November 15, 2023

To, The General Manager, Department of Corporate Services, BSE Limited, P.J. Towers, Dalal Street, Mumbai – 400001 Company Code No.: 543972	To, The Listing Department. National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (E), Mumbai – 400 051 Trading Symbol: AEROFLEX

Dear Sir/ Madam,

Subject: Transcript of the Investors' Conference Call held on November 08, 2023 for Q2 & H1 FY24 Results

In continuation to our earlier intimation dated November 08, 2023 regarding audio recording of the Investors' Conference Call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Investors' Conference Call held on Wednesday, November 08, 2023 at 10:00 a.m. (IST) for Q2 & H1 FY24 Results.

The transcript is also available on Company's website at https://www.aeroflexindia.com/investor-relation/

Request you to kindly take the same on record.

Thanking You,

Yours faithfully,

For AEROFLEX INDUSTRIES LIMITED

ASAD DAUD

Digitally signed by ASAD DAUD
Date: 2023.11.15 12:03:21 +05'30'

Asad Daud
Managing Director
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Encl: As above

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Govt. of India Recognised Export House

"Aeroflex Industries Limited

Q2 and H1 FY '24 Earnings Conference Call"

November 08, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th November 2023 will prevail

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

Moderator: Ladies and gentlemen, good day and welcome to Aeroflex Industries Limited Q2 and H1 FY '24 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Asad Daud: Thank you so much. Good morning, everyone, and thank you all for joining for our first-ever Earnings Conference Call to discuss the operational and financial performance for Q2 and H1

FY '24 of our company. On this call, I'm joined by a few members from our management team and the team of SGA, our Investor Relations Advisor.

I hope everyone has had an opportunity to go through the financial results and investor presentation, which has been uploaded on the stock exchange and on the company's website. This quarter has been monumental for our company as we got listed on the stock exchanges. We would like to thank all our shareholders and other market participants for the phenomenal success of our IPO.

To start with, I will give you a brief overview of our company and then we will discuss the operational and financial performance.

Talking about Aeroflex, Aeroflex Industries is a leading manufacturer of flexible flow solutions. As a leading flexible flow solutions company, our product portfolio comprises of stainless steel, corrugated flexible hose with and without bedding, and assemblies.

We cater to a diverse range of end-user industries, such as steel, oil and gas, refineries, metals and mining, and new-age industries like aerospace, defense, firefighting, solar, and various other industries. Our products are critical for the consistent and seamless flow of all kinds of liquids and gases. Our products are available in different materials, lengths, and fittings, and can also be customized to suit the customer needs.

We are known globally for our quality, expertise, and R&D. The wide application of our products means diversity and also mitigates any industry-specific risk that we may have. Our manufacturing facility is located at Taloja, which is in Navi Mumbai, in the state of Maharashtra, and currently we have a capacity of 12.5 million meters. That is as of 30th September, 2023.

Our manufacturing facility has been certified in accordance with the international standards for quality, environmental, health, and safety management systems. We also have an NABL accredited R&D lab, which focuses on expanding our product portfolio across both existing and new materials.

Our revenue is largely derived from exports, with the majority of our sales coming from the America and the European region. Currently, we have more than 1,700 SKUs in our product portfolio, and we have served more than 700 customers.

Coming to our business segments,

Stainless steel corrugated flexible hoses: So these metal hoses are designed to withstand high pressure, extreme temperature, and corrosive environments. Flexible hoses play a pivotal role in ensuring the efficiency and safety in a diverse range of industries, which includes oil and gas, refineries, steel industry, and firefighting. This segment has contributed approximately 64% of our sales for H1 FY '24.

Assemblies and fittings: Fittings are fixed to both ends of a flexible hose, so does the connectors, ensuring that these hoses are seamlessly linked for their designated applications. Assemblies and fittings contributed about 28% to our H1 FY '24 revenues.

