

May 06, 2025

<p>To, The General Manager, Department of Corporate Services, BSE Limited, P.J. Towers, Dalal Street, Mumbai – 400001 Company Code No.: 543972</p>	<p>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</p>
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Dear Sir/ Madam,

Subject: Transcript of the Investors' Conference Call held on May 02, 2025 for Q4 & FY25 Results

In reference to our earlier intimation dated May 02, 2025, regarding audio recording of the Investors' Conference Call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Investors' Conference Call held on Friday, May 02, 2025 at 11:00 a.m. (IST) for Q4 & FY25 Results.

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

<https://www.aeroflexindia.com/wp-content/uploads/Transcript-of-Q4-FY25-Earnings-Conference-Call-held-on-May-02-2025.pdf>

The audio recording of the Investors' Conference Call held on May 02, 2025 for Q4 & FY25 Results is available on Company's website at:

<https://www.aeroflexindia.com/wp-content/uploads/Q4-Audio-Recording.mp3>

Request you to kindly take the above information on records.

Thanking You,

Yours faithfully,

For AEROFLEX INDUSTRIES LIMITED

Kinjal Shah
Company Secretary & Compliance Officer
M No.: A58678

Encl: As above



**“Aeroflex Industries Limited
Q4 FY '25 Earnings Conference Call”
May 02, 2025**

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 02nd May 2025 will prevail.”



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

Moderator:

Ladies and gentlemen, good day, and welcome to the Aeroflex Industries Limited Q4 and FY '25 Earnings Conference Call. As a reminder, all participant 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 the conference call, please signal an operator by pressing the star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Asad Daud:

Thank you so much. Good morning to everyone. I welcome you all to the quarter 4 and financial year ended 31st March 2025 earnings call of Aeroflex Industries Limited. Joining me today are members of our senior management team and the representatives from Strategic Growth Advisors, SGA, our Investor Relations partner.

I trust you have had the opportunity to review our financial results and the investor presentation, which are available both on the Stock Exchanges website and also on our company website. Despite the global economic headwinds, including the tariff challenges and the macroeconomic uncertainties, I'm pleased to report that Aeroflex Industries has delivered a strong performance in FY '25 and has continued to generate immense value for its shareholders.

Throughout the year, we have remained focused on strategic initiatives aimed at strengthening our core business and enhancing our growth trajectory. We have considerably expanded our production capacity and have also made meaningful progress in transitioning towards value-added and high-margin products. This strategic decision is also reflected in our improved EBITDA margins and also in our profitability.

We have also deepened our engagement across both the domestic and the international customer segment, aligning closely with the market realities to capture the growth opportunities across both high potential as well as stable demand segments.

Now I'll just give you a brief about the key milestones achieved during the quarter, which is Q4 and also for the year. The planned capacity expansion that we had planned for the last financial year, which is FY '25, was completed seamlessly and fully integrated with our existing operations and executed ahead of the schedule and also below the originally budgeted capex.

Our high value-added assembly segment now contributes more than 50% of the total sales, which exceeds our internal full year target well in advance. We delivered strong financial outcomes with both our EBITDA and our net profit growing by over 25% year-on-year. This is due to our increased focus on operational efficiency and also on the value-added product mix.

The growth is driven by a transition from a single location manufacturing base last year to a multi-location manufacturing facilities spread across three manufacturing units in Navi Mumbai

and Pune. I'm happy to share that we are collaborating with a multibillion-dollar global company, which is headquartered in the U.S.A. for providing flow solutions for liquid-based cooling for AI data centers.

This project will be implemented at our bellows plant, and this marks a significant step in our growth journey to manufacture new age products. We have also started to see the initial business coming in from the Bellows segment and the miniature metal bellows expansion is progressing as planned.

After the acquisition of Hyd-Air Engineering, FY '25 was the year of transformation for Hyd-Air. We've installed the latest technology CNC machines, set up a world-class quality control lab and have also upgraded our infrastructure to meet the needs of our customers. We expect robust growth in Hyd-Air in the upcoming years.

From an end user perspective, we are witnessing healthy and sustained demand across the key sectors, which includes energy, oil and gas, chemicals, metals, railways and other new age sectors. Encouragingly, despite the global discourse regarding the tariffs and shifting trade dynamics, our operations and order pipeline have largely been unaffected.

In fact, we believe that the evolving global trade environment may prove beneficial to the Indian manufacturers over the medium to long term despite some short-term uncertainties. Thereby, it will help to position us well to capture the additional market share in the global markets over the long term.

Now talking about our Q4 and FY '25 performance, which reflects strong operational sustainability and higher margins. Our total income stood at approximately INR92 crores for the fourth quarter, reflecting a 16% growth on a year-on-year basis. Our EBITDA stood at around INR19 crores with an EBITDA margin of 20.71%.

