break-even by Q4 FY'27. Depreciation and amortization stood at INR453 million compared with INR246 million in Q1 FY'26, reflecting the expanded consumer electronics asset base. Sequentially, depreciation remained broadly stable compared with INR455 million in Q4 FY'26.

Finance cost reduced from INR358 million in Q4 FY'26 to INR189 million in Q1 FY'27, following debt reduction undertaken during the previous quarter, including loan repayments of approximately INR2,527 million and a net reduction of INR789 million in a short-term and working capital borrowings.

PAT stood at a loss of INR532 million for Q1 FY'27. The reported Q4 FY'26 PAT loss was INR541 million, included an exceptional gain of INR90 million, which included a corporate provision reversal. Excluding this gain, the adjusted Q4 PAT loss was INR631 million. On a comparable basis, the PAT loss therefore improved sequentially from INR631 million to INR532 million.

Turning to the balance sheet. Total equity stood at INR14,332 million. Cash and cash equivalents were INR2,340 million with a further INR537 million in other bank balances for Q1 FY'27. Cash flow from operations was negative INR414 million, primarily reflecting the additional working capital required to support the higher operating cycle. Capital expenditure during the quarter was INR830 million and closing cash stood at INR2,340 million.

We saw an improvement in the working capital efficiency with net working capital days reducing from 127 days at the end of FY'26 to 125 days in Q1 FY'27 (calculated on a quarterly annualized basis). This reflects better conversion of the higher operating scale into cash, supported by improved receivables and payables management, even as inventory was maintained to support the ongoing production ramp-up.

Our financial priorities remain focused on advancing consumer towards EBITDA break-even, sustaining aerospace momentum, improving utilization and cost absorption, managing working capital and maintaining discipline in the execution of our investment program.

To conclude, we have had strong revenue growth across the board while reported EBITDA was affected by low other income, the underlying operating trajectory improved meaningfully. Operational EBITDA increased approximately 3.5x sequentially and the consumer EBITDA loss narrowed by 24%. These developments provide a stronger foundation for continued improvement through the remainder of FY'27.

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

Moderator: Thank you very much. The first question is from the line of Gaurav from Avendus Spark. Please proceed.

Gaurav Nagori: Hi, thank you for the opportunity and congrats for the good set of numbers. On the aerospace side - The first question pertains to if you can share the details on this contract that you have won for A320 wheels with Safran Landing Systems.

So, the question is that how big is this order? Number two, is it safe to assume that the profitability on this would be higher than the aerospace segment average which you have today, which is about 20%, 23% kind of EBITDA margin that you do in this segment?

Aravind Melligeri: I mean if you really look at it, Gaurav, it's the first time in India we have complete Make in India wheels all the way from aluminum source to the finished parts, that's the first achievement and one of the longest agreement we have signed in our history of Aequs, I would say 15 year agreement we have signed with the right adjustments and everything.

So that basically gives us a very good foothold. The beauty about this that we will be leveraging every capability we have in the ecosystem. Means obviously if you look at across the margin, it's a much larger margin to us. But each businesses will deliver a right level of returns, put it that way. Its ROCEs are used right level and delivering that piece.

So I think, I cannot comment on the specific margins, but it's a great asset and it's a globally very attractive offer for the customer.

This is the first time ever the customer has moved this capability outside its own facilities, as it was previously managed in-house. Instead of investing in the capacity internally, the customer is working with us to leverage the strength of our ecosystem.

That's what I would say at this point in time.

Gaurav Nagori: Got it. And I'm assuming that it's a single source order for you for this.

Aravind Melligeri: Yes.

Gaurav Nagori: Okay. Second question on the consumer electronics segment. If you can just help me understand the utilization in more detail that last quarter the utilization was about 23% as per the presentation and this quarter, despite seeing a sequential growth in revenue, we have seen a utilization coming down to 22%. So, have we increased the capacity and as a result we are seeing this utilization on a lower side?

Second, in terms of I'm not sure if you want to share but what is the yield that you are really getting in this segment as we speak and are we on track of reaching the break-even EBITDA level by Q4?

Rajeev Kaul: See, the consumer segment achieved 16% quarter-on-quarter revenue growth, first is that, okay. That is a much better metric to see our utilization of the performance. While operating at a similar capacity utilization level as Q4. So that demonstrates how we are utilizing our capacity for our business.

