Management Discussion

Kashmira - Investor Relations, AddFactors Investor Relations
Good evening everyone, and thank you for joining us for the H1 FY27 earnings conference call for Vinyas Innovative Technologies Limited. Today we have with us the senior management team represented by Mr. Narendra Narayan, Managing Director of Vinyas, Mr. Sumukh Narendra, who's the Whole Time Director, Mr. Balaji Bhatt, Executive Committee Member, Mr. Amitava Majumdar, the CFO, and Mr. Subodh MR, who was the Company Secretary and Compliance Officer. Before we begin, please note that the certain statements made during this call may be forward-looking in nature.

Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results or projections to differ materially from those statements. Vinyas Limited will not be in any way responsible for any actions taken based on such statements and undertakes no obligation to publicly update these forward-looking statements. With that, I would like to hand over the call to Mr. Sumukh Narendra for his opening remarks. Thank you, and over to you, sir.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Thank you, Kashmira. Good evening everyone, and thank you for joining us today for Vinyas Innovative Technologies Limited H1 FY27 earnings call. I am Sumukh Narendra, whole-time director of the company, and I am pleased to take you through our performance for the first half along with some key business developments and strategic initiatives we have undertaken during this period. This is a particularly a special year for us as Vinyas completed 25 years of operation in October 2026. Over the past 2 decades, we have evolved from an electronic manufacturing company into a high reliability manufacturing and system integration partner catering to our customers across defense, aerospace, industrial, medical segments both in India and internationally.

This journey has been shaped by our people's commitment, our continuous investments and capabilities, and most importantly, the trust of our customers that have, that have placed- the trust the customers have placed on us over the years. Today we complete this important milestone. We remain focused on building on this foundation and positioning Vinyas for its next phase of growth. Starting, I would like to highlight some of the business developments for the first half of FY27. The first half has been important- has been an important period for Vinyas, not only from an operational perspective but also in terms of strengthening our manufacturing footprint and expanding our participation in higher-value programs.

I would first like to highlight 3 key developments during this period. First, our expansion into the United States. One of the most significant developments during this period was the establishment of the manufacturing presence in the United States through United Vinyas Technologies, our joint venture in which Vinyas holds 49% stake. We have established approximately 18,000 square feet of manufacturing facility at Elgrove Village, Illinois. As a part of the initial setup, our production and quality teams from Mysore have worked closely with the U.S.

Team to facilitate the transfer of manufacturing process, establish quality systems, and prepare the production line. We commenced our first article builds in October, and we expect the facility to be complete and ready for series production by the end of calendar year. This expansion is strategically important to us. It strengthens our proximity to our customers in North America and enables us to cater to programs where local manufacturing capabilities are required, while our Mysore facility will continue to support these programs through the supply of assemblies.

Second, strengthening, strengthening our capabilities in the defense segment. We have established Nexus Advanced Technologies, a joint venture with an Israel-based defense technology company in which Vinyas holds a 26% stake. The objective of this venture is to build capabilities across manufacturing, assembly, system integration, maintenance, and lifecycle support for advanced defense programs. As a part of this arrangement, Vinyas will supply electronic subsystems to the JV enabling us to participate more directly in these programs and expand our presence across the difference- across the defense manufacturing value chain.

Thirdly, strengthening our long-term engagements. During the period, we've also entered into a long-term agreement with Hindustan Aeronautics Limited, Korwa, for the supply of electronic systems for the heads-up display and IFF applications. This agreement reinforces our relationship with an important customer for Vinyas in the defense and aerospace ecosystem. Taken together, these developments represent meaningful progress in our strategic priorities. Our US expansion strengthens our geographical presence and customer proximity, while Nexus and our long-term agreements with HAL deepen our participation in India's defense and aerospace ecosystem.

As we move forward, our focus will remain on translating these strategic investments and partnerships into execution capabilities and program wins and sustainable business growth. Coming to the financial performance of the first half, first half of FY27, on a consolidated basis The revenue from operations for H1 FY27 stood at Rs 290.3 crores. EBITDA, EBITDA for the period stood at Rs 35.5 crores, translating to an EBITDA margin of 12.2%. Profit after tax stood at Rs 14 crores. Since the group established its subsidiaries during the second half of FY26, consolidated financial statements were not prepared for corresponding period of the previous year.

Overall, we have delivered healthy growth during the first half while continuing to strengthen our operational capabilities and prepare for the next phase of business expansion. Our order book during the first half- we secured new orders worth Rs 411 crores both from existing and new customers, reflecting continued traction across the business segments. As on 30th September 2026, our order book stood at Rs 1,430 crores, providing a strong base of business visibility as we enter the second half of the financial year.