Profit after tax stood at around INR11 crores, which is a growth of 12% on a year-on-year basis and the PAT margin was about 12.23%. Our total income stood at INR379 crores, an 18% growth on a year-on-year basis. Our EBITDA for the entire year stood at INR82 crores, which is a growth of 24% on a year-on-year basis and with an EBITDA margin of 21.5%.

Our profit after tax stood at INR52 crores, showing -- which is a 26% increase on a year-on-year basis and the PAT margins are at almost 14%.

I'm also happy to share that the Board of Directors have recommended a final dividend of 15%, that is INR0.30 per equity share. Our capacity utilization for FY '25 stood at around 75%.

Our return on capital employed was about 24% and the return on equity is about 16.5%. And we continue to remain a debt-free company, and we remain focused on effectively utilizing our working capital.

Now as we look ahead to the current financial year, which is FY '26, we remain confident that our long-term strategy is bound to succeed over the next few years. Our strategic focus continues to be on high-margin and value-added products, particularly in the assemblies and now the Metal

Bellows division, which we expect to be the key growth drivers for the company for the next few years. We are also entering into new applications and exploring strategic partnerships globally, aligning with the evolving needs of the industry.

Our teams are also diligently working to strengthen Aeroflex's presence both in the domestic and also in the international market. Our capacity expansion efforts are progressing as per plan, and it is in line with our business plan. We have a compelling long-term growth story with our EBITDA and profit margin enhancement remains to be the core focus of the company. We are also actively exploring both organic and inorganic opportunities that come by, both in the India market as well as in the international market.

For FY '26, our focus remains on delivering profitable growth for the company, led by operational efficiencies and also a greater mix of higher value-added products and also benefits from the higher capacities. We expect this combination to translate into higher EBITDA and profitability for the company and long-term value creation for our stakeholders.

In terms of digitalization, I would also like to share that last month, I did a course from Howard Business School on how to implement digitalization and usage of AI tools in manufacturing businesses. And our aim in the future is to become a digitally dextrous organization.

With this, I would like to conclude my speech and open the floor for Q&A. Thank you so much, everyone.

- Moderator:** The first question is from the line of Raman KV from Sequent Investments.
- Raman KV:** Congratulations on such a good result. I have a few questions. First is pertaining to the INR400 crores of fundraise which you approved. Can you elaborate on the plans of -- like what are the plans with respect to the fundraise?
- Asad Daud:** Yes. So we have obtained the approval from the shareholders in the last quarter. The process -- the QIP documentation is still under process, and we expect that to come up with the same in the next few quarters. So obviously, we'll not be able to give a specific time line for the same, but we are working on it, and we'll inform to all our shareholders and investors as soon as the process is completed.
- Raman KV:** So, this is for the inorganic acquisition of some company? Because from what I understand the capex is internal accrual?
- Asad Daud:** Yes. So most of the proceeds of the QIP will be used for inorganic acquisitions and a small part of it would be used for working capital.
- Raman KV:** Okay, sir. Sir, second part is, as of now with respect to the flexible hoses, the capacity is 16.5 and you said 75% is the utilization. So my understanding is it will be soon -- by FY '26 end, this will be 90% utilization. And then the additional 3.5 million meters of the capacity will come. And by the end of '27, the entire 20 million meters of capacity will be utilized, right?

- Asad Daud:** Yes. So the 16 million capacity was commissioned at the end of Q3. So obviously, that has not yet been utilized on fully -- and you're right that our plan is to utilize the 16 million capacity in this financial year. And also with that, we are expanding from 16.5 million to about 20 million.
- Raman KV:** And my final question is with respect to the metal bellows and miniature metal bellows. So we commenced 1.2 lakh pieces per annum in end of Q3. So can you give us the revenue from metal bellows in Q4?
- Asad Daud:** Yes. So the metal bellows project started in Q4 in the sense the production started in Q4. The total capacity in Phase 1 is 120,000 pieces per annum, which is about 10,000 pieces a month. So far, obviously, the revenue that has come in is close to about INR1.5 crores in the last financial year.
- We have started to receive a lot of inquiries from -- so we've started to generate sales from the domestic market already. We have also started to receive bulk inquiries from the domestic market. We are also seeing -- in terms of our international customers, the product is under testing at a lot of our customers' end.
- Also, as I mentioned earlier that this product requires a lot of certification. So our products are already under certifications. Some of the certifications we have received, some of the other certifications are still pending. So as compared to a hose, the sales cycles for metal bellows is slightly longer.
- So hence, we have started to see the traction coming in. And I think over the next few quarters, specifically, I would say, Q2 and then the H2, I think we'll see the numbers of the metal bellows project -- the numbers on the sales of metal bellows jump up.
- Raman KV:** So my -- I just wanted to know what will be the incremental revenue from the metal bellows and miniature metal bellows once it's like fully integrated into the company?
- Asad Daud:** So at full capacity, the metal bellows project would be having a top line of about INR85 crores to INR90 crores at peak utilization. And the miniature metal bellows would have a top line of about INR25 crores to INR30 crores at peak utilization. That's the potential, the revenue potential.
- Raman KV:** So can we expect this in like '27 or the full utilization? Because I think by the end of '26, all the lines will be completed.
- Asad Daud:** Yes. So I think for the metal bellows, we can expect that by '27, we will reach an optimum utilization. And I think miniature metal bellows our project would be commissioned in by March of '26. So the optimum utilization for that particular project would may happen in FY '28 because FY '27 would be the first year of operations of that particular plant -- of that particular project.
- Raman KV:** Okay, sir. Sir, one final question. Sir, what is the guidance for FY '26 in terms of growth and EBITDA?

