AEROFLEX
INDUSTRIES LIMITED
Commitment to Excellence

July 30, 2026

To, The General Manager, Department of Corporate Services, **BSE Limited,** P.J. Towers, Dalal Street, Mumbai – 400001 **Scrip 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**

Subject : Transcript of the Investors' Conference Call held on July 28, 2026, for Q1 & FY27 Results

Dear Sir/Ma'am,

In continuation to our earlier intimation dated July 28, 2026, 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 Tuesday, July 28, 2026, at 11:00 a.m. (IST) for Q1 & FY27 Results.

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

https://www.aeroflexindia.com/uploads/topics/c915b2cd-3786-4c0f-8344-5b8ada7d5380.pdf

The audio recording of the Investors' Conference Call held on July 28, 2026, for Q1 & FY27 Results is available on Company's website at:

https://www.aeroflexindia.com/uploads/topics/17852384829298.mp3

Request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For AEROFLEX INDUSTRIES LIMITED

Ruthu John Parampogi
Digitally signed by Ruthu John Parampogi
Date: 2026.07.30 18:45:34 +05'30'

Ruthu Parampogi
Company Secretary & Compliance Officer
Membership No.: A60982

Encl: As above

"Aeroflex Industries Limited
Q1 FY27 Earnings Conference Call"
July 28, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 28th July 2026 will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to the Aeroflex Industries Limited Q1 FY27 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 at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Asad Daud: Thank you so much. Good morning to everyone. I welcome you all to Aeroflex Industries Q1 FY27 Earnings Call. Joining us today are members of our senior management team, along with representatives from Strategic Growth Advisors, our Investor Relations partner. I hope that you have had the opportunity to review our financial results and the investor presentation, which is available on the stock exchanges and also on the company's website.

We are pleased to report our highest quarterly performance ever. Our consolidated revenue for Q1 FY27 stood at INR145.97 crores, which is an increase of 72.4% on a year-on-year basis, with growth coming in both from our core business as well as our emerging businesses.

Our flexible hose business grew 41% on a Y-o-Y basis and the assemblies and other value-added products grew even at a faster pace. Revenue from SFN Skid Assemblies reached INR32.4 crores in this quarter, which is contributing to approximately 23% of the total revenue.

These skid assemblies enabled control circulation of the coolant across the entire cooling systems in the data centres, and it is engineered to meet the stringent requirements with regards to reliability, pressure management and also leak prevention. This marks a major step in our company's evolution from being just a flexible hose manufacturer to an integrated provider of advanced flow control and flow management solutions for mission-critical applications.

As part of our capital expenditure plans, we have expanded the capacity of skid assemblies from 6,000 units to 9,000 units per annum. And we further -- and we have the plan to further increase it to 15,000 units per annum based on the requirements from the -- from our customer and also the deployment timelines given by them.

We also continue to invest in automation, advanced welding solutions and also precision manufacturing to help strengthen our product quality and reliability. On the flexible hoses vertical, we have planned to increase the production from 17.5 million meters per annum currently to 20 million meters per annum and it should be completed by Q3 of this financial year.

Now talking about our financial performance for Q1. Our total income stood at INR145.97 crores, which is an increase of 72.4% on a year-on-year basis. Our EBITDA stood at INR33.5 crores, which is up by 116% on a year-on-year basis with margins expanding by 468 basis points as compared to the same quarter in last year to 23.04%.

Our profit after tax stood at INR18.79 crores, which is up 162% on a year-on-year basis. And our PAT margin currently stands at about very close to 13%, which is an improvement of 440 basis points from last year same quarter.

Our cash profit grew by more than 100% to INR26.64 crores with cash profit margin improving by 278 basis points to 18.25%, which reflects strong operating leverage and improved cash conversions and profitability across our various business verticals.

Our exports grew by 43% on a year-on-year basis and the higher contribution from the domestic market in this quarter was primarily driven by the rapid scale-up and supply of the liquid cooling solutions, the skid assemblies of the liquid cooling solutions.

Looking ahead, we are confident in the business model that we have in the products that we manufacture and the long-term momentum of our growth story, which is built on a strong core business of flexible hoses and assemblies and the fast-growing vertical of skid assemblies for data centres.

