Management Discussion

Mihir Kumar Pradhan - Chairman and Director, Apsis Aerocom Limited
Hi, good afternoon to everyone. I am Mihir Kumar Pradhan, Chairman and Executive Director of your company. On behalf of Board of Directors and management team, I extend a warm welcome and thank all the shareholders, investors, analysts, and stakeholders for joining us today for our, uh, earning call for the first half of the financial year 2026-27. The first half FY26-27 has been an important period for the company as we continue to strengthen our operational capabilities, enhance our manufacturing infrastructure, and pursue opportunity across aerospace, defense, healthcare, and high-precision engineering sector.

One of the key developments in our growth journey has been the operational of Unit 2. During the current financial year, our focus has been on strengthening the operational readiness of the facility, improving the capacity utilization, and aligning resources to meet the evolving requirements of our customers. This expansion provides us an additional manufacturing capacity and ability to undertake the larger, more complex, and technically demanding projects. Our strategic priority for the, for the remainder of FY26-27 and beyond will continue to evolve around the following key areas.

First, operational efficiency and the capacity utilization of Unit 2. We'll continue to focus on optimizing our manufacturing operation, improving productivity, and enhance the utilization of our existing facility, particularly Unit 2. Our objective is to progressively translate our expanded capacity into improved operational performance and sustainable business growth. Second, customer diversion and business development. We remain focused on strengthening our relationship with the existing customers.

We are actively exploring new business opportunities with new customers. And regarding, uh, the business aspect, Our managing director, Mr. Basavaraj, will take you through, and regarding the financial aspect, our CFO will explain you details. Once again, thank you all for your support and trust on us.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Good afternoon, everyone, and thank you for joining us. H1 FY27 earning call of Apsis Aerocom Limited. I am Basavaraju K.S., Managing Director. Over the next 10 minutes, I will take you through results for the half year ended 30th September, our business update and outlook. We will then happy to take your questions. Before we begin, please note the disclaimer on the screen in the presentation. So here is our agenda. I will start with the highlights of half then financial performance, followed by the order book and outlook.

A short company overview and the detailed financial statements are included for your reference. Let me begin with the highlights of H1 FY27. This has been a strong first half. Revenue from operation grew 55% to INR21.17 crore. EBITDA grew 36% to INR6.52 crore and profit after tax grew 21% to INR3.97 crore. Order book stands INR31.8 crore, about 1.5 times of the H1 revenue. Our balance sheet remains strong with net worth of INR52.9 crore and net cash about INR11.6 crore during the first half. We invested INR21.3 crore in capacity, including advance paid for the capital assets.

From IPO fund. Of these, INR13.3 crore went into new fixed asset, which nearly doubled our fixed assets since March. 3 words to describe this: growth, capacity, and visibility. Growth because revenue rose 55%, with defense up to 56% and healthcare nearly 3 times. Capacity Because we have inaugurated Unit 2 on August 14th, 15 machines and 45 people by September. And visibility, because our INR31.8 crore order book supports the FY27 revenue target of about INR48 crore,

which we reiterated today. 2 milestones made this half special.

On August 14th, we have inaugurated our Unit 2 at the Hitech Aerospace and Defence Park, Bangalore. And 24th September, so we have received Lifetime Contribution Award in Precision Engineering and Aerospace Manufacturing at the 18th Machinist Aerospace and Defense Summit. We are proud of what our team has achieved. As of 30th September, we operated 33 CNC machines, 18 at Unit 1 and 15 at Unit 2 with 125 employees across 28,500 square feet totaling. We also added one new customer during the half.

Last year we deployed about 250 new parts, around 140 of them already in production, and we are expected to generate around INR15 crore this year across both the units. More than 100 further parts are expected to convert to production order during FY27 and FY28. This pipeline drives for the future growth. Let me now take you through financial performance. Revenue grew from INR13.65 crore to INR21.17 crore, up 55%. EBITDA grew 36% to INR6.52 crore, profit before tax 25% to INR5.31 crore, and profit after tax grew 21% to INR3.97 crore.

Profit grew strongly in absolute terms, we, uh, margins moderate. So I will explain why on the next slide. Our EBITDA margin moved from INR35.2 crore percent to 30.88%. 2 factors explain this. First, material cost rose to 37.5% of the revenue, reducing the margin by 3.8 points. Second, other expenses rose to 12.4% to revenue, mainly Unit 2 started operation ahead of the full utilization. So other items together added back about 1.2 points. As unit utilization increases through the second half, we expect this, uh, this to support the margins.