Our focus now is on ensuring disciplined execution and timely conversion of this order book into revenues. We are currently expanding our manufacturing infrastructure with an additional 25,000 square feet facility. This facility is dedicated for system integration and mechanical assemblies, further strengthening our ability to undertake large and more complex programs. Coming to the working capital management, we have seen an improvement in customer collections during the first half With receivables reducing by almost Rs 62 crores.

At the same time, we have built up inventory and work in progress to support planned dispatches during the second half. Our immediate focus is on converting this inventory into customer dispatches and collections through H2. This will remain an important area of operational focus as we work towards improving our working capital efficiencies. Our credit rating was upgraded by CRISIL to an A- stable during the period. We believe this reflects the progress made by the company and further strengthens our positions- position with, uh, with the lenders and other stakeholders.

Alongside strengthening our infrastructure, we are also investing in organization and people. During the period, we strengthened our leadership team, including the appointment of Chief of Business. We have also onboarded experienced talent from across the globe, particularly in our operations, to supply- to support our expanding business requirements and the execution requirements of larger and more complex programs. We believe that building the right organizational capabilities is equally

important as expanding our manufacturing infrastructure, particularly as we scale our operations.

Over the years, Vinyas has evolved beyond board-level manufacturing and expanded its capabilities across cable harness, electromechanical assembly, system integration, and tested subsystems. The broader range of capabilities allow us to participate in a larger portion of our customers' programs and take on more comprehensive manufacturing responsibilities. At the same time, we continue to explore opportunities beyond our established sectors, with an emphasis on expanding into new geographies, emerging segments such as transportation and semiconductors.

These initiatives are part of our broader effort to diversify our business and build additional growth opportunities over the medium to long term. Looking ahead to the second half, our priorities remain clearly defined. Our primary focus will be on disciplined execution of existing orders, maintaining consistencies in quality and delivery, expanding our manufacturing capacity, and translating our strategic initiatives during the first half into sustainable operational performance. We will also continue to monitor the availability of semiconductors and critical electronic components, given their importance to manufacturing schedules and timely program execution.

As we enter the second half, we do so with a strong order book, improved customer collections, enhanced manufacturing capabilities, a stronger organizational structure, strategic investments and partnership established during the first half provide an important foundation for the next phase of growth. While execution will remain our immediate priority, we are confident about the opportunities ahead and remain focused on building a larger, more diversified, and higher-value Vinyas. Before I conclude, I would like to thank our employees whose hard work, commitment has been instrumental in our progress.

I would also like to thank our customers, partners for their continued trust and association, our shareholders for their confidence and support. As we move to the next phase of our journey, we remain committed on creating a sustainable long-term value for all our stakeholders. With this, I would be happy to take your questions. Thank you.

Questions & Answers

Operator
Thank you. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Rishabh Tibrewal with Daksham Capital. Please go ahead.

Rishabh Tibrewal - Analyst, Daksham Capital
Hi, am I audible?

Operator
Yes, Rishabh.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Yes,

Rishabh Tibrewal - Analyst, Daksham Capital
Thanks for the opportunity. I was, uh, my question is what would be the target revenue for Nexus in

FY28 and what is the growth path going forward with that?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
I think, uh, we would like to concentrate more on Vinyas here. It's an investment that we have made into Nexus. It's a defense organization, and we would like to discuss particulars about Vinyas here during this call, please.

Rishabh Tibrewal - Analyst, Daksham Capital
Okay, sure, sure. Okay, that's it from my side.

Operator
A reminder to all participants, you may press star and 1 to ask a question. The next question comes from the line of Mayuresh Raut with Invest for Value. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Uh, thank you for the opportunity, sir. Uh, so my first question is, with the existing order book of Rs 1,400 crores and this fresh order book that we secured in H1 of Rs 400 crores, what percentage of this, uh, order book, uh, do we expect to convert into revenue in the upcoming year, a couple of years?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Uh, the order book is primarily extendable up between 18 to 24 months, so we expect to execute all the orders that we have in a time frame of 1.5 to 2 years.

Rahul Jain - Analyst, Credence Wealth
Okay. Uh, so one more question. Uh, so has our customer concentration evolved along with the order book? Or are we seeing a broadening of customer base, particularly in the global OEMs and defense customers?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Yes, we've seen a broader base of customers, especially in our defense and aerospace segment. I think post our NatCap certification, we have received a larger visibility among the defense and aerospace customer base as well as the OEM base. Uh, as you know, on the defense side, the conversion from an initial, uh, discussion to a purchase order is a fairly, uh, long duration, and we have started to see the fruits of, uh, this process right now, and we expect in FY28 to have a larger benefit with a larger base of our customer base increasing with some of the initiatives we took last year.