This gives us an opportunity to scale rapidly along with seeing the growth coming in from the opportunity that the AI infrastructure provides. We remain firmly focused on scaling all our business verticals, including the liquid cooling business, expanding the capacity of skid assemblies and also for flexible hoses and hose assemblies, deepening our customer relationship across our customers, both in India and across the world.

Advancing new product development and also undertaking automation and digitalization initiatives. I would like to thank our employees, our customers, our suppliers, our business partners and all our shareholders for showing the continuous support and trust to the company. Thank you.

And with that, I conclude my remarks, and we can now open the floor for questions.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We have our first question from the line of Shwetha from ithought PMS.

Shwetha: So, my first question is, I saw there was a spurt in revenues from Europe in this quarter. So, could you please explain like where that was specifically from which segment?

Asad Daud: So, we are seeing increased business coming in from both Europe and also in the U.S.A. market. From Europe, it's a mixture of the business growth coming in from various countries, which includes Italy, Spain, France and also the U.K. And we are seeing the business across Europe coming in not only from the traditional industries, but also, we are supplying our flexible hoses to applications -- to data centre applications in Europe as well.

Shwetha: Okay, sir. So, we are exporting data centre applications?

Asad Daud: Yes. Exporting our hose assemblies, the flexible hose assemblies also for data centre application in Europe.

Moderator: We have our next question from the line of Karan Dhole from Asit C Mehta.

Karan Dhole: Congrats on a good set of numbers. My question is on the skid assemblies' segment, so who are the domestic competitors who are supplying the same products?

Asad Daud: So, in skid assemblies, right now, we are among the few players who are into this space who are supplying. In terms of competition, there is -- there are a few people who have just started to work on that, but it would be difficult to share the details of competitors because not much data is available in public forum with regards to that.

Karan Dhole: Okay. And what about international market who are the -- peers who are supplying this product in international markets?

Asad Daud: So, in international market, there are companies in the U.S., there are companies in Europe who are manufacturing of these SFN skid assemblies, plus also our competitors such as Senior and Parker are also into this. They have also started with this business vertical. So, these are our competitors internationally, plus there are local players in the international market who are supplying and serving their local industry like in the U.S. and in Europe.

Moderator: We have a next question from the line of Raman from Sequent Investments.

Raman: Sir, I have a couple of questions. First on the flexible hose assembly part. I just want to understand two things. What is our current utilization of our current capacity in this segment? And once we are done with the capacity expansion of this flexible hoses by -- I think, Q3 will be done, what will be the peak revenue potential from this segment?

Asad Daud: Okay. So currently, we are operating at about between 65% capacity utilization -- right now, 65% to 66% capacity utilization. With the -- at the peak utilization and assuming that 70% of the sales comes in from the assemblies, we are looking at a top line of anywhere between INR650 crores to INR675 crores.

Raman: Okay. So, you are basically saying we can do around INR650 crores, INR670 crores of revenue from flexible hose including the assemblies' part, right?

Asad Daud: Correct.

Raman: So -- I mean, sir, about 2 years back, you wanted -- you were more towards like the margins on the flexible assembly will improve and move towards 25%. So, from this -- during the current quarter, what's our margin from this business itself? And are we on the road to achieve that 25% margin in this business?

Asad Daud: Yes. So, our idea is to achieve a 25% blended margin combined as a whole, so which includes all our products, which includes the flexible hoses, the flexible hose assemblies, bellows and also the skid assemblies. So, the target for the company overall is to achieve an EBITDA margin of 25% in the next few years, and we are right now on track to achieve that.

Raman: No, I'm just talking about the flexible hose assembly part. 2 years ago, your aim was to get 25% margin in the flexible hose. So, I just want to understand where are we at?

Asad Daud: So, the margins in the flexible hose business depends on the products. So, when we sell the flexible hose just in the hose form, margins range between 16% to 20%. And when we sell the assemblies, the margins range anywhere between 22% to 26% margins. That's the range of the margins, yes.

Raman: So, can you give the blended split between how much are you selling as just a flexible hose part and how much are you selling as flexible hose plus assembly?

Asad Daud: That split is already there, like I mentioned in the last -- in this quarter, approximately 66% of the business was through -- 63% of the business was selling of the fittings and assembly products and about 37% of the business was selling the flexible hose, so 63% and 37%, yes.

