

May 04, 2026

To,

**National Stock Exchange of India Ltd.**

**Symbol: UNIMECH**

**BSE Limited**

**Scrip Code: 544322**

Dear Sir/Madam,

**Sub: Disclosure under Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analyst/ institutional investor meet/call, held on April 28, 2026, on Acquisition update.

Please take the above information on record.

Thanking You,

**For Unimech Aerospace and Manufacturing Limited**

(Formerly known as Unimech Aerospace and Manufacturing Private Limited)

**Ramakrishna Kamojhala**

Whole Time Director and CFO

DIN: 07004517





“Unimech Aerospace and Manufacturing Limited  
Acquisition Update Conference Call”

April 28, 2026



**MANAGEMENT:** **MR. ANIL KUMAR PUTTAN – CHAIRMAN AND  
MANAGING DIRECTOR – UNIMECH AEROSPACE AND  
MANUFACTURING LIMITED**  
**MR. RAMAKRISHNA KAMOJHALA – WHOLE-TIME  
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**MR. AAKASH JAISWAL – AGM, INVESTOR RELATIONS  
– UNIMECH AEROSPACE AND MANUFACTURING  
LIMITED**

**MODERATOR:** **MR. MANISH VALECHA – ANAND RATHI SHARES &  
STOCK BROKERS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Unimech Aerospace and Manufacturing Limited Acquisition Update Conference Call, hosted by Anand Rathi Share and Stock Brokers Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Velecha from Anand Rathi. Thank you and over to you, sir.

**Manish Velecha:** Thank you. Good morning, everyone. Welcome you all to the Unimech Aerospace and Manufacturing Limited Acquisition Update Conference Call. We have with us from the management Mr. Anil Kumar Puttan, Chairman and Managing Director; Mr. Rajnikanth Balaraman, Whole-time Director; Mr. Ramkrishna, Whole-time Director; Mr. Mani Puttan, Whole-time Director; Mr. Preetam, Whole-time Director; and Mr. Aakash Jaiswal, AGM, Investor Relations.

I would now like to hand over the call to Mr. Anil Kumar Puttan for his opening comments. Over to you, Anil.

**Anil Kumar Puttan:** Thank you Manish. Good morning, everyone and thank you for joining us today. We are connecting slightly ahead of our regular earnings discussion to share an important and positive development for Unimech, one that meaningfully strengthens our business and long-term growth platform.

This marks a significant milestone in Unimech Aerospace and Manufacturing Limited's journey. We are pleased to announce the acquisition of Hobel Bellows, a highly specialized technology-driven manufacturer of metallic bellows, flexible tubing components, and precision engineered assemblies. This is a strategic capability-led acquisition that aligns closely with our long-term vision of building a competitive, high-value precision engineering platform.

As you are aware from our previous earnings interactions, our approach to inorganic growth has always been purpose driven. We remain focused on disciplined capital allocation, strengthening our core manufacturing capabilities, enhancing relevance with global OEM customers, and identifying high-margin opportunities. From this perspective, the acquisition of Hobel Bellows fits strongly within our stated framework. Let me share a few insights into the business.

Hobel Bellows brings well-established and complementary capabilities across metal forming, hydroforming, precision pipe fabrication, advanced welding processes, and automated testing validation systems. These capabilities enable Unimech to expand meaningfully beyond precision machined components into engineered assemblies and subsystems, representing a natural and important next phase in our evolution.

The business operates out of a modern 200,000 square foot manufacturing facility in addition to a 20,000 square foot of warehouse in the Visakhapatnam SEZ, supported by a strong in-house design and high-quality engineering and manufacturing infrastructure. The firm is ahead of the curve in technology, using robotics and automation to ensure repeatable precision. Its extensive

quality control process, including CMM and shadowgraph testing, guarantee top-tier product quality.

Hobel has built a long-standing relationship with marquee global OEMs, with nearly 90% of its revenues derived from exports, catering to markets including UK, United States, Singapore, and China. Their one-stop shop product portfolio, offering a broad and versatile product mix in metallic bellows, exhaust manifolds, and tubular assemblies. Their bellows offerings range from 2 inches to 16 inches, that is 500 grams to 330 kg weight, designed for engines spanning 900 to 9,000 BHP across diverse industries.

For the year ended 31st March 2026, Hobel Bellows reported approximately INR129 crores in revenue along with EBITDA margins exceeding 50%. This debt-free business acquisition is margin accretive with strong annual cash generation, enhancing the overall quality of Unimech's earnings profile. Pre-acquisition business used to generate a ROCE of over 50%.

Equally important, if not more than any of the financials, is the culture and DNA of the business. Hobel Bellows has been built on a strong foundation of quality, engineering excellence, and continuous innovation, supported by an experienced professional team. These attributes align extremely well with Unimech's operating philosophy and long-term ambitions.

From a strategic perspective, this acquisition enables us to increase wallet share with the existing customers through a broader and more integrated offering, expand our presence in industrial locomotive and power sectors, strengthen our positioning in aerospace, defense, nuclear, and other high-entry barrier segments, accelerate time-to-market by gaining access to capabilities that would otherwise take years to build organically, and enhance our financial profile through a high-margin, cash-generative business aligned with our return-focused capital allocation approach.

We see meaningful synergy potential going forward across cross-selling, capability integration, value chain expansion, and operational efficiencies. Collectively, this strengthens Unimech's positioning as a trusted global one-stop engineering and manufacturing partner for complex, high-performance engineering solutions.

Before I close, let me briefly touch upon our organic business performance. Our core Unimech business has shown a clear recovery with demand normalizing after a relatively muted last year. The company has seen an improvement in business momentum during Q4 FY '26, supported by better demand conditions and healthy order book. We remain focused on disciplined execution and will provide comprehensive updates on the financial performance post our Q4 results.