- Asad Daud:** Yes. So we expect over the past -- also in the last financial year, which is FY '25, we had given guidance of that our growth in terms of profitability would be more than 25%. And we have already achieved that in terms of growth. And for the financial year FY '26 also, our focus remains on increasing the profitability, and we expect that the growth in our profitability in terms of EBITDA would be close to 25%, with at least a 100 basis point increase in the margin.
- Raman KV:** And revenue, sir, revenue -- will it grow by 25% or will it grow more?
- Asad Daud:** So our focus -- as I said, our focus remains on increasing the bottom line. Obviously, the increase in the bottom line will also be as a result of increasing the top line. But obviously, our top line depends on a lot of factors, which includes some geopolitical situation, which is happening plus these tariffs war. We'll not be able to give a specific guidance on the top line, but our aim is that on the bottom line, we expect at least 20% to 25% minimum growth for the next financial year -- sorry, for the current financial year.
- Moderator:** The next question is from the line of Aman Agarwal from Carnelian Capital.
- Aman Agarwal:** Congrats on a good set of numbers. My first question was on the U.S. tariff rate, the tariff which U.S. has implemented. So what has been our discussions with customers? And like what kind of potential impact do we see from this tariff, if you can clarify a bit on this?
- Asad Daud:** Aman. So in terms of tariffs, so obviously, as we all are aware, there is a 90-day pause on the tariff. But the tariffs on our products earlier was around 3.5%, which has now increased to 10%, not accounting for the additional tariff, which -- on which there is a pause. So tariffs have increased in the U.S. So in terms of some of the customers -- some of the customers have -- some of the customers are taking a slope.
- Some of the customers are just taking it as they go along. We have not seen a major shift in the orders. I'm talking about specifically from the U.S. market. But I think in the long term, I think the government of India is also working on some policies and some trade agreements with the U.S.
- So I feel, as I also mentioned in the speech, there might be short-term pain, but I think over the course of the entire year, I think we'll see a much better opportunity for Indian manufacturers who are exporting to the U.S. because I think the demand for Indian products is going to increase. So there might be some short-term pain, but I think in the medium to long term, I think definitely, there will be much, much bigger business opportunities that we have.
- Aman Agarwal:** But if I see America numbers for FY '25, right, so there's a decline in the overall numbers for sales to America, like compared to almost INR163 crores kind of sales last year, we have done INR156 crores this year. So like are customers delaying orders -- like are they waiting and like are we seeing a longer lead time in conversion of orders? Like is there any something like that?
- Asad Daud:** Yes. So one thing what happened last year, we did not see -- so our order book is quite strong from America. The one thing that has happened is because of the longer delays or the delays in the shipping, that's why the transit time has increased in terms of the flow from India because instead of the Suez Canal, the lines are using. So all our shipments to the -- which are crossing

the Atlantic all of them are delayed. And hence, also, I think in the month of February and March when this entire tariff situation was happening, right? So some of the customers requested to delay the shipments. And hence, that was the reason you could see, but all those shipments have already gone in the month of April and some are planned to go in the month of May also.

So we don't see much of this getting affected. And like I said, there might be a pain for a month or 2. But I think overall, from the way we have spoken to our customers, and we have also started to get bigger inquiries of certain sizes of products, which we were not getting earlier. So we expect that the demand from the U.S. is actually going to increase over the next couple of quarters.

Aman Agarwal:

That was very elaborate and helpful. Just one more clarification on export versus domestic sales. Like for this year, if I see your export sales have grown very miniscule, right? While in case of domestic, we have seen a massive growth during this year. So like how do you envisage this for FY '26, like will domestic continue to lead growth for us? Or like will exports revive like given the macros which are currently, how do you see exports basically panning out for FY '26?

Asad Daud:

Yes. So definitely, our domestic sales has increased at a much, much faster pace as compared to our export sales. That doesn't mean that our export sales have not increased. But obviously, our domestic sales has increased at a much bigger pace. We have got a lot of orders from projects or orders in the domestic market.