This reflects basically through the enhanced throughput, better product mix and improved execution. So, this is one of the major business drivers to drive the higher revenue from the existing manufacturing footprint. And it has remained capacity-wise demonstrated the similar level, enhanced revenues are right mix to see how we are getting the utilization

Aravind Melligeri: I mean it's ultimately a combination of utilization and the yield to get the higher revenue, right? I mean you can derive from that.

Rajeev Kaul: And we expect the utilization to improve over the course of the year as the ramp progresses.

Gaurav Nagori: My question was that the utilization has dipped Q-o-Q from Q4 to Q1 and yet revenues are up. So, have we taken any capacity expansion and as a result numerically we are seeing a lower utilization?

Rajeev Kaul: No, we have not done any capacity expansion. It is not because of the capacity expansion.

Aravind Melligeri: Better utilization of the assets, put it that way and obviously that also includes yield.

Aravind Melligeri: I think as we have committed the Q4 break-even EBITDA for consumer, you know, we are on that path & we feel confident still as of today.

Gaurav Nagori: All right. Okay. I have more questions; I'll get back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Jyoti Gupta from Ashika. Please proceed.

Jyoti Gupta: Good evening, sir. I have two questions. One is why is the depreciation so high in the first quarter? Second, if I consider the INR400 crores is effectively is your revenue, then you would achieve full year should be close to something like INR1,600 crores while the guidance is somewhere close to INR1,800 crores.

Third point I want to understand that, you know, other incomes which you're saying is basically revaluation reserves, maybe the foreign exchange part which is actually lower, which is why your overall revenue has come down. But then what is the guidance on this other income going forward? If I have to look at pure revenues other than the other income, then what exactly how should we look at this?

And fourth is, I'm while the numbers have sequentially improved, there is still the ramp-up of consumer electronics completely the way we're looking at from 23% to coming to 46% doesn't seem or could be achieved by quarter four FY27. Just just wanted to understand that.

Harish Bang: So first one was depreciation. So if you see our Q4 depreciation was also close to same number, I mean about INR455 Million. Our Q1 depreciation is also in the same range.

So Q4 is what we got all the, you know, Q3 end of the Q3 entire capitalization was stopped and commercial operations for consumer electronics was started and Q4 was a full quarter of getting that depreciation with a low utilization. So, it will remain at similar levels, I mean and as it was in Q4. That was the first question.

Jyoti Gupta: Similar progress for next all three quarters will see such high depreciation numbers.

Harish Bang: I mean there will be similar depreciation which is there off course unless we have more capex the depreciation will increase. Your second question was on the full year projections.

So yes, Q1 we did about INR400 crores. And as we said that our utilization in consumer is improving and Q4 we will see utilization of 40% to 50%, that means our revenues in Q4 would be higher, which would take us to a full year growth of 45% to 50% at overall level.

On the other income, just to clarify, there are no revaluation reserves as such. So, it's typically driven by two things. One is the interest income and second is foreign exchange fluctuation. So typically, foreign exchange fluctuation is what we don't project for future period. Our interest income will remain in the similar line as what it was in Q1.

Going back to your fourth question, maybe I will have Aravind or Rajeev talk about it, ramp-up from 23% to 40% how we'll go.

Rajeev Kaul: See, we have currently the way what we have projected is Q4 to be EBITDA positive is based on this assumption. At this point of time, we are fairly confident to get to 40% to 50% of capacity utilization.

Jyoti Gupta: Okay. I'll come back in the queue. I have more questions, but I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Disha from Trinetra Asset Managers. Please proceed.

Disha: Thank you for the opportunity. My first question was around like you have announced a significant investment over the last few quarters. Could you also help me understand that what are the expected asset turns over these new investments and how do you look over the ROCE profiles once these investments stabilize?

Harish Bang: Sure. So, I think as we mentioned in the last quarter as well, our consumer asset turns overall would be about 1.5x and that remains stable. I mean ROCE profile also on a steady state basis would be in the similar range 18% to 20% as aerospace.

Disha: Okay. And my second question was that with this involving global trade policies and tariff changes, have customers accelerated the localization or diversified their sourcing towards India and have you already started seeing incremental business from these shifts, particular from this shift?

Aravind Melligeri: The shift, I mean you're talking about is tariff?