Our key indicator remains healthy. EBITDA margin 30.8% and PAT margin is about 18.7%. In absolute term, EBITDA grew 36% and profit after tax 21%. Debt-to-equity is 0.07 and interest cover is 25 times. Dilute EPS is 3.29. It is lower than the last year only because of additional shares issued in the IPO. Defense remains our largest segment, 12.86 crore, up 56% and 61% of revenue. Aerospace grew 27% to INR5.79 crore, and healthcare nearly tripled to INR2.24 crore. This shows strength of diversified multi-sector business.

Our balance sheet is strong, nearly debt-free. Net worth has grown to INR52.9 crore. We hold INR15.07 crore in cash and bank balance against borrowing of only INR3.46 crore, giving a net cash about INR11.6 crore. Property, plant, equipment has doubled to INR24.6 crore since March. We generated INR2.78 crore of the operating cash flow and invested INR23.33 crore in the capacity during the first half. So funded from our IPO proceeds, cash and cash equivalents close to INR12.95 crore. For H1 FY29, receivable days were 45, inventory days 56, and payable days 38, giving a net working capital cycle of 63 days.

We are actively managing cycle, especially collection and inventories. Business updates and outlook, our IPO proceeds have been put over put to work as plant in advance CNC machine and inspection equipment for unit two. We invested 23.33 crore during the first half, including advance on capital assets gross, new fixed asset And our net block doubled from INR12.3 crore to INR24.61 crore. As of 30th September, Unit 2 had 15 machines, taking our total to 33 machines. Now our business updates and outlook.

Our order book as of 30th September, it is INR31.8 crore. Defence INR16 crore, Aerospace INR9.9 crore, and Healthcare INR4.4 crore. We reiterate our FY27 revenue target of about INR48 crore. In H1, we achieved 44% of it. To reach the target, H2 need about INR26.8 crore, and our order book already covered this about 1.2 times. Look at-- here is our growth roadmap from INR30.65 crore in FY26 we are targeting about INR48 crore in FY27. So as Unit 2 ramps up, FY28, our plan is to-- plan is about INR80 crore with both the units at full capacity.

Our aspiration is to reach INR300 crore by FY32, supported by Unit 3, assembly, and new plants. That is 5 years plan to grow around 50 to 55% year on year. 4 things to support this: added capacity with Unit 2 near Aerospace Park planned for construction to start by FY29, moving up the value chain into assemblies with around 50 new components at RFQ stage, more than 100 developed parts turning into production order, and continued investment in technology, people, while keeping our margins healthy. Our strategy resets to 5 priorities: growing with the customer across all 3 sectors, ramping up Unit 2 and planning for Unit 3, maintaining the highest quality, bringing more process in-house while developing around 50 new components, and investing in technology and automation.

For those who are new to Apsis, here is a short overview of the company. So Apsis was founded in Bangalore 2012. Today we have 2 operating units and 3rd unit is planned. 33 machines and 125 employees as on September. We serve more than 17 customers with export to US, Israel, and India, and many other European countries. So revenue has grown to 43%, uh, year from '23 to FY26 with 100% customer retention. From 4,000 square feet workshop in 2012, we grown step by step. Our first aerospace order received in 2014, so AS certified in 2016.

So we are the sole supplier for some of the critical machined components. So we have listed our company in NSE in March 2026, and Unit 2 in August, and Unit 3 is next step. We have 3 locations in Bangalore. Unit 1 in Peenya, Bangalore, with 8,000 square feet of only machine shop. We also additional spare capacity for office and other spaces. With 18 machines. 80 people works here. Unit 2 at the ITEC Aerospace and Defense Park has 20,000 square feet of machine shop with office, including office space.

So September, uh, so, uh, so square feet, I mean, September we have, as on September we had 15 machines there and more than 45 people working currently there in Unit 2 facility. So Unit 3 is around 40,000 square feet greenfield project facility. It's very close to Bangalore Airport, is planned for future growth. So our machine base covers 3-axis turning, multitasking, and advanced 5-axis machining, including many simultaneous 5-axis multitasking machines. So let us finish the component with higher accuracy and shorter lead time using these technologies.

Every part follows the disciplined workflow from CAD to CAM and machine. So we have process-controlled environment and backed by the more than 20 years of CAM experience team. We offer complete solution from aluminum, steel, titanium, nickel, superalloys, and including surface treatment and full inspection all under AS91000 quality certified systems. So why do customers choose Apsis? We make the parts with, with the competitive advantage of around 40% of our revenues come from the most complex parts.

We convert new parts to production quickly. So 140 of The last year's developed components are already in production. Our quality rating is around 99%. We offer complete solution under one roof and we keep investing in advanced technology. The result is 100% customer retention. We are guided by the experienced board of directors, 3 executive directors, 3 independent directors bringing the expertise in manufacturing, aerospace, defense, and finance. The detailed financial statements follow in the appendix for your references.