We have also tapped into new segments in the domestic market where we are lying our products at the ports and also for certain irrigation applications where our products are being used. We are also seeing a higher demand in the domestic segment from the traditional industries, which includes the oil and gas, petrochemical and steel. So definitely, domestic market has picked up much, much better in the last financial year or has shown a lot better growth in the last financial year as compared to the export market.

Also, just to add also like there's one thing which also helped us in the domestic market is -- although in terms of margins, I would say, yes, export is slightly better. But what helps in the domestic market is our inventory cycle shortens, our credit period shortens. So overall working capital of the company becomes better when we're supplying in the domestic market. So I just want to add that.

Aman Agarwal:

Got it. So in terms of exports, what kind of growth you might be expecting for next year, given the order book we have? Can we do double-digit kind of growth in exports or like high double digit, like any indication on that side for FY '26?

Asad Daud:

Yes. So definitely, the internal target that we have to our team is an extreme high growth. But we can expect that -- so we are also expecting to see how Europe reacts to it and the demand from the European market because that is also an important market for us. Apart from the U.S., European market is the one which is our second biggest market. So -- we are also expecting that once this situation stabilizes in Europe, I think we can see sales in Europe also to increase over the next few years.

And so Southeast Asia is one market where we probably have not done so well, obviously, because of increased competition from the local players and from China and other neighbouring countries. But that is one market which has not performed as per our expectation. And like I said, the Middle East is a market where we have to do a lot of efforts still to capture, and that is a market that we want to look at more aggressively in the current financial year.

Aman Agarwal:

A question on the base business, like assemblies, we are seeing a material increase, right, in terms of mix and that is in line with our past guidance also. So like now from around like 50%, 55% kind of mix during last quarter and like almost like if I see assemblies plus hoses, like we started reporting it combinedly.

So from 52% kind of number this year, how do we see this panning out for next year and years beyond? Like I understand our target is 75% and beyond, but like how do we see that panning out for next year and beyond?

Asad Daud:

Yes. So just wanted to clarify. So the numbers for the flexible hoses is obviously separate and the number for assemblies is separate. And overall, if you see for the entire year, we have more than 50% of our sales coming in from assemblies, I think about 52% to 53% to be exact, coming in from the assembly business.

So the assembly business obviously includes the assembly products and fitting. And we expect that over the next -- I think as I mentioned last year also that our target is over the next 3 to 4 years, approximately 70% -- 65% to 70% of our business should come from the assemblies.

And I think we are well on our target to achieve that because our focus in this financial year will also be to increase our sales of the assembly products, wherein we definitely have better margins, although it leads to slightly higher inventory cycle, but definitely, there are better margins in the assembly in the business and a higher customer retention also. So I would say, over the next probably 2 years or 3 years, we aim that we need to reach about 70% of the business coming in from the assemblies.

Aman Agarwal:

Right. So from here on the increase in...

Moderator:

I'm sorry to interrupt. Mr. Aman, can you please come back in the queue for further questions? The next question is from the line of Mahesh Bendre from LIC Mutual Funds.

Mahesh Bendre:

Sir, I mean, we had a fairly good year last year. So what kind of volume growth we are looking for this year?

Asad Daud:

Yes. So -- as I mentioned in my previous calls as well, our business is such that we don't work in terms of volumes because especially when we are selling the assemblies, which is more than 50% of our business, assemblies is sold in terms of number of pieces. And we can have an assembly of 1 meter, we can have an assembly of 5-meter length, we can have an assembly of 10-meter length.

So hence, volume does not justify or does not give a true picture of our results and of our capabilities. So hence, we work on basically numbers -- sorry, in terms of value, I meant. And

if you can see that over the last 1 year, we have grown at about 18% in terms of top line and about 25% in terms of bottom line.

Mahesh Bendre: So can we expect similar growth for this year and next?

Asad Daud: Yes, definitely. Definitely.

Mahesh Bendre: Sure. And sir, one question. I mean, we have been hearing a lot about the U.S. in terms of their bringing manufacturing inside the U.S. So that will be beneficial for us in the long term.

Asad Daud: Well, for our products, I would also like to add that in case of our products, there are already manufacturers in the U.S. So there are manufacturers who are quite big in the U.S. because our product is a very critical product. So hence -- and it goes into critical applications in critical industries.

So hence, a lot of the competition that we face in the U.S. is actually from U.S.-made products because in our business, sometimes the pricing is not the most important factor. There are a lot of other factors which are more important than pricing. Hence, we already face competition from the manufacturers in the U.S.

Now in terms of our plans, so yes, we have plans to expand in the U.S. through a more local presence. We are already in talks. We are already identifying actually a couple of companies who we can possibly collaborate with for having a presence in the U.S. That is something which is still at an early stage. But that is something that is -- that is our plan, and then we want to have our -- a local presence in the U.S. in the next -- at least in the next few years for sure.