Disha: Yes, sir. Tariff changes and trade policy changes.

Aravind Melligeri: Look, our I mean we are not seeing any specific changes due to these tariffs. Our customers have taken strategic view of where they want to be as a global supply chain and based on that they are committing the supplier allocations and we are working with them on those activities.

So yes, I mean we feel their strategy has not changed as far as we know. Aerospace nothing has changed, even consumer side we are very clear that whatever is there nothing has changed. Very stable as far as we are concerned.

Disha: Okay. Just one last question. The consumer manufacturing which is the like strategic growth area right now, are you seeing a structural improvement in the customer demand or is it a current recovery is largely driven by inventory restocking for this current quarter and for this FY27, sir?

Aravind Melligeri: This all driven by the customer demand basically. Whatever we are producing, we are shipping. There is no issue of the demand.

Disha: Okay, sir. Got it. Thank you so much. I'll come back in the queue for the next question.

Moderator: Thank you. The next question is from the line of Akash from Amrapali Capital. Please proceed.

Akash: Yes, hi, sir. Thank you for the opportunity. Sir, actually I have a couple of questions. Sir, first, as of now currently company on the consumer side, our company is doing approximately 23% of capacity utilization.

So as of now, I wanted to know how much capacity utilization is in the current quarter. Also, if the Company is targeting a certain level of scale by FY 2029, what capacity utilisation rate would that imply? Could you also provide some segment-wise colour across the three key Consumer businesses: Consumer Electronics, cookware and toys?

So which sector & which product has the major focus of the company? Second question I have to know as of now company has guided for the 18% to 22% kind of EBITDA margin for upcoming next two to three years.

I also wanted to understand whether the Company has any PAT margin estimates for the next two to three years. In an earlier call, management had guided that the Company expects to become PAT-positive. Once the Company turns PAT-positive, what level of PAT margin can we expect?

Rajeev Kaul: See, first let me address your capacity utilization. So current quarter we did around 22% and we still hold by Q4 to touch 40% to 50%. I cannot give you any more view than next quarter and all those things at this point of time from consumer.

Harish Bang: Yes, on the EBITDA margin, yes, we are guiding towards 18% to 22% and that's what we have laid down in our Investor Day as well. On PAT, again we have we have few milestones what we have laid in front of us. One is of course PAT break-even by H1 of FY28, consumer PAT break-even by FY30, and we'll have a decent PAT in FY31, which will translate to about 20% steady state ROCE in FY31.

Akash: Okay. Sir, on the PAT margin side, let's suppose if I'm forecasting the PAT for FY30, so what percentage I can assume?

Harish Bang: So right now, I think we stick to the milestone what we have given. We are not disclosing anything beyond this.

Akash: Okay, sir. Thank you, sir. I will join the queue back.

Moderator: Thank you. The next question is from the line of Deep Shah from New Vernon Capital. Please proceed.

Deep Shah: Thank you for the opportunity. My question is on the Hosur plant if you could just give us some details is it going to be firstly how much is the investment going to be and how when do we see the first phase one getting operationalized and is also on like the Belagavi plant which is end-to-end vertically integrated when do we see that happen at the Hosur facility? That's my only question.

Aravind Melligeri: Yes, the Hosur facility is a integrated focus on engine and landing gear components and it is going to be end-to-end just like what we are doing in Belagavi with the aerostructure focus predominantly. The first facility will commence in the second half between September to March timeframe of next year of FY27 to FY28 and that's why Rajeev was reflecting that FY29 when we'll start seeing some revenue coming out of that facility.

And that's going to be our first machining facility, then we'll have a forging and, you know, various other vertical integration to happen in that location. So, our all investment predominantly on the on the vertical integration side will be done by 2030 timeframe. Machining will continue to happen over a period of time. So that's the roadmap we are giving.

We have committed about INR1,900 crores in in total investment in that, including, investment into JVs what we have. So, our JVs will get extended from what we have in Belagavi focused on those capabilities into that zone.

Deep Shah: So, could you please repeat the investment including JVs and how much?

Aravind Melligeri: INR1,900 crores over a period of 10 years actually.

Moderator: Thank you. The next question is from the line of Deepak from Kotak Institutional Equities. Please proceed.