Raman: Okay. Understood, sir. So basically, on a blended basis, this is more towards 22%, 23% margin?

Asad Daud: Slightly…

Raman: Because of higher contribution from -- yes. Okay. Understood. And sir, my last question is, can you also give us the revenue from Hyd-Air and miniature metal bellows and metal bellows as well?

Asad Daud: Yes. So, the revenue from Hyd-Air in the last quarter was around INR7 crores. And the revenue from the metal bellows was about INR3 crores in this quarter, in Q1.

Raman: And what about the miniature metal bellows, which we were planning?

Asad Daud: Miniature metal bellows is part of the metal bellows...

Raman: Okay.

Asad Daud: Yes. And for metal bellows, we are seeing increased business also coming in. So, we are expecting the next 2 quarters to be -- to see really an uptick in the sales for the bellows division.

Raman: And do you have any capex plan for Hyd-Air? You said you will share it in the next financial year?

Asad Daud: Yes. We are in the discussion for the same. We would announce it as soon as it is finalized.

Moderator: We have our next question from the line of Shubhi Gupta from Trinetra Asset Managers.

Shubhi Gupta: So, my question is that our average price for skid assembly has declined. So, what is driving this? Is it coming from competition? So, what is driving this price decrease?

Asad Daud: Each skid assembly for every data centre and for every floor of a data centre has a different design. So based on the design of the skid assemblies, the value of the skid assemblies' changes even in the same data centre building, the value of the skid assemblies might change based on floor to floor.

So technically, it is -- the price has not declined because the value per skid assemblies depends on the design of the skid assembly. So, if the skid assembly has less number of, for example, piping, the value will be definitely less. And if the skid assembly has a longer piping, the value will be higher. So, it's more of a tailor-made product.

Hence, it's not the right way to see the price per skid assembly because it varies vastly. It -- we've supplied skids worth INR1 lakh also, we have supplied skids worth INR5 lakh also. Obviously, the materials used for INR1 lakh is much lesser as compared to what the piping used in INR5 lakhs.

Shubhi Gupta: Okay. But -- so this will not impact our margins per se?

Asad Daud: No, it does not impact our margins because the costing for every skid assembly depending on the design is done separately. So, it's not like a standard off-the-shelf product.

Shubhi Gupta: Sir, my second question is that we are doing a lot of R&D. So, any product which is close to commercialization also all this R&D will this lead to some better market opportunities for us? Or will that impact on margins, any technological improvement?

Asad Daud: So, we are working on a lot of products, both in our hose assembly business and also in the liquid cooling where we are developing certain products in collaboration with our customers. So definitely, these products are -- these products are there for -- so these products are -- basically will be ultimately commercialized and used in our applications.

Shubhi Gupta: Sir, any timeline on this or like will this improve our efficiency cost or will lead to better margins?

Asad Daud: It depends. Products depends at what stage they are in. So, some are towards the end of completion, some have just started, some requires a lot more in terms of engineering, in terms of its end-use application. Some products might require special machine for us to make it. So, it's difficult to give a specific timeline as to what products will happen at what time. Some products stay in R&D for a long time, right, because sometimes it is difficult to meet the requirements of the customers. So that's part of R&D.

Moderator: We have our next question from the line of Prem Luniya from Astute Investment Management.

Prem Luniya: So, congratulations on the numbers. I had a few questions about if you can give us an update on the fire hose assembly for the data centre?

Asad Daud: Fire hose assembly for the?

Prem Luniya: Data centre, which we were developing. Is there any update on that?

Asad Daud: Yes. So that product is already almost towards the end of completion, should be commercialized by the end of this quarter or latest by the start of next quarter.

Prem Luniya: Okay. But in terms of realization, can you quantify how big it can be?

Asad Daud: Difficult to give a number right now, but we have put in certain investments based on the projections or the estimation that we have received from our customers. So, I think once it is commercialized and into production, I think probably at that time, we'll be able to give a better perspective on that. Right now, it will be difficult for me to comment on it in public forum until unless something is not yet commercialized.

Prem Luniya: Sure. But will it be for domestic use or international?

Asad Daud: No, international supply.

Prem Luniya: And also, on this, the other products other than the SFN product, we had developed some 15-odd different products which we exhibited. Is there any update on any traction on that front?

Asad Daud: The 15 products which are under development?