Mahesh Bendre: So I think we were planning some kind of acquisition in the U.S. So any...

Asad Daud: Yes, we are planning and nothing is finalized as yet. So we will not be able to comment on that.

Mahesh Bendre: But manufacturing will be done in India, right?

Asad Daud: So a part of the manufacturing will be done in India. The last mile assembly might be done in the U.S., but that is something for me right now is at a very early stage to say because it depends a lot on the kind of acquisition that we do, what kind of capabilities the potential company has. So it depends a lot. So it will be difficult to say anything right now at this stage.

Mahesh Bendre: Okay. Sir, last question from my end. I missed if you had something about the tariff. Will that have any influence on our business in near term?

Asad Daud: So like I mentioned that there might be like short-term pain with regards to maybe a month or so. But I think long term, I think we expect that the demand for Indian manufacturers and the demand for actually -- demand for India-made products will actually increase in the U.S., not only for our products, I'm talking about generally.

Obviously, there is a pause on the tariffs, which is good. But if you see the tariffs have already increased on our particular products from about 3.5% or 4% to about 10%, which is almost close

to 2.5x. But we have not seen major changes in the demand in terms of a huge decline or a huge fall. We have not seen anything like that.

And like I said, because of the uncertainties, a lot of our customers are also uncertain, but it will just delay their procurement. I don't think it will change their procurement plan. So we don't expect much of, I would say, threat or something from the tariffs.

Moderator:

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

Prem Luniya:

Congratulations on a great set of numbers. I just wanted to understand about the competition which you are facing overall in India and also in other markets. Like some of our competitors have also set up new plants in India. And how do you see it panning out now?

Asad Daud:

So yes, competition will remain and competition will be there, whether in India, whether globally because the market is increasing and the demand for flexible flow solutions is increasing, right? So our aim is obviously to be ahead of the competition. We are the number one player in India, and we would want to continue to remain number one for the foreseeable future.

And also our plan is not only for India, but we ultimately aim to become the number one player in our business worldwide. And like 75% of our business right now is from exports and 25% from India, which means we have actually strengthened our leadership position in India, wherein in the last year, about 80% of our sales for the export and 20% was India.

This year, it's 75%, 25%, which means that we have further strengthened our position in India. And well, competition is good, so that competition keeps us on our toes. It keeps us to innovate. It forces us to be always thinking one step ahead, so that we are always ahead of the competition. So from that angle, competition is always welcome.

Prem Luniya:

Right. And also on the domestic growth, was it led mostly by some of the onetime projects like some new industries is being setting up and these are onetime projects, which you also talked about in the last call? Do you see them as well moving forward?

Asad Daud:

So in the last quarter, yes, there were a few projects that we are looking. In this quarter itself also, we have increased -- we have also added the demand from new segments, which also includes your -- some specific requirements of our products at the ports. Also in the irrigation, we have started to penetrate.

Also, we have seen increased demand actually coming in over the last couple of quarters from oil and gas, from petrochemicals, from the steel industry. So overall, we are seeing a significant demand coming in from the India market, so which has obviously helped us in the sales for -- in the sales growth in India.

Prem Luniya:

Sure. And can you please elaborate, you mentioned that there is a working capital difference between India and international business. How much would it be? Can you quantify this?

Asad Daud:

Well, I can quantify in terms of, say, days. For example, if an overall working capital days, say, for example, for an export is just assuming, say, for example, 120 days overall working capital cycle. In India, that comes down to about 75 days.

So one is obviously because for -- so I'll explain. One is obviously for exports, you need to ensure that there is a certain quantity of a container that has to be filled in the container. So that increases the inventory cycle, plus also the time to travel from our manufacturing plant to the customers' end. So yes.

Prem Luniya:

And also on the...

Moderator:

Prem, I would request you to please come back in the queue for further questions. The next question is from the line of Varun Mohanraj. Please go ahead.

Varun Mohanraj:

So in the previous calls, we've mentioned that our competitors are mainly from the U.S. and the Europe. I think for the previous participant, you've given us your plans with U.S. competition. So I just wanted to know about the plans and also your view on the European competition because before the tariff cost, we saw Europe having a lesser tariff compared to India.

And obviously, we wouldn't know how it would be going forward. But I just wanted to know your view about how we'll be able to face the competition from Europe if it has a lesser tariff compared to us? Thank you.

Asad Daud:

Okay. So well, as of now, I think that the tariff from EU and from India is the same. So from that angle, currently, we do not face competition from there. But in case, say, for example, hypothetically, if EU has a lower tariff, then obviously, it depends on the amount or the differential in the tariff. If it is a minor difference, then there will not be any major impact on us.

