Management Discussion

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Good afternoon.

Operator
Thank you all for taking the time to be part of this interaction. Before we begin, I will quickly run through a brief overview of the company. Millworks Technologies Limited incorporated in 2021 and headquartered in Bengaluru, is a precision engineering manufacturer focused on producing machine components, ship metal parts and integrated assemblies for mission-critical applications across railways, aerospace, defense and semiconductor sectors. The company operates under build-to-print and build-to-spec models, providing end-to-end manufacturing solutions as well as job work services with primary focus on OEM customers. The company has also established a meaningful base on repeat business with a repeat customer ratio of 44.59% in FY '26, reflecting continued engagement with -- with its existing customer base and the recurring nature of its manufacturing relationships.

With this, I would now request the management to give you an introduction and any recent update, following which we can open the floor for Q&A. Over to you, sir.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Thank you very much. Good afternoon and good evening to all the people who are part of this webinar. My name is Sridhar Acharya. I'm the Promoter and Managing Director of Millworks Technologies Limited. Post our IPO, which was in the last month, I would like to update the progress of the company to all the investors over part of this webinar.

We had an overwhelming response for our IPO, and thank you very much for the confidence which you have given to me -- or given to the company. So as part of our expansion plans, we had -- we had planned for expansion in terms of machinery and expansion in our Plant 4. So we had ordered around 37 new machines with different manufacturing companies. Out of that, 17 machines have arrived in our Unit 4. And at this moment, all these machines are getting installed and this will be completed in the next few days. So these new machines will add additional capacity to take on all our aerospace and defense orders presently we have, and orders which we are expecting in next couple of months. So this is one of the important aspect, an update, which we are giving on, you know, all these machines are being installed in our Unit 4, where we have 45,000 square feet of space, and out of this we have 24,000 square feet of space -- open space for our new machines. So this is on the first update.

The second update is, we completed our Vidwan Aerospace acquisition. Now Millworks owns around 67% share of the mill -- of the Vidwan Aerospace. Now Vidwan Aerospace is a Bangalore-based company and they have expertise in machining IC engine components, and they have some couple of good customer base. So this customer-base will now be utilized for the Millworks orders. So now Vidwan being part of Millworks, now Millworks will have a complete range of engine components. So Millworks also has a couple of customers based out of Israel. The competence will add value and then complement to the Vidwan one acquisition.

So Vidwan had seven of their top notch CNC machines, Japanese machines, it will be part of the Millworks capacity now. And I know these components, high-end, high accuracy engine components will now be manufactured for our Israel customers and also the Vidwan customers with

this acquisition.

So these IC engines can also be used for the UAVs as well as the other applications like drones and other applications. So going forward, Millworks idea is to build IC engines into stroke and four stroke for UAVs. So this is, you know, part of our strategy and, you know, we have taken the right step in this acquisition of Vidwan Aerospace.

The third thing which I want to mention during this webinar is a one of our investments in QuickPay based out of Noida. QuickPay built a software for the EME division of the Indian Army. This software is part of, you know, forensic analysis to analyze the electronic components of any of the drones. Now this project is named as AASHVAST, and QuickPay's engineers -- the software engineers and their promoter Rajiv Roy, they built this unique software and this is in installed in the EME division of the Indian Army. So this is a very prestigious activity for the Millworks Group, and then being part of all the developmental activities and the EME division has shown a lot of trust in the QuickPay division so that we can build this software. So this software, as I mentioned, is a complete lab and it has -- it will check all the electronic components for the country of origin and the bugs and all the other activities which can be embedded into an electronic component. So this is one of the good update which we have now.

The fourth thing which I want to mention here is we had some high receivables in the month of June, July and all. So 50% of the receivables from our overseas customers as well as the local customers was received, and we are in a much better position on the receivables factor.

The second -- the last thing which I want to mention here is, we had two high profile customers from Israel to review on the present projects and to train our employees on the projects which we are running. There was additional projects also under discussion. So in last one month we had two larger teams which visited us, and the trust shown by these customers for newer projects is going to help us in the long run. So these are the five important updates, which I had to give in this opening listing of the webinar.

I will open up for the Q&A, and ready to take as many questions as possible for this webinar.

Questions & Answers

Operator
[Operator Instructions] Yes, Aman sir, please go ahead. Aman, sir, you can unmute.

