

February 04, 2026

To,

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051
NSE Scrip Symbol: AEQUS

BSE Limited

20th Floor, P.J. Towers,
Dalal Street,
Mumbai - 400001.
BSE Scrip Code: 544634

Subject: Transcript of Earnings Conference Call pertaining to the Unaudited Financial Results of the Company for the third quarter and nine months of the Financial Year 2025-26, ended December 31, 2025

Ref.: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/ Ma'am,

With reference to the captioned subject and pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith is the transcript of the audio recording of the Earnings Conference Call held on January 29, 2026 on the Unaudited Financial Results (consolidated and standalone) of the Company for the third quarter and nine months of the Financial Year 2025-26, ended December 31, 2025.

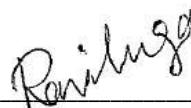
The above-mentioned transcript will also be uploaded on the Company's website at <https://www.aequus.com/investor/>

Kindly take the same on record.

Thanking You,

For Aequus Limited

(Formerly known as Aequus Private Limited)



Ravi Hugar

Company Secretary and Compliance Officer

Membership Number: A20823

Encl.: as above

Aequus Limited (formerly known as Aequus Private Limited)

Corporate Identity Number: L80302KA2000PLC026760

Registered Office: Aequus Tower, No. 55, Whitefield Main Road, Mahadevapura Post, Bengaluru - 560048, Karnataka, India

T: + 91 080 61348000

Corporate Office: Aequus SEZ, No. 437/A, Hattargi Village, Hukkeri Taluk, Belagavi – 591243, Karnataka, India

T: +91 0831 4222500

www.aequus.com

Aequus Limited

Q3 FY26 Earnings Conference Call

Event Date/Time: 29/01/2026, 18:00 Hours
Event Duration: 1 Hour 3 minutes 57 seconds

CORPORATE PARTICIPANTS:

Mr. Aravind Melligeri
Executive Chairman & CEO

Mr. Rajeev Kaul
Co-Founder and Managing Director

Mr. Dinesh Iyer
Chief Financial Officer

Mr. Harish Bang
Vice President, Finance & Accounts

Q&A PARTICIPANTS:

1. **Bhavika Singhvi** : Niveshaay
2. **Renuka Baid** : IIFL Capital
3. **Nemiah Sundar** : Elara Capital
4. **Dev Thacker** : Ithought PMS
5. **Shashi Kant** : Brighter Mind Equity Advisors
6. **Sharan P** : Unifi Capital Pvt Ltd
7. **Jai Chauhan** : Trinetra Asset Managers
8. **Sahil Sangari** : Private Family Office
9. **Ashok Kumar** : Individual Investor
10. **Aashish Upganlawar** : InvesQ PMS
11. **Rachna P** : Individual Investor

Moderator

Good evening, ladies and gentlemen. I'm Karthikeyan, moderator for the conference call. Welcome to Q3 FY26 Earnings Conference Call for Aequus limited. As a reminder, all participants will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note, this conference is recorded.

I would now like to hand over the floor to Mr. Diwakar Pingle from EY. Thank you and over to you, sir.

Diwakar Pingle

Thank you very much, Kartik. Good evening, good morning to all participants on the call, depending on the geographies you've logged in from. We welcome you to the Q3 and nine-month FY26 Earnings Call, the first earnings call for Aequus Limited post the listing. Before we proceed this call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown, uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause future result, performance or achievement to differ significantly from what is expressed or implied in such forward-looking statements.

Please note that the results are available on the exchange. In case you have not received the same, please write to us and we will be happy to send the same over to you. To take us through the results and answer your questions today, we have the management of Aequus Limited, represented by Mr. Aravind Melligeri, Executive Chairman and CEO; Rajeev Kaul, Managing Director; Dinesh Iyer, Chief Financial Officer, and Harish Bang, Vice President, Finance.

We will start the call with a brief overview of the previous quarter, and then conduct the Q & A session. With that said, I'll now hand over the call to Aravind. Over to you, Aravind.

Aravind Melligeri

Thank you, Diwakar. Good evening, everyone. Thank you for joining this call, the first one after we became a public company. This is an important moment in our journey. The strong reception to our IPO, which was subscribed more than 100 times, reinforces the trust placed in us by our customers, partners and now our shareholders. This also reflects the confidence placed in us by our investors and the dedication of thousands of colleagues across manufacturing clusters in Belagavi, Hubballi, Koppal in India and units in France and U.S.

As you may know, Aequus began its operations in 2006-2007 as part of QUEST Global with ambition of building a resilient, scalable institution for the long term. Early customer insights showed that aerospace success would require a fully integrated manufacturing ecosystem. This led us to our first facility in Belagavi in 2009-2010. That milestone marked the start of a multi decadal journey to build a world class manufacturing ecosystem in India for the world. The focus was also on maximizing in-country value add.

We originally started with about 20% in-country value add. Today, we have evolved into a 100% in-country value add for select parts like aircraft wheels for the commercial aerospace industry. Today, Aequus is the only precision component manufacturer operating within a single special economic zone in India to offer fully vertically integrated manufacturing capabilities in the aerospace segment.

This sets us apart from other manufacturers with selective manufacturing capabilities amongst the suppliers across the world. This unique approach gained global acclaim in 2016 when Airbus conferred Aequus an innovation award in recognition of the unique ecosystem that we have built here in Belagavi. Subsequently, our scale, capabilities, and compliance driven approach in aerospace segment has enabled us to venture into consumer industry with a unique value proposition through manufacturing ecosystems. We strongly believe in partnerships and treating people equally. This led us to rebrand as Aequus in 2014, reflecting our view that all stakeholders are partners in growth.