And the other segment includes **bredding, interlock hoses, composite hoses**.: These have contributed about 8% to our H1 FY '24 revenue.

Talking about our capex plans,

so I'm happy to share that as part of our first phase capacity expansion project, we have successfully added 1.5 million meters per annum by upgrading and modernizing our machines and equipment, thereby reaching a total capacity of 12.5 million meters per annum as of 30th September, 2023.

The remaining portion of the phase one capacity expansion, which amounts to approximately 1 million meters per annum, is projected to be finished by the end of the current financial year, taking our total capacity to 13.5 million meters per annum.

All the incremental capacity will be dedicated towards value-added products. The company intends to gradually implement automated and robotic assembly lines in the future.

Additionally, we have also procured a land parcel, which is measuring about 79,000 square feet, which is adjacent to our existing site location. And this land parcel will help us in our capacity expansion.

I'm also happy to share that the Board has approved a plan for setting up a separate project for metal bellows and expansion joints with a capacity of three lakhs pieces per year.

It is going to be completed in two phases, and the estimated project cost for the entire project will be approximately INR43 crores and will be financed through internal accruals.

Now, talking about our financial performance, Q2 FY '24, we have seen a strong momentum, and which has continued on the back of robust demand across our entire user segment. Our total income stood at around INR84 crores for Q2, which is a growth of about 24% on a year-on-year basis.

The EBITDA came in at about INR18 crores, which is a growth of 48.3% on a year-on-year basis. Our EBITDA margins stood at a healthy 21.4%.

And our PAT for the quarter was at INR11.6 crores, which is a growth of almost 53.8% on a year-on-year basis.

Now, talking about our H1 data,

so we clocked a revenue of INR168 crores for the first half of the current financial year, which is a growth of about 21.5% over the last year.

Our EBITDA for H1 stood at INR34.9 crores, which is a growth of about 39.4% over the last year. If you talk about the EBITDA margins, it stood at 20.7%,

and our PAT for the first half stood at INR22.6 crores, which is a growth of 41% on a year-on-year basis. As you can see, the company has been strongly focusing on expanding its margins.

Exports continue to contribute to the majority of our sales, and 85% of our total revenue is driven from exports, and exports majorly come from the two regions of America and the European region.

The H1 performance was largely driven by a mix of traditional industries, such as steel, oil and gas, refineries, metals and mining, and new-age industries like firefighting and solar.

We are happy to inform you that Aeroflex is now a debt-free company. We have repaid a debt of INR32 crores from the proceeds of the initial public offering and from internal accruals.

Given the increasing preference for our environment-friendly, flexible solutions, we believe that there will be a healthy demand for our products in the future, and we at Aeroflex are well equipped to capitalize on the upcoming opportunities.

With this, I would like to conclude the presentation and open the floor for questions and answers. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Yug Mehta from AP Capital. Please go ahead.

Yug Mehta: Thank you for the opportunity. I just had a couple of questions. How Aeroflex products are different compared to normal steel products?

Asad Daud: Shall I answer the first one? Yes. So, in terms of normal steel products, so, if you see, we manufacture high-end, stainless steel flexible flow solutions. So, basically, these are made of stainless steel, but these are actually flexible pipes. And these are used for critical industries and in critical applications where the requirement for temperature and pressure is extremely high. So, these are not the commoditized steel items.

These are very specific, high-end stainless steel, products. Currently, we are making stainless steel. Obviously, in the future, we are planning to add the hoses made of different materials as well.

Yug Mehta: Okay. My next question would be what are the key raw materials that we use in our business?

Asad Daud: Primarily, there are three types of raw material that we are using. One is the coil, or it is also, called a sheet. The second is wire, which is used for braiding. And the third is the fittings, which are the end components, which are actually fitted onto the hose to make it into an assembly.

Yug Mehta: Okay. That's all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Kevin Jain from Motilal Oswal. Please go ahead.