Unidentified Participant
Okay. Yeah. Hello. Can you hear me?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yeah. Good afternoon, Mr. Aman.

Unidentified Participant
Yeah, good afternoon, sir. So just a couple of questions from my side. The first, if you can just explain your product to me a bit more in detail. So if you can just explain, do we order machines from outside and are we planning on making in-house manufacturing for the same in the future? And if for the DSC floats an order like they have recently for the INR52,000 crores order, where exactly do we sit in the supply-chain for these things?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Okay. So let me, you know, Amanji let me update you on the business model which we have. As you are aware, Millworks is into the components manufacturing, CNC component, sheet metal component, assemblies, sub-assemblies for aerospace, defense, rail and semiconductor machinery. So we are in this business model. Now the new machines whatever we are ordering, there are a mix of Indian machines, a couple of them are Japanese and also German machines. So these machines are universal machines and this is used mainly for our expansion or capacity and expansion. So the order bookings what we have presently was no -- was on a higher magnitude and we had to plan additional machines and as part of our expansion plan, so we have added these machines.

Now we -- you mentioned about the second question on the INR52,000 crore of the defense production orders. There are some projects Millworks is directly participating in the defense orders, which is all at the component level. The second thing is we are participating through QuickPay in larger production of orders for the engine type, BLDC motor type, these type of loitering munition drones. We are participating in the tenders for the defense sector through QuickPay. The projects which we are directly participating in the defense orders, they are mainly on the component subsystems and subsystems and other components for the armoured division of the Indian Army.

Unidentified Participant
Okay. That's amazing. So on the margins you have operating margins of around 35%, which I think compared to other precision component manufacturers is quite amazing. So what exactly is it that you're doing better than your peers that you're able to achieve margins on these levels? Like are you getting the materials required from your customers, like what exactly is it?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So let me talk a little bit about this. There are some projects which we are working with Israel, and those projects are all larger projects, which is having quite a good amount of margins. So this is number one. The second thing is, when we are working in the aerospace sector, we are working with the Tier 2 of the aerospace, like Wipro Aerospace, where the Wipro is getting Boeing and Airbus orders. They pass on these orders to us and these are all in this area, the customer gives us the material. But when it is customers for the defense sector as well as the Israel customers, all these raw materials are sourced locally in India. There are some specific aerospace components in terms of titanium, Hastelloy, these type of materials we are trying to import it from Italy, Germany and France. So these are all the specific requirements.

Now coming back to your question on higher margins. Presently a few projects whatever we are handling, there we command a higher margin because these are all specific ones. The second thing is, the higher precision parts which we are manufacturing, they are to the tune of 5 to 10 microns. We try to command a higher margin at this moment. But as we progress, when we -- many of these projects move into a fast scale production lines, the margin may go down a little bit between 3% to 5%, it may go down.

Unidentified Participant
Okay, sir. I'll get back in the queue. Thank you so much.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Thank you, Amanji.

Operator
Next question is from Mr. [Indecipherable] Yes, sir, please go ahead. You can unmute yourself.

Unidentified Participant
Sir, are there any chances for getting orders from Boeing and Airbus?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Sir, there are two aspects here. One is that qualification criteria for Boeing and Airbus is we should have a clean room facility of manufacturing. At this moment, we are building this clean room facility in our Unit 4, which means that the entire factory will be air conditioned, and this needs to be a Class 10,000 facility. That is a prerequisite for a Boeing on an Airbus audit. So this facility will be ready and operational by December this year. We will call for the first round of a quality audit and the space audit from these two big players in the month of January. Ideally, it will take six months for us to complete this audit, and we will be ready for, you know, to take up inquiries and orders eight months from now onwards.

Unidentified Participant
Sir, when can a company hit INR1,000 crore revenue. Is that like optimistic?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
It is difficult for me to speculate on this, but we are on that direction right now. And, you know, myself and Madhu, who is my co-promoter, we have a vision for that and we are working towards it.

Unidentified Participant
Okay, sir. Are you planning any foundries in future?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
At this moment, no. But as many projects -- we are working on many projects, it will come after one year from now, sir.

Unidentified Participant
Okay, sir. Thank you for the time. Okay.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Thank you [Indecipherable]

Unidentified Participant
Yes. Thank you.

Operator
Next question is from Mr. Deepak Poddar. Yes, sir, please go ahead.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Good afternoon, Mr Deepak.