Aequus in Latin means equal. This philosophy is embedded in our values of transparency, trust, and respect and is institutionalized as the DNA of Aequus. Quite naturally, we have leveraged global partnerships to enhance these ecosystems through joint ventures to gain deep process capabilities. We have partnered with Magellan Aerospace of Canada for surface treatment, with Aubert & Duval of France for forging. More recently, we have partnered with Accel India and Vagus Defense to enter the design and manufacturing of unmanned aerial vehicles, primarily for India defense requirements.

In consumer segment, we partnered with Brazilian multinational Tramontina to tap the global cookware market. We have thus emerged as one of the India's largest end-to-end aerospace suppliers to OEMs and Tier 1s such as Airbus, Boeing, Collins, Safran, SAAB, Honeywell, to name a few. In the consumer verticals, we apply the same engineering discipline to produce precision components for consumer electronics, toys and cookware for global leaders. Many of our relationships with top OEMs in the aerospace segment and clients in the consumer industry span over a decade. This is a validation of a trust that we have built as a reliable partner with scale to meet their growing demands.

Speaking of the industry scenario, aerospace and consumer segment have addressable market at over USD \$447 billion and USD \$126 billion respectively by 2030. Speaking of the opportunity in the commercial aerospace market.

Moderator

Participants, kindly stay connected while we connect the management back on the call.

Aravind Melligeri

Yeah. Again, I think I will repeat this sentence in case somebody missed. Speaking of the commercial aerospace opportunity for the Indian supply chain companies. Currently, India is only 2% of the global supply chain and has about 5% of the global market share and in the future this is going to be 10% of the global market. And our goal, has been to grow India in line with the global market, with the opportunity India provides.

This dynamic offers the tailwinds for Indian manufacturing, including cost competitive, skilled engineering talent and rapidly maturing quality ecosystem to capture growing share of global aerospace sourcing, particularly as OEMs diversify supply chains to leverage India. Coming to this quarter's performance, it reflects the strength in our operations, which we will discuss in further detail during the call. The growth was driven by ramp up in the aerospace programs and scaling up in our consumer business.

Our aerospace segment continues to be profitable with a strong order book of USD \$814 million. In consumer electronics, the programs we won earlier are now industrialized. We are starting to see the revenues coming through. During the quarter, we received approval from MeitY for PLI incentives under the electronic component manufacturing scheme. Further, we brought on Mattel as a new customer, shipments started last quarter in Q3 and we started recognition of revenue.

As we step into the new phase as a listed company, our focus remains unchanged, to deepen capabilities, expand our integrated ecosystems to support our global customer programs from India. Thank you once again for your trust and support. I will now hand over to Rajeev Kaul, the Co-Founder and Managing Director, who will walk you through our operations and road map in greater detail.

Rajeev Kaul

Thank you, Aravind, and thank you everyone for joining us today. We are grateful for your time and interest in our company. As Aravind explained to you, we are a precision manufacturing company. We make complex, high-quality components for some of the world's biggest brands, which include almost every aerospace OEMs, Tier 1s and consumer companies, including a large consumer electronics brand. Our manufacturing presence is vertically integrated, meaning we manage the manufacturing process end to end.

It starts from forging, machining, molding, stamping, special process, various secondary processes, and assembly. Everything is done at our three integrated clusters in Belagavi, Hubballi, Koppal, supported by facilities in France and The U.S. This setup has kept us close to customers while at the same time capitalizing on India's position as a value-oriented supplier. Our integrated ecosystem gives a strong operating leverage, shared infrastructure across ecosystems and delivers faster cycles and better cost efficiency. We have built deep process expertise across forging, machining of titanium, high strength aluminum alloys, steel and super alloys, supported by NADCAP certified surface treatment that meet stringent aerospace standards.

These capabilities require years of investment and qualification, making them difficult to replicate and establishing a strong competitive moat for our business. In terms of manufacturing capability, we can handle large long-term aerospace programs as well as short-cycle consumer production at high efficiency. We currently operate around 3.96 million machining and molding hours annually, which is supported by our 424 CNC machine and 161 molding machines.

Now I would like to explain our two segments in detail, aerospace and consumer. In aerospace, we manufacture critical parts of aircraft for aerostructures, actuators, engines, landing gear and interiors with a comprehensive portfolio of 5,221 parts as of December 2025.

These programs are highly regulated and qualification cycles are long, but once approved they tend to stay with us for years, which gives us visibility and sustained growth. The aerospace industry is also difficult to enter, but has a large runway for entrenched players like Aequus. This vertical contributes around 86% of our revenues during the nine-month period of FY26. Global OEMs are increasingly rebalancing the supply chain and turning to India as a reliable manufacturing partner. And at Aequus, we are well positioned to benefit from the shift, offering a fully integrated globally certified ecosystem that delivers consistent quality and scalable capacity, supported by strong engineering talent, competitive cost structure and efficient SEZ operations, we have seen meaningful growth in sourcing from major OEMs, including Airbus and Boeing.

In consumer, we apply the same precision and discipline to make components and products for consumer electronics, toys and cookware. While this vertical contributed 14% of our revenue during the nine months, we are seeing rapid expansion of demand in this segment. At the end of the quarter, our aerospace order book stood at USD \$814 million. During the quarter, we also commenced deliveries to Mattel and the consumer electronics programs awarded earlier have been fully industrialized with revenues now begin to flow. Before I close, I would like to highlight one thing that truly defines Aequus- our people.