Additionally, an update on FTWZ facility, which assumes strategic importance. The facility is operation-ready and has now received approvals from all regulatory authorities, with only customs clearance pending, which we expect to be completed by the end of May. While there has been some delay compared to our earlier timelines due to multiple layers of regulatory approvals, this milestone significantly strengthens our ability to serve customers more efficiently.

The FTWZ will play a key role in mitigating the impact of cross-border tariffs, improving supply chain flexibility, and supporting more consistent revenue momentum going forward. Parallely, we continue to engage with several potential customers and are actively working towards closing meaningful contracts over the near to medium term.

In summary, this acquisition together with our continued organic execution reinforces our confidence in Unimech's growth trajectory and long-term value creation potential. Thank you for your continued trust and support.

I will now ask the operator to open the floor for Q&A and will respect all participants to limit their questions towards this acquisition.

**Moderator:** Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Our first question comes from the line of Manish Velecha from Anand Rathi. Please go ahead.

**Manish Velecha:** Yes, hi sir. Thank you so much. I'll just quickly wanted to understand certain basic details on the acquisition. So firstly, was from the strategic angle perspective. So, you know, from this looks like a more capability-led acquisition. So how does it fit well into the overall Unimech long-term strategy and, you know, where does it fill in the gap for us?

**Management:** Okay Manish. Great. So, Manish, so this acquisition fits very well within what we have been trying to build at Unimech over the long term. Our focus has always been on becoming a high-value precision engineering platform and this acquisition, particularly the Hobel, brings in a set of capabilities like metal forming, tube bending, sheet metal fabrication, and advanced welding along with strong automated testing systems.

So, these were areas we had already identified as important and were planning to build ourselves over time. So, what this acquisition really does is this is fast-tracking our journey. It not only adds new capabilities but also brings in strong relationship with global OEMs. More importantly, it helps us move beyond just supplying precision components to offering more assemblies and subsystem level.

Thereby enabling us to become precision engineering platform which make us more relevant to our customers. So interestingly, even while we were evaluating this acquisition Manish, so some of these capabilities were already being asked for by our aerospace customer for larger and high-value work packages. So instead of taking, you know, 18 to 24 months to build this organically, we now get immediate access to those opportunities.

So overall, this is both capability upgrade and a way to accelerate our growth. And on top of that, as you all know, the business itself has a strong financial track record. Hobel has a strong financial record. So, it's also high quality and margin accretive addition for us, you know, in terms of top line as well.

**Manish Velecha:** Got it. Got it. Sir, and from the synergy's perspective, how do we see synergies in from the bellows business in the aerospace or nuclear businesses that we are, nuclear business or any high-value segments that we operate in?

**Management:** Yes, there are a lot of synergies we can notice that. The most meaningful synergies are on the revenue side rather than cost in particular. So in the near term, the synergy is cross-selling, you bellows which is Hobel, the main product -- bellows into nuclear and industrial segment where we are and leveraging Hobel's presence in marine and naval and ecosystem.

However, in the medium to long term, using Hobel's capability to deepen engagement with our aerospace customers as we have started discussing with our existing set of customers with such capability offering. Further our intent is to establish an engineering platform offering not only components, but to advance into large assemblies and subsystem as I mentioned.

So this helps in establishing such platform. Not to mention revenue and margin also to follow by increasing share of bill of material per customer. Over time, this acquisition position us to enter high-value segment such as aerospace grade systems, nuclear applications and semiconductor energy systems. So the real value lies in capability integration and revenue expansion rather than immediate cost saving. So we do see greater synergy in this acquisition.

**Manish Valecha:** Got it. Sir, a quick question on the financials. Basically, sir, you mentioned that the EBITDA margins are more than 50%. Is that been consistent over a few years for that company? And what are the growth opportunities, I'm trying to understand what is the current gross block versus what is the revenue that they are doing today?

**Management:** Yes. So Manish, I think here important thing is yes, the gross margin and the EBITDA margins are as Anil also mentioned, more than 50%. So here one important thing is the margins are a reflection of niche mission-critical nature of the product and the company's positioning as a high-quality supplier, at present to global OEMs.

So the business benefits from high entry barriers due to long-term long qualifications especially, strong pricing power driven by quality rather than here the cost, deep integration with OEM supply chain is also happening. So given these factors, we believe margins in the range of 50% are sustainable over the medium term.

Additionally, with a more integrated and subsystem level high precision engineering product offering, we are confident to maintain operating business at a kind of similar margin level. Nevertheless, to mention we have normalized for one-off items, non-recurring items as that was featured as a natural diligence process and even post normalization margins remain strong and representative of sustainable operating performance. So yes, anything you want to add?

**Management:** Manish, did you ask question on growth or gross block?

**Manish Valecha:** Yes, actually both, margins and growth going forward.

**Management:** Sure. So we see a clear pathway to scale the business assuming conservative growth rate of 15% to 17% over the next 3 to 4 years. This growth will be driven by a combination of steady organic momentum and synergy-led opportunities. So the key drivers include a strong and growing addressable market for metallic bellows estimated at around 2.6 billion with expected annual growth of 6% proving ample headroom to expand both volumes and product offerings.

There is obviously continuous growth from existing OEM customers supported by new engine platforms as well as repeat orders. We are also looking at addition of new OEM customers particularly in the locomotive segment where similar engine platforms are used. So there is -- we see a rising global demand for high power and emission efficient power generation systems driven by increased deployment of data centers and advancements in AI.