Rahul Jain - Analyst, Credence Wealth
Okay, thank you, sir. And last question, sir, uh, so how much of these expected margin expansion can come from business mix improvement versus the operating leverage and scale benefits?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
I think at this point of time, uh, The business mix is what is driving primarily, uh, the operating, uh, margin improvements. And I think, uh, right now, uh, for the immediate 1 year, we expect the EBITDA margins to be between 11 to 12%. Uh, the operating leverage- we, we did improve our margins last half year, and we expect it to be at the same range going forward as well.

Rahul Jain - Analyst, Credence Wealth
Okay, thank you so much, sir, for taking my question.

Operator
Participants, please press star and 1 to ask a question. The next question comes from the line of Karan with Nivashay. Please go ahead.

Karan - Analyst, Nivashay
Yeah, uh, thank you for the opportunity and congratulations on good set of numbers. Uh, I have a couple of, uh, questions starting with, you know, the, uh, you talked about the rising inventory, uh, due to, um, you know, complete the orders in the second half. Uh, is this rise also due to the supply chain issues that you were highlighting in the last, uh, uh, call, or is it just, uh, to, you know, complete the orders for the second half?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Uh, it's a mix. We see challenges on the semiconductor side, especially the memories, and to some extent we have had a push in the lead times. What was generally 10 to 12 weeks has now pushed to 18 to 24 weeks, and in the cases of certain semiconductors which have come- gone into allocation we've had to secure those components and hold them in inventory. Also, there has been a larger execution cycle every month, and to cater to that, we've also pulled in some inventory to ensure that the manufacturing line is running continuously to cater to the higher monthly revenues that we are achieving.

Karan - Analyst, Nivashay
So do we expect these supply chain challenges to ease out, or maybe next 6, 9 months?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
I don't see the supply chain challenges easing out, uh, in the next 6 to 9 months. Uh, we expect it to worsen sometime, uh, in 6 to 9 months. Uh, but right now is, uh, the situation is more looking like in, uh, the start of a semiconductor, uh, a tough period for semiconductors, uh, supplies. But Vinyas being in the high mix, low volume side of things, uh, the availability of components for the volume of manufacturing that we do, uh, has- is better than what we would have seen if we were doing a volume manufacturing as such.

Karan - Analyst, Nivashay
And so basically what you are referring to is we would be able to maintain this 30-35% growth despite these challenges, right? Yes. Okay, so, okay, understood. So yeah, this other non-current assets also, you know, rose from, uh, 20 to 54 crores in the balance sheet. So, uh, any specific, uh, line item which is contributing to that part?

Amitava Majumdar - Chief Financial Officer, Vinyas Innovative Technologies Ltd
Yeah, this is, uh, primarily A large portion, the differential, major portion of the differential is due to advances paid to the suppliers to secure the supply. As Simokh has already mentioned, that due to semiconductor and supply chain issues, we need to secure the supplies, otherwise the prices will go up and the uncertainty in terms of lead time can also increase. Therefore, we have paid the advances to supplier to secure and get supplies on time.

Karan - Analyst, Nivashay
Understood. And, uh, related to that question, there's also an increase in debt and subsequent increase in interest cost. So, uh, is it also due to this working capital constraint? And, you know, do we expect it to come- come- the debt to come down maybe by the end of the next end of this

Amitava Majumdar - Chief Financial Officer, Vinyas Innovative Technologies Ltd
Year? Yes, uh, the, uh, the interest cost has gone up primarily. There is certain, some increase in borrowing, as you can see from the balance sheet, as well as most of our, uh, working capital limits were renewed during the first half. So the related cost of stamp duty and processing fees have also got, uh, played a part into it.

Karan - Analyst, Nivashay
And we are expecting

Amitava Majumdar - Chief Financial Officer, Vinyas Innovative Technologies Ltd
This to increase- reduce during the, uh, by the year end.

Karan - Analyst, Nivashay
Okay, it's more of the processing cost that have contributed to the interest cost. Uh, this- yeah, processing time.

Amitava Majumdar - Chief Financial Officer, Vinyas Innovative Technologies Ltd
Yes, also the borrowing has gone up, uh, related- the relevant interest cost has also contributed to the thing.

Karan - Analyst, Nivashay
Okay, so do we expect the debt to come down or do we expect the interest cost to come down, uh, at the end of the at the end of this year?

Amitava Majumdar - Chief Financial Officer, Vinyas Innovative Technologies Ltd
Obviously the interest cost will be coming down because the most of the processing fees, renewal processing fees, have already been paid. So there is hardly anything left. So that part will be- there will be no increase on that part. So over by the end of March, uh, '27, and therefore we expect the overall interest cost compared to H1, it will be decreased.