Deepak Poddar - Analyst
Yeah. Yeah, very good afternoon, sir. Am I audible?

Operator
Can you speak little louder please?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yes. Yes, yes. Yeah. You are audible, sir.

Deepak Poddar - Analyst
Okay. So I'm just wanted to understand [Indecipherable].

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Your voice was a little bit feeble, but I could understand. We have a present order of around INR143 crore order book pipeline. These are the confirmed orders apart from the schedules which we get from our existing customers. This INR143 crore order, you know, more than 50% is from the defense sector, and they are all from the customers -- 11 customers which I have from Israel.

And, you know, the schedules which we get from our existing customers in terms of rail and other things, it is not part of this 143. The schedules work something like this. I manufacture the parts -- the purchase orders are released just 30 days before the requirement. Schedules are released in order to make a raw material planning. So there are additional orders or the schedules which are there. So to answer your question, predominantly more than 50% of the present orders which we have, they are all the defense sector.

Deepak Poddar - Analyst
So INR143 crores would be our current order book and more than 50% will be defense?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Correct, sir.

Deepak Poddar - Analyst
And how much you would have built anything on pipeline that you would want to, I mean in next six months of this year what sort of order inflow you are targeting?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Sir, we -- on the CAGR this thing, we want to hit more than 60% of the last year's revenue. That is our goal, and we are on track on this. Order booking is not a pipeline. Right now we are going a little slow right now because of our capacity expansions. And all these machines are getting installed. So our cut-off time for all machine installation completion is end of November, or worst-case in December. From there, we would have now developed added additional capacity. 37 machines are a big capacity expansion. So the H1 will always be as per our business plans. Traditionally, H1 has always been less. So you will see more numbers getting into it in the H2.

Deepak Poddar - Analyst
And after this -- all these 37 machines have been installed, so what will be our revenue potential at optimum utilization post this capacity expansion.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So post this expansion, we will be easily able to produce around INR300 crores.

Deepak Poddar - Analyst
So INR300 crores. And that we want to reach by FY '28, I mean, ideally?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yes, yes. That's our. Yeah, that's or earlier than that..

Deepak Poddar - Analyst
Okay, okay, okay. That would be from my side. Thank you so much.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Thank you, Mr Deepak. Thank you.

Operator
So we have few questions in the chat box. We have one question from Mr. Abhishek Tiwari. Once the ongoing capacity expansion and new machine installations are fully commissioned, what would be the peak annual revenue potential at optimum utilization?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I just answered that, INR300 crores.

Operator
Next question is, what is the latest book -- latest order book position and what is the new order wins visibility we are having?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
The present order book is around INR143 crores. We have a visibility of another -- another INR50 crores coming in next 30 to 45 days.

Operator
Based on the current order pipeline, capacity additions and demand environment, what level of topline or revenue are we targeting for FY '27 and FY '28?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We would like to go 50% more than the last year's this thing. Similarly, for FY '27 and '28. At this moment, I'm talking on the percentage value. So we are on the -- on the growth journey right now.

Operator
Next question is from Mr. Tushar Agarwal. How much receivables from QuickPay have been received and how much is pending?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We have received around INR8 crores from QuickPay. The big order payment of the delivery of the loitering munition which is being presently delivered to the Indian Army. This money of around INR40 crore -- INR48 crores will come in the end of September.

Operator
Next question is from Ms. Sheetal Kumar. What is the amount in rupees terms the receivables are received?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We have received to the tune of around INR39 crores already from the, you know, earlier receivables. There are many amount which is in the pipeline right now. In next 15 to 20 days more or less all the receivables will be received, which is more than -- more than 90 days of -- more than 90 days.

Operator
What would be the revenue growth for the next three years?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
CAGR, I have mentioned about 50% to 60% growth. We will definitely achieve this.

Operator
[Operator Instructions] Next question is from Mr. Vivek Chadha. Please sir, go ahead.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yes Mr. Vivekji. Yes Mr. Vivekji.