Also there's expansion into adjacent segments such as automotive exhaustive systems and fabricated assemblies. Obviously, we are also looking at cross-selling opportunities within the Unimech's existing customer base enabling larger and higher value product offering. In addition, we have a meaningful operating lever. Current capacity utilization is in the 50% to 60% range, which provides sufficient headroom to support growth without requiring additional capex in the near term.

**Manish Valecha:** Got it, sir. Perfect, sir. That's it from my side. Thank you so much.

**Moderator:** Thank you. Our next question comes from the line of CA Garvit Goyal from Serene Alpha. Please go ahead.

**Garvit Goyal:** Sir, first question is on the customer side. Like what percentage of target company's revenues currently coming from the aerospace?

**Management:** Hi. So currently aerospace is not a representative set of customers that Hobel Bellows operates with. Currently the focus has been on the locomotive and the power engine side of the business.

**Management:** I'll just want to add something more. Yes. So see, this acquisition is primarily a capability led. What it will help us advance into, it will bring us critical manufacturing capabilities like metal forming, sheet metal fabrication and tube bending and all these are in high demand among our aerospace customers, but yet untapped by us still.

But this gives us a clear pathway to move into such segments as we also discussed in a medium-term growth plan we do want to engage into such customers. So this is one space that we are looking. Parallely, we are also looking at expanding into nuclear, semiconductor space as well. So there are visible synergies that we have identified while evaluating this acquisition and during the medium term you will see some synergies or some advancements into these areas also.

**Garvit Goyal:** Okay. And you mentioned your customers were already asking for these capabilities. So are there any early pipeline opportunities you can speak to?

**Management:** So we've started having discussion with some of our aerospace, semiconductor customers where similar capability is they've been talking about and there has been some initial interest. So, typically these kind of customers take some time to qualify, onboard and such. And currently the company is also not AS9100 certified. So the first task is going to be getting into that certification followed by qualification and such.

**Garvit Goyal:** Okay. And looking at the growth of this target company, there is a moderate 10% CAGR as a standalone entity. So given that you are paying approximately 3.5x the revenue for this business, so can you help us to understand like means going ahead also I think you are speaking about

15% to 17% growth only, so which is looking like very conservative on this such a small base. So what is your internal plan on that? Like how the revenue will shape up, means can we why are we not aggressive in the terms of growth?

**Management:**

See we have done this acquisition to and realize that this is a very niche product that is being available in the market. The intent is not only to grow, the intent is also to sustain the margins because the business has been doing very well. The good part is it's a debt-free company and it has a huge cash surplus that it continues to generate.

And parallelly the intent for the first 12 months or the short term I should say will always be a slow moving, but eventually when the synergies are going to catch up, so over a medium term you will see the growth coming up. But as of now, to build in some conservatism we have factored in a 15% to a 17% growth.

So in addition, I think you asked a question on our valuation being about 3.5x on the revenue. This is more of a -- while I understand this is from a revenue standpoint, if you look at the asset, it is a very high margin EBITDA and typically deals are done based on the EBITDA and from an EBITDA margin multiple perspective, this is a fairly good deal at a seven or 6x to 7x EBITDA. So this has been a very, very good deal.

**Garvit Goyal:**

Got it. And sir, can you help us to understand.

**Moderator:**

I'm sorry to interrupt you, sir. I'm sorry to interrupt you Mr. Goyal.

**Garvit Goyal:**

Just one last question if I may.

**Moderator:**

Sir we have a lot of participant in the queue. I request you to rejoin the queue.

**Garvit Goyal:**

Fine. Thanks. I am joining the queue.

**Moderator:**

Thank you. Our next question comes from the line of Aman Soni from Nvest. Analytics Advisory LLP. Please go ahead.

**Aman Soni:**

Hello.

**Management:**

Yes Aman, please go ahead.

**Aman Soni:**

Sir, can you help us to understand on the people retention strategy for the target company's existing leadership and technical workforce?

**Management:**

Okay. So while we were discussing this evaluation, we also addressed this issue. Now considering most of the employees in the senior level management along with the other cadres also have been a very long-standing one and we continue to ensure that these people will be there in the organization.

What we are trying to do is benchmark their salary or their compensation as per industry standards. So that is the first approach that we are going to follow. Parallelly what we'll also see as in Unimech there is an ESOP policy, we will also try to look and build in such compensation

factors also over a medium term as and when we see the growth capturing in the business. Parallely there are strong set of incentives also that there exist in the business already and we'll continue to use those incentive structures and plans to ensure retention stays.

**Aman Soni:** Okay. And what kind of cost optimization opportunities are you looking at?

**Management:** Sorry could you come back please?

**Aman Soni:** Okay. And what kind of cost optimization opportunities are you looking at? Staff consolidation across Unimech and Hobel?

**Management:** So Aman, so if I could understand this correctly, if you are asking about quote optimization from a project standpoint or is it.

**Anil Kumar Puttan:** No, he's asking about the staff.

**Management:** Are you talking about staff? Sorry, what optimization are you talking about Aman?

**Aman Soni:** Cost, cost, sir.

**Management:** Cost, cost. Okay, cost optimization. Okay. So from the cost optimization, see, this is fairly a business which has been a high margin business. We are not seeing challenges to reduce cost very aggressively but there will be opportunities and areas where we'll continue to evaluate and identify over the short-term period and in case if there are findings, we'll continue to bring down certain cost. But as of now, we don't see much challenging areas. During our diligence process, we have realized any other expenses that was not required to be done and we have eliminated all those.

**Aman Soni:** No, sir, I was just trying to understand from the staff consolidation point of view, like across Unimech and Hobel, are you looking for any staff consolidation and hence the cost optimization opportunity?