Prem Luniya: No, the 15 products which we showcased in the exhibition in April internationally? Are there any orders?

Asad Daud: Yes, yes. So, these were the products -- some of it we already had the orders from some of the customers in Europe. So, we showcased those same products in the U.S. as well. We have already received the orders for the assemblies, which will be used in the data centres. For the skid assemblies, we are in talks with a few potential customers.

It will be -- so once everything is finalized, we'll definitely let our shareholders know. Right now, it is still under discussion. And these things take some time because, like I mentioned, the partner that we are working with in India, right, from the day we started the discussion with them to the date of the first transaction that we did with them took almost 10 to 11 months.

Prem Luniya: Sure. And just an update as you have shared that at the end of the year, 25% of the revenue will be contributed by SFN. But in this quarter, you have done already 22%, and you have not completely utilized the capacity. So, do you want to reiterate the statement or anything on that front?

Asad Daud: Well, I think I would talk about this at the end of the year because like I mentioned, it is the plan for the end of the year. Quarter-on-quarter, things change. So -- but we work on a yearly basis. So that's why I think it's better that I answer it at the end of the year.

Moderator: We have our next question from the line of Tej Patel from Niveshaay Investment.

Tej Patel: Congratulations on a good set of numbers. Sir, given recently, there are a lot of announcements by the Airtasker and the Gujarat policy coming in, there's a lot of traction of data centres in India. Just wanted to get your thoughts on are we contemplating based on our engagements with customers and their order pipeline to expand our capacity beyond 15,000.

And if the thought is so, I mean, you will be already in talks with your existing customer to expand capacity beyond 15,000, right? So, your thoughts on this once you, let's say, start -- get the capacity to 15,000 by Q3, are we contemplating to, let's say, put in more capex beyond

15,000 as well based on your conversation with your current customer and your overall thoughts?

Asad Daud: The capacity increase that we have planned from 2,000 to 15,000 was based on the detailed discussion that we had with our customers. And based on their projections at that time, we have built up the capacity to 9,000 now and to complete the 15,000 by the start of Q3. Now in terms of the further expansion and beyond 15,000, they're under discussion, but it's too early for me to comment right now on this until and unless something is finalized and then I will -- I shall share the same.

But yes, demand is increasing, as you all know with the kind of data centres coming up. But obviously, it takes time for a data centre to be built up and to be up and running. So, we will definitely plan our capacity expansion after discussion with our customer.

And the customer definitely share with us their orders in the pipeline that they have for the next few months and also the kind of business that we see coming in the foreseeable future. So, we are in constant touch with our customer for this and probably -- our first target is to get the 15,000 skids commissioned and up and running and then to look at further expansion.

Tej Patel: Understood. That was helpful, sir. And your taking from the last phone call, you said probably we will probably do some business internationally in the skids business and not the whole fire hose assembly, but in the skid business. Are we on track? I mean, how hopeful we are to get some order and execute in this financial year only?

Asad Daud: Yes. So, we are definitely on track. And in this financial year, we'll definitely have business coming in from international market.

Tej Patel: So, I mean, of course, you will be -- given you have to execute this year, you might already be engaging with the customer, right? So, is it the same customer that we are dealing with within India? Or is it a complete different customer?

Asad Daud: We will not be able to comment on that. That's slightly proprietary on that aspect.

Tej Patel: Got it. Not a problem. In terms of quantum or let's say, in terms of quantity, if you could help us understand, is it significant to our current capacity or will it be a part of our existing -- the plant 15,000 capacity or will be probably required to put up another capex for it?

Asad Daud: See, in terms of the potential, right, you can just see the potential in the international market is multifold as compared to the India market, right? Just talking about Europe and U.S. themselves probably would have multiple times the potential as compared to the market in India, right?

The design of their skid assemblies is slightly different than what we have in India. So, we are developing -- in talks with them to develop the skid assemblies that is required by them. So, I think once we get some confirmation finalization, only then I'll be able to share more details on that.

Tej Patel: Got it. Not a problem, not a problem. And sir, the fire hose assemblies, which earlier participant was asking that for the same customer is probably our largest customer in U.S.A., right?

Asad Daud: Yes, for that customer.

Tej Patel: Got it. And sir, if you could probably help us understand with some indication on margins on the skid business this quarter, is it possible to give a range, if not an exact number, what margins are we making on the skid business right now?