The income statement for H1 FY27 compared with H1 FY26. The balance sheet as of 30th September 2026 compared with March 2026 and '25. The cash flow statement for H1 FY27 and FY26 and also for FY25. So thank you, and please feel free to ask any question if you have.

Questions & Answers

Operator
Thank you very much. We will now begin the question -and -answer session. [Operator Instructions] The first question is from the line of Adarsh Sharma from Springtree Investor. Please go ahead.

Adarsh Sharma - Analyst, Springtree Investor
Good afternoon, sir. My first question is, what is the current capacity utilization over plant and what utilization level do you expect to achieve by the end of FY27?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
The current capacity utilization of Unit 2, you are asking, right? Or total? Okay, yeah, I will tell you both the units. The current capacity utilization of Unit 1 is around-- it is completely full. So the unit-- hello,

Operator
Mr. Adarsh has disconnected the call. Okay, we'll move ahead to the next question. The next question is from the line of Abhijit from VP Capital. Please go ahead.

Abhijit - Analyst, VP Capital
Yes, good afternoon, sir.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Good afternoon.

Abhijit - Analyst, VP Capital
Oh, my question is that the company has 17+ customers and around 40% of revenue comes from parts where it is all approved suppliers. How is management planning to reduce the customer? Concentration risk and add a new OEM customer?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, I mean, uh, see, we don't want-- we don't have plan to reduce the customer concentration, so we always have to increase the customer concentration. So the largest customer reduced from 35% to 33%, but the parallelly we have increased our revenue.

Hello?

Abhijit - Analyst, VP Capital
Thank you, sir. Okay.

Operator
Thank you . The next question is from the line of Mayank Dubey from RP Capital . Please go ahead

Mayank Dubey - Analyst, RP Capital
good afternoon sir my first question is what is the accepted expected revenue contribution From unit second in S2 FY 27, H capacity utilization improves.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Unit two H two unit we are generating approximately around fifteen crore.

Mayank Dubey - Analyst, RP Capital
Okay,

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah.

Mayank Dubey - Analyst, RP Capital
And second question is sir that management has proposed, uh, 40,000 square feet, uh, Unit 3 facility with construction plan from FY27. What investment will be required and how will it be funded?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Okay, see, that Unit 3 plan is at-- it is at very initial stage, so that will be communicated to investor later, later at this stage, because the present we are working on the business plan and business roadmap for the Unit 3. So once after that, so we will be making the budget for the Unit 3 construction and equipment investment. So these things will be communicated at the later stage.

Mayank Dubey - Analyst, RP Capital
Okay, okay, thank you.

Operator
Thank you. [Operator Instructions] The next question is from the line of Sanjay Shah, an individual investor. Please go ahead.

Sanjay Shah - Analyst, Individual Investor
Hi, good afternoon, and thanks for doing this call. Um, I just wanted to ask you, because the Unit 3 will take some time to come, and by fiscal '28, just looking at the targets that we have, we'll probably be at full utilization And please correct me if I'm wrong, for Unit 1 and Unit 2. So this-- while you mentioned in the call that we have an aspiration to grow 50% to 55% per annum, but then we won't have spare capacity to grow in fiscal '29, at least for some time, because the 3rd unit will take some time to come up. Are we thinking about it correctly? Or if you could just clarify how we should think about fiscal '29.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, uh, yeah, uh, see, the, the year-on-year, uh, the-- I, I have also mentioned that supported by the additional plants and additional, uh, value addition for growing 50 to 55%. So I mean, within the existing setup itself, like we have-- I mean, we are trying to add more value addition actually in terms of our existing services we are providing. And also, like, if we get a, uh, the Unit 2, whatever plan we have made, it is for, uh, till FY29 it can support our journey in the ratio of 50 to 55% scale.

The, the further, uh, I have also mentioned that by FY29, like, we will be beginning our Unit 3 construction and further expansion. So this will be decided tentatively by, you know, beginning of next financial year. So these facilities, the further scalability plans are required for FY29. So by that time we will have a contract, I mean concrete plan. So as per our plan, we will be executing. It may be Unit 3 or we may expand our Uh, you know, further investments within the existing facility somewhere nearby or in the same building. So we have additional land available.

Sanjay Shah - Analyst, Individual Investor
Super, thank you so much. But if you could just, uh, just also enlighten us, uh, with all the retrofits

and, uh, and further additions, uh, the Unit 2 at peak utilization, what kind of revenue can it contribute to you in, uh, um, in, let's say, of course fiscal '28 will be limited utilization, I assume, but if you assume 100% utilization in fiscal '29, what kind of revenue can it contribute then?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, sir, it can contribute in the range of around INR50 crore to INR60 crore. So INR50 crore is, you know, it is aggressive plan. So if we stretch little bit and, and if we Uh, you know, concentrate on more and more complex parts. So that can increase the revenue of another 5 to 6 crore additionally.