**Management:** Agreed. I understand. So see, this business we'll be trying to run as a separate SBU as you understand this is operating out of Vizag SEZ. So in terms of staff cost optimization, though it will not be something very meaningful at the short term but parallely as we build in capabilities and with advancements of automations coming in, we'll look into bringing more optimization in place.

**Anil Kumar Puttan:** Also, I mean, cost optimization is not a number one goal for us. Our number one goal is to actually expand and build a larger revenue. That is our number one goal because we feel like there is a lot more, you know, business that, you know, Hobel can actually take in considering Unimech has its own customers and, you know, customer base across industries and Hobel also has few of the other green chutes that we are actually building on. Our focus is going to be largely to increase. Obviously, there's robotics and all of that and it's a fairly optimized business already. So we are going to be more focusing on revenue expansion.

**Aman Soni:** Understood. And sir, just one last question.

**Moderator:** Please re-join the question queue for more questions. Our next question comes from the line of Kamlesh Bagmar from Lotus Asset Managers. Please go ahead.

**Kamlesh Bagmar:** Yes, thanks for the opportunity, sir. Sir, first question with regard to the key clientele. So can you share like what is the client concentration of the top five clients and who are the key customers there? And secondly on the working capital side.

**Management:** Okay. So on the clientele side, I will say that the customer base though it's globally diversified across UK, US, Singapore and China, but there are two key OEMs or the OEM groups who contribute close to around 93% of their revenue. But you'll also have to understand this exposure is distributed across multiple entities operating in different geographies and has end-use segments which such as power generation, automotive engines and other industrial systems also as well as locomotive engines.

So now important thing here to understand is all the procurement units have an independent function with a separate supply chain. Though on an OEM level you might look at it as a two-customer concentration but it has been fairly diversified spanning across 10 to 12 different geographies across this basis.

Speaking about the working capital, I should say the business has fair bit of working capital that we have retained, close to around a INR60 crores roughly around a INR60 crores worth of working capital that is there, sufficient enough to run the business comfortably. Parallely every month what we see there is enough cash generation also that keeps happening in the business and that keeps us very comfortably placed.

**Kamlesh Bagmar:** Okay. So just like say surprised to see that they are selling asset at roughly around seven odd times EV EBITDA where like say if we see all other peers, like say the companies are trading at roughly around 25 to 30 EV EBITDA on the various other companies, like say if we see our peer as well, even in our case.

So what is the reason, like say you can say that it is on their own part that why they are selling, but what could be the like say likely reason that they are exiting at seven times EV EBITDA when they have stabilized their operations, they have got the customer accreditations? So what is the reason for them to sell at these valuation, seven times EV EBITDA?

**Management:** Kamlesh, I do understand your concern. So this has been one of the thoughtful areas where we had carefully looked into and after multiple deliberations at our board's end, this is how it came. The understanding that we have realized and focused upon is there has not been any succession plan in the business. The owner or the erstwhile promoter had two daughters who are all settled abroad and they had no intent of coming down to India and take care of the businesses.

And the owner as well has crossed the retirement age and he wants to take an exit and give it into an able hands which he found Unimech as a most suitable player to run this business. And this is how we also came across this opportunity and realized that this will be a capability acquisition which we will want to acquire and then drive further business thereon.

**Kamlesh Bagmar:** Okay. And lastly sir, INR450 crores would be the EV which we will be paying and there will not be any further need of capex?

**Management:** So yes, this is the upfront cost but I should say in a very short span we will recoup some part and there is only maintenance driven capex that is required. You will not see a very meaningful capex getting added.

**Management:** So Kamlesh, one of the things is been that, you know, there's been a lot of machinery addition recently. For example, there's been a welding and automation system, FANUC robotics welding systems, seam welding machines, weld seamer, TIG welding power source, automated underwater leak test machine, blow balance electric ovens, automotive painting booth heated, electric airless sprayer, air-cooled rotary screw compressor, laser full combo 3D printer, hand pallet truck.

So there's a lot of investment that is going on as recent as, you know, this, you know, the last financial year. Some of this is yet to actually come in. We feel there is enough and good capex that has been installed with modern technology that, you know, in the near term we don't feel there's going to be any capex need unless there's a maintenance kind of requirement.

**Kamlesh Bagmar:** Okay. Got it, sir. Thanks a lot, sir. And best of luck, sir.

**Moderator:** Thank you. Our next question comes from the line of Ravtej from Columbus Capital. Please go ahead.

**Ravtej:** Hi sir. First of all, congratulations on the acquisition. It seems like a pretty good one. First question for Anil. Sir, you I mean I've gone through a bit of the export data here and it seems like Cummins is fairly large and I just want to understand are we supplying to their genset programs which are feeding into hyperscaler capex? So are we supplying it to the QSK95 genset which is getting deployed in a pretty big way in the US?

That's number one and number two; I also see that it's the same HS codes that Hobel supplies under that basically is used for nuclear equipment. So does this is this and this Hobel, does this get us into the reactor island as I mean I'm guessing that there's an expansion joint somewhere in the coolant systems which requires similar capabilities. So does this get us there? Do we have the NPCIL certification qualification for that or can Unimech supply to their own qualification? Thank you.

**Management:** So Ravitej, let me answer this question on behalf of Mr. Anil. I will say though what you have rightly read and understood that QSK95 platform is something which Hobel is supplying towards. So under the two OEMs that we have, that is one of the end requirement where bellows are being utilized to.

Parallely speaking about your read on HSN as well is correct. I had also run some parallel checks and we have also realized that it's a direct synergy. Though NPCIL is what we are working towards, we don't have a specific certification as of now. We'll have to work towards it but that will take some time and help us to collaborate and bring a larger assembly offering towards the nuclear reactor.