Asad Daud: See, the margins on the skid business is on a blended -- on the same level as the margins on an average for the entire company as a whole. So, I think we'll only be able to share that much detail because I will not be able to share the exact margin details on public forum.

Moderator: We have our next question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, just wanted to understand now this skid -- this capacity expansion from 9,000 to 15,000, right? So, what is the capex involved there?

Asad Daud: So, the overall capex, the plan was to increase the capacity. Yes. The plan is to increase the overall capacity from 2,000 skids per annum to 15,000 skids per annum. And for that, we have budgeted the capex of INR48 crores. So, the entire capex would be utilized to increase the capacity from 2,000 to 15,000.

Some of the machines are required right now, but they will be used like some of the machines are such that they are ancillary machines which don't add to the capacity but are used right from day 1. So, it will be difficult to give an exact number of how much capex is required from 9,000 to 15,000 because some of the machines have already come in. Some of the machines have been planned to come in, in this quarter and a few of them would come in in the next quarter.

Deepak Poddar: Okay. Understood. And what about the capex for this -- flexible hoses from 17.5 to 20?

Asad Daud: So, the -- like, again, when we plan to increase the capacity in the flexible hoses, it was planned from 16.5 to 20. And the budgeted capex for the same for the entire was around INR54 crores. The plan -- so some of it was spent in FY25, some of it was spent in FY26 and now the remaining would be completed in FY27.

Deepak Poddar: Understood. And this also we expect to come on stream by third quarter, right?

Asad Daud: Yes. So, by Q3 of this financial year, most of the capex that we had planned last year would be completed.

Deepak Poddar: Understood. And on coming to skid, this 15,000 capacity, I mean, we expect to optimally utilize in FY28, now that FY28, you will get the entire year of this capacity, right?

Asad Daud: Yes.

Deepak Poddar: So, do you expect to optimally utilize in FY28?

Asad Daud: Yes, once it is commissioned, we expect it to be up and running and then to be utilized at the optimum level in the next financial year.

Deepak Poddar: In FY28. And what would be the optimal utilization? I mean, can we reach 90%, 95% or 80%, 85% would be your optimum?

Asad Daud: No. About 80% is the optimum utilization.

Deepak Poddar: So, 80% is what the optimal utilization?

Asad Daud: Yes.

Deepak Poddar: Okay. But you did mention that, I mean, the approval takes a lot of time, right, about 10 to 12 months in this segment. So, will the scale-up happen fast, I mean, for you to kind of have this 80% utilization in FY28?

Asad Daud: So, the approval is in terms of -- there are two kinds of approval. One is when you have a completely new customer to whom that you are working with, that obviously takes a lot of time. The second kind of approvals are when you're already working with an existing customer, but the data centres that they are working with, they need to take approvals for all kinds of drawings, all kinds of design before we start the production.

So that is where sometimes the delay happens where a lot of the time, the designs are not approved by the customers. So, until that time, we cannot produce the products because the design is not approved, the production cannot happen.

Deepak Poddar: Okay. Okay. I got it. And given that, I mean, skid assembly revenue share will increase because it will grow much faster than your base business, which might be expected to grow at 15%, 20% rate. So ideally the share will increase. So that's margin accretive for you, and the skid would have superior margin as compared to your flexible hoses or assemblies?

Asad Daud: So, like I said, again, difficult to give a number on the margin increase just from the skid assembly on a public forum. But like I mentioned, the target for the company is to achieve an EBITDA margin of 25% over the next few years. And that is where we are focusing our efforts towards.

Moderator: the next question is from the line of Nirvana Laha from Badrinath Holdings.

Nirvana Laha: Congrats on a great quarter. My question is, this 15,000 expansion, you said Q3. Can you also tell which month it will come? And for Q4 exit run rate, I think in the last call, you had said 750 skids per month we will hit. So, is that guidance intact?

Asad Daud: So first of all, when we talk about Q3, it's expected Q3, it may come anywhere between October to November. So difficult to tell an exact because it depends on our machine supplier because from where we are facing certain delays from their end. So, it might come in October, it might come in November, difficult to specify a month specifically for that.

That's why we have given a quarter because we are dependent on external suppliers for specific machineries. And with regards to Q4, you -- 750 skids, can you just repeat your question? 750 skids is for...