Karan - Analyst, Nivashay
Understood. Uh, one last question from my side. Uh, due to the supply chain challenges, uh, the cost of the components would have also, you know, gone up. So, uh, we have already assured that, uh, in the previous call that these are passed on to the customer. So is the situation, uh, similar, like the cost, rising costs are also passed on currently to the customers?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Yes, that, that's the way our contracts are. So if there are any changes in the component prices, uh, that is a direct pass-on to our customers.

Karan - Analyst, Nivashay
Understood. Great, uh, thanks for all the very best.

Operator
A reminder to all participants, you may press star and 1 to ask a question. The next question comes from the line of Rahul Jain with Credence Wealth. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Hello. Yeah, thanks for the opportunity. Uh, so first question is with regards to the pipeline. So we are currently sitting on about Rs 1,430 crores of order book. Uh, so, and also, uh, that we are kind of a single source vendor on a lot of, uh, mature defense programs. So any kind of large procurement tenders which are in the system and we expect to get those kind of orders, or if you could just give us insights on what kind of pipeline and what kind of probability in terms of that pipeline we winning those orders in next 6 months.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Um, currently The, the existing programs that we are working on, we are expecting- there has been a certain pushout of the second round of renewal of these programs. So we are looking at certain programs to be renewed by the government early FY20- early 2027. Uh, with Vinyas, uh, getting the purchase orders mostly towards, uh, Q1 FY28. Um, the second half will primarily be, uh, repeat orders that we would be receiving from our customers, uh, to cater to the existing, uh, procurement that the Indian defense, uh, programs, uh, are in play.

We would see larger purchase orders primarily coming from our export side of the business and some of the new initiatives that we have taken. We would see the larger purchase orders flowing down into Vinyas from those initiatives during the second half and not primarily from some of the new programs that would get signed for the next 6 months.

Rahul Jain - Analyst, Credence Wealth
Any kind of range of likely order wins you could put into?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
At this point of time, uh, the range would be somewhat similar to what we had last year. We are looking at, uh, order inflows between Rs 500 to Rs 550 crores for the second half of, uh, FY27. Uh, some of it may be split into smaller purchase orders, so we may not see a large Uh, single purchase order during the second half of this year.

Rahul Jain - Analyst, Credence Wealth
Sure. And so in your presentation and earlier discussions, you have been talking about, you know, moving up the value chain from the- I'm so sorry- from typically the- and I'm not that well-versed with the technicalities of it, but moving in from the PCBA to, say, a system-level manufacturing, subsystem integration, and complete integration kind of system, uh, box build versus pure-play PCBA. So, uh, where do we stand in that journey in terms of, you know, currently what proportion of order book, what proportion of sales in the first half is from the integrated, uh, system integration segment or system integration part, and what is the kind of difference in the relation as well as gross margin between the system integration box build versus the pure play PCB?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Sure. So I think we've made progress over the last, uh, 2 years, and, uh, with the purchase orders converting, we saw a healthy H2, uh, last year. And during the H1 of this year, we, we are looking at between 35 to 40% of our business coming from system integration work. Uh, the system

integration work is primarily us building either a subsystem including PCBA, cable harness, as well as the mechanical integration. And with this, we also do the testing and supply to our customers. We see an improvement of gross margin, uh, almost 3 to 4 basis points, taking it all the way between 24 to 26% gross margin.

On these programs. Uh, so that is where we see- we see that improving over the next financial year to almost getting to 45 to 50% of our revenue coming from system integration.

Rahul Jain - Analyst, Credence Wealth
So just to get an answer, you said gross margins are roughly 3 to 4% higher compared to gross company gross margins. Is that understanding right? Yes, that's right. Okay, so on the margin side, sir, uh, I think first half you have already recorded 12% plus margin. In fact, on consolidated is 12.2%, and, uh, typically your second half is generally about 60% of the revenues. So first, uh, on the revenue part, are we headed towards- given that in the first half we have done about Rs 290 crores of revenue, can we expect the revenue somewhere around Rs 700 crores for the full year, given that 60% comes from the second half?

And with higher revenues, can we expect that operating leverage to help us to move higher than that 12% margin for the second half?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Um, the second half, as you said, is usually between 6- close to 60 to 65% of our revenue. We are looking at, uh, year-on-year growth to be about 30 to 35%. Um, so we expect, uh, revenues in the same range as compared to last financial year. The margin profile would continue to remain closer to 12% because of, uh, the mix remaining somewhat similar. We would have a PCBA as well as a system integration mix. We foresee a certain larger PCBA mix for the second half Uh, but we expect the EBITDA margins to be between, between 11.5% to 12% for the second half.