Deepak: Yes, hi, sir. I just wanted to first understand the rough split within consumer between toys and ATP and I just wanted to check in terms of, you know, potential ramp-up of the new customer in toys during the second half of the year.

Harish Bang: We look at a consumer at an overall level. We do not provide split between the two sub-verticals as we mentioned in the previous call as well.

Aravind Melligeri: And on the toys side, Mattel is scaling up well. We continue to see that as a strategic customer to us, just to give you clarity on that side of it. Okay?

Deepak: Sure. And maybe just overall capex for the next two years, specifically this year how much incrementally do we invest in consumer and aero and maybe just, you know, this year and next year also if you could sort of highlight that.

Harish Bang: Yes, so this year what we laid down, right, our total capex overall including aero and consumer would be about INR660 crores for FY27. And we stick to this number. In terms of future capex, again we have laid down a plan from this year to FY31 for the next five years investing about USD350 Million to USD400 Million of overall capex.

Deepak: Yes. But any split that you want to share for this year between the INR660 crores?

Harish Bang: So INR660 crores, I mean originally, we had given a split of about INR500 crores for consumer and INR160 crores for aerospace. We may see some acceleration in aerospace capex and that may be compensated by some reduction or saving & optimization in consumer

Deepak: Sure. And we are already at 70% utilization. What is the maximum we can do in aero before we would require or it's just machining and all of this land and anyway, we have all the facilities?

Aravind Melligeri: Yes, I mean look, we are continuously adding already since last December, continuously adding machines. Literally, we are adding a machine a week right now at this stage. So, capex is happening in aerospace on a continuous basis, because you see that order book, right? Order book growth means it only comes because we can get up to 75% comfortably, you know, and as we are also increasing the order book, we'll have to put a capex in there to support it.

Deepak: Sure, sir. And maybe I just missed this in your opening remarks, but what is the contract value potential size of this wheels contract that we've received, if you could sort of quantify the number?

Aravind Melligeri: We are not disclosing that contract value. It should show up in order book next quarter because none of the Farnborough contracts - whatever we have done is not reflecting right now in our order book.

Deepak: Okay.

Aravind Melligeri: It will reflect in the next quarter.

Deepak: Sure. So, we should see more upside in the order book in terms of the sequential acceleration should continue. Okay. Sure, sir. Those were my questions. I'll get back on the queue.

Moderator: Thank you. The next question is from the line of Abhishek from Nivaka Ventures Private Limited. Please proceed.

Abhishek: Hi, sir. Thank you for the opportunity. Sir, I just wanted to understand because this industry is precision manufacturing and like, you know, you are dealing with lot of processes in your work. How have you been thinking about the talent management for the next 5 to 10 years? Like, let's say if you see a lot of growth in the sector and, like, you need a lot of talent, so how have you been thinking about building the talent?

Aravind Melligeri: Well, I mean look, if you have visited Belagavi, you can, you know, you should come down and see Belagavi. I mean we are in Tier-3, we have chosen to be in Tier-3. We have been able to build this vertically integrated ecosystem from scratch, you know, using the talent mostly regional. Okay?

And it's pretty much fresh out of school because when we started, the country did not have aerospace capability, so we had to build from scratch. So, we have inherent ability to train the people, deploy the people. There has never been a constraint to us. And we welcome the overall growth in the industry and we feel very strong about our process of inducting people and developing the people and retaining the people.

And also at the same time our joint ventures have helped us to build capability and further expand our ability to retain people. So, this is inherent, you know, the fundamental DNA of the organization to develop people from scratch, fresh out of school. That's what we have done and we will continue to do that.

Abhishek: Thank you, sir. Thank you.

Moderator: Thank you. The next question is from the line of Gaurav from Avendus Spark. Please proceed.

Gaurav Nagori: Thank you for the opportunity again. Sir, just one question on the consumer electronics segment that the capex that you have committed of about INR400 crores -- INR500 crores in this segment, is it subjected to your utilization ramp-up? Meaning in case the utilization ramp-up is slower for this year, you would not commit this capex? And second, this capex is for the capacity augmentation or you are doing more backward or the forward integration for the for the similar process?

Rajeev Kaul: This is for the capacity augmentation, first of all, and also new programs as we are getting into new programs with the customer.

Gaurav Nagori: All right. So, irrespective of the utilization ramp-up, you would commit this capex?