Nirvana Laha: So overall, I mean, the exit run rate for Q4, I think last time you had said you expect to get about 60%, 65% utilization on the 15,000-skid capacity. So that works out to I think approximately 750 skids per month. So that was my question. Was that guide -- is that guidance intact? Do you think you can do higher than that? Or...

Asad Daud: So as of now, how the things are playing up, we feel that, that is intact. Obviously, it depends on closer to those particular -- when we reach Q3, we'll have a much better idea in terms of the planned dispatch for Q4. But yes, the entire team is working towards increasing the supply of the skid assemblies to our customers.

Nirvana Laha: Sure. And Asad, I had a question with skid assembly facility, right, the capex that you're doing for skid assembly, suppose skid demand -- after a few years, skid demand tapers off. This particular facility, can you repurpose for your flexible hoses or for bellows? Is it a reusable facility, the same machines, etc.?

Asad Daud: So, some of these machines can be utilized for bellows. A lot of these machines can be utilized for providing flow control solutions for other industrial applications as well. Not exactly flexible hose, but it can be used for flow control applications in HVAC, in the other industries, in ports and terminals industries.

So, the machines are something which, say, 5 years from now, demand for skid assemblies goes away, which I feel it's a little far-fetched to think that. But just to assume that if it goes away, the same machines can be utilized for developing piping solutions for some other industries. So, it's quite fungible from that aspect.

Nirvana Laha: Awesome. That's great to hear. Last question is that this quarter, while gross margins went up quite a lot, Q-o-Q, I'm talking about, 200 bps gross margins went up, but you had 300 bps of deleverage coming from employee costs and other expenses. So, is it expansion-related costs, which will get absorbed completely by the next 2 quarters or is there some one-off?

Asad Daud: No. So, these are mostly the costs related to -- so we have setting up of the plant at Chakan in Pune. So, some of these cost of the employees, if you see the employee cost has increased because of the ramp-up in manpower that we have done both at the facility for SFN in Taloja and also the new facility coming up in Chakan.

So some of these costs are for those particular projects, which has affected plus also with increased business we expect in the next few quarters coming in from bellows as well because bellows has not yet reached optimum utilization in terms of its positive contribution to the blended margin. So once that also ramps up, I think we'll see a bigger uptick, a higher uptick in terms of the EBITDA margins.

Moderator: We have our next question from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Sir, on skids, is there a order book that you have or is there a delivery schedule that you have as of now?

Asad Daud: So, we generally receive the tentative dispatch schedule from our customer 2 months in advance with regards to the tentative dispatch that they plan, for which the designs are in the final stages of approval. So -- and then the other for Q3, they have given a tentative that these are the projects that are in finalization and these are expected to come in Q3. So that's what they give us. So, we have tentative -- for this quarter, we have already have broad the dispatch planned.

Pritesh Chheda: So basically, every time you will have a 3-month delivery schedule available to you, which is a defined delivery schedule and a defined schedule to be made. And beyond the 3 months, you will have a visibility in terms of a client telling you that this is the identified project, and I will come back to you with my designs. That's how we have to understand, right?

Asad Daud: Yes. So, it's 2 months of plan, dispatch time for 2 months and the projects for the customer. So, the customers don't tell us directly because it is not our customer, the end customer who was ultimately setting up the data centre, it is the customer of our customer. So based on what discussions that they have had with the customer, they give us a tentative plan that these are the projects that we will plan to dispatch in this -- the next quarter.

Pritesh Chheda: And from each project to each project, the skid type and the skid value will differ, right?

Asad Daud: Yes. Even in the same project on different floors, the value of the skid might change and the value of the amount of the SFN for each floor might vary between a floor to floor also. So that's why the design of the floor, how are they planning to set up the data centre is extremely important to design the SFN.

Pritesh Chheda: Lastly, sir, what is -- so you have given the value of INR34 crores in quarter 1 as your value. Can you tell us the volume there and what delivery schedule you have for quarter 2, value and volume?

Asad Daud: So, in Q1, we had INR32.4 crores as the value of the sales.

Pritesh Chheda: And volume?

Asad Daud: The volume was 1,040. It is mentioned in the presentation also. So, this is what we have achieved in this particular-- in the last quarter.