Vivek Chadha - Analyst
Yeah. I wanted to know about the current status on the Elbit Systems orders and the potential opportunity side? And we were mentioning about the Airbus and Boeing, right? So do we need a Nadcap certifications as a qualification compliance?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Vivekji, you know, I wouldn't talk specific about the customer you mentioned. I will call it as a as Israel customer. Vivekji, this project is on the FAI stage. And FAI as we talk, it is under inspection. And this project will conclude through a confirmed order in the month of November. So this is a large project. We have good visibility and we have put this project on number one priority for us. The entire top senior management and the entire team is working towards the execution of this order. So we are on-the-job. And to mention to you, this is on the FAI stage at this moment, first article inspection stage. Once we get this approved, we will be moving into the production order. So this is number one. The second thing is, I forgot the second question. Can you please repeat, Vivekji?

Vivek Chadha - Analyst
Yeah. Sir, I was asking about the Nadcap certification.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Sorry, sorry, yeah. So sorry. So right now as part of our expansion plan in our Unit 4, we are putting up a special process. So Nadcap is required for the special process of a component. Earlier in our Strat plan, this was not there. In earlier calls which I made, we had not planned, but then based on the customer requirements and the complexity of getting this special process, which we call as anodizing, painting and all these special process, the complexity of getting it outsourced was very high and rejection rates were very high. So in last one month, we decided to put up this plant.

As we speak, this plant is getting installed. This will be up and running in December. And this needs a six months validation time. So we will be going for a Nadcap certification post March onwards. So after March, we will be going for an Nadcap certification after proving that this facility can give a special process requirement for an aerospace requirement. So the next three to four months we will be working with this anodizing or the special process for the rail customers and other customers in the Semicon area. So these customers that don't require Nadcap certification. It is required for aerospace and defense. So we will be applying for this Nadcap only in the month of March onwards.

Vivek Chadha - Analyst
Thank you, sir. Thank you for answering it.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Thank you, Vivekji.

Operator
[Operator Instructions] Next question is from Mr. Abhishek Bansal. Hi, sir. I want to understand more on the go-to-market strategy. The sector is witnessing a lot of competition from new VC-funded startups and other big listed automotive component players entering into aerospace component. So how we are navigating the landscape project to be taken and customer acquisition, etc.,?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Abhishekji, a very nice good this thing. So this we have been contemplating at the Board level as well as the senior management level with too many players coming in and how should we get into it. So one is that, you know, we have a very good customer base, the 11 customers which we have, the loyalty factor is very high in -- with Israel-based customers. So we are trying to support their requirement and scale up that requirement, you know, and then these customers alone are coming in with a back-to-back new inquiries, new orders. So this is one part.

The second part for us is getting into this defense sector business in terms of the Make in India policy with the DRDO. We are getting into all the new project developments, which is happening and lot of investments are happening in DRDO. So we are participating in many of those tenders right now. Working with Government of India is a slightly different -- a difficult and time consuming business proposal. Prior to our IPO, we were -- we had restricted all our project management and Strat plan on the private sector rather than the government sector. We worked only with BrahMos and HAL, seven divisions of HAL. But now we opened up our business models to GTRE, Bharat Dynamics, and many other DRDO-related companies. So now this -- in these places the competition is very high. Very recently I was there on a pre-bid meeting in one of the DRDO labs. I had 27 players. So now it's -- when there are 27 players, it is very difficult and I'm entering into that lab -- DRDO lab for the first time. So it is -- it's quite challenging, but then if you have to be part of this ecosystem, you have to be there. So you know, in our go-to-market strategy we are also going into all these DRDO labs. We are going to get into our own capability. We are also building up capability with the infrastructure, people, and also the engineering talent. So we are working a lot on these three areas now. So that is going to open up and we will be there in all the large tenders. So the competition now knows Millworks, and then we are going to go aggressively into all these DRDO tenders. I hope I have answered your question, sir.

Operator
The next question is; hi, sir. Can you quantify the schedule if possible, a rough figure would help and I believe these schedules are recurring orders. So how are -- how on an average, how long is -- sorry, average, how long is the contract we have with our client trying to understand how? When we can expect positive operating cash flow post FY '28 once we reach optimum utilization of INR300 crore capacity, how much capex are we planning for them?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Oh, man. I have not planned for the '28 capex plan. I am presently working on the -- on the capacity expansion for the present business scenario. That is number one. The schedules and the contracts which we have with the existing customer orders, they're all for a long-term contract for, you know, between three years and five years. And these contracts are all established orders where the components don't go with a design change and assembly sub-assemblies don't go through a design

change. And the schedules are mostly given to plan the raw material and also the machine availability for those components. We have seen 90% to 95% hit rates. When we produce these components, the customers pick up those material and only the 5% the same.