But if it is a major difference, then obviously, there might be a few players in the EU who might be able to export in the U.S. But I don't see there will be a very big difference in tariffs between EU and India for the U.S.

Varun Mohanraj:

Okay. And my second question would be on the metal bellows. So which industry would the metal bellows go into? Will it be going more towards the newer age industries, which we're doing or it will go into our traditional revenue pie of oil and gas and the other split?

Asad Daud:

Both. So metal bellows goes into the new age industries. So like I mentioned in my speech, so we have collaborated with one multinational company, large company based in the U.S. for providing some -- for providing flow solutions, which includes metal bellows as part of that particular entire solution that is being used for cooling systems for AI data centers. So that's the new age -- the new age opportunity that metal bellows provides.

But also bellows are used in power generation plant, in steel factories, in petrochemical factories, in oil and gas factories, in steam and turbine applications. So a lot of the applications for metal bellows are there in the traditional, which is the hard core industries and also for these new projects and new age sectors as well.

Varun Mohanraj: Okay. And my last question, in the previous call, we've given a long-term guidance for like 4, 5 years down the line. So at that point, how much percentage of revenues would come from the metal bellows in our overall revenue side?

Asad Daud: In which financial year?

Varun Mohanraj: Maybe 4, 5 years down the line.

Asad Daud: Okay. 4, 5 years down the line, well, hard to give a number for 4, 5 years down the line. But in terms of, I think, about -- at least, I would say, 25% to 30% of our business, if not more, would come from metal bellows 4, 5 years from now. It's just a ballpark figure, right? It's difficult to say 4, 5 years from now because the world is evolving -- the world is evolving every month.

Varun Mohanraj: Okay. So the metal bellows would be more of a bottom line increase, right. So...

Asad Daud: Yes, definitely. Yes, you're right.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Sir, I have a few clarifications. One, you have given that assembly is 50% -- more than 50% of sales in FY '25. So I wanted to know how much of hose production is converted into assembly and sold. So maybe if you could give that indicator as well?

Asad Daud: So like I mentioned, in terms of the assemblies, the assemblies includes, like I mentioned, it could be a 1-meter assembly, it could be 5-meter assembly. It could be a 10-meter assembly. It could be a 1-inch diameter assembly, it could be a 10-inch diameter assembly. So we don't track the assemblies in terms of how much of hose that has produced because for us, sometimes -- in some assemblies, the value of the hose is 70%, the cost of the assembly or in some cases...

Pritesh Chheda: Sir, I'm not asking the value. I'm just saying that if you had produced whatever out of 16.5 million meters. whatever meters that you would have produced in hose. How much got sold as hose only and how much -- so you would always know in your ERP, right? This many meters have produced, this many meters went -- built as hose. And whatever was not built as hose was built as assembly, right?

Asad Daud: Yes. So obviously, it's a difference. The reason being because when you convert the hose into an assembly, you're converting meter into -- in terms of pieces. I don't have the data right on top of my head right now. But post the call, we'll probably share with you offline.

Pritesh Chheda: No problem. My second question is on the 16.5 million meter capacity that you have or let's say, on the 20 million capacity that you have at the current SS prices, how much of revenue potential this capacity would have based on your assumption of assembly being sold at whatever percentage of sales. So, what you're doing at INR370 crores, INR375 crores, what it should be at max potential?

Asad Daud: So at a 20 million meter annual capacity and say, I just assume that, say, if 70% of the business comes from the assemblies, right? So we can see a revenue potential of about INR650 crores.

Pritesh Chheda: Okay. These are based on the current steel prices.

Asad Daud: Yes, obviously, current prices.

Pritesh Chheda: And current steel prices, SS prices are how lower versus the peak SS prices, which were experienced a couple of years back?

Asad Daud: I think a couple of years back, steel prices right now, I think, would be at least, I would say, 20% to 25% lower as compared to the peak prices. So peak is about, I think, about 2 years back, 1.5, 2 years back in terms of the peak.

Pritesh Chheda: Okay. No problem. And on metal bellows, you mentioned that your current capacity of 10,000 pieces a month is about INR100 crores revenue potential, right?

Asad Daud: INR85 crores.

Pritesh Chheda: This includes both, right? You mentioned metal bellow pieces. So this includes everything, right?

Asad Daud: I didn't catch your last -- what did you say the last sentence? I didn't catch the last sentence.

Pritesh Chheda: In terms of metal bellows capacity, 10,000 pieces per month. That's translates into INR100 crores revenue, right?

Asad Daud: Yes, INR85 crores, as I said. INR85 crores. Yes.

Pritesh Chheda: Okay. And you have done about in the 6 months of this year, once the capacity is operational, you have done INR5, INR7 crores. That's what the number was.

Asad Daud: No. So this bellows project started -- the first production started in the month of January. So it's basically about 3 months -- even less than 3 months. And the bellows, like I said, the sales cycle for bellows is slightly longer than as a hose because of the criticality involved. So they started to receive the orders from the domestic market. We're expecting more orders to come in from the international market from the next quarter.