Pritesh Chheda: Q2 delivery schedule we will have, right?

Asad Daud: Yes. Q2 delivery schedule we have, but I will not be able to share it right now. Probably we can take it on a one-to-one basis.

Pritesh Chheda: Okay. And lastly, the exit run rate which you are saying at 65% utilization, that is on the expanded 9,000 skid capacity or the 15,000-skid capacity, which one?

Asad Daud: Sorry, can you repeat the question?

Pritesh Chheda: You have guided for utilization run rate to improve to 65%, right?

Asad Daud: For the skid assembly, right?

Pritesh Chheda: Yes, for the skid assembly. So that one has to take an exit run rate on 15,000 skid capacity or 9,000 skid capacity?

Asad Daud: That's for the Q4 that I mentioned to the other...

Pritesh Chheda: Yes, I know it is for Q4, but on what capacity 9,000 or 15,000?

Asad Daud: So that is on 15,000 once it is commissioned.

Moderator: We have our next question from the line of Yashika Pancholi from Haitong Investments.

Yashika Pancholi: Congrats on great results. Just one question on fire hose assemblies. What kind of -- of course, you may not be able to give us the exact number, but a ballpark on what kind of margins are we looking at in case we go ahead with the fire hose assemblies for the customers to do it?

Asad Daud: The fire hose assemblies has margins ranging between 23% to 26%.

Moderator: We have our next question from the line of Omkar Chachad from Motilal Oswal Financial Services.

Omkar Chachad: So, I can see on a sequential basis, your margins have decreased by 80 bps, but the Skid volumes have also increased like they have doubled. Was this because of any product changes?

Asad Daud: No. So in terms of the -- so if you see the gross margins have increased, but the -- like I mentioned to the earlier the gentleman who had asked, so because we have -- if you see we have put more investment in terms of team where we have increased the team for the skid business, plus also we have set up a new facility for manufacturing this -- the hose assemblies for specific application for one of our international customers. So, we have invested a lot of amount in terms of the particular future expansion. Hence, that's the reason for slight decline on the margins on a sequential basis.

Omkar Chachad: Okay. Got it.

Asad Daud: Also to add to that, just because the -- barring the material cost in the last -- in the Q1, if you also would see that logistics cost also has increased because of the crisis that has happened in West Asia. So that is also a cost which has seen a significant increase, specifically in Q1 because the real impact of the West Asia crisis started to begin at the -- towards the middle of March and then it became more and more severe in Q1. So that was also a reason for increase in expenses -- the other expenses that you will see.

Omkar Chachad: So, for 2Q, also we should assume like margin will be on the similar lines around 23%?

Asad Daud: Yes. So, I keep mentioning that quarter-on-quarter, it's -- I would want everyone to look at it or definitely look at our business not from a quarter-on-quarter basis, but from how we see it on a year-on-year basis because, like I mentioned, some quarters can be very good, some quarters can be not so good, depending on external circumstances. So, it's better that we are judged on an annual basis because over a period of a year, things tend to average out.

Moderator: We have our next question from the line of Yash Jhurani from Qode Advisors.

Yash Jhurani: On the SFN skid, I wanted to understand what actually yours versus what I would say on a typical skid, roughly what share of value is Aeroflex's own manufacturing, say, in the piping, hoses, bellows versus the components that you are sourcing and integrating? And over time, do you plan moving up to the higher value pieces like CDUs, manifolds or quick disconnect or stay focused in fluid transfer?

Asad Daud: So, it's difficult to give a number in terms of -- see, some of the components, the raw materials that we are buying from our suppliers, then we are converting into the SFN, some of the components that we are buying from our vendors in terms of the fittings and the connectors and the valves and all.

So difficult to give a number in terms of exactly how much is we are -- so the entire -- our manufacturing is for the entire product, right? In manufacturing, for us, all the components that we are buying from our suppliers are raw materials because ultimately, we convert them into a skid and then we supply it.

So, you can -- the best way to judge is to see our gross margins because ultimately, those are the materials that we have purchased and then ultimately consumed into manufacturing.

Yash Jhurani: Understood. And the second one would be, so everyone is quoting a 9-gigawatt India pipeline in terms of the data centres. Just wanted to understand one thing from you. For 1 megawatt of liquid cooled IT load, how much Aeroflex's content is there in rupees? Like roughly how many skids does a megawatt absorb? Just trying to understand how you get from gigawatts of pipeline to a revenue number for Aeroflex?