Kevin Jain: Congratulations to the team of Aeroflex for these good results. I just have two questions. That the kind of economic activity which we are seeing in the Middle East, especially Saudi and all these things, large framework contract order has been given to the Larsen. So how you see the overall opportunity coming from the Middle East?

And could you throw the tailwind which you can get from export business as well as India business? So over the next two to three years, how these both addressable opportunity you are looking at?

Asad Daud: Thank you so much, Mr. Kevin, for the kind words initially. In terms of the Middle East market, so currently Middle East is not a very big contributor to our overall sales. But like you said that the especially, Saudi Arabia, they have been really aggressive in building up, you know, capacities. And also we have started to penetrate more into the Middle East market and we are starting to focus now on the Middle East market also.

Currently our major market remains the USA and the European region because that is a huge market which is multi times more than the Middle East. But yes, we have started to build up our team for the Middle East market and we will be, soon going aggressively in that region.

Talking about export versus the domestic market. So if you see over the past three years, the growth in the export is also seen. We have seen the same percentage growth in the domestic market also. And now with Make In India and a lot of the high tech industries coming to India in the next few years, we feel that the India market might grow at a higher percentage as compared to the export market.

Because obviously the base of the India market is smaller as compared to the export market. However, exports will continue to remain our major source of sales, at least for the next few years.

Kevin Jain: Fine, fine. One last question is anything on the gas side? Any opportunity which you can highlight from the city gas distribution side over the next two to three years and how we are positioned and ready to look into this entire opportunity for gas in India? Gas distribution or gas last mile or CGD?

Asad Daud: So we are already supplying products to Mahanagar gas. And we are in talks with a few other gas distribution companies for the gas hoses. But still, gas distribution market is still a very, still a developing market. But we have a separate team which focuses on the gas market. So we'll be ready as soon as the market is ready to accept.

Kevin Jain: Thank you. I'm done. Thank you and appreciate.

Asad Daud: Thank you.

Moderator: Thank you. The next question is from the line of Depesh Kashyap from Invesco Mutual Fund. Please go ahead.

Depesh Kashyap: Hi. Hi Aeroflex team. Congratulations on your listing and your first call. I have a few questions. Firstly, if you can just help me with the total sales volume you have done this quarter and what was the growth of Y-o-Y? If you can just tell that.

Asad Daud: Generally, we, Yes, so first of all, thank you for the kind words. So generally we, because in our business, we have more than 700 SKUs. And we manufacture products right from, quarter inch all the way up to 14 inches in diameter. So in terms of the quantity wise or in terms of the number wise, because we focus more on the top line in terms of revenue, because a lot of in a -- lot of our products, it's not the numbers that matter, but ultimately the value that, it comes, it matters.

Depesh Kashyap: Got it. So assembly and fitting, which contributed around 27% in this quarter. What was the contribution last year? If you can just help me with that?

Asad Daud: Assemblies and fittings, 28%.

Depesh Kashyap: So last year it was 28%.

Asad Daud: Sorry, this year it's a 28%. Last year it was about, I think, 26% to 27% approximately.

Depesh Kashyap: Okay, so slightly improvement is happening that can lead to your higher relevance. Anyway, I'll just take it. Got it. Secondly, if you can just highlight your capex plan for this year, In the first half, you spent around INR18 crores. So what's your full capex plan for this year and the next year?

Asad Daud: In this year we'll be, by the end of this financial year, we'll be expanding our capacity from, which is currently 12 and a half now to 13 and a half. And then in the next year, we'll be increasing our capacity further by, from 13 and a half to approximately 16 and a half million meters. That is in the flexible flow solution.

As I mentioned that we are also expanding into the lines of metal bellows. So, that is a new project that we are coming up with. So that capex would happen over the period of next almost one year to one and a half years.

Depesh Kashyap: So this year, so how much in terms of crores rupees, how much will you spend in FY '24? So you've already done INR18 crores, I think.