We have a strong team of 725 engineers out of total workforce strength of over 2968, that reflects a significant investment in our engineering capability. They are the reason we take a new product development to commercial production with speed and precision. We will continue to build on this strength. With that, I would like to thank you for your time and will hand over to Dinesh Iyer, our CFO, who will walk you through the financials and the key highlights for the quarter. Thank you.

Dinesh Iyer

Thank you, Rajeev. Good evening, everyone. I'll be taking you through the financial highlights for the quarter and the first nine months of FY26. For Q3, revenue from operations stood at INR 3,262 million, reflecting a strong 51% growth YoY, which is also the highest quarterly revenue for Aequus Limited, driven by continued growth in the aerospace and consumer verticals. We reported an EBITDA of INR 381 million, up 353% YoY. This translates to an EBITDA margin of 12%.

PAT for the quarter was at INR negative 426 million, but this includes both the impact of the labor code expense and IPO related expenses amounting to INR 167 million. Our adjusted PAT after removing these one-time items would have been a negative INR 259 million.

For nine months FY26, revenue stood at INR 8,633 million, up 28% YoY and once again led by strong momentum in the aerospace and consumer segments. Our EBITDA grew 85% from INR 662 million to INR 1,222 million, improving our EBITDA margin from 10% to 14% YoY.

We have also been able to reduce our PAT loss from INR 1,115 million in the nine months FY25 to INR 593 million, an improvement of 47% YoY. If we adjust for the one-time labor code expense and IPO related expenses, our adjusted PAT for the nine months would be loss of INR 426 million.

Coming to our JVs, if we include our proportionate share of the joint ventures that we have, total adjusted revenue for Q3 stood at INR 3,554 million, up 49% YoY, while EBITDA grew 228% to INR 449 million, resulting in an EBITDA margin of 13%.

For nine months, revenue including JVs would be INR 9,482 million and EBITDA INR 1,410 million, reflecting a 15% margin with growth in revenue of 29% and EBITDA growth of 75% respectively. Our aerospace joint ventures continue to deliver strong margins, reinforcing the integrated ecosystem that differentiates Aequus from forging and special processing to machining and assembly.

In Q3, the aerospace business contributed INR 2,685 million, translating to 82% of consolidated revenue. Aerospace revenue grew 38% with segment EBITDA at INR 633 million, which was up 163% YoY. For nine months, the aerospace revenue was INR 7,424 million, which has increased, showed an increase of 26% and segment EBITDA was INR 1,803 million, which reflected a 62% YoY growth.

The consumer vertical reported revenues of INR 577 million in Q3, up 157% YoY. While our EBITDA loss in this segment widened from INR 95 million to INR 159 million, this is primarily due to us being in a scale up phase. As our utilization improves with scale, we expect operating leverage to improve our profitability. For nine months, the consumer segment revenue increased to INR 1,209 million, showing a 39% increase and segment EBITDA fell to INR 310 million (Incorrectly quoted as 159 million on the call), which was a 9% fall YoY.

Turning to our balance sheet, total assets stood at around INR 30.5 billion in December 2025 versus INR 18.6 billion in March 2025, reflecting IPO proceeds, investment in CapEx for consumer segment and increase in working capital in line with business growth.

Coming to the key ratios, our balance sheet metrics continue to improve.

Net debt to equity reduced sharply to 0.1X as of nine months FY26, reflecting deleveraging following the IPO and improved capital structure. Due to significant capacity additions in consumer segment, fixed asset turnover moderated during the period to 0.84X from 1.3X. Excluding the capacity addition in consumer segment, which is starting to deliver revenues, the ratio would have been 2.14X. The ongoing ramp up across consumer programs is expected to improve utilization. Net working capital days stood at 120 days of sales as of nine months FY26, broadly in line and showing a slight improvement over FY25, which was 132 days on sales, reflecting the long cycle nature of aerospace programs and inventory build to support growth.

Aerospace segment ROCE was 18.5% for nine-month FY26, reflecting a good improvement over FY25, which was 14.3%. This was driven by the operating leverage. Consumer segment being in a ramp up phase with investments front ended shows negative ROCE, which is expected to turn positive as utilization increases. To summarize, top line growth remains strong, margins are improving driven by operating leverage and our balance sheet is well capitalized to support growth. Aerospace being our mature business segment continues to anchor profitability, while the consumer segment will move towards profitability with increased capacity utilization.

Our priorities remain clear. First, continue to grow aerospace segment profitably; second, drive utilization in consumer segment on the back of customer additions; and third, continue to look for opportunities in aerospace related to defense. With that, we will now open the floor for questions. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on the telephone keypad and wait for your turn to ask the question. If you would like to withdraw a request you may do so by pressing * and 1 again. Ladies and gentlemen, to ask a question please press * and 1 on the telephone keypad. Wait for a moment while the question queue assembles.

We have the first question from the line of Bhavika Singhvi from Niveshaay. Please go ahead with your question, ma'am.

Bhavika Singhvi

Yeah. Firstly, many congratulations on the IPO debut and for the good set of numbers. So, basically, I have few questions, one around your business. As an aerospace company, I just want to know the managements' view, on why they entered the consumer segment, especially plastics and going forward, what's their view on the same? And the second question I have regarding the results. The consumer segment margins of Q3 have been impacted. So, I want to know the reason behind it, even though you are doing well on the electronic side, so why did the margin get impacted in Q3?