Rahul Jain - Analyst, Credence Wealth
Okay. And as we move on to the next year,

Operator
Uh, I would request you to rejoin the queue. The next question comes from the line of Gaurav Bansali with Augment Enterprises. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Uh, sir, uh, my question would be Going ahead, we will be a defense and aerospace and defense focused organization, or we'll be expanding into newer verticals?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Our primary focus will continue to remain high mix, low volume, and medium volume manufacturing. Aerospace and defense is a large portion of our business and will continue to be a large portion. Uh, we are working towards expansion into new segments- commercial aerospace, uh, the transport segment- and we are looking at, uh, expansion into new, uh, verticals like the medical and industrial side of manufacturing as well. Uh, we- the growth on the defense side will continue, but the expansion is being worked on internally to ensure that, uh, the defense and aerospace segment doesn't become a large very large portion of the business.

Rahul Jain - Analyst, Credence Wealth
But on the, do also expansion that, that one of parliament. So do we have any development?

Operator
I'm sorry to interrupt, Gaurav. You're not audible. Please use your phone on headset mode.

Rahul Jain - Analyst, Credence Wealth
Can you hear me now?

Operator
Yes.

Rahul Jain - Analyst, Credence Wealth
Yeah, thank you. My second question would be Sir, about our European ambition which we've outlined, are we in advanced stages of some acquisition or a particular setup, or that's just in discussion stage?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Currently we are trying to secure our foothold primarily on the North American market. The European market is something that we foresee uh, in 12 to 18 months becoming a market that we would, uh, be securing a foothold. Right now it is finally initial discussions that we are having, uh, both in terms of having discussions with customers as well as exploring opportunities in Europe. Uh, but the focus of the organization right now is to strengthen the North American expansion that we have done very

Rahul Jain - Analyst, Credence Wealth
Okay, sir.

Operator
The next question comes from the line of Chintan Jain with Shagun Capital. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Hi, I'm audible? Yes. Uh, hi, sir. Good afternoon. Thank you for taking my question. Uh, so just a couple of questions. Uh, first, if you could be able to highlight Uh, the CapEx outlay for the, for the expansion of 25,000 square feet of manufacturing capacity?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
I think to a large extent the CapEx has been, uh, completed. This is a manufacturing facility that would do system integration. Uh, we look at the CapEx to be between 2 to 3 crores. Primarily it is a manufacturing expansion in the existing building. Uh, and, uh, preparing that, uh, floor for mechanical assembly. Uh, there aren't any machineries that are being, uh, outlay- outlined for this, uh, manufacturing line, and this is primarily going to be workstations and work tables to support this purpose.

Rahul Jain - Analyst, Credence Wealth
Understood, sir. So next question would be on the, uh, on the capital investment we are looking at for the US for the newly launched US subsidiary?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
So we, we are in the process of investing about $1.5 million into the US facility, uh, primarily for, uh, the infrastructure and upgrade of the facility. Uh, that is the stage 1 that we have planned. We have planned and we have started the process, and we hope that by the end of this- end of this calendar year, we would have completed the complete, uh, upgrade of the facility there.

Rahul Jain - Analyst, Credence Wealth
Understood, sir. So just one last question on, uh, what is the additional CapEx we are looking at over the medium term, let's say over the next 3 to 5 years, to sustain our 35% growth guidance?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
On the medium term, I think we did a large portion of our CapEx Uh, last financial year, and some of it, all of it, some to most of it have been capitalized, uh, this financial year. In the medium term, we look at around 5 to 6 crores of CapEx that we will be doing every year. Primarily, this is coming towards upgrade of our quality systems as well as some upgrades that are required on the manufacturing line. Got it, sir. Thank you for my answer and all the best to you.

Operator
Participants, please press star and 1 to ask a question. The next question comes from the line of Siddharth Singh with Metri Investments. Please go ahead.

Siddharth Singh - Analyst, Metri Investments
Hello, uh, hope I am audible. Yes, uh, hello sir, congratulations on the great set of the number. So my question is on the long-term, uh, view of the management. So where do we see ourselves in the next 3 to 5 years?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Um, in the next 3 to 5 years, as we have outlined, uh, in our presentation as well, we are looking to move up the value chain. Some of the strategic investments that we have done is primarily to support us to move from a pure PCB assembly house, uh, to a subsystem and a system-level manufacturing organization, uh, move up the value chain with our customers and expand our geographical presence, uh, to not just catering the Indian defense programs, also to look at catering to the global defense programs that are coming.

The confidence in the Indian supply chain has been, uh, very strong, and, uh, some of the investments and the quality initiatives taken at Vinyas, we are very confident that we will be able to achieve, uh, these objectives laid down by us.