Asad Daud: Yes, so we've already done INR18 crores, so approximately we would be doing another INR20 crores odd so in the current financial year.

Depesh Kashyap: Okay. And this year capacity is increasing in the same existing factory, right? You're not using the new land parcel that you're doing.

Asad Daud: No, so this capacity for this financial year will happen in the existing factory itself. The plan for the next financial year will happen in the land, which is, we have recently bought.

Depesh Kashyap: Got it. And sir, the metal bellows that you have announced, right? Does it fall in the same assembly and fitting category or is it a separate product that you are talking about?

Asad Daud: So metal bellows is actually a complementary product to the flexible flow that we are manufacturing. So it is also like, if you see a bellow, it's also a corrugated, hose. It is made with a slightly different technology, but the end customer, so most of our end customers are actually buying metal bellows. So this is like the low hanging fruit for us, wherein, these customers are existing.

Customers have demanded us, to come up with the metal bellows project because they are currently importing these bellows from outside India and they want somebody from India with a high quality manufacturing facility to come up with bellows. So based on customer feedback and based on the market study that we have done, we feel that the bellows is the perfect market for us to enter. Plus also that the bellows have a higher profit margin also as compared to the flexible flow solution. So it will help us both in the top line and also in the bottom line.

Depesh Kashyap: Correct. So if you can just give a color, like INR43 crores is the capex for this new facility. So what will be the revenue on the full utilization and margins you're expecting from this upcoming facility?

Asad Daud: So revenue would range in, I can give you a ballpark figure. So revenue would range anywhere between INR100 crores to INR120 crores. The top line and the bottom line would be anywhere between 25% to 30%.

Depesh Kashyap: 20% to 30% margin. Okay. That is good. And secondly, on your second half outlook, right? So you must be having an order book kind of a thing, right? So you must be knowing, what is the kind of order book for the second half. So what's the guidance like? Will the growth accelerate from here vis-a-vis first half? How do you see that?

Asad Daud: In the past, if you see our numbers also, that we have been strongly focusing on growing the top line, but also have an even stronger focus on growing the bottom line as well, because we believe in a long-term growth wherein the top line has to grow, but even the bottom line also has to grow.

So over the next few years, we'll be focusing on both increasing the top line and the bottom line. And if you see from the current financial year, I think in the past three years to four years, we have grown at an average CAGR of about 25% approximately. So we would see the same growth in the current financial year as well overall.

Depesh Kashyap: In the TV interview, I think I just saw you in the morning. So you said 40% kind of a growth for the full year. So that means second half you'll grow around 60%. Is that number doable? Just want to understand.

Asad Daud: So approximately the growth that we are expecting is anywhere between 30% to 40% range.

Depesh Kashyap: For the full year?

Asad Daud: Yes, for the full year.

Depesh Kashyap: Okay. And last question, basically your receivable days have increased. So any worry around that or do you think it will normalize basically for the full year?

Asad Daud: So the receivables has increased, the reason being that we have increased our sales to the America region, especially USA and in Latin America. So a couple of reasons for increase. One is that the transit time that it takes from India to USA or to Latin America is much longer as compared to the European or the Middle East region.

And the second is that, in general in the USA, the payment terms are slightly on the credit basis, and hence the reason for the increase in the receivables. But, internally we have been discussing and our aim is to reduce the working capital cycle over the next few quarters.

Depesh Kashyap: Got it. So receivable days, you say generally it can remain stressed as the US component increases?

Asad Daud: Yes, because our focus is on the US market because that is a much bigger and a much more lucrative market. So that may have some impact on the receivables.

Depesh Kashyap: Understood. Thank you, Asad, and all the best.

Asad Daud: Thank you so much. Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Yes, sir. Just on the capacity utilization now on the expanded 13 million or the previous 11 million meter, whichever you want to mention, what is the capacity utilization in H1?