Aravind Melligeri

Back in 2016-2017 is when we expanded into consumer from aerospace. The thesis at that time was our capability -- if you really look at precision manufacturing and also the requirement on what is needed for the toys industry was pretty similar with respect to compliance and regulations. In a sense if you look at it, compliance, regulation and safety aspects were similar. And global customers who came to India were looking for a manufacturer with the background of aerospace, automotive, that kind of thing.

And we saw the opportunity to enter this vertical and scale without compromising any on investment possibilities in the aerospace side. And apart from leveraging the high precision capability, which is required for molds and manufacturing and also our assembly, this was an opportunity to scale. It's a fairly large market, it's a USD \$80 billion global market for toys and there were no players in India at that point in time significantly contributing and we decided to enter that market.

Later, we decided to expand this into consumer electronics, where the opportunity is much larger. So, as a product portfolio, if you look at it from a capability perspective, we have always been driven on the capability in the manufacturing or machining, we have stamping and plastic injection molding, and in consumer electronics, we are doing stamping, precision machining, and injection molding. So, there is a combination of these capabilities that also comes into the consumer-side business.

That's the reason we believe it's complementary for us to leverage capability of what we learned in aerospace and to apply for consumer. It's a much higher volume business and what has taken 15 years for us to grow in aerospace can happen within few years in the consumer business because of the way the product scales in this industry. And the second point is on consumer electronics. From a consumer electronics performance perspective, we have invested in this product over the last 24 months, and we have just started production.

Moderator

Participants, kindly stay connected while we connect the management back on the call.

Aravind Melligeri

Yeah. Majority of the capacity has come online. And now because of that, our EBITDA looks much worse than what it was in the previous quarter. And as our utilization is today only at 31% (Incorrectly quoted as 35% during the call) and as utilization will continue to improve on a quarterly basis, you will see the improving EBITDA numbers and profitability. We are working through this early investment phase and focusing on getting utilization up, which will correspondingly translate into improved profitability

Bhavika Singhvi

I have a follow-up question. So on aerospace, you are profitable, but because of the consumer segment, your aerospace margins are getting wiped off. So, is there any plan where you are thinking of doing something in future? Because I think on the plastic side, the consumer segment has been loss-making for a long time. So, is management planning to do something regarding the same? And, the second question is regarding the margins and your ecosystem, I just was a little confused that why your ecosystem advantage is not getting reflected on your margins? Being an aerospace company, you are making margins less than 20%. I just want to understand, how this ecosystem is helping you on aerospace side?

Dinesh Iyer

Maybe I'll just take that question and I'll just take the last part of that question. Again, if you see our segment results, if you see aerospace for the nine months reported, it's at 24% margins. So, the margins are healthy there. So that's the margin that you should reflect. In terms of consumer, again, I think what we just mentioned in the introduction is the manufacturing business requires investment upfront. So, if I take consumer electronics or toys, I think the investments have been made upfront. If you see YoY, we are showing a steady growth in revenues. And with the revenue growth, you will get the leverage and the margin should come back.

So, the focus is on two things. One, on consumer electronics, already we have the customer in place. The products are getting industrialized. The demand is there, so we should see revenue growth. And with revenue growth, you'll see a leveraging of whatever investments we have made in terms of CapEx and people that we have bought onboard. It's a similar situation for toys as well. We have the fixed assets in place. So, as the revenues grow, you will see leveraging and we should start getting into a good margin profile. I hope that addresses your question.

Bhavika Singhvi

Okay. Got it. Thank you so much.

Moderator

Thank you. We have the next question from the line of Renuka Baid from IIFL Capital. Please go ahead with your question.

Renuka Baid

Yeah. Hi and good evening, team. Congratulations for the results and IPO listing. My first question is on the aerospace business. Can you help us understand what are the timelines of execution of the order backlog that you have shared in terms of number of years? And also, if you can share with us the guidance for fiscal 26 and if any, you have for fiscal 27 for this point in time? That's the first question on aerospace.

On consumer part of the business, it would be helpful if you can help us understand how is the order book with the key customers on the consumer electronics part of the portfolio, which you recently added. What is the road map to scale the revenues in that segment? You did highlight that the segment earning profitability is contingent on the improvement in utilization level. So, this is the order book that we have in your view. By when are we expecting the business to breakeven and turn profitable? And what is the kind of CapEx requirement in this business that you're forecasting for the next 12-18 months?

Dinesh Iyer

Thank you. For the first question in terms of order book, again, as mentioned, the order book is USD \$814 million. We expect this to get delivered over the next five years. So, this order book is there upto about 2031. Obviously, we continue to bring new orders, so this is not a static number. But the number of USD \$814 million will be delivered between now and 2031 as the projects start scaling up.

Renuka Baid

So, we can consider this as the TCV value, right?

Dinesh Iyer

Yes. This is the TCV, total contract value. That's correct.

Renuka Baid

Sure. Thank you.

Dinesh Iyer

On the consumer electronics, again, in terms of order book, typically, the structure with the customer is that we build capacity based on demand that they project. So, typically, the way it works they have a certain demand. We work with them to build the capacity to start to fulfill that demand, which is why I said the demand is already there and where you'll start getting the ramp up in revenues. So, there is no order book as such, but the way they work with their contract manufacturers, they build the capacity to meet their demand.

Renuka Baid

So based on the indicative demand ramp up on target that you have from the customer. In your view, how should we look at the growth on volume scale up in this business and at what utilization levels, in your view, would the consumer business be turning profitable or breakeven and any timeline should we have for the same?