Siddharth Singh - Analyst, Metri Investments
Okay, great. So as you mentioned that the Indian defense export become an increasing opportunity for Indian manufacturers, So what role do you see Vinyas playing primarily as a contact manufacturer, subsystem supplier, or potentially as a system-level partner?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
So it will be a mix. Uh, so every relationship starts with a customer at different levels. Um, so we, we are now trying to push with our new customers to start as subsystem manufacturers where we manufacture subsystems and supply to us. And wherever there is a strategic interest, uh, from the customer, we are also looking at system-level manufacturing for them. It will be a mix, but a larger portion will be subsystem manufacturing for our customers.

Siddharth Singh - Analyst, Metri Investments
Okay, okay, great, sir. Answer on the Nexus front. So will Nexus primarily create incremental business for Vinyas subsystem supply, or could it eventually result in Vinyas participating in higher value system integration and like support contact?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Uh, it will primarily generate, uh, opportunities for Vinyas to supply subsystems for different programs. Uh, the- we will be moving up the value chain there, but primarily, uh, Vinyas would be continuing to supply some of the electronic subsystems that we are already manufacturing, but this manufacture will be across a larger scope of programs that we will be doing as compared to what we have right now.

Siddharth Singh - Analyst, Metri Investments
Okay, okay. So last question, uh, so as, uh, as we scale from the PCBA towards system integration, so how do we plan, uh, working capital intensity it will be increase and it will be stretch further and it will be remain on the same level.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
We expected to remain the same, remain at the same levels. Primarily coming from, we continue to be a manufacturing house. that's a larger value add that we are adding with some of gross margins. We expect, uh, that we will be able to fund certain portion of this working capital requirements through the internal accruals, uh, but the working capital cycles, we are working towards improving it. But, uh, I don't see any negative effect of us moving into the system integration side of the business.

Siddharth Singh - Analyst, Metri Investments
Okay, great answer. One last question, if may I squeeze in. Uh, so, uh, how do you see the artificial intelligence play a role in the, uh, As we are seeing that the larger players integrating artificial intelligence in their system, so how do we- how do Vinyas will integrate artificial intelligence in their service?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Um, see, uh, AI has changed the way, uh, the world has looked at things. Uh, it has also changed to a large extent how we are able to define processes and also define quality aspect of our manufacturing process. We have taken some initiatives internally for process improvements as well as reducing, uh, some of the mundane aspects that are there of the manufacturing process as well as the complete business process that is there. So there are certain initiatives that we have taken, but primarily we are looking at AI being decision support system to our manufacturing line, and, uh, that has made a significant difference over the almost the last 6 months for Vinyas.

Siddharth Singh - Analyst, Metri Investments
Okay, okay, great, sir, and all the best. Thank you.

Operator
The next question comes from the line of Janel Patel with Avia Advisors. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Yeah, hi sir, I'm audible to you? Yeah, yeah, thank you for the opportunity, sir. Uh, so my question is,

uh, like the 25,000 additional square feet expansion that we are doing, so what is the timeline for this? And, uh, this is for this one specific business, and this is for all of our business like PCBA, cable assembling, mechanical assembling, and all?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Uh, we expect the 25,000 square feet to be ready by the end of Uh, this financial year. This is primarily being set up to cater to our mechanical and system integration requirements that we will have. Currently they are being executed within the same manufacturing floor, but since the volume of the business has been increasing, uh, and some of the vertical expansion that we have been doing over the last year, uh, we see that a dedicated system integration floor with large levels of digitization will benefit and give that confidence to our customers.

Since it's within the same manufacturing setup in Mysore, it also gives us the flexibility of being able to manufacture electronics on a certain floor and then transfer it for system integration, uh, to a different floor. Within the same building.

Rahul Jain - Analyst, Credence Wealth
Okay, and after the expansion, uh, like what will be the targeted revenue? Like we are targeting at 35% pace, right? Uh, so but after the expansion, what we are targeting, uh, for the revenue?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
So the growth will- whenever it will

Rahul Jain - Analyst, Credence Wealth
Grow at a- at our full utilization, so after that, uh, any, uh,

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
The growth of- no, what we are trying to do here primarily is to cater to a change in the mix of our business, uh, that is coming. So it is not the growth in the business- we expect it to be between 30 to 35%- but the mix in our business is what we are trying to address through this expansion in the manufacturing shop floor.

Rahul Jain - Analyst, Credence Wealth
Okay, and this change in mix will improve our margins? Is that right?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Yes, we should see an improvement in our margins. I think to some extent we have already seen it, uh, but the PCBA side of the business, uh, is a significant portion and we are working towards improving the mix.

Rahul Jain - Analyst, Credence Wealth
Okay, okay. And sir, uh, one question on our, uh, like industry side, like the current whatever the geopolitical situation is going on So how, uh, it is affecting our raw material prices and, and how we are hedged with the increase in raw material prices? Are we able to pass on the prices and what is the situation in this side, sir?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
So the geopolitical situation, I think a large portion of it has eased out, but primarily the semiconductor shortage and the allocation that we are seeing on the memory side. Uh, I, I wouldn't

say semiconductor shortage, but semiconductor increase in the lead times that we are seeing has resulted in price increases.