Asad Daud: So for the current, I think for the last quarter, it was about 95%.

Pritesh Chheda: 95% on 11 million meter or?

Asad Daud: On 12.5.

Pritesh Chheda: On 12.5 million meter?

Asad Daud: Yes. So actually in our case, what happens is, so our production capacity is calculated in meters. But in case where if a customer wants the same meter, but with a thicker hose, so our output in terms of kg increases, but the output in terms of the meters remains the same.

Plus also that we are focusing now more into the assembly components and the sale of the end-to-end assemblies. So in that case, the capacity in meters might remain the same, but the revenue, sorry, I meant that the utilization in meters might be very high, but the revenue would even grow because we would be selling more of the components.

Pritesh Chheda: Okay. Then can you give us some color on the metal volume growth, then if that's the case of confusion on meters, the SS volume growth consumed? Just to get a color on what is the volume growth that you recorded?

Asad Daud: So like I said, so our raw material is basically three raw materials. One is coil, second is wire, and third is fitting. Now fittings, when we add them, it does not come into kgs, it comes into number of pieces. So it is difficult to give you an exact number, but we can work out and get back to you.

Pritesh Chheda: Okay. What was the connectors side of the business and what growth did you grow? And the hose spike side of the business, what growth did you grow in H1?

Asad Daud: The collector, sorry, I didn't get your question.

Pritesh Chheda: So your business is split up into connectors and pure hosepipe selling and assembly selling, right?

Asad Daud: Yes.

Pritesh Chheda: So the pure hosepipe side of the business, how much did it grow? And the assembly side of the business, which is with connectors, how much did it grow?

Asad Daud: So the hosepipe, the business and the connectors, the business, both of them had a slightly similar growth in terms of the percentage. If you see our overall growth for the H1 in terms of the top line was about 21%. So the hoses, they grew at about the same, 21%, 22%. And the assemblies also, they grew about 20% to 21%. So more or less, it's a similar growth that you see.

Pritesh Chheda: Okay. And my last question is, sir, on the, utilizations and the margins. So last year we had a certain number of utilization and that number seemed that we were underutilized on the asset at about 11 million meters. So when you move your volumes towards the peak utilization or the tonnage consumed towards the peak utilization, this margin number of whatever, 21%, 22%, where do you had see it heading to when you fully utilize your asset?

Asad Daud: So if you see in terms of, I would say that the margins, every year, we aim, like I said previously also, that our aim is always to not only for the top line growth, but also to maintain and not only maintain, but also to grow our margins. As you can see from our numbers. So if you see that the last year our margins were about 17% to 18% for the quarter, and this year it's about 21.5%. So if you see, there is a growth of approximately 360 basis points in terms of the EBITDA margins.

Now, like I said, the more, as we go into the assembly business, which is a higher end product, and as the project for the metal bellows starts, which is from the end of the next financial year, I think you'll see, better margins as compared to what they are right now.

Pritesh Chheda: And how different are...

Asad Daud: I'm not able to give you a number, but, definitely we'll be focusing on improving them.

Pritesh Chheda: Okay. And what is the different, what is the differential margin between assemblies and hoses?

Asad Daud: So typically...

Pritesh Chheda: How better are, how better are the assembly margins?

Asad Daud: Okay. So typically the hose, the hoses margin ranges between 15% to 18%, and the assembly business margin ranges between 25% to 30%. That is on an overall average basis.

Pritesh Chheda: Okay. And, okay. Thank you very much. I'll come back.

Asad Daud: Thank you.

Moderator: Thank you. The next question is from the line of Ashay Jain from Jain Capital. Please go ahead.

Ashay Jain: Yes. Hi. Good morning. A couple of questions from my side. Firstly, so the raw material is more than 70% just procured from China. So are there any plans to diversify to other countries? And what will be the pricing difference if it sources from India versus China?