So in order for us to be able to give more than 95% on-time delivery for these customers, we have to plan the raw materials at least 45 days ahead of the requirement. So these schedules help us to plan our material. And then we have been able to deliver on-time delivery, which is more than 95% to these customers. So we have been requesting our customers to give a firm order, but then that is part of their process, so we have to go with this process.

Operator
We have next question. What is the current status on Elbit Systems system orders and potential opportunity size? Do we need a Nadcap certification for Elbit Systems?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I answered -- I answered this question.

Operator
Okay. Next question is, what is our five-year vision in terms of operational skill and financial targets?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
At this moment I am not ready with the financial -- our Strat plan for five years. But CAGR, you know, we will grow 60% year-on-year.

Operator
What is the current manufacturing capacity utilization?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
It is above 78%, 80% right now. And we are building this additional capacity to comprehend existing orders as well as some new orders which requires delivery in next couple of months.

Operator
Is order book the right way to look at the business in six months? I understand right now we are in capex more, so not the way to look at it right now, but year from today, do we track the order book and how quickly are most of our orders are executed.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So we normally take 30 to 45 days for the execution of an order when it is a proven part or an assembly or a sub-assembly. So 45 days we normally take to execute an order. Now to answer to your first question on, is it the right way on to make a strategic plan and -- we are always ahead in capex planning. And if you see all our historical data in last three years, even in -- we raised funds in a pre-IPO and before that also we got support from the banks. So we were always ahead of -- we are expecting an order in next three months. We already plan for a capex.

So our industry is highly capex-driven, and so we really have to invest on those machines. The higher -- no, as we move more into the high precision parts, which is 3 micron to 5 micron accuracy level parts, you know, we require high-end missions like DMG, Mazak, and those type of missions where we are now ready to get into all those machines into our factory.

Operator
Next question is, how much is the order book of QuickPay for drone, and of that how much are we participating in it?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
As of now Millworks does not have any order from QuickPay. We have executed all the orders. All my present order booking does not have anything on the QuickPay. QuickPay has already bid for many of the projects. At least to my knowledge, at least three of the large projects they have already bid. And we are expecting those orders coming in to them in the month of November. So since this is back-to-back orders and where we will be you know helping them in production, and we are also you working on building capacity for the larger orders of QuickPay. So QuickPay is going to be the front end for many of the drone inquiries which we have, and we are very positive. And at this moment, I'm taking the call from QuickPay's office in Delhi.

Operator
Next question is, what is the INR23 crores sale of engineering and design services in FY '26? How much revenue from the services? So this we expect in FY '27.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We had, you know, the engineering services activity mainly in terms of some of them for the design of the prototypes of multiple drones and other activities. Very importantly is we designed a product which is having IC engine to a drone, and the drone is ready for flying, or it's ready for a test flight with one of our customer. So the engineering services charges were limited to the complete design activity for a drone.

Now to the second question of -- the answer to your second question. We will have a very similar INR25 crores to INR50 crores of services business for different customers based out of Bangalore. There are some inquiries also on the engineering services coming in from Israel. As and when we take those inquiries, we will be doing some business in those activities. We have built in engineering software licenses like SolidWorks, MasterCam, Catia, and all these licenses we have already purchased and we have also got the talent pool of around 20 people working on this activity.

Operator
Clarify auditor qualification of audit report, statutory audit flagged 41 instances of delay ranging from 1 to 30 days in serving bank and NBFC loans instalments.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
See as we have been in the growth story, you know, we always ran through cash flow problems in the pre-IPO time. Time again, we have raised funds to make our statutory payments on time, but we were unable to pay those in last year. But as we speak, from February onwards all our statutory dues have been paid on time.

Operator
Quarterly stock figures reported to the banking consortium differed from actual book figures by INR2.6 crore in Q4 FY '26?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
There has been transfer of assets from our previous partnership firm to the Millworks Technologies. So the assets, you know, the transfer of assets was delayed. So you will see those asset transfers,

the difference in those in the reporting.

Operator
Statutory dues lapses irregular deposits and delays noted by the auditor in clearing statutory obligations like PF, ESI and TDS alongside INR68.94 lakhs in unpaid panel interest owed MSME vendors.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I answered that.