Dinesh Iyer

See, timelines, I think, I mean, we'll, we'll have to see as it goes. I think today we are seeing a growth in the quarter. What I can say is the capacity that we have built is already fully committed by the customer. Now it's the question of how our ramp meets that requirement. So, there's no issue of demand. It's only our ability to scale at a quicker pace that will meet the demand.

Renuka Baid

Yeah. And due to the ongoing memory chip price hike and availability shortages, have you seen any volume impact or probably since we're in the early phase of ramp up, we are broadly unaffected by some of these macros here?

Aravind Melligeri

Just to give you a little bit of a broader perspective on this, the products have been qualified in consumer electronics, both production and commercial shipment have started. The customers are happy with the way we are and in fact, they have asked us to increase our capacity. So, with that combination, you know, there's no issue with the market share perspective, volume perspective, because we are very small percentage of the overall market share of the customer. And so, we don't see that as an issue at this point in time.

Renuka Baid

And second question would be, given that India has now signed an FTA with EU and we also have we have a French unit there. So, in any way, do you think our portfolio tends to benefit on any import of certain components coming up for Europe, especially on the aerospace part of the business?

Aravind Melligeri

Aerospace did not have any kind of tariffs between EU and India. It has been Zero. And whereas consumer toys have certain tariffs, certain products have. Consumer electronics typically don't ship to Europe. And, obviously, since our contracts are always ex works or delivery duty unpaid. Customers typically bear the duties. And in that situation we become more competitive and the tariff, whatever the 4-5% in there, goes to 0 in those areas.

Renuka Baid

Correct. Got it. And lastly, to close, would you like to share any guidance on revenue margin for Fiscal 26 or anything in Fiscal 27 at this point in time?

Aravind Melligeri

No, Renuka. Not at this time.

Renuka Baid

Sure. Thank you, and best wishes to you.

Aravind Melligeri

Thank you.

Moderator

Thank you. We have the next question from the line of Nemish Sundar from Elara Capital. Please go ahead.

Nemish Sundar

Yes. Congrats on a very healthy set of numbers on growth. So just a few questions. So, on the order pipeline and on order book, you highlighted USD \$814 million is the current order book in aerospace. Just wanted to understand how would the ramp up in order book be, is there any order pipeline that we could work with for the next 1-2 years or the upcoming quarters or how would we go about that? Any indication?

Aravind Melligeri

Yeah, this is a constant process. Our sales team is upfront in customer engagements, and our account managers are continuously working with customers. The RFP pipeline continues to progress, and we convert some of these into contracts every quarter, which then get added to our order backlog. And that's what we'll communicate every quarterly basis, you know, what our current order book looks like. And so, you'll see that continuous update on quarterly basis. And it's a continuous process. Every quarter, it moves, depending on what is executed plus what is signed up.

Nemish Sundar

Okay. So, it could be in tandem with the current revenue growth and it would move along the same lines. Is that a fair assumption?

Aravind Melligeri

Yeah. I mean, these contracts are anywhere between 5-7 year when we sign new contracts. Some of the contracts signed long back would be ending and new contracts, renewals would have happened, all these combinations will come up. And, obviously, it's a measure of what would we deliver in next five years.

Nemish Sundar

Okay, sir. And, on the CapEx requirements, so what would be the CapEx that we could assume for this year end for aerospace and consumer if you would like to provide a split of the CapEx?

Dinesh Iyer

So this year, most of the CapEx is already done. There'll only be some more capitalization. So, the spend has happened. Some capitalization will happen in the consumer electronics. But otherwise, we should not see any new CapEx coming in. So, you'll see some higher numbers that are getting into capitalized in Q4. But otherwise, there are no significant investment in this year.

Nemish Sundar

Okay. And just my last question on the component manufacturing scheme approval that you have mentioned. So, I just wanted to know for what product or segment, if any particular segment, was this for?

Aravind Melligeri

This is for consumer electronics segment, mechanical enclosures.

Nemish Sundar

Okay. Thank you, sir.

Moderator

Thank you. Ladies and gentleman, if you have a question please press * and 1 on the telephone keypad. Next question from the line of Dev Thacker from Ithought PMS. Please go ahead.

Dev Thacker

Thank you, sir. Congratulations for the listing and thank you for the opportunity. So, what would be our wallet share in absolute terms per aircraft, maybe the narrow body ones? And going forward, what could be the growth in this, per aircraft?

Aravind Melligeri

Look, we are not currently disclosing the exact content for aircraft at this stage. Obviously, you know, I can qualitatively say that Airbus A321 has significant content on an overall revenue perspective for us, and the Airbus A320 family for us at Aequus. And, narrow body overall is generally the largest revenue share what we have today. And it continues to be because the volumes are largest in the industry.

Also growth is the highest in the single aisle market, which is predominantly Airbus A320 and 737. Both are growing in volume, so that will continue to have a larger share for us also and winning opportunity also for us. But having said that, we have enough content of long range, both on 350, 787, 777, 777X and that's the overall narrative I can provide.

Dev Thacker

Okay. Got it. Could you provide a mix of, like, what could be the onetime delivery part and what could be the repeat business parts of this?

Aravind Melligeri

We don't do any one-time delivery parts at all. What we do everything is under long-term contract.

Dev Thacker

No. As in, what could be for fresh aircrafts and what could be for the MRO business?

Aravind Melligeri

Aftermarket? We don't really pitch that because everything we deliver is under contract to the OEMs or tier one. And it's left to them, and we have no differential pricing at least out of India. We do a little bit, I would say our French facility, where we segregate between MRO, aftermarket and OEM. So, there we would have some content with differential pricing and so that's how it works.