Pritesh Chheda: What is the EBITDA loss on this capacity?

Asad Daud: I don't have the exact number on the EBITDA loss. But yes, obviously, right now, the bellows project is not contributing EBITDA because it has just started the business.

Pritesh Chheda: Is it a substantial number to be shared?

Asad Daud: I don't have the data as of top of my mind. So it will be difficult for me to quantify it, but I can get back to you with the number on -- specifically that. But yes, obviously, there is no profit in the bellows business as yet because we have just started the business. So our actual EBITDA would have been much higher, obviously, if the bellows business has reached its potential, but it's obviously too early to say because it's just a few months in the business. So...

- Pritesh Chheda:** So this peak revenue of INR650 crores plus INR85 crores, let's say, INR735 crores, maybe INR750 crores to INR800 crores based on a few things here and there, prices here and there. You will be able to achieve the peak utilization on an exit basis in FY '27 or in FY '28? I'm saying exit basis peak utilization.
- Asad Daud:** Yes. I think it will be closer to FY '28 because we're talking about the peak utilization of both the hose and the bellows, yes.
- Moderator:** The next question is from the line of Karan from Asit C Mehta
- Karan:** So first of all, congratulations on achieving great results. I just have one quick question. Historically, I've seen March quarter performing better than December quarter. But this time, it has not performed well like on revenue and EBITDA front, it has declined. So could you please throw some light on this?
- Asad Daud:** Yes. So -- to reiterate what I also said in the last quarter, right? So we actually don't look ourselves on a quarter-on-quarter, specifically from last quarter to current quarter because every quarter is different because when we are in an international market, Q3 is the Q4 for a lot of companies in the international market and Q4 for us is Q1 for them, right?
- So we encourage that we are compared on a year-on-year basis or even in case of a quarter, it should be the same quarter of last year. Like I said, in some quarters, in my speech last -- in the last quarter as well, I said, I had mentioned that some quarters might be very good in terms of revenue.
- Some quarters, they might be not so good in terms of the top line and the bottom line because that depends on a lot of soft factors. But if you see on a Y-on-Y basis, I think we have shown a significant growth both in terms of the top line and in terms of the bottom line. So -- and the same on the annual basis.
- Karan:** Okay. Just one more question. What are the competition we are facing in domestic market? Do we have any major competitors?
- Asad Daud:** So in the domestic market, we have competition from the international players who are -- who have their manufacturing in India as well and with whom we compete. But as I was mentioning earlier that we have strengthened our position in the domestic market where we have increased our market share, and we have grown at a much, much faster pace in the domestic market as compared to our competition.
- So we have -- this is on account of a lot of new segments that we have entered, new projects that we have taken. We have increased the business from our existing customers as well. So results of all of that has resulted -- I'm sorry, the efforts of all of that have resulted in this particular growth.
- Moderator:** The next question is from the line of Rajesh Jain from NB Investments.

- Rajesh Jain:** Sir, I had 2 questions. You had said that for our products, so U.S. has increased the tariff rate from the 3.5%, 4% to almost 10%. But the new tariff that Trump government has passed for 90 days, if that were to be implemented or imposed, what would be the tariff rate for our products to be supplied to U.S.?
- Asad Daud:** So I think the tariff rate would have been approximately, I think, 27% or 30% approximately.
- Rajesh Jain:** 27% Okay. And it is not sure the same amount would be imposed on EU also, right?
- Asad Daud:** I think from the tariff list that was published, I think, towards the end of March or the -- on the 1st or the 2nd of April, I think at that time, the tariff on EU and the tariff on India, there was a minor difference of, I think, about 4% to 5% from what I remember. I don't have.
- Rajesh Jain:** They would be cheaper or we would be cheaper sir?
- Asad Daud:** So we would -- if in that case, if those tariffs would have been implemented, we would still be cheaper than -- then EU region being that the cost of manufacturing in EU is much, much higher than the cost of manufacturing in India. So yes, we would still be cheaper. But obviously, when such high tariffs would be implemented, right, it does not -- it actually does not matter from where it is going.
- The problem happens inside that country, like, for example, inside the U.S. where with such high tariffs, demand would fall because the cost -- the inflation in that country would increase, right? So yes, but as of now, it is on pause on -- sorry, on pause mode.
- Rajesh Jain:** Sir, my second question is, I know you had mentioned that our products are not decided based on the pricing as they are all used in a critical application. But see, we started supplying to U.S. and Europe market post COVID. And one of the USP for our products was the pricing, having able to maintain the same quality as well as meeting the standards, whatever the U.S. and European customers wanted. But even a 10% tariff, wouldn't we be costlier than the U.S. manufacturers?
- Asad Daud:** So just a couple of points to clarify. One is that we were selling to Europe and U.S.A. even before COVID. So we have been selling to Europe and U.S.A. since almost, I would say, 20 years, more than 20 years, all right? So one is that. Obviously, in terms of the scale at that time was lower than what it is right now.
- So one is that. Second is in terms of see, a 10% tariff is not as much if you compare because still the cost of manufacturing in the U.S. and in India, the U.S. manufacturing is still expensive. It's not -- the differential amount is not 10%. It's much more than that, all right?
- But what happens is, obviously, when you are made in the U.S., you are approved in certain industries and certain critical applications where they will only take a make in the U.S. product and not take any imported products, specifically for some critical applications like aerospace or defense or certain communication devices and also over there, they have mandate to use only U.S.-made products. So over there, obviously, we don't have much entry right now. But yes, so as long as the tariffs remain at 10%, we don't see any issues for us.