Operator
Okay next question is, what are the barriers to entry in our business? How difficult it is to do what we do? What stops our customers from switching?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
There are two important things which Millworks is looking for to give a quality product and on-time delivery. So if we deliver these products, you know, with the quality product on time, the repeat orders are -- we'll always be getting repeat orders.

The second thing is, you know, we have to be very competitive enough compared to the peer group. So we are trying to do the best possible way to be more competitive.

The third thing important aspect is how fast you are able to give a technical solution for a problem. When a customer comes with a problem, how fast you are able to technically solve their problem and then give a solution and make a product so that they are satisfied. So Millworks has been working in this way with a strong engineering support to our customers on a daily basis. We work in a very different way with our customers, where -- in which we have something called as POC or a point of contact, for every requirement right from a quality-related part or a delivery of an order or the challenges which we face during the manufacturing, it is communicated on a regular basis to our customers. So customer knows at what date and what type of part he is going to get. So we have built that relationship with them, and this is where we have been able to win orders compared to our peer group.

Operator
Next question is, how is current war situation impacting future business visibility from Israel?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
The geopolitical situation is, you know, it's going to be, you know, we are unaware of -- this is not affecting our business at all. The present orders or whatever we are manufacturing, it is a very small percentage of the requirement of the Israeli, you know defense forces. So it's very minuscule, and I don't see there is any challenges. We had challenges on the logistics front over the period of time. Now all the logistics, everything has been moved to air so none of them are moving on ocean. So everything -- every component which is manufactured at Millworks is going by air. So even that risk has been mitigated to us. So the war is not stopping or restarting or it's not going to affect our this thing. There is a continuous flow of inquiries and orders, which we continue to -- we'll continue to work with these customers in Israel.

Operator
Where do you see the demand coming from in India, which sectors, and outside India as well as

what are the growth drivers that can speed up our journey to INR1,000 crores?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
The first thing what we are seeing right now is on the defense sector activity itself. As we have been moving more on the electronic warfare, the future wars are all fought with electronic warfare. So we are also building up capability around this electronic warfare. So Millworks is going to be a very predominant activity, developing capabilities to be around this. Our strategic acquisitions as well as tie-ups, and we work very closely with the related people so that we are in -- we are in the center of this electronic warfare. So defense sector business is going to grow at much faster rate and we want to be part of that growth story.

The second thing what we see is the rail business also growing at a much faster rate. So we have to be part of the [Technical Issues] this thing into the Europe also is something, you know, it's right now since we have not spent on capability in terms of infrastructure for them, so we'll be focusing more on on '27, '28 on the aerospace sector.

Operator
Would it be fair to try to gain a unit economics understanding of the business?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
The uniqueness with Millworks is going to be, you know, we are going to build capability around the electronic warfare for the defense business. So we will be there on all the fronts on where we require electronic warfare, whether it's a drone or an IC engine required for a drone, BLDC required for a drone, a 3D printed carbon particle, carbon components for a drone, energy management system or electronic part development part of a drone. So we will be part of all these electronic warfare, so we will be active in this area.

Operator
Sir, as we follow-up to your Israel customers, what is the current wallet share of their spend on component we have captured and how potential of the spend we aspire to take up gradually?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
At this moment 50% of our business is coming from the defense sector and, you know, from the Israel customers it is more than -- more than 35% it's coming from there.

Operator
Sir, any updates regarding Elbit Systems missile program trials?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I already answered to this. The FAI in our first article inspection parts are presently undergoing and those are expected. Those results are expected very soon and then it will move into the production line.

Operator
Next question is, FY '27 revenue target INR250 crore intact, sir?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We are going to grow 60% to 65% CAGR compared to last year. So that project is on track.

Operator
When can we expect positive operating cash flow and how are we planning to improve our working capital?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So if we are being part of larger sections of the defense business. The defense business is, you know, a chicken and the egg story, where in which you really require a cash flow requirement of -- a very high cash flow requirement. The cycle of working capital here is very high. So for example, if I get a INR100 crore order from a DRDO or a project, the first thing is I have to pay an EMD, you know, a 10% goes for the bank guarantee.