Amitava Majumdar - Chief Financial Officer, Vinyas Innovative Technologies Ltd
With

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Our customers, we have a direct pass-through of the price increase that would come through, so we are protected on that aspect. Uh, and we see that the semiconductor pricing will continue to increase in the short term. Uh, so wherever we see any such price increase, we usually pass that price increase along to our customer.

Rahul Jain - Analyst, Credence Wealth
Is there any time lag between the price increase and the pass-through method? But yes, there is.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
It's a reconciliation process that happens usually every quarter or every half year,

Rahul Jain - Analyst, Credence Wealth
And, uh,

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
That there will, there will be a time lag, but it is reconciled and completed Uh, immediately.

Rahul Jain - Analyst, Credence Wealth
Okay, okay, okay. And, and, uh, one, one question on our global business. Like, uh, in our H1 revenue, how much revenue came from the US business?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Now the US business is very small right now because,

Rahul Jain - Analyst, Credence Wealth
Okay,

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
It has been 4 months, 3 or 4 months since we started, uh, we've incorporated the organization. Out of our total revenues, US exposure right now is, I think, close to 20% of our revenue. Uh, we would see a larger portion. Yeah, uh, we see a larger- it's not coming out of the US facility, it's our exposure to the US market. We expect that, uh, we expect that to improve FY28 with a larger exposure to, uh, larger exposure coming through our US facility.

Rahul Jain - Analyst, Credence Wealth
But the margins are same in US and India both, right?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
So the export margins are slightly better, uh, are usually better, and we, with increase in business coming in, uh, we would see, uh, in FY- maybe towards the last part of FY28 and into FY29, uh, any improvement in the margins as well.

Rahul Jain - Analyst, Credence Wealth
Okay, okay, okay, okay. So we can say that like FY28-29 numbers would be, uh, like with the greater margins, right, as compared to this 12%?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
It will slowly transition. Uh, I would say it would be primarily in FY29.

Rahul Jain - Analyst, Credence Wealth
Okay okay okay okay thank you for the detailed answer sir and best of luck for the future sir.

Operator
The next question comes from the line of Rishabh Agarwal with Sura Capital. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Hello, hi, am I audible sir?

Operator
Yes Rishabh.

Rahul Jain - Analyst, Credence Wealth
Yes, awesome. Yeah, I just wanted to understand the intersection or other delineation of the work we have between the standalone entity and the JV. Which we have now? One is with the U.S. Entity, the other with the Israeli entity.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
So the U.S. Entity is a JV where we would be doing programs which are primarily local programs to the U.S. And export-restricted programs that are needed in the U.S. The capabilities and the manufacturing process would be a subset of what we do at Vinyas. Uh, as with regard to the other JV, uh, that is primarily a Tier 1 supplier into the Indian defense. Uh, we would be a supplier into that JV, but we will continue to keep our scope limited to electronic systems and subsystem manufacturing.

Rahul Jain - Analyst, Credence Wealth
Vinyas Sachchi

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Continue to hold

Rahul Jain - Analyst, Credence Wealth
On this. related to this [Foreign Speech] is it possible that some of the movement of is it possible that any program and revenue from standalone entity moves to any of this JVs?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
No not really because the electronic manufacturing Uh, the US JV has been primarily set up for an exposure to the US market, so the non-restricted parts of those programs we intend to push it back into Mysore and manufacture it out of the India facility.

Rahul Jain - Analyst, Credence Wealth
Understood. So rather, uh, these both JVs will lead to a new order book funnel For the standalone entities, would that be the right way to look

Amitava Majumdar - Chief Financial Officer, Vinyas Innovative Technologies Ltd
At it? That is the right way to look at it.

Rahul Jain - Analyst, Credence Wealth
Got it. All the very best. Thank you for the clarification.

Operator
The next question comes from the line of Rahul Jain with Credence Wealth. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Yeah, thanks for the opportunity again. Just to get a clarification in terms of that CAPEX. So typically, In your first half results, we have this capital project program of about Rs 4.5 crores has moved into the fixed assets part. So in the first half, what CAPEX has been completed? And you mentioned just to one of the previous questions that you will complete this Mysore, uh, 25,000 dedicated facility by this year end. Uh, so what additional CAPEX? What is this total CAPEX program? And it is getting completed in March say '27.