It will be I can put this as it will be an umbrella or a sphere of components that we can supply under the domestic nuclear reactor space. That is where I can lead you to for this moment. Parallely these are synergies that we have also looked into and we'll be aggressively working towards it.

**Ravtej:** No, I mean very specifically, right? I mean I'm getting that currently as you supply electromechanical subsystems, they're fairly I mean they're not really that relevant inside the reactor island, right? I mean they're not exactly class one nuclear components.

But does this sort of open the floodgates for that? Very, I mean expansion joints are necessary, right? I mean which connect the reactor vessel to the steam generators, right? And that's the exact product that Hobel is selling. So have you worked on that? Have you thought around that or I mean what's the thought process?

**Management:** Yes, as I mentioned, so there is a thought process around it. There are tubular assemblies that we want to and intent to supply to NPCIL but for that we will need certifications. In our previous interactions, we have been talking about certain subsystems or components that we have already pre-qualified with NPCIL under which these components do not fall.

We'll have to again run a fresh qualification with the NPCIL team and only then we'll be able to give a clear idea how this can happen. But obviously there's a demand what we have also realized and understood.

**Ravtej:** Understood. And this one quick one final take, right? I mean if Cummins is like so large in the overall revenue, like whatever it's 70% to 80% and, you know, Cummins itself is growing gangbusters because of the hyperscaler capex, the data center capex, I mean why are we still guiding for like 15 odd percent only? I mean when if it's a clear one-to-one growth trajectory?

**Management:** Though I do agree but I will not be very aggressive in answering this part. We will have to take a cautious stand though on the outset it looks like it's a very heavy demand industry as of now. But let us get into those nitty-gritties and then we'll be able to address this question very specifically in the future interactions.

**Ravtej:** Got it. Thank you. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Jai Chauhan from Trinetra Asset Managers. Please go ahead.

**Jai Chauhan:** Good afternoon and thank you for the opportunity. Most of the questions have been answered. I just have one question there. Could you help us understand like how the consideration is flowing to the sellers? Like I just wanted to understand what portion is upfront cash and on the 55 crores loan component, should we interpret this as a financing raised by the acquiring entity to fund the transaction or what exactly it is? And also, I wanted more clarity on the CCD structure, like what will be the, you know, conversion mechanism, timeline, any visibility on that?

**Management:** So talking about the deal, this has been an all-cash deal if you have read the structure well. It's both Unimech and Inomech has contributed. Unimech has taken up has built a subsidiary

company which has acquired the overall Hobel Bellows operating business. This 450 crores though we have retained some portion as part of our holdback which generally accrues in such transactions and we have followed a very similar structure.

To speak about the CCD structure, we had kept this open. It's, it's a convertible debenture with a, I will say we have kept the timelines pretty open as and when we see benefits accruing and we see an intent to convert this debentures to a favourable equity structure then we'll look to do that. But as of now in the near term I will say there is no such intent. Also parallelly the interest rate it's very I should say negligible. So that is nothing much of an issue.

**Jai Chauhan:** No, so for is there a specific timeline or, you know, do you have any sort of performance-linked conversion mechanism for the CCDs and will these, you know, the CCDs will it result in dilution at the listed entity level or within the subsidiary structure?

**Anil Kumar Puttan:** I think let me again highlight this. This acquisition is again, you know, the it's a cash deal. The CCD structure is between holding and subsidiary company mechanism, okay, where, you know, the holding has funded subsidiary company to acquire that, you know. But it is ultimate owner has got only full cash, okay, except 25, you know, 10% holdback, you know, which is for one year. But for all practical purpose, investors need to understand, you know, that this is a cash deal and the CCD structure or loan structure is between holding and subsidiary company that is for, you know, the transaction between, you know, parent and subsidiary but not to deal with, you know, the owner, the seller.

**Jai Chauhan:** Understood. Understood. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Prem Lunia from Astute Investment Management. Please go ahead.

**Prem Lunia:** Hello, sir. So just a few questions. I wanted to understand what is the split between bellows and manifold systems as of now? Out of the INR130 crores.

**Management:** So Prem, if you're seeking the data point of split between the two products, so I should say more than 75% is being contributed by bellows and rest comes from exhaust manifolds and other structural components.

**Prem Lunia:** And the profit and the EBITDA margins are similar in both the businesses? Both the products?

**Management:** Yes.

**Prem Lunia:** And also, I wanted to know the split of industries of the INR130 crore. Like loco, auto, what is the split if you could give me that?

**Management:** So fairly what I had earlier mentioned, there has been a diversified sourcing entities across the two large OEMs that we are we'll be serving. Having said that, there will be multiple applications or end uses that they will be deploying towards loco engines or towards the power generation systems where the bellow or the manifold applications will be used into.