Sanjay Shah - Analyst, Individual Investor
Understood. So that was my apprehension, that, that if you were to combine Unit 1 and 2 both, then, then the ability to grow at this kind of a rate in fiscal '29 might get constrained unless we think about additional facilities in the interim period for us to continue with our growth?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, yeah, as you said, if we, if we, uh, if we concentrate only on machining activity, as you said, it is a constraint for FY29. So, but also I have mentioned in my presentation, we are also planning for vertical integration of assemblies and other service activities. So if we add that value addition to our customer, we can also generate, you know, we can also increase our revenue of at least 10 to 15% by using, you know, Unit 2 facility itself.

Sanjay Shah - Analyst, Individual Investor
No, understood. No, thank you so much. This is really good, and all the best, and thank you so much for all the insights. Thank you. Thank you very much.

Operator
Thank you. [Operator Instructions] The next question is from the line of Aditi Devi Dasani from Dinero Capserv. Please go ahead.

Aditi Devidasani - Analyst, Dinero Capserv
Yeah, hi, uh, so I just wanted to point out that, you know, I've been trying to get in touch with the management for about 2 months now, but I don't get a response from the secretary. Like, I have tried to reach out multiple times, so maybe you could look into it.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Hi, madam, thank you for, uh, So information, ma'am, we'll get, get in touch with you,

Aditi Devidasani - Analyst, Dinero Capserv
Right? Okay, thank you.

Operator
Thank you. The next question is from the line of Jimmy Jain from Wealthmine Advisory Services. Please go ahead.

Jimmy Jain - Analyst, Wealthmine Advisory Services
Hello, am I audible, sir?

Operator
Yes.

Jimmy Jain - Analyst, Wealthmine Advisory Services
Yes, so I just wanted to ask regarding, uh, in the Zoom phone call you had once mentioned that, uh, in the peak revenue you could achieve INR500 crore, uh, by FY31 or FY32. And now you are guiding for INR300 crore by FY32. So, so can we, can we get the reason regarding why have you scaled down the revenue ambition?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, yeah, see, that INR500 crore aspiration still we have. We have not dropped that plan. So the reason is like we are actually discussing one of the potential project with the customer, I mean some of the prospects. So that is at very initial stage. So we have 2 plans. One is concrete plan, which, which we can achieve around INR300 crore by FY32. So the another opportunity which we are discussing with the prospect, so that works actually, definitely we can do INR500 crore. But the committed plan is INR300 crore as of now.

Jimmy Jain - Analyst, Wealthmine Advisory Services
Okay, sir. And any sustainable EBITDA margin guidance you could give us? Because in June con call also you had said that due to listing expenses and due to operating expenses we could not achieve the EBITDA margins. So what could be the sustainable EBITDA margins going forward?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, exactly like, you know, so EBITDA for next 2 years we have always committed. So yeah, I mean, we were going to achieve at least 35%, uh, you know, for next 2 years. It was committed already and we are in track with that.

Jimmy Jain - Analyst, Wealthmine Advisory Services
So we would be able to maintain this going forward, right?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, at least for next 2 years we are going to maintain these margins.

Jimmy Jain - Analyst, Wealthmine Advisory Services
Okay, sir, sure. That's it from us. I'll get again.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Thank you.

Operator
Thank you. The next question is from the line of Somnath, an individual investor. Please go ahead.

Somnath - Analyst
Hello, am I audible, sir?

Mayank Dubey - Analyst, RP Capital
Yes, sir. Yeah.

Somnath - Analyst
So you said that you have, uh, 250 parts already produced and 140 parts are in production. So can you just tell us roughly how many of these parts, I mean percentage-wise, contribute to defense and how much into aerospace? Or is this a, you know, is this a great question to answer?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, around 60% parts, around 50% parts for aerospace, another 40% parts for, you know, sorry, 50% parts for defense, 40% parts for Aerospace, another 10% pass for healthcare business.

Somnath - Analyst
Okay, okay, correct. Uh, also you said that you, you know, you currently have around 60% defense share, 20%, 27% aerospace, and, uh, rest in healthcare. So in the next 2 years, you know, uh, you know, how do you see these, uh, uh, things, uh, you know, going? So, uh, This aerospace, will it increase the market share or you know how much? You know how basically how you...

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
yeah yeah so the ratio may more or less remain same. The aerospace even we concentrate for up to thirty percent of revenue from aerospace. So and defense will be the you know major contributor for our revenue even after next two years.