Asad Daud: Yes. Last year, more than 70% of our raw material, especially the coil, was sourced from China. But it was from an American company who had been manufacturing in China. So because of certain technical parameters that, and the high requirement for quality, that is why we had to procure the material from the American company, which was based in, which had his manufacturing get in China.

But over the past three to four months, we have already started to get it from China. We have already started the procuring and developing the same quality, product from a very large Indian manufacturer who is working, with us and with our team on a hand-to-hand basis and developing the specific quality of the coil that we require. And also, they have also matched the prices that we were getting from China.

So over the next, I would say, a couple of years, you would see that the imports from China go down and, the purchase from the local Indian manufacturer would go up.

Ashay Jain: Understood. But can you, if possible, quantify that? So right now, it was 70% last year, so can we see down below 50% going forward, as you mentioned?

Asad Daud: 50% would happen, like, if you see from an overall, for the entire year basis, it would be difficult for 50%, but if you see, in the next year, yes, in the next year, definitely, I think it would be less than 50% because we just recently, about three to four months back, have started to procure from this large Indian manufacturer. And now we are giving the Indian manufacturer the first priority over the, Chinese company. So, maybe in the next year, definitely, it will be less than 50% on the overall purchase of coils.

Ashay Jain: Understood. And secondly, how much inventory do we keep on a regular basis?

Harshit Savla: So, inventory is 99 days.

Asad Daud: So, inventory is 99 days..

Ashay Jain: Okay. Yes, that's all from us. Thank you.

Asad Daud: Thank you.

Moderator: Thank you. The next question is from the line of Manav Vijay from Deep Financial Consultants. Please go ahead.

Manav Vijay: Thank you, sir. So, first question is regarding the expansion that you will do of your pipes from 13.5 to 16.5 next year, three million tons. So, what kind of capex are we looking for that?

Asad Daud: Approximately about INR45 to INR50 crores, please.

Manav Vijay: Okay, INR45 to INR50 crores for that. Okay. And you have also mentioned about this new product of your metal bellows. So, that is another INR45 crores, which will again happen in FY'25.

Asad Daud: Yes, so that would happen in two phases. And it will stretch from FY'25 onward up to going up to FY'26.

Manav Vijay: Okay. So, in that case, so what kind of capex are we looking for FY'25?

Asad Daud: FY'25 capex would be anywhere about, I would say, about 60 to 70 approximately.

Manav Vijay: INR60 to INR70 crores.

Asad Daud: Yes.

Manav Vijay: Okay. Second question is, so about the increased receivable that you have, and you mentioned that you have increased your sales to US and LATAM regions, and you have given a couple of reasons regarding the transit time and also the payment terms are higher. Now, you also mentioned in one of the previous questions that the sales to basically export market will continue to dominate the overall sales that you have. In that case, this higher receivable days, which in turn is leading to higher working capital, is likely to continue at the current level. So, do you believe that the benefit that you will have on buying the raw metal domestically of your excess sheet, that will be in a position to negate the increased working capital?

Asad Daud: So, in terms of, internally, as a company, we always, we would never want our working capital cycle to increase, but because of, the reasons that I had mentioned, that was the reason for the increase in the receivables. Our focus is on internally to reduce the working capital cycle. We are also planning. So, one thing buying locally the raw material from India would help is, it would help in over a period of time to reduce our inventory days.

Because when we are importing from, China or Taiwan or any other country, we need to keep a sufficient stock of the material because of the transit time from there to India. But once we are buying in a much larger quantity from India itself, we would not need to stock such high volumes of raw material. And hence, that would help us in reducing our inventory days. Also, we are doing some tweaking around in our manufacturing process to work more towards a lean manufacturing, which will also help us to reduce our inventory days and overall to reduce our working capital cycle.

Manav Vijay: So, for next, let's say for this year, FY'24 and FY'25, should we be building the kind of working capital cycle that you had last year or should we be building a higher working capital?