So with that completion and the infrastructure built in and the employees in, uh, what kind of peak phase is possible?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
So if you look at it, uh, the primary CapEx is being done in the commissioning of SMT lines. Some of the other CapEx that we are doing, especially the 25,000 square feet of space It's primarily CapEx being done to augment the backend operations that are being done and also support some of the system-level manufacturing requirements that the organization requires. So that is the thought process behind it. And if you look at it, for every aerospace and defense line, currently we are in the process of going from 2 to 4 lines.

Uh, we look at between 500 to 600 crores in revenue coming from each line. And, uh, we expect it to be the capacity that we will have, uh, to cater to revenues between Rs 2,000 to Rs 2,400 crores of revenue by the end of this year.

Rahul Jain - Analyst, Credence Wealth
Okay, that's it. And the kind of employee strength which is required to deliver the Rs 2,000 crores of, uh, Rs 2,000 to Rs 2,400 crores of revenue, what kind of employee addition further will be required?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Sorry, what addition?

Rahul Jain - Analyst, Credence Wealth
The employee addition will be required further for this, uh, 2022.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
There will be, yeah, that will be a portion of the manufacturing flow on the back end. We will need, uh, support of employees. We would need, uh, the engineering staff to be enhanced as well. Um, we will see an increase in the workforce. But in general, we look at every line being backed up by about 60 to 70 employees for the aerospace and defense manufacturing.

Rahul Jain - Analyst, Credence Wealth
And one more clear thing with regards to the JVs, both one the US and the Israel. So the US JV where we have a, you know, local manufacturing facility of roughly 18,000 square feet. So, and you mentioned that the revenues from that entity, the local manufacturing in US, will be seen in FY28 and FY29. So what kind of revenue outlook, uh, can the JV- we look- we can look for the US JV? And if you can share some more insights with regard to the Israel JV, what are we doing over there, who's our partner, and what kind of, uh, you know, segment product which we are trying to doing that JV and what business potential that JV would have?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Sure. Uh, so starting with the US, uh, JV, this is primarily again, uh, another contract manufacturing house. Uh, currently we are looking at, uh, the PCB assemblies and subsystem manufacturing. For some of the US customers. And we expect- we are looking at a business outlook of between $4 to $5 million for FY28 to start that financial year off. And with the 2 lines and the capacity that we have put in, we expect it to grow and increase Uh, to maybe in 3 to 4 years to about, uh, $40 to $45 million of revenue out of that facility.

Uh, again, Vinyas holds 49%, uh, uh, 49% holding in it, uh, and we are bringing in the know-how and the manufacturing process into that JV. With respect to the JV in Uh, the JV in India. Uh, I would not like to comment on, uh, the outlook as well as what we see there, uh, because it is a confidential facility that we are still setting up. And I think at a later part of this year, we would be in a better position to comment on that.

Operator
Ladies and gentlemen, we will take the last question from Gaurav Bhansali with Augment Enterprises. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Yeah, thank you so much, sir, for giving me the chance again. So I just wanted to ask, uh, as you said earlier to a participant, uh, that in the next 3 to 5 years, uh, we will be moving up the value chain. So, uh, Are you targeting any kind of margins, a particular number in your, uh, within your team? Uh, like primarily about the margins, uh, will we see improvement over there?

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
We, we are working towards, uh, the target is to, uh, go into the mid, mid-teens in our EBITDA margins. Uh, that is our internal target in 3 to 4 years, uh, primarily coming from the system integration mix as well as the value mix that we are working on, and some of it coming from our exposure into our, uh, US market as well as some of the new geographies that we are working on.

Rahul Jain - Analyst, Credence Wealth
Thank you, sir. And our last question will be, uh, Uh, like, uh, you said in the next 3 to 5 years we'll be moving up the value chain. Uh, do you still see, uh, 30 to 35 percentage growth, uh, for all this time

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
In the medium term? Yes, we do. Uh, we see, uh, 30 to 35% growth in the medium term going up to FY30. Um, With a better mix and a lot more, uh, exposure and the maturity of the Indian supply chain, uh, a better exposure to, uh, the Indian supply chain. I see that we'll be in a better position in a

couple of years to give a guidance post-FY30.

Operator
Thank you, ladies and gentlemen. I would now like to hand the conference over to Mr. Sumukh for the closing remarks.

Sumukh Narendra - Whole Time Director, Vinyas Innovative Technologies Ltd
Uh, thank you everyone for joining us today and for your continued interest in Vinyas. Uh, we have- we remain confident and we continue to be confident on our growth journey, supported by our healthy order book and a strong pipeline. And some of the ongoing capacity expansion we are doing right now. We hope that we have addressed your queries and look forward to your continued participation in our future earnings calls. For any further queries, please feel free to reach out to AdFactors, our investor relationship advisors.

Thank you. Have a good evening, everyone.

Operator
Thank you, sir. Ladies and gentlemen, on behalf of Vinyas Innovative Technologies, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.