Somnath - Analyst
Okay, okay. And so you also mentioned that you have an existing order book of INR30 crore. So, uh, normally in the defense and aerospace, we also have a bid pipeline, right? Or a big bid pipeline. Would you be able to, uh, you know, put some color on this? How much, you know, how much normal conversion rate you have historically you've seen with the bid pipeline that you may have?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, uh, of course. Like, uh, see, earlier it used to be very long, uh, you know, commitment used to get it from the customer You know, contracts from the customer. And also pipeline, always, even during our last call we have mentioned, always we keep minimum of INR100 crores pipeline. So on conversion ratio will be roughly around 30 to 35%.

Somnath - Analyst
Okay, S ir, also you said that you have an additional land available. Is that near the Unit 2? And, uh, you know, what is the total Additional land parcel available? Can you please help?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
It's around 40,000 square feet of additional land available, sir. We have to construct it. That is our Unit 3 plan. That's near Aerospace Park.

Somnath - Analyst
Okay. And sir, also, you know, we see that normally in companies which cater to defense, you know, The days are 45. Receivable days are much longer. I mean, it's around say 90, 180 days. But yours seem to be around 45. So what differently are you doing? Can you please put some color on this?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
I mean, see, the our you know CFO will answer you this. yes generally few companies generally deal with some government [Foreign Speech] other other agencies sir we generally deal with debtors of private [Foreign Speech] some OEM customers where we generally have like like customer receivable cycle of 35 to 40 days [Foreign Speech] we are in track of the same way as you can see from the fine

Somnath - Analyst
Okay, uh, the last question would be, sir, you also said that you are doing some, uh, planning to do

some vertical integrations also within your, you know, existing facility. So, uh, so will there be any difference, any, uh, in, in margins? Will your margins go up once you do this?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, see, at present, sir, for next 2 years, so the business concentration also, like what we are targeting, so that has to be aligned with our margins. So that's not going to disturb even though we had, you know, any kind of vertical integration of like assembly or, uh, you know, many other things are there. So still their initial stage we are not disclosing, uh, you know, at this moment. So those plan, whatever we execute for next 2 years, the margins are going to remain same.

Somnath - Analyst
Okay, okay, got it. Um, that's all from my side and wish you all the best.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Thank you. Thank you very much, sir.

Operator
Thank you. [Operator Instructions] The next question is from the line of Hardik Agarwal of Param Capital. Let's go ahead.

Hardik Agarwal - Analyst, Param Capital
Uh, yeah, hi sir, am I audible?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Hi sir.

Hardik Agarwal - Analyst, Param Capital
Hi, uh, great and congrats, uh, congrats on the numbers and, uh, good continued performance. Um, my answer-- my question is partially answered before. Uh, just real quick, uh, could you just reiterate our maximum capacity from Unit 1 and Unit 2, uh, with the expansion of vertical integration? Uh, is it-- am I right to say it's something like, uh, 100 crores, maybe 35 from Unit 1 and, uh, 60, which is a stretch, from Unit 2 with the vertical expansion? Is that correct? And second, if you could just answer currently what utilization we are at in Unit 2, that would be helpful.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, yes sir. So thank you for this question. So, uh, I mean, so by adding Unit 1 and Unit 2 with existing business, we can do up to 80 crore. Uh, that is existing business in the sense machining, machining business. So with the vertical integration, we can also stretch up to 90 to 95 crore. So your numbers are right and genuine. And your second question is, uh, your-- the utilization of Unit 1. At this moment, Unit 1 facility is fully 100% utilized. Unit 2 facility is utilized around with 15 machines.

It's supposed to be, uh, totaling 30. It is 15 machines have come, but we are not fully utilizing those machines because installation and commissions are going on still. So we are hardly utilizing around 30 to 35% as on September and even during October.

Hardik Agarwal - Analyst, Param Capital
So, all right, thank you.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Thank you, sir.

Operator
[Operator Instructions] The next question is from the line of Rahul Mehta from Eshma Vir Financial Consultants. Please go ahead.

Rahul Mehta - Analyst, Ashmavir Financial
Hello.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Hi. Hello.

Rahul Mehta - Analyst, Ashmavir Financial
Hi, sir. I'm audible.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Hi, sir. I can hear you.

Rahul Mehta - Analyst, Ashmavir Financial
Yeah. Okay. So thank you for giving me the opportunity. So the first question I had was regarding the decline in the PAT margins in H1 FY27. Could you please explain the reasons behind this and what blended EBITDA and PAT margins can we expect for the full year of FY27 and FY28?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
There has been a decline in the PAT and EBITDA margins when compared with H1 of FY26. The major 3 reasons are, first is increase in the cost of material consumed, like it has been increased by around 3.83% when compared with H1 of FY26. It is due to the change in the product mix and increase in the raw materials and other cost, production-related cost. And secondly, the other expenses has been increased by 1.75% when we compare with the year-on-year, uh, like growth. And this is due to the rent, electricity, and some security and some other fixed operating cost which is generally associated with Unit 2.