Dev Thacker

Okay, sir. And on the consumer electronics side, is there any, change in capacity for enclosures, if I'm not wrong, we had 10,000 per day capacity. In most cases, we had 4,000 per day kind of capacity. Is there any change in that? As you said, capitalization is still yet to blend. So, what could be the final capacity for that?

Aravind Melligeri

We have no comment on that specific activity question.

Dev Thacker

Okay. Got it, sir. Thank you. All the best, sir.

Moderator

We have the next question from the line of Shashi Kant from Brighter Mind Equity Advisors. Please go ahead.

Shashi Kant

Thank you, sir, for giving me the opportunity. My first question is if you could please provide us with a client wise breakup of revenue. I mean, from Boeing, Airbus.

Aravind Melligeri

We don't provide that split.

Shashi Kant

Okay. Sir, the next question is recently we have observed many Indian groups are trying to build commercial aerospace manufacturing in India, so how are we seeing that opportunity?

Aravind Melligeri

Look, we will be happy to supply to anybody who does commercial aerospace or aircraft build. We have no issue with it. Ultimately, these are all approved by the OEM. All these designs are not done in India, these are existing designs getting built in India. So, if we are supplying that original design to the OEM, those same parts will end up coming here for supply, if they set up a facility here. So, it just translates.

Shashi Kant

And, how we are seeing the opportunity in the defense, the manufacturing in India?

Aravind Melligeri

Look, we have capacity to support anyone. In the defense side of it, we would like to be more of a system level contributor. That's why we announced a joint venture partnership with Accel and Vagus Defense to get into the UAV market design and manufacturing. We would like to play at a system level in that segment, in the India defense segment specifically. We do support the defense activities in France and U.S. locally also.

Shashi Kant

Okay. Thank you, sir. That's all from my side.

Moderator

Thank you. The next question from the line of Sharan P from Unifi Capital Private Limited. Please go ahead.

Sharan P

Yeah. So, my question is on the consumer side. On the consumer side, we have toys and electronics, right? And cookware, where we are now in a JV. So, my question is how much of the cost mix for this quarter, and over the nine months, would be from toys and from electronics?

And the second question is from a toys perspective. I heard you say that you are seeing increased opportunities and new customers for the toys business. How is that going? And how is Hasbro's business currently, as it had dipped last year, but we are now seeing that Hasbro is planning to shift again from China to India? So, how is the growth in the toys business?

And the third question is on the electronics business. I understand that once the ramp-up comes, we will start seeing profitability, but roughly how many months or how many quarters do you think it will take to achieve that ramp-up, if you can comment on that?

Aravind Melligeri

On the consumer side you're asking how much is toys versus consumer electronics? We don't give that split because predominantly it is an evolving segment for us. And today I can say that the consumer electronics is a small portion of the overall nine months and we believe it's going to accelerate much faster and it's going to be a significant portion of our consumer business as we go forward. And toys perspective customer basis, we have onboarded Mattel as a new customer, with long-term strategic agreements signed in and we believe, Hasbro is also growing and we'll continue to grow both of them. That's how we look at it. And we have existing capacity. We are not investing any new capacity in this vertical at this stage.

Sharan P

I get that. Okay. So, when will the revenue kick in.

Aravind Melligeri

We already started.

Sharan P

Oh, already started Okay.

Aravind Melligeri

Q3.

Sharan P

So when would we be breaking even in consumer segment? And when will we be achieving the revenue potential which we are aiming at in consumer segment, any rough estimate of how many quarters down the line?

Aravind Melligeri

We cannot give that exactly at this point in time because our utilizations are going up. Also at the same time, our customers are happy and asking us to increase our capacity. So, we have to bring these factors together to figure out how things will work out. And we will need some more time to get to the answer to that question on timelines.

Sharan P

Okay. So one last question on the aerospace segment, what would be our recurring CapEx? Because it's a growing capital-intensive business, I understand. So, what would be the recurring CapEx, which we would be incurring here in line with depreciation or whether it would be incremental?

Aravind Melligeri

The CapEx in aerospace, you're asking?

Sharan P

Yeah. Because of the capital intensive nature of business we will be recurring it continuously. Whether it will be in line with depreciation or there will be an incremental CapEx on top of depreciation?

Aravind Melligeri

I mean, it depends on the programs we sign up. You know, we have some headroom in the utilization today. And we are at 71% in India utilization (Incorrectly quoted as 70% on call). We will approximately work at around 75%. And the CapEx evaluation happens on a continuous basis because there are growth opportunities. The more parts we take and the more programs we take, at this stage it is a fairly good lock for us in the long term. We would like to take on as much as possible, and we have the ability to do so.

Sharan P

Okay. So, I understand 75% potential. So, what will be the potential for consumer.

Moderator

Mr. Sharan, I'm very sorry to interrupt you. Could you join back the queue, please?

Sharan P

Yeah, sure. Thank you.

Moderator

Thank you. Next question comes from the line of Jai Chauhan from Trinatra Asset Managers. Please go ahead.

Jai Chauhan

The first question is, what are the typical consumer segment gross margin for toys and electronics?

Dinesh Iyer

Sorry. We couldn't hear you properly. Can you repeat that, please?

Jai Chauhan

Sir, I asked what are typical consumer segment gross margins for toys and electronics?

Dinesh Iyer

So long term, once we reach an ideal utilization, our margins will be broadly in line with aerospace. So, you can model around that. Just to clarify that, if you see consumer electronics and aerospace, capabilities are very similar. Again, the processes are same. It's machining, surface treatment. All of that is similar. So, the margins also will be on similar lines.