Asad Daud: I think the working capital cycle last year was a fair would be a fair assumption for, for the next few years.

Manav Vijay: Okay. My last question is, you also touched upon automation somewhere in opening speech. So, we were of the understanding that the second phase will have a slightly higher automated automation process, which will basically help you have an operating leverage. If you can explain as to when you say automation, so what does that actually mean in terms of the manufacturing and how that will convert into a financial benefit to you?

Asad Daud: A couple of things. One is, so the whole is actually made on, it's automated and made on machines. But the last part, which is the assembly part, wherein the fittings are welded onto the hose, that is currently being done manually. And, currently there is no technology as yet to weld the fittings onto, such a thin hose.

So, we are in talks with a few companies to develop a robotic welding machine specifically designed to weld the fittings onto the hose. So, we are awaiting the first machine for the same. And once that is successful and once that is implemented, the welding for all the future, assemblies would happen automated on the machines without manual intervention. That would help in -- that will help us in two ways.

One is that, it will make the product quality even better because it will reduce any chances of manual errors or manual mistakes. And second, it will also help us to reduce our cost because in terms if a robotic assembly can make at least 3x to 4x more assembly than what a manual person can make in a day. That would also help us to increase our volume, our sales, our production, first of all, and then obviously our sales. So, that is how the robotic line is going to help us. So, that is still under development.

Manav Vijay: So, as of now, for the INR60 crores to INR70 crores capex that you mentioned for next year, the automation on robotics are not, as of now, are a part of plan. As and when, they will happen…

Asad Daud: It is a very small component. Once our entire trial and, the commercialization of the robotic line happens, then we would, go for it on a large scale. Plus also, we would actually change the lines on a one-by-one basis and not, everything at once.

Manav Vijay: Okay. And let's say as and when you form up your plan, what kind of capex can we estimate, let's say, if you were to add these robots to all the lines that you have?

Asad Daud: Actually, I would not have that number right now.

Manav Vijay: Sure. Thank you and all the best.

Asad Daud: Thank you so much.

Moderator: Thank you. The next question is from the line of Siddhesh Pawar from Universal Sompo General Insurance. Please go ahead.

Siddhesh Pawar: Yes. So, my first question is regarding this commissioning, regarding this metal bellows project that you guys are going to incur. So, from which financial year should we expect the commissioning of this project and how will be the ramp up period of this project?

Asad Daud: So, the full benefit of this project, would be in the financial year, FY '25-'26. But you will start to see towards the end of the next financial year, the top line and the impact on the bottom line, from this Pune project. But the full effect of this project will be felt in FY '25-'26.

Siddhesh Pawar: Okay. I see also that the gross margins have seen an uptick of about 10% from the last financial year. So, can you throw some color on that? I mean, what would be the reasons here?

Asad Daud: So, gross margins, you mean, because our, so, okay, I'll talk about our overall margins. So, if you see our overall margins have increased on account of a couple of things. One is that, we are focusing on selling much higher value-added products. So, using the same machines, the same manpower, we are selling more value-added products and to value-added industries.

So, that has been the reason. Plus, also, we have been able to optimize our cost because of the growth and we have kept the cost consistent and, even lower in many cases. Hence, we have been able to generate better margins as compared to the last financial year.

Siddhesh Pawar: Okay. Thanks a lot.

Asad Daud: Thank you.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing remarks. Thank you, and over to you.

Asad Daud: Thank you so much, everyone, for joining us today for the earnings call of Aeroflex Industries. If I have not been able to answer any questions, I simply apologize for that. And we, on behalf of our team, appreciate the time that you have given and the interest that you have shown for our company. And on behalf of our entire team, we wish you all a very Happy Diwali and a Prosperous New Year.

And if you have any other queries or if there are any other questions that you may have, you can get in touch with us directly or through SGA, who is our investment relation advisor. I look forward to meeting all of you over the next call. Thank you so much, everyone. Take care and have a good day.

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