Since the facility is yet to achieve the expected revenue contribution, these costs generally have an impact, impacted our PAT and EBITDA margin. Thirdly, uh, when you compare with the PAT, generally the depreciation has been increased by 1.2%. 7% in Unit 2 due to the fixed assets and other machinery, uh, which we have bought in Unit 2. These costs are generally associated with the expansion initiatives and investments in future growth, and we expect the better capacity utilization and increased revenue contributions as Unit 2 is fully operated.

And as you said, for the EBITDA and PAT margin, we are generally, uh, like expecting for this and next financial year around some 35%. And PAT margin around 23%.

Rahul Mehta - Analyst, Ashmavir Financial
Okay, the blended EBITDA is going to be 35% and 23% is going to be the PAT margin for the FY27.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yes, these we are generally expecting in the next 2 financial years.

Rahul Mehta - Analyst, Ashmavir Financial
Okay, okay, and FY28 as well?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
I would like to add one thing, sir. Generally, if you see in this business, uh, the H1, uh, H1 performance will be little bit lesser when comparatively H2. Okay,

Rahul Mehta - Analyst, Ashmavir Financial
Yeah, okay, it's 40%, right? H1 is 40% for this year and 60% is going to be in H2.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, in general it will be like that, sir. The demand during H2 will be high.

Rahul Mehta - Analyst, Ashmavir Financial
Got it, sir, got it, got it. So my second question was regarding the Unit 3 expansion and funding plans. Uh, so for example, what are the expected like timelines and any, uh, expenditure for Unit 3 if you are opening up a 40,000 square feet, uh, unit. So what is going to be the capacity spend, uh, capital expenditure for that, and how are you going to fund it? Are we going to fund it through internal accruals, debt, or equity raise in FY29?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, so as I mentioned, uh, see, basically the Unit 3 plan is at a very initial stage, so we still, we still, we are working on the business plans. What I mean, uh, see, we don't-- we-- that unit, Unit 3 plan is a little bit, uh, more specialized, uh, things we want to do there. So within the same segment, so that is why like the plan is at very initial stage. So that we will be discussed in the future. And also since the configuration and business plan is not decided, we have not made our budget.

Rahul Mehta - Analyst, Ashmavir Financial
Okay, okay.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Things cannot be copied there. That is the way-- that is why we still not decided the, you know, investment plans there. So once the business plan is ready, we will make the budget and we will communicate you at later stage.

Rahul Mehta - Analyst, Ashmavir Financial
Got it, sir. Got it, sir. The third question I had was that you mentioned that Unit 1 and Unit 2 together have the capacity to generate around INR80 crores in annual revenue at full utilization. Correct me if I'm wrong. So is 80 crores the maximum revenue potential of both the facilities combined, assuming 100% capacity utilization in FY28, or the scope of higher revenue from the existing facilities?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, so existing business, it can-- though both can generate a revenue up to 80 crores. So as I answered for the previous question, so we are also thinking to give a-- means give some-- means make some vertical integrations. By, you know, making some, some, some kind of additional value addition to our customers. So with that, we are, you know, it can increase up to another 10% of our total revenue, up to INR90 crore it can, it can go.

Rahul Mehta - Analyst, Ashmavir Financial
It can go, okay. And we might also see the operating leverage kicking in, right? The margins might increase if the capacity utilization is at a higher scale.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, yeah, margins. I see, definitely we are going to make, uh, you know, maintain the, uh, same margins, uh, something, uh, something like, you know, PAT margins of up to 25% and EBITDA is up to 35%. We are going to maintain for next 2 years, that is for sure. And further, it all depends on case to case, uh, like Uh, like, you know, the, the customer, how we, uh, how it happens, the finalization, negotiation, the order, that actually depends on the, uh, subjective.

Rahul Mehta - Analyst, Ashmavir Financial
Fair, sir, fair. And, uh, so we are currently operating in the B2P segment. So are there any plans to expand into B2S as well? Because B2S involves greater design and engineering capabilities. So that could help us improve our product portfolio and achieve the margins. Are we planning to go in that, uh, area of B2S?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, we have a plan. So again, again, that is all very initial stage. So definitely we are going to-- we are thinking about it. But in this case, the components what we are making, so we have a less scope of making design and testing because So we supply the components as part of some, you know, aircraft. So I mean, some very complex application, they all goes basically the entire system designs, basically the OEM will take care. So they will not give us the authorization to design such entire system, but we are thinking to go for some submodule level. So there, uh, we are thinking for, uh, you know, uh, design and, uh, testing activities.