**Prem Lunia:** Okay, so we might not have the industry level split of where the use case is.

- Management:** We can take this portion offline. As of now we don't have the data point to address.
- Prem Lunia:** And just a quick question. The previous owners had a similar business, D'ranflex or something of a similar name. Is that entity also merged in this entity or how is this going to function? Or will that entity remain operational?
- Management:** No, no. This there the owners only have this entity for now. I believe the erstwhile entity was being closed much long back and there is no such relation between the two.
- Prem Lunia:** Sure. Sure. Thank you so much.
- Moderator:** Thank you. Our next question comes from the line of Mitul Mehta from Lucky Investment Managers. Please go ahead.
- Mitul Mehta:** Yes, hi. Congratulations to the whole team on a very successful acquisition. Sir, I had two questions. One is, you know, the asset value that we have paid compared to the value on the books is much higher. So obviously the incremental value will stand as goodwill. Is that the right assumption on the books?
- Anil Kumar Puttan:** So okay. Coming on the acquisition, if you compare with assets, so assets wise, no, the fixed assets size, fixed asset size is very small because this is capability-led and asset-light kind of acquisition model I can say. So right now, okay, with ROCE point of view existing before acquisition, the ROCE the EBITDA to assets is very high, you know. But after the acquisition, I have to compare with another INR450 crores value and on the EBITDA.
- So which I am at present, you know, estimating as 25% level, you know, over the year, no, when the capacity utilization which is as of now at 50% to 60% and after, you know, robotic introduction and, you know, the capacity will be further utilized. So and thereafter my intention is to increase, no, the ROCE, you know, from 25% to much higher, a higher percentage.
- Mitul Mehta:** What kind of ROCE would you be sort of looking at for the current acquisition? And so I so will there be an amortization every year starting from FY '27?
- Anil Kumar Puttan:** No, there won't be any, any amortization. Nothing will be there, okay. So because this is, you know, investment in subsidiary company. Of course, you know, when consolidation level, you know, some kind of, you know, elimination will be there but, no, it, it will not come under, you know, amortization category.
- So but however, you know, in terms of pure ROCE calculation perspective, I would suggest like, you know, okay, so the profit or the EBITDA versus the INR450 crores investment, you know, is at present 25% and we will as of now feel confident of continuing the 25% it is not much higher, you know, from now to in three years' time. But to answer your question, there won't be any amortization issue.
- Mitul Mehta:** Okay. And sir, you know, you did explain how the TAM for the company increases with, with this acquisition? So particularly, you know, you also alluded to the fact that the market is

growing at 6% to 7% and the total size of the market is about INR2,500 crores. This is global or this also includes India? And if not, then is there a reasonable India market also or not?

**Management:** So firstly, it is not INR2,500 crores, it's \$2.6 billion.

**Mitul Mehta:** Oh, \$2.6 billion. Yes, because I heard you saying 2.6 billion.

**Management:** Yes, yes. \$2.6 billion. And this is global. Considering Hobel is basically over, close to 90% export based, this is largely a global growth which Hobel is going to participate in.

**Mitul Mehta:** Okay. And any large player in this particular product, you know, that you can sort of help us to understand who has been growing and what is the current scale and size? And typically in this product, the margins are sort of 50% or this is because of the India cost and engineering capabilities?

**Management:** See, margins are only a factor of where the end use of the product is. That is something we'll have to be careful. Bellows is not only used in locomotive engines or power generation systems; there are other usage also. So if you take for example of automotive as a segment, obviously there will be not such margins available.

But considering there has been high entry barriers and due to the long qualification cycles that Hobel has endured over its operating journey, they have achieved such strong pricing power. And rather than cost, it is more of a factor of a design and the proprietary quality systems that they have set across their organization that is helping them sustain such high margins.

**Management:** So there is a lot of proprietary drawings that Hobel owns that kind of forms the, you know, these products. And if you look at it, 70% of the products that Hobel basically manufactures are all single sources. That means there is no other supplier other than Hobel. So this is kind of the reason of the thing. And then the previous competitors were like what you said, European and, you know, American and those got displaced with Hobel entering the scene with a better proposition.

**Mitul Mehta:** So, you know, sir, when you say single source, which means that the target market for our products would not be \$2.5 billion or \$2.6 billion, right?

**Management:** The \$2.6 billion is basically the Hobel Bellows and the tubing market that we spoke about. The it's a metallic bellow market. So we are a very, very small very small subsystem of that market.

**Mitul Mehta:** A very small sub. So we can complete the entire portfolio as we move ahead?

**Management:** Yes Mitul. So your idea is right. Currently there is only a component level offering right now. The plan for us to grow is also bring in some more sub-assemblies. There are near-term opportunities that we have already identified like of ducts and mufflers to just to name a few. But eventually as we continue in this journey, there will be more opportunities that we can look and deliver.

**Mitul Mehta:** Sir, my last question if you allow me. At what utilization would you think of putting a new capex in in this company?

**Management:** Currently see the utilization is roughly ranging between 50% to 60%. And with the advent of these automations and the advanced robotic technologies coming in place, it is much lesser than that if you look at an actual usage. The intent will be to grow up to 85%-90% and only then redeploy some capex and then grow.

But as we have realized, there is enough number of space. You would have also understood that there's a 200,000 square foot facility which is a very modernized one and there are scopes to improve, enhance and also enable advanced automation systems that will continue to see the light. But to answer in short, yes, close to around 80% to 90% of the utilization levels being achieved, we'll then look to deploy some capex.

**Mitul Mehta:** And those deployments are not very large? They would still be like INR20 crores, INR30 crores or then?

**Management:** As of now the understanding is right but as we advance into the journey, there will be higher packages of works also that we'll be able to address. And it will be difficult to guess at this point in time what will be the capex, I should say four or five years down the line. I will just want to add one more thing. As we continue to interact and update the street, we will be telling you what type of capex that will be deployed in this business.

**Mitul Mehta:** Okay, great. Thank you very much and wish you all the best.

**Management:** Thank you Mitul.

**Moderator:** Thank you. Our next question comes from the line of Sagar Dhawan from ValueQuest. Please go ahead.

**Sagar Dhawan:** Hi, thanks for taking my question. Earlier you said that AS9100 certification is what is the one of the first steps towards getting into aerospace bellows? So just wanted to understand what is the timeline that you're pitching around getting this AS9100 certification and second part of the question is on the capex, would you need additional capex for securing this certification?