The story comes like this, and the delivery times more or less many of the times they are between eight to 10 months. So your money gets locked for eight to 10 months. So we have to be mentally prepared that if we want to work with more of Indian government orders, so our money gets locked, the working capital gets locked for eight to 10 months. So we have to balance between the export orders and the Indian government orders. So as we speak, we have less of Indian government orders. We are focusing more on export orders, where the gestation period of time, or the money will come back within 90 to 120 days. So we have to balance between them. So our working capital cycle will be much longer as we move more into Government of India projects.

Operator
What is the margin difference between BLTP and BTS projects? What is the current share of the two in revenue and what is expected in the future?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Presently we are working on build-to-print is around 70% and only 30% is build-to-spec. The margins are slightly higher in build-to-spec, but the gestation period of time to develop a product prototype it and move to production is much higher. It is between eight months to around 12 months, so it is -- and the business model in the next -- for the next three years will be almost same, 70 against 30, and we will be working even though we want to do it more -- now we want to move towards 50%, 50-50 build-to-spec and build-to-print. But at this moment, we are 70-30.

Operator
We have acquired Vidwan Aero, what capabilities and value they bring to us and they already have good clients in export market in Israel, US, etc.,?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I just mentioned this in the start of the call. One is that Vidwan Aerospace, we have acquired around 67% of shares. And Vidwan is bringing in a capability in terms of manufacturing IC engines. These IC engines are in two stroke and four stroke which is used for the UAVs. So they have built-in capability in terms of engineering talent as well as the machines which they have. So they are bringing in that entire capability into our, you know, they will add into the Millworks capability.

Now they had four really good customers who are into this engine component manufacturing, and those are going to be part of our Millworks growth. So we will be taking up as exposing ourselves, complementing Millworks capability as well as Vidwan's capability and taking up specifically IC engine manufacturing to the next level.

Operator
Next question is, is there any update on HAL and LH huge large order?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
At this moment we are L1, that fuselage order is not open yet.

Operator
Clarification. QuickPay is a company we have invested in or our subsidiary, what is the shareholding there and how will the company...

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yeah, it's only an investment. Millworks holds around 8.5% stake in QuickPay, and they are a small company. So it is not a subsidiary of Millworks, it's only an investment Millworks has done.

Operator
What kind of machines do we have now at our facility, just turning three axis CNC machines or do we have five axis machines as well? Asking this course, our asset turns look very high compared to the peers.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We have more than 75 CNC machines of turning milling in three axis, four axis and five axis. There are more than 14 CNC machines of five axis being added now. We already have around six five axis machines. Apart from this, we have -- in the sheet metal sector we have fiber laser and then we have welding machine, we have tick and make welding. In terms of the CNC machines alone we have now crossed more than 100 CNC machines between all our four factories. And with the addition of these another 20 more machines we'll cross 100, and this will be sufficient for us in our -- so to specifically answer, we are adding more of five axis machines now.

Operator
Next question we have. Elbit's program trials complete approvals received. So what now embedded in FY '27 from it, even HAL tenders at L1 since February with zero POs, what's the blocker? And are any expected in FY '27 at all? H1 tracking at INR100 crore, what gives confidence in the INR150 crore H2, given it depends on machines commissioned in November?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
See, the government projects of HAL is not under our control. So we have been L1 for almost seven projects. So none of the orders are released in last six months to us, nor it is released to anyone. So it is not under our control, even though we are pursuing all the divisions of the HAL where we have become L1. So this is a very-high order.

We are getting smaller orders from HAL, there is not that we have got zero. We are getting INR3 crores, INR1 crore, INR2 crore and smaller orders, INR90 lakhs and all those. Those are all the running orders which we continue to get from HAL. The larger orders which we have become L1, that is a matter of concern and then there's very little that as management we are unable to take a call on this, but we will continue to pursue that requirement.

As I mentioned earlier, H1 is going to be -- not going to be, you know, exactly half of what we are expecting. But then H2 we will be -- we will talk about the entire year. So most of our execution plans and because of these machines getting installed now, everything will move into the H2. So

numbers will come only in the H2. So you will not see that bigger numbers in the H1.

Operator
Next question is, hello, sir, what about new HVAC facilities? When can we see getting live and new machines coming live?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Presently this is under installation. As I mentioned, 17 machines have arrived and another 20 machines are on the way from different manufacturers. The HVAC facility is also getting installed right now. It will be fully operational in the month of November.