Aravind Melligeri: If the utilization is not going to happen then some portion of the capex will not happen.

Gaurav Nagori: All right. One more question is…

Gaurav Nagori: Okay. Got it. And one more question if I may ask that in the aerospace segment, let's say because you are targeting more landing gear and engine, are there any capabilities that you would like to build over next few years so that you can get more and more engine component orders?

Aravind Melligeri: Yes. I mean the whole Hosur is going to be new capabilities, you know, a whole lot of new capabilities. So, we have a roadmap of that, you know, it's obviously it's internal. So, our goal is to be the largest manufacturer of aero-engine components, you know. So, that's a goal what we have established and we are working on that path of vertically integrated products.

Gaurav Nagori: All right. Got it. That's it from my side.

Moderator: Thank you. The next question is from the line of Archit from Nuvama. Please proceed.

Archit: Hi. Good evening, sir. Thanks for giving the opportunity. I just have one question. To appreciate the numbers that you've reported in the consumer segment, while we are not splitting it out into its two parts, could we at least get a directional sense as to the consumer electronics has grown and the toys segment has degrown or vice versa? So, just wanted to understand if there's a significant volume ramp-up that we have seen in consumer electronics and the guidance that we have for Q4 to break-even on EBITDA is basis consumer electronics. So, if you could just clarify for the quarter and the directional sense for FY27, that'd be very helpful. Thank you.

Aravind Melligeri: I mean if you really look at it, the consumer as a overall was utilization was low, you know, even before consumer electronics has started. So, overall our utilization has to improve across both of them together in a tandem to get to where we need to get to. So, we can't just have one not used and the other one used which is not going to get us there. So, the good part is we have key customers on each of these verticals, each of these sub-verticals, and both are committed over the growth & execution, that's what we are working through right now. So, the utilization basically cuts across both the businesses and that's what we see right now.

Archit: Right, sir. But just on a quarter-on-quarter basis, I mean we have some growth in the consumer space. So, that's where I was kind of trying to pry upon to understand whether this will be led from the electronics side or the toys side just to appreciate that number a bit better. That was my limited question.

Aravind Melligeri: No. It's a tandem growth, that's what I'm trying to tell you because both are underutilized capacities, right?

Archit: Right.

Aravind Melligeri: So, I mean that's why we are saying it's about utilization was about same, you know, when we did in the past.

Archit: Got it.

Aravind Melligeri: And we always communicated that our toys utilization was low, we communicated that when consumer electronics was not there yet, right? So, we are increasing both the utilizations.

Archit: Understood.

Aravind Melligeri: We are not breaking up the both of them because certain assets also could be used here across both in a common way.

Archit: Got it. And did I also hear this right, we are entrancing into a few more programs on the consumer electronics side? So, beyond the scope that was already assigned to us, is that of fair reading or the understanding that I got from Rajeev earlier?

Aravind Melligeri: Yes.

Archit: Okay. Perfect. Thanks. Thank you, sir. That helps and have a good day. Thank you.

Moderator: Thank you. The next question is from the line of Jyoti from Ashika. Please proceed.

Jyoti Gupta: Sir, I would like to understand, why do we have other expenses so high? Why is it doubling, I mean, while it has come down on a sequential basis, but on a Y-o-Y basis it is doubling. What components would actually be affecting it throughout the year in other expenses part?

Harish Bang: So, Jyoti, as I mentioned earlier, Q1 of FY26 didn't had the consumer electronics piece in the P&L. The expenses were getting capitalized, right? And from Q4 all the expenses came into the P&L and that's the broader reason why, you know, we see a increase in the other expenses and even some employee benefit, all the expenses in fact.

Jyoti Gupta: But would this be at similar levels or is it going to go high in the subsequent quarters just because we have consumer electronics added?

Harish Bang: See, it has a bit of variable as well as fixed component. So, variable will kind of, you know, slightly grow as the revenue grows. Fixed will remain pretty much same at least in the given next near term.

Jyoti Gupta: So, the fixed part would be 30% of the other expenses or is it 50-50 fixed and variable?

Harish Bang: We do not want to disclose that at this moment, Jyoti.

Jyoti Gupta: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Nagendra Maurya from Growthx Capital. Please proceed.