Jai Chauhan

Understood, sir. And on the aerospace side, when you say major revenue is coming from Airbus, which product are we exactly supplying to Airbus?

Aravind Melligeri

More than 2,000-part numbers are delivered to Airbus, across various divisions of Airbus. Airbus UK, Airbus France, Airbus Germany. We deliver wing components, the fuselage and other various parts and we also deliver some indirectly through their tier ones like Safran. So, there is a combination of parts, with around 5,000 parts delivered to customers overall, of which over 2,000 are for Airbus.

Jai Chauhan

Understood. Because I think I saw that you are supplying doors to Airbus in your investor presentation and I have heard that Dynamic Industries have also won a huge order for all the doors. So, is it a different program and are you aware of this?

Aravind Melligeri

In fact, we also supply to Dynamic is also our customer. And we work on a different program.

Jai Chauhan

Got it. Understood. That's it from my side. Thank you.

Moderator

Thank you. The next question comes from the line of Sahil Sangari from Private Family Office. Please go ahead.

Sahil Sangari

Hi, sir. How are you? So I believe that Aequus is also a part of the Apple supply chain, the Apple system for watches and the MacBook. So where exactly are you placed right now in the whole agreement? And have you started supplying items to them? And is it permanent contract which you have with them?

Aravind Melligeri

Look, in the consumer electronics industry, pretty much we supply components. As mentioned earlier, we are a part of the ECMS scheme, which is recognized for the mechanical enclosures and that's a core area for us. It's a mechanical component we supply to the consumer electronics industry. That's all I can comment at this point in time.

Dinesh Iyer

And capacity that we have built is underwritten. So, in terms of demand, there's no concern.

Sahil Sangari

Got it, sir. Thank you.

Moderator

Thank you. Next, we have a follow-up question from Bhavika Singhvi from Niveshaay. Please go ahead.

Bhavika Singhvi

Yeah. Thank you so much for the opportunity. Basically, I want to understand the margin breakup, because in consumer, you have three different verticals, like consumer electronic, plastic, consumer durables. So, can you give the bifurcation of the approx margin, like how much the particular segment is contributing? And the other question is on aerospace, because we know that in aerospace, even though you have like 5,000 plus SKUs, I just want to know if Aequus hold any sole supplier status for some of the components? If you could provide like guidance on that?

Dinesh Iyer

The first question, again, like we said, as a consumer overall on a segment basis, you should see at a steady state with ideal capacity margins similar to aerospace, which is about 18-20% EBITDA margin. So that's what you should look for. In terms of the single source, I'll just hand over to Rajeev to address that question.

Rajeev Kaul

With respect to the single source, we are over 90% on the parts what mentioned -- number of parts we mentioned for aerospace.

Bhavika Singhvi

Okay. And I just want to know, because you supply to Tier-2 and Tier-3 suppliers, as well as Tier-1 suppliers, can you provide a bifurcation or breakup of the same? How much comes from Tier-1 suppliers versus Tier-2 and Tier-3 suppliers?

Rajeev Kaul

See, we don't provide that bifurcation. But generally, if you look at it, it is only Airbus and Boeing, whatever we supply ultimately goes to these two customers. Whether we deliver through Tier-1 or Tier-2 suppliers, at the end of the day, it goes to these two.

Bhavika Singhvi

Thank you.

Moderator

Thank you. Ladies and gentleman, if you have a question, please press * and 1 on the telephone keypad. If repeat. Ladies and gentleman, if you have a question, please press * and 1 on the telephone keypad. The next question comes from the line of Ashok Kumar, an individual investor. Please go ahead.

Ashok Kumar

Hi. Congratulations on a great set of numbers. I have two questions actually. First one is basically during the pre-IPO interviews or the interactions by the management in the public, actually management was guiding for the overall PAT positive will be achieved by the end of FY27, if I'm not wrong. So, are we still on track to achieve that guidance?

Aravind Melligeri

I mean, look, our overall PAT being positive will be driven by the maturity of the consumer electronics business. And there are some dynamics which are coming in, especially with the customer being happy and asking us to increase the capacity, we need to make that call and evaluate how does that play out into our profitability timeline? That's the reason we earlier said, we need some more time to make that call on the timeline of consumer electronics profitability.

Whereas aerospace continues to improve profitability. Even without consumer electronics, aerospace growth will help overall consolidated profitability, as aerospace continues to grow and losses will start coming down. So, we cannot comment on it at this stage.

Ashok Kumar

Yeah. Understood. So just a follow-up on that. I understand that you are looking for more time to give guidance or clarity because of the positive surprise we are seeing from customers. The only thing is that we need to recalibrate and then re-evaluate the timeline to achieve that. But this is on the positive side, not on the other side, if I understand correctly?

Aravind Melligeri

Yeah. I mean, things are going well. So, obviously, customers are asking us to look at more capacity, and that has an impact on the timeline because of CapEx, depreciation, and capacity addition.

Ashok Kumar

Okay. Got it. Though we are getting new customer capacity addition request, it may drag the timeline a bit because of the capacity addition and respective depreciation charges, so on.

Aravind Melligeri

Yeah. It is a choice for us, on what path we want to take.

Ashok Kumar

Okay. Can we can we expect this clarity in the next conference call by any chance?

Aravind Melligeri

I can't because that is another element of utilization also, which we are to factor in. Utilization is growing continuously. And we saw last quarter the utilization has grown and we'll continue to work together to figure out what it means.

Ashok Kumar

Okay, sir. Thank you very much. That's all I have. And once again, congrats on the great set of numbers on the growth path.