Rahul Mehta - Analyst, Ashmavir Financial
So how many SKUs do we have right now as of September 2027?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Around 100 parts we have added, sir.

Rahul Mehta - Analyst, Ashmavir Financial
In total, how many SKUs? And, and out of those SKUs, are we the only ones who are making 60-70% of it?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yes, yes, around 60%. Still we get a repeat order for the same. So we have not added much of new parts. Up to maybe we have added 100 parts newly, I believe. So in that, still again, uh, we are the sole supplier for those, uh, you know, components.

Rahul Mehta - Analyst, Ashmavir Financial
So it's a total-- how many SKUs do we have in total after adding 100 parts?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Very huge, sir, the very huge. So it will be something like 500 to 600. But in that what happens basically the reason why we talk in terms of number is basically [Foreign Speech] some parts [Foreign Speech] cost us just a two hundred rupees or five hundred rupees at the same time few component will cost around one lakh rupees

Rahul Mehta - Analyst, Ashmavir Financial
Fair okay okay and out of like four hundred five hundred SKUs we are making like fifty sixty percent of the SKUs is only being made by APSIS number.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Number wise it is difficult to make up you know percentage bifurcation in terms of revenue it is easy.

Rahul Mehta - Analyst, Ashmavir Financial
Got it, sir. I just have a last question regarding the net working capital days.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Sir, your voice is breaking. we are unable to hear you.

Rahul Mehta - Analyst, Ashmavir Financial
So can you, can you hear me? Hello?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yes, yes, yes, yes, we can.

Rahul Mehta - Analyst, Ashmavir Financial
Yeah, okay, so, so I just had my last question regarding the net working capital days. So our net working capital days was quite low in FY26, and now it has increased to 60 to 63 days in H1 FY27. So, uh, what are the main reasons behind the increase? And can we expect the working capital days to reduce in H2 FY27?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
I'll explain the reasons actually. Uh, now also when you compare with the balance sheet, when you compare actually with the payable days, the net working capital days, uh, like per payable, it is 108 days only. Uh, since early presenting, we have reduced the long-term payables, like around some 1.5 crore long-term payable, uh, like payments which we have kept on hold due to some quality issues. When you compare with the balance sheet, uh, it will be reduced only. But since, uh, we thought that we will project the actual, uh, like, uh, like after the pending and all, we'll project the actual days.

When you compare with the receivable, inventory, and, uh, days, it remains same, like no difference is there. Like in the H1 of financial '26, it is around 45 days for receivable days, and now also 45 days. And when we compare with the inventory days, uh, like it remains around from 78 days to 56 days. Only the payable days we have already reduced. The long outstanding has been, there has been, uh, we have paid some of the bills and therefore, and going forward we expect the like the net working capital days will remain around 60 to 65 days something.

Rahul Mehta - Analyst, Ashmavir Financial
Okay, and on the balance sheet of FN26 also show the INR15 crore of cash, uh, crores in cash, whereas the cash statement shows INR12.9 crore, so there is a INR2.12 crore difference. So could you please explain why is there a difference of INR2.12 crores in the cash flow and the balance sheet?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, that I will explain. The difference of INR2 crores what you have mentioned, that is between the cash balance of INR15 crores and INR12.95 crores as per the cash flow statement, these are related to the bank deposits. These bank deposits are considered as a part of cash and cash equivalents for the presentation in the balance sheet. However, since these bank deposits don't qualify as cash

equivalents for applicable accounting standards, per the cash flow statement excluded from cash flow statement.

Accordingly, there is no discrepancy in the balances and difference is solely due to the differences in classification and presentation purposes as per the accounting standard.

Rahul Mehta - Analyst, Ashmavir Financial
Okay. So in total we have.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah.

Rahul Mehta - Analyst, Ashmavir Financial
Got it. Thank you so much. Thank you so much.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Thank you, thank you, thank you, sir.

Operator
Thank you. The next question is from the line of Deorshi Pradhan from First Assets. Please go ahead.

Deoarshi Pradhan - Analyst, First Assetz
Hello, good afternoon, sir. Congratulations on your great numbers. My question was regarding the EBITDA margin. As you mentioned, the EBITDA margin contraction with an outcome of mainly increase in material cost. Now, could we not pass on this part of this increase in material cost to the customers? Like, should we absorb all the increase in the price of materials in the future as well?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, yeah, sometimes, sometimes your ongoing project, it is, uh, you know, little difficult. Sometimes customers ask us to observe the difference of, uh, these increases where, because Even for them, for our customer, it is difficult to convince their customer to, I mean, get the approval for a revised project. I mean, those POs and all, it will be huge for our customer. That's the reason OEM generally they don't increase in between the prices for our customers. The same thing will affect us. So even my customer, once they make their budget, it's very difficult to convince them.