**Management:** To answer your second question first, there will be no requirement of additional capex to secure any such certification. But the certification timelines will be a natural one whatever is the -- whatever will be required in due course we'll need that certification timeline to come through.

**Sagar Dhawan:** Understood. Yes. And second question was on your wallet share. So with Cummins because it's a large customer, what could be -- what could be Hobel's wallet share within Cummins in the product categories that you're currently active in?

**Management:** I should say they are a very large OEM with a very diversified global market which they are addressing. Hobel right now is a very small contributor to their wallet share. I cannot quantify the numbers right now but it is a small proportion.

**Sagar Dhawan:** Understood. And one last question is on the growth guidance that you gave it for 15% to 17% in the near term for Hobel. So is it largely based on growth via existing customer base or is it via largely via the new customers that you're adding and if it is the latter then could you give

some color on what kind of customers are being added, what is the growth potential there and what end use it is basically going towards?

**Management:** Sagar, so it's largely the current capabilities what Hobel has and this is what will drive the growth and with the current customers also. We have not yet factored in any new customers figuring into this with Unimech acquiring this business. Right now enough opportunities is what we understand lies with the existing set of customers itself.

**Sagar Dhawan:** Understood. Thanks for taking my question.

**Management:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Ajinkya Jadhav from Kriis Portfolio. Please go ahead.

**Ajinkya Jadhav:** Yes, thanks Manish for the opportunity and congratulations to the management for the good set of this acquisition. My question is regarding like this Hobel's products, can they find application directly into the aerospace sector?

**Management:** Yes, from engine tubing and several kind of tubing, these same capabilities could actually be used. We see even in, airplanes piping, chemical process. So it's basically exhaust systems, fuel lines in a high temperature are some of the applications in the aerospace. In addition, potentially we're looking at nuclear, semiconductor which also uses these piping Hobel's that are going to be used. In addition you have piping and chemical processing companies as well as medical.

**Ajinkya Jadhav:** Got it. And particularly regarding this aerospace part, so let's say, like you said you have you are having discussion with the clients and for this capabilities that we will be acquiring through this company that is metal forming and tube bending. So these operations will be conducted in the Hobel's facility? Like let's say A and B process is being conducted at Unimech's facility then product is being sent for these two processes at Hobel and then the product is coming back? How this will go ahead?

**Management:** All metal forming, bending, tube bending, sheet metal will actually be carried out at the Hobel facility, because it is the skill is quite artisanal and very, very high skill and we expect to basically grow there rather than, segmenting that out into multiple facilities.

**Ajinkya Jadhav:** So by absorbing the skill like we will like Unimech can't learn those skills on its own and then put capex in its own plant for metal forming?

**Management:** To what end?

**Ajinkya Jadhav:** Yes, like to carry out these processes at our facility to you can say reduce the logistics cost or to reduce the timeline?

**Management:** I think between logistics cost and having a concentrated talent and the infrastructure, I think, we're going with B, which is talent infrastructure.

- Ajinkya Jadhav:** Okay. And the 10% revenue for the Hobel is coming from the domestic and you rightly pointed out the products also find application in nuclear and semiconductor and India is seeing a lot of traction in those segments. So will we be like keen on the domestic market as well for Hobel?
- Management:** So yes, nuclear is definitely a big market. When I did attribute, point to allude to semiconductor, it was still on the global side that I was talking about and there is a market on the semiconductor as well. So obviously just at a high-level synergy standpoint from a growth perspective, the plan is to start with Hobel existing customers, expand the wallet share.
- Second one is there are some green shoots that has, that Hobel has able to actually attract, build the business there. Then parallely also get Unimech's existing industries to participate in this and there's already been customer reach outs on this acquisition and how we can actually work with.
- Ajinkya Jadhav:** Understood. And the last question from me is like the NPCIL certification that you are talking about is for Hobel, right? And like how much time it will take?
- Management:** Yes, about a year's time.
- Ajinkya Jadhav:** About?
- Management:** About a year.
- Ajinkya Jadhav:** Okay. Yes.
- Moderator:** Thank you. Our next question comes from the line of Shreya Ruia from ZTO Capital. Please go ahead.
- Shreya Ruia:** Hello, thank you for the opportunity and many congratulations on the acquisition. I just had a question that if you say that we are currently operating on 50% to 60% utilization but then on the other side we also see a lot of demand and the product is niche plus the high-end users are also like growing very fast. So why is the utilization so low right now? Like what can be the peak revenue if we operate on full capacity?
- Management:** Shreya, though the intent is to double from here on, but we will see how the progression grows. Historically the business has grown anywhere between a 10%-15% and we are also trying to push this annual growth percentage relatively upwards.
- Moving ahead with the existing set of customers and the capabilities, we'll see -- we can see that this growth is capable to be brought in. But there are parallel synergies with Unimech's existing set of customers that we are speaking to about these capabilities and the offerings and with that there can be an upside also available.
- Shreya Ruia:** Right. But like just wanted to know from this acquisition standalone point of view that why is it still over that limit like 50%? If you could just highlight it?
- Management:** See, this has been into a mission-critical niche sort of a business where the components like bellows or the exhaust manifolds has been deployed. Had they sacrificed some margins across

and entered into automotive as a segment, that could have given them a much upside into the utilization ratio but again would have compressed the margins.

That was the previous owner's call that they never wanted to enter such segments sacrificing margins. And this is how the business has flourished. Once Unimech has taken over this opportunity, we'll look into other areas also, but even our intent is to not to sacrifice margins at the cost of growth. We will continue to see growth happening in the business but also want to sustain the margins that is present.

**Shreya Ruia:**

Right. That makes sense. And also if it wouldn't have been this acquisition then what amount of capex we would have, you know, had to incur if we had to get the similar capability?