Aravind Melligeri

Thank you.

Moderator

Thank you. Next question comes from the line of Aashish Upganlawar from InvesQ PMS. Please go ahead with your question.

Aashish Upganlawar

Yes. Thank you for this call. Sir, this is preliminary for me to understand, so my questions would be elementary here. Just wanted to understand what kind of scale of business that we are targeting maybe three years out because one of our divisions, consumer division is in a scale up phase and the other business is in a growth phase. So where do we plan to reach maybe three years out? And as you said, the margins on an optimal utilization basis might be around 18-20% that one would target. So how far is that, if these two questions can be answered, please?

Aravind Melligeri

What I can say is our goal is to balance the consumer and aerospace business in a long run. And we want to get there as fast as possible because that's an opportunity we have. That means we are to scale consumer side faster. It'll happen because that's how the nature of the business is. And obviously the margins we are guiding is that consumer and aerospace will have similar margin profiles at a scale. And that's the two points which I want to make. I hope that answers your question.

Aashish Upganlawar

So, sir, just to put that in numbers, I think we've done something like INR 800 odd crores in the first nine months. So, we are on a run rate probably of INR 1200 crores on the sales, right? So where do we see, I mean, three years out? On a conservative basis, say 25% is the right CAGR to assume for your company or is it likely to be higher? Some direction on that would be helpful to us to understand.

Aravind Melligeri

You know, at this stage we see that we have opportunity to grow north of 20% in our aerospace business, and what we are seeing is what we are guiding. And obviously, consumer can be much faster than that, you know.

Aashish Upganlawar

Got it. So would love to meet you and understand the business in greater detail. This call is good to have a basic understanding but would look forward to meeting you guys sometime.

Aravind Melligeri

Yeah. Please reach out to our investor relations team

Aashish Upganlawar

Thank you so much.

Moderator

Thank you. The next question from the line of Rachna P and is an individual investor. Please go ahead with your question.

Rachna P

Yeah. Hi. Congratulations, sir, on a good set of numbers. My first question is on your EBITDA margin profile on your aerospace segment. So, from what I understand is that you are a tier one supplier to OEMs. So, I would expect that the EBITDA margin you would have some sort of a pricing power, like, that's how we understand the industry. But compared to a few other players in this industry we see your margin profile at around 20-24%. So, is that something which is going to improve going forward or is this the base that we should assume going forward?

Dinesh Iyer

For the nine months, our margins have been 24% and we continue to see the margin range in 20% plus range. I think important thing while we will not comment on other companies, I think important thing to see is the scale at which we are operating, which is significantly larger as compared to the competitors you're referring to. So, we are comfortable at this level and also you have to remember, we have an ecosystem which has multiple capabilities. So, all of those call for investment, but the advantage is that gives us a deeper sort of insight into the customer.

So, our global presence is also a cost structure, but that gives us better traction with the customer. So those are the differentiators. If you see the ecosystem and global presence, gives us an advantage in terms of being a long-term partner to the customer at a really large scale. Just to add again, all our investments are large scale, so we don't do smaller scale investments. So those initial costs will be there, but this gives us a longer-term relationship with the customers.

Rachna P

Okay. But 20% plus is what we should expect even going forward?

Dinesh Iyer

That's correct.

Rachna P

Got it. So one more question would be that, we have a huge order backlog, but even in the aerospace segment, we are seeing a, you know, 65% utilization, like, could you help understand that, why is the utilization not higher?

Rajeev Kaul

So in regards to the aerospace, currently, our utilization in India is around 71%. Overall, typically, we see utilization of around 75%. That's where we guide our utilization to be reaching.

Rachna P

Alright. Thank you for answering my questions.

Moderator

Thank you. Next, we have a follow-up question from Dev Thacker from Ithought PMS. Please go ahead.

Dev Thacker

Hello. Thank you, sir. On the aerospace side of things, how should we look at the high value-added products like the landing gear system and engine system? Like, going forward what are the plans on these segments? Like, what could be the revenue share and margin improvement? Any broad idea on this?

Aravind Melligeri

Look, today, majority of our aerospace business is aerostructures. And as part of our stated strategic objective, we are expanding into landing gear and engine components, which we already do, by the way, predominantly in our French facilities, and we also do this in India. And our vertical integrated ecosystem, especially forging and machining combination and a surface treatment is very suited to do the landing gears. And we are engaged with all our landing gear customers and that's an opportunity for landing gear customers and that's an opportunity for both our engine and landing gear. And the more vertically integrated we are the better we are on an overall margin perspective as well.

Dev Thacker

Got it, sir. Just one more follow-up. Like, as you said, like, our capacity utilization is at 71% and stable utilization could be 75%. So, going forward, like, in FY28, can we see CapEx in the aerospace segment?

Aravind Melligeri

There's CapEx which continues to happen in the aerospace. We had CapEx last quarter, in Q3 as well, and you will see some in Q4 also. It is continuous CapEx. It's not lumpy CapEx in aerospace, because we win orders and look at the capacity over 18 months, but it's required because the lead times to get machines in aerospace is long. It could be as much as one year for us. So, we plan 18-24 months out capacity demand and based on the order book what we have and what needs to be executed and that's how it is done. So, you know, we keep adding machines.

Dev Thacker

Got it, sir. Thank you so much.

Moderator

Thank you. Due to time constraints, that will be the last question for the day. Now, I hand over the floor to the management for closing comments.

Aravind Melligeri

Appreciate all of you joining our first call and look forward to engaging further with all of you during the course of the quarter and in the future. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.