- Rajesh Jain:** Okay. Sir, even if it maintains at 10% or any more further increase, so then your plan of either collaborating or acquiring a manufacturing company in U.S. should have to be done at a faster pace. Is that understanding is correct?
- Asad Daud:** Yes. So we are already working on that. We are already -- even before these tariffs were even a part of the discussion, we were still just -- we were exploring and we are exploring opportunities to -- for acquisition in the U.S. So that has been a part of our business plan since the last year. So we are still actively working on it, and we are hoping that very soon, we'll be able to close in sometime.
- Rajesh Jain:** Okay. Sir, with this 10% tariff, our margins to U.S. sales would be down by a few percentage?
- Asad Daud:** Minor, it will not be -- it would not have a major impact. So like I mentioned, before this, the tariff was around 4%. So now it is 10%. So the reduction in margin is there, but it's minor, not much.
- Moderator:** The next question is from the line of Raman KV From Sequent Investments.
- Raman KV:** Sir, in this quarter, how much did the company do from hoses -- the flexible hoses business? And how much did the company do from the assembly and fittings?
- Asad Daud:** In this particular quarter, it was approximately about 40% was from the hoses and about 60% was from the assembly.
- Raman KV:** For this quarter?
- Asad Daud:** Yes. For Q4, I'm talking about, for the entire year it was around 52% from assemblies and about 48% from flexible hoses.
- Raman KV:** So my question is now in the previous three quarters of the year, we have been approximately around INR50 crores from the hoses business. But this quarter, we did around INR37 crores. There was like a significant dip in the revenue from hoses. Can you explain why was there a significant dip in the revenue?
- Asad Daud:** So there is no actually a dip in the revenue reason being the assemblies that we make, hoses is part of that. So when we make an assembly, right, hose is one of the, I would say, one of the component of the assembly. So technically speaking, an assembly can only be made if it has a hose.
- So without a hose, you cannot make an assembly. So technically speaking, the revenue from hoses is not down. It is just that the revenue, which was earlier being sold as flexible hose is now being sold as an assembly. So there is value addition. I hope I was able to clarify the point.
- Raman KV:** Sir, my last question is with respect to the realization of hoses. Last year in FY '24, we did around INR180 but the realization for the entire year was INR181. This year, I think when I'm calculating it's INR122.
- Asad Daud:** INR181, per what?

- Raman KV:** Per meter.
- Asad Daud:** No. So I don't know how did you calculate that figure because when we sell, we sell it in the form of -- like the hose obviously goes in the form of meter, but the assembly goes in the number of pieces. So yes. And then what happens -- so obviously, if you can share your calculation with me offline because this is something which I'm not aware of.
- But what happens is when you sell a lower diameter hose, the value is lesser. When you compare a higher diameter hose of the same meter, the value is higher. Obviously, because there is more material has gone in, there is a slower process and so on and so forth.
- Raman KV:** Sir, but my overall understanding is the main reason why the revenue from hose had dipped was, one, you like -- so you -- some percentage of the revenue was shifted to the assembly business as a value-added product and as well as the overall revenue in Q4 had took an impact due to shipment delay, right?
- Asad Daud:** Yes. So some of -- so like I mentioned, assemblies, whatever we sell as assembly, hose is a part of that. So there is no drop in the business of specifically the hose. It is just that we have done a bifurcation in a way that we are showing hose as a separate vertical and the assemblies as a separate vertical. So there is no drop in the same.
- Moderator:** Ladies and gentlemen, due to time constraint, that was the last question for today's conference call. I would now like to hand the conference over to the management for closing comments.
- Asad Daud:** Thank you so much, everyone, for joining the call. And if I was not able to answer any questions or if you require any further information or any further details, you can contact us or you can also contact SGA, who is our Investor Relations Advisor. I would like to thank everyone for taking out your time for joining this call and hope all of you have a great day and a great weekend ahead. Thank you.
- 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. Thank you.