Nagendra Maurya: Hi, sir. Thank you for the opportunity. I have just two questions. One is regarding the capacity. So, as I see the capacity numbers in terms of million hour from base of FY26 has increased from 3.62 million to currently 4.78 million. So, I just want to understand where do you see the total capacity numbers in the next 2, 3 years, if possible, if also provide the split between aerospace and consumer space.

Aravind Melligeri: We do not really project on that basis because it depends on the components type we sign up, type of machines we sign up and the combination of that we'll get there. And again, you know, aerospace could be different and consumer is going to be different. So, I think that's not the tracker to see how the growth is happening from the overall capacity perspective, but not something we model the business on. We model business more on where we think revenues are going to come from and type of components we do, that's what happens

Moderator: The next question is from the line of Vansh Modi from Swan Investments. Please proceed.

Vansh Modi: So, thank you for this opportunity. I just want to ask that around the INR1,700 crores to INR1,800 crores guidance for top-line for this year, what is the segment mix that we're targeting? So, between consumer and aerospace.

Harish Bang: So, as we I mean guided earlier, our aerospace growth will be about 25% to 30% over FY26 and consumer will see about 125% to 150% over FY26.

Vansh Modi: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Mahesh from LIC Mutual Fund. Please proceed.

Mahesh: Hi, sir. Thank you so much for the opportunity. Sir, given the growth, I mean we are going to witness over next 3 years, I mean what kind of investments we required if I have to take a longer term view like 3 years in terms of putting both in working capital as well as the fixed capital?

Harish Bang: So, we have laid down a 5-year plan starting FY27 to FY31, wherein we have laid down a capital expenditure requirement of about USD350 million to USD400 million over a period of next 5 years.

Aravind Melligeri: And working capital about 125 days net working capital…

Harish Bang: Net working capital.

Aravind Melligeri: What we assume right now for the business. Yes.

Mahesh: Okay. And I mean how much that can come through internal accruals or is it that we have to raise money from the market?

Aravind Melligeri: Yes, we do. We did communicate that most probably about USD150 million kind of a raise we'll have to do. We are not planning to do anything this year unless there is advanced pull-in of capex or inorganic piece, you know.

Mahesh: Sure. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Deep from NuVenn Capital. Please proceed.

Deep Shah: Thank you for the opportunity again. My only question is again on the wheels order that you mentioned about. Could you just explain it in much more detail as what the actual product is? What are the components that we will be manufacturing? That's my only question.

Aravind Melligeri: We will be manufacturing the aircraft wheel for Airbus A320 and wheel without the tires. We don't put tires. The whole wheel completely finished wheels is going to be manufactured including assemblies. Is actually wheel is an aircraft is a two half wheels joined together becomes a full wheel and there is assemblies there. So, whole thing is going to be done out of Belagavi all the way from raw material source within India and we have approved source now, we have qualified source. Now, we are already doing the forging of the wheels and some machining of the wheel, but now we are going to be completely finishing the surface finishing and the assemblies, all that element also going to be coming in.

Deep Shah: And just on raw material for both consumer electronics and aerospace, do the suppliers help you procure raw materials or do you do it independently and how easy or difficult it is for raw material like super alloys, et cetera? I mean just if you could throw some light on that.

Rajeev Kaul: Both sides actually in the super alloys and all these titanium, customer supports on the both sides to source the material.

Aravind Melligeri: Actually, if you really look at it, I mean we deal with like, you know, hundreds of different raw material globally sourced. Out of that only were able to get maybe one or two alloys right now in India to get qualified. We have worked for last several years to get it done, you know. So, it's a long process -- even aluminum, we produce lot of aluminum in the country but not necessarily commercial aerospace qualified by our customers.

There are only two grades we have been able to get it done that also for forging. So, it's a long journey to develop this ecosystem globally & nationally. It's a journey, that's what I call. Hope we can accelerate some of these things with some of the wins what we have had & kind of wins we have had, more of those vertically integrated.

Deep Shah: Got it, sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Praveen Gupta from Sneon Ventures. Please proceed.

Praveen Gupta: Yes. Thank you for the opportunity. Sir, you stated that this year you're planning for a INR660 crores capex and next year it is going to be at Hosur factory INR1,900 crores. So, how are you going to fund this or what is going to be a mix for this internal accrual and debt?

Harish Bang: So, the INR1,900 crores Hosur capex what Aravind mentioned earlier in the call is over a period of 10 years, not next year.