Asad Daud: About 40-odd skids go into 1 megawatt on an average.

Yash Jhurani: Understood. Okay. And the last one would be, say, against the global integrators like Boyd or Motivair, what's the actual reason a global thermal management player would source SFN skids from India and from you? Is it like cost arbitrage, localization mandate or like genuine engineering differentiation? And in a longer run, would this be a defensible moat for the company?

Asad Daud: Talking about international customers?

Yash Jhurani: Yes, in terms of international customers?

Asad Daud: So first of all, international customers are right now obviously buying internationally from their own suppliers, whether they're based in U.S. or Europe or any other region, right? Now they are looking at us both from the perspective of, one, our engineering capabilities. In just one year's time, we have developed a product which was non-existent in India, right, in terms of the business, which was a year back, there was -- SFN was not available in India. So, in the span of one year, so our team, our engineering capabilities, our R&D, obviously, the product quality that we manufacture.

Second is the kind of innovations that we are doing. I think I mentioned in my previous call that the first skid that we supplied and the last skid that we have supplied recently, if you see the designs, we have done so much improvement that it will be difficult for anyone to judge that the first skid -- the difference between the first skid and the latest skid that we have supplied, there's a huge difference in terms of capabilities and innovation. Now that is not easily available in the market.

In terms of cost arbitrage, see, obviously, India will always have the cost arbitrage, but that is -- will always remain one of the factors. But for us, more important is how do we innovate the products in order to ensure that we give better product than what the customer has asked for. And that's what separates us from other customers and one more thing is our speed.

Our speed is something which probably we can proudly say that we are among the ones who are the fastest and the most agile in terms of adoption of technology, both in engineering and also in our production.

Moderator: We have our next question from the line of Muskan from Niveshaay Investment.

Muskan: Congratulations on a great set of numbers. I just wanted to ask on the Hyd-Air side. Are we looking individual stand-alone approval to sell components from Hyd-Air to other skid makers or CDU players globally or is it only for our own internal purpose?

Asad Daud: No. We'll be using the products at Hyd-Air for our own internal usage and not to supply to other data centre manufacturers.

Muskan: And how much is the percentage -- if you can quantify how much of Hyd-Air components go at our SFN skids part?

Asad Daud: So right now, Hyd-Air -- in terms of the SFN, we cannot -- Hyd-Air is not supplying components for SFN because the components for SFN are made with a different technology. But Hyd-Air is providing certain components which are used for our hose assemblies and those hose assemblies are going into data centres. So right now, we are utilizing the capacity for components for hose assemblies.

Muskan: So are you planning to move that also into data centres...

Asad Daud: Yes, but it will not be directly, it will be as part of Aeroflex's product offerings.

Muskan: Because right now, we are not doing it?

Asad Daud: Yes.

Moderator: We have our next question from the line of Raman from Sequent Investments.

Raman: Sir, just a follow-up on the previous participant's question. On the flexible hoses part, you said there have been inquiries from Europe. I just want to understand what are the applications of the flexible hoses, not the skid assembly in the data centre, like where are they used and where are we seeing demand coming from?

Asad Daud: So, there are 2 kinds of users for hose assemblies. One is obviously for the last mile connection between the rack and the SFN where there is a flexible component which is required. That is one. Second is the fire application where the hose assemblies are used for firefighting solutions or for the fire suppression systems that are installed in the data centres.

And then some data centres where even air cooling is already there, they use the flexible hose for HVAC applications. So, it's different use applications for the hose. Also, what we are seeing is the old or the older data centres who used to earlier have rubber hoses as part of their fluid management system, they are converting it from the rubber hose into metal hoses. So, these are the various applications that we are seeing come in for all the hose assemblies.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question of the day. I now hand the conference over to the management for closing comments. Over to you, sir.

Asad Daud: Thank you so much. Thank you to everyone who has joined the call today and thank you for supporting our company always. If I have not been able to answer any questions of anybody, you can please share your questions to SGA, who is our Investor Relations partner, and they'll be able to provide you with the relevant details. So, thank you so much again, everyone, for joining. I hope to see you in the next earnings call. Take care and have a good day.

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