But however, we intimate them during next order finalization or, you know, repeat order, we will convince them to get revised prices. That is one thing. And also when this kind of, you know, situation comes where we can able to observe, that time we will observe if it is significant impact on our balance sheet. So generally we avoid and go back to customer and try to convince them.

Deoarshi Pradhan - Analyst, First Assetz
Okay, thank you so much. Thank you.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Thank you.

Operator
Thank you. [Operator Instructions] The next question is from the line of Prabal Jain from SM Holdings. Please go ahead.

Prabal Jain - Analyst, SM Holdings
Yeah, hi, good afternoon. Uh, congrats for a good set. Uh, so sir, I know you answered in detail about your Unit 3 plans to a previous participant, and I know the plans are still on the whiteboard, but I still wanted to get a color on 2 parts. One is the qualitative stuff, what you're planning, like you mentioned assemblies and subsystems, but if you can go a little bit more detail Uh, like, you know, what kind of programs are you targeting and for what end use case, you know, you'll be making assemblies?

And is it for domestic players or you are targeting exports, you know, um, Israel or US or somewhere else? So, so just a qualitative color on that. And then the second part of this would be, you know, uh, because you also said that we have spare land, so we may move it over there, or, you know, we may not go for the greenfield plant, 40,000. So, um, I mean, what kind of, you know, uh, CAPEX amount are we looking at? Like, you know, any tentative amount? Because, uh, the incremental revenue targets, you know, from 90 crores to 300 or, you know, 500 that we are targeting would be coming from here only, as I presume.

So, so yeah, these are my 2 parts. Yeah.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Uh, yes sir, thank you for asking these questions. Uh, you know, you see Unit 3 plan, like, uh, the way I have mentioned. So we have a plan to plan for Unit 3. It is completely little bit of specialized application, like exclusive part, how we are doing at present. But around 60% business we are doing for, uh, doing in Unit 1 and 2. So that proportionate we want to increase up to 80%. In Unit 3. So for example, in Unit 1, if we are doing 60% of complex part, 40% of medium complex part, in Unit 3 is going to be more specific to complex machined components.

So that is one, one area we are thinking and maximizing the automation. So that kind of technology, and we are trying to implement there within the existing business. And non-greenfield project, the land which I said it, which is available, it is not for, you know, for this kind of application. This is for vertical integration I mentioned in the previous answer. So that is going to be something kind of mechanical assemblies, you know, and adding more medium critical component by-- to increase the top lines.

So that kind of thought process we have.

Prabal Jain - Analyst, SM Holdings
Okay, okay, okay, got it.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, and as of now, still we have not planned, uh, why? Because we have not decided both of them what to do for which one is to take it first, whether Unit 3 facility or this medium critical to increase the top line. Both we have not decided. So we always decide the investment plan only after, uh, the foolproof business plan.

Prabal Jain - Analyst, SM Holdings
Yeah, so any, any names you can take about your critical customers that you are in talk with for, you know, these new projects, or any programs that you are targeting in which you are trying to get a hold of it?

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah, basically customer name we, we cannot able to disclose at this moment. Uh, the one thing I can say, like within the same existing business in defense and aerospace, we are targeting more The-- what we are doing, it is very little for the-- for this application. Still within the machining itself, there are many other areas. So we can concentrate, we can target. So the-- right now we are into defense when it comes, we are into communicate mechanical parts for communication application and structural parts for aircraft and this kind of application we are into.

So we have a more opportunity for engine-related component, we have more opportunity for many other machining applications. We also have more opportunity for air taxis. So like that, in the same area we have plenty of opportunity for expansion. The reason why we are not scaling in 1x, 2x, because the way our component cannot be scaled in that manner. We have to go in proper quality by keeping the quality constant for our customers. So medium critical part, there is an opportunity for scaling in bigger level, but this kind of component we have to go little bit slow by keeping the quality constant.

Prabal Jain - Analyst, SM Holdings
Okay, got it. Thank you, thank you so much. All the best.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Yeah. Thank you, sir.

Operator
Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Basavaraju .K.S - Managing Director, Apsis Aerocom Limited
Closing stage. Okay, so thank you, thank you very much everyone for your time and asking the very meaningful questions, and also for trusting us in our-- trusting within us and for our business. So we ensure that we are going to keep the same confidence and try to do our best going in the future. So, uh, thank you once again. Thanks for your time.

Operator
[Operator Closing Remarks]