Praveen Gupta: Okay. All right. Thank you.

Moderator: Thank you. The next question is from the line of Rushikesh from Impetus Arthasutra Private Limited. Please proceed.

Rushikesh: Sir, my question is on consumer side. Can you share the customers' names in the consumer side in consumer electronics, toys, and consumer durables?

Aravind Melligeri: Yes. I mean consumer electronics is one of the largest, you know, manufacturer consumer electronics brand. We cannot share the name.

Rushikesh: Okay.

Aravind Melligeri: Because of confidentiality. And Tramontina is on our consumer durable side and Mattel is our consumer toys.

Rushikesh: Okay. Thanks, sir. Thanks so much.

Moderator: Thank you. The next question is from the line of Vansh Modi from Swan Investments. Please proceed.

Vansh Modi: So, starting with INR1,800 crores of top-line and the guidance that you've given for consumer segment and aerospace, what is the blended EBITDA margin that we're targeting for this year?

Harish Bang: So, this year we are targeting to kind of, you know, doubling of our operational EBITDA as compared to FY26. That's the target for FY27.

Vansh Modi: So, roughly around INR180 crores of EBITDA, is that right?

Harish Bang: Yes. Whatever that number translates to. Yes.

Vansh Modi: Yes. Also just one more question, sir. For the next 2 years to 3 years, how do we see the share of consumer business growing up of our overall top-line? Because from this year's guidance it is expected to be roughly around 20% -- 23% and then over the next 2 years to 3 years, how do you see that transitioning?

Harish Bang: So, if you see Q1 we are at about 19% and as our utilization increases the share will start increasing and over a period of 5 years we expect 40% - 60% consumer.

Vansh Modi: 40% to 60%. All right. And this is expected to generate an EBITDA margin of less than 20% compared to our aerospace business which is above 20%. Is that right? Is that the right understanding?

Harish Bang: Aerospace we have guided at 18% to 22% and consumer 18% to 20%, yes.

Vansh Modi: Okay. Got it. Thank you. Thank you, sir.

Moderator: Thank you. The next question is from the line of Rashmi from Bright Polytech. Please proceed.

Rashmi: Yes. Thank you for this opportunity. Sir, my question is that with global original equipment manufacturer increasingly pushing for supply chain de-risking and near-shoring, how much of your raw material sourcing is currently localized within India versus imported?

Aravind Melligeri: I think our raw material is like 99% is imported. So, I don't think there is any possibility of changing that anytime soon, because we don't have any qualified sources in India for that to change.

Rashmi: Thank you, sir.

Moderator: Thank you. The next question is from the line of Praveen Gupta from Sneon Ventures. Please proceed.

Praveen Gupta: Sir, whenever we allocate this capex, what is the ROCE that a management level we are for each of the capex, either within aerospace or within the consumer electrical space?

Harish Bang: Yes. Our ROCE targets on a steady state basis remain same 18% to 20%. That's how we look at it whenever we allocate the capital.

Praveen Gupta: Okay. And going forward, do you feel that consumer electronic because of the less capitalization is going to be more in terms of revenue than aerospace?

Aravind Melligeri: No. I mean we see aerospace already a large base still continue to grow right now at 30% - 40% level right whatever we have added. And with that kind of growth, you know, we still see consumer going to be next 5 years at least lower than the aerospace. Even higher growth of consumer.

Praveen Gupta: Yes. But we have already reached the utilization level of 80%. So, you said that although aerospace is going to be INR120 crores or so, but then in next years if we have to grow we have to make more capital allocation in the aerospace division.

Aravind Melligeri: We have done that already, capital allocation is planned.

Praveen Gupta: Okay. May I know how much is that, sir?

Aravind Melligeri: Hosur we said INR1,900 crores, you know, and another INR2,800 crores we're investing between consumer and aerospace in Karnataka. That also we have guided.

Praveen Gupta: Yes. For the next year how much it would be, sir?

Aravind Melligeri: We have not finalized the next year numbers.

Praveen Gupta: All right. Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the conference to management for closing comments. Over to you, sir.

Manav Poal: Thank you everyone for joining the call. Look forward to engaging further with you in the coming quarters. Thank you.

Aravind Melligeri: Thank you.

Rajeev Kaul: Thank you.

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