**Manish Valecha:**

Yes, it's a good question. So, for the interest of every investors, I would like to say one thing. In fact, as a strategy, Unimech beginning of the year last year, investment in this capability, investment in this capex, no, metal forming, tube bending and sheet metal, these kind of special area where Unimech is not there, we have actually planned a capex and this is close to INR100 crores we initially we planned to have this capability.

Of course, no, to invest and then prove this and to onboard the capable people, it would have taken 18 months or 24 months. And luckily, when we found this Hobel Bellows, no, having all these capabilities, no, it was a kind of for us to take easy decision and then just we thought like we will acquire this. So that's why back to like somebody also asked like whether these capabilities are going to be used for aerospace and nuclear. Yes, exactly this is the intention we also planned the capex.

And luckily, the acquisition also happened. While acquisition is giving its own customers and revenue. And at the same time, Unimech's original intent of, like using this capability or new capability for aerospace as well as nuclear will continue to do in a in a medium term.

**Management:**

Another aspect I want to add here is rather than cost, the lens that we use is the time it takes to basically build a skill of tubing. If you look at globally, this is a very, very, very niche skill. There are very handful of suppliers across the globe who have this skill. And when we saw this skill available and that too with a very, very high technology, we basically grabbed the opportunity and jumped in.

And obviously this is also coming in with a high margin, there's already customers that were already acquired. So this was a very, very natural choice for us as rather than building it and then waiting for customers to come and not knowing whether how that'll basically play out.

**Shreya Ruia:**

Right, right. That's very nice. And also is there any like payback period which you guys are looking at? Like when can we recover the capex money in the company for the acquisition?

**Manish Valecha:**

Yes. See payback wise like, it takes more than 8 to 10 years kind of thing. But again, it depend on two factors. How fast the revenue growth and EBITDA growth happens, then it changes. But naturally, yes, 8 to 10 years is a kind of an initial calculations we made. Yes, but things will change, but as of now we are conservative in declaring what it's going to be.

- Shreya Ruia:** Right, right. Thank you. That's it from my side. Thanks and all the very best.
- Moderator:** Thank you. Our next question comes from the line of Krishna Kansara from Molecule Venture. Please go ahead.
- Krishna Kansara:** Yes, thanks for giving me this opportunity. So majority of the business synergy side questions has been asked by previous participants. So I won't repeat those. I have three quick questions. If you can highlight the current order book of the company and what is the kind of execution cycle that we are looking at for this company?
- Management:** So Krishna, so the current order book as we have seen is for the next 6 months there's an outstanding order book for INR65 crores plus is what we have understood. But however, these OEMs again gives out schedules for one full year and also indicate for the next year what is the platform and where the components will be used for. To understand numbers, this is INR65 crores to be done within the first 6 months. But overall, there is a strong growth opportunity available with the intent that being given by the customers.
- Krishna Kansara:** Okay. And for how many years does the customer give, let's say, the softer orders? Like not the order book, but let's say the intent of orders?
- Management:** So the first -- so annually there's a schedule been discussed with the customers and that is being up been mentioned to the -- to Hobel. But the usage or the growth in the platform if you want to understand, any such engines that you see are being used for over a period of 15 to 20 years. And there is a repeat market of the bellows or the manifolds that is getting used into these systems which is very frequently used considering the high temperature and pressure abrasions that the components or the manifolds has to keep addressing.
- With that being said, there is a frequent demand which we can say that it can be correlated for over a annual growth case. And hence, next 20 to 30 years till the time what we have seen high power engines and these capex driven AI data centers are being used -- in operation, there will be a continued demand of the application. Parallely also as the emission norms get stricter, there will be a high-end usage of these metal bellows application along with the manifolds. This will ensure criticality of the processes also.
- Krishna Kansara:** Okay. Understood. Understood, sir. And sir, next you mentioned that the current capacity utilization of the company is around 50% to 60%. If you can help me understand what is the current installed capacity in terms of units or hours or...?
- Management:** We can take that question offline Krishna.
- Krishna Kansara:** Sure. I will do that. And lastly you said that 50% is the EBITDA margin. So can you throw some light on the gross margins?
- Management:** So gross margins are, yes, it's slightly lesser than 70%.
- Krishna Kansara:** Understood. Thank you so much.

- Moderator:** Thank you. Our next question comes from the line of CA Garvit Goyal from Serene Alpha. Please go ahead.
- Garvit Goyal:** Hi. Thanks for the follow-up. Just wanted to understand one thing. Means the way this transaction is getting funded and the loan and the CCD part of it, can you let us know what is the interest rate is going to be charged? What is the interest rate for CCD?
- Management:** So I'll tell you these are all internal. The structure that has been done is between the subsidiary and the holding company. Towards the sellers, nothing is going out. It has always been a cash deal and it will continue to be that way.
- Garvit Goyal:** Okay. So you are saying ultimately it will be a cash deal only?
- Management:** Yes, it is it is already a cash deal with a 10% holdback that we have confirmed with the sellers. Beyond that, everything else is our internal structuring that we have done.
- Garvit Goyal:** Understood. Understood. And how are we going to fund this cash? Like from our investment side or the cash sitting on the balance sheet?
- Management:** So yes, it was used from the internal funds that was in the Unimech's balance sheet. There are no further borrowings that we are planning to do.
- Garvit Goyal:** Got it, sir. Got it. Thank you very much for the clarification.
- Moderator:** Thank you so much. Ladies and gentlemen, that was the last question for today. With that, we conclude today's conference. Ladies and gentlemen, on behalf of Unimech Aerospace and Manufacturing Limited, that conclude this conference. Thank you for joining us and you may now disconnect your lines.