Operator
Are we supplying products to Vande Bharat or through other customers?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We are supplying to Alstom, Siemens, Wabtec for the Vande Bharat and Amrit Bharat Express. So our parts are going into the braking systems. It is going into the door parts. It is going into couplers, it is going into the pantograph systems. It's going into actuators. So there are many parts which we are making for the Vande Bharat and Amrit Bharat Express. So we are not supplying directly to the Indian railways. We are supplying to the OEMs who supply them to Indian Railways.

Operator
Would it be fair to try -- try to gain unit economics under -- okay, sorry, this one is answered. Sir, I understand we are predominantly a defense and aerospace company, but just wanted to ask what components and parts we do in semiconductor space in previous year? And what are the plans going forward, particularly in this segment?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So it is, you know, semiconductor machinery, it's a big space itself. We are working with two predominant customers. One is based out of Bangalore and one more is for a Japanese customer. So now this requirement is quite challenging. Very recently we have been audited by Applied Materials also, but then our focus is not there on the Semicon machinery right now because it requires resources. It requires a machinery and facility. We are not there at. So I don't think in next one year or next two years it is less -- it will be less than 1% of our total business, but those parts and all are, you know, it is coming automatically, we don't want to say no. But they are all machine components and sheet metal parts which is going into the machine manufactured for the Semicon industry.

Operator
Since we have total potential of the current capacity of INR300 crore, are we targeting 60% CAGR for the next three years? Are we going to expand our capacity further?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We are not going to, you know, as and when case-to-case comes, we are going to expand the machinery and additional facilities. You know, the growth what we are going to do is 60%, we are going to stick to that. You know, anything additional is going to be a bonus for us. We are going to -- we are going on a step-by-step approach on running existing capacity efficiently, and in this we are trying to make a lot of process improvements as part of our continuous improvement programs at all

our units. So that's going to be one of the important aspect to give a quality product and on time.

Operator
Share R&D team strength and a view background?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We have a 12 member R&D team, we are adding eight more R&D team. There'll be a 20 member team as we progress. Most of them, you know, they are engineering graduates. We have just hired a couple of them with a master's degree and who have experience in developing a product. So there are going to be around 20 people in R&D. We have just added different softwares inside our facility. We have added almost nine different softwares which was required to build a strong product development team.

Operator
[Indecipherable] of 35% in FY '26 would be maintained in FY '27 as well?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I think I answered this question.

Operator
How large would these orders be in the total which are L1 total?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
It is more than INR75 crores.

Operator
Used DRS revenue 93.2% as on 31st of March, a total amount received from DRS April to August '26 out of INR139 crores.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So I already answered this question.

Operator
Current outstand trade receivables?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I also answered this myself. I already answered.

Operator
France is powerhouse of aerospace opportunities, how we will take advantage of that?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yeah. So we are -- we are very active in this country right now. At this moment, I wouldn't like to answer this thing. We are working with three really good potential customers. You will actually hear some good news in November and December. So we are very active in Toulouse area. So we are going to have our own office or something like that in the month of November. So we are very active in France.

Operator
Sir, how much growth can we see in H1 FY '27 if compared to H1 FY '26.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I think I answered this.

Operator
Any updates on F-16, F-35 Raptor product,?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
This is -- yeah, this is the project which I already answered.

Operator
Any updates on -- okay. Can you throw some light on AASHVAST new endeavor by QuickPay?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yeah, this is a very thing I like to talk about this. So AASHVAST is a software technology built on a platform by a QuickPay's R&D team. They have a 12 member strong software development team for the UAVs. They have been working for almost six to eight months for the EME division of the Army. Now this is a software which is used as a forensic analysis to identify the spurious make as well as the Chinese origin of the components in the electronic area. So QuickPay developed this software, put up the entire lab and facility, trained the EME divisions of the army. We are going to handhold them for another six months. This is very prestigious for us and very important for QuickPay because all the drone manufacturers in India will have to go and get approved from the EME division of the army.

Operator
Was the H1 and H2 revenues played in percentage, also how much size of orders are we anticipating from Elbit Systems FAI project?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I don't know. So I think I answered the question.

Operator
Are we taking it advance now, standard on all new orders?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yeah. All new orders, we are now taking 30% advance from all the customers abroad.

Operator
[Operator Instructions] And sir, are you aiming for INR500 crore revenue in two years, that is FY '28?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
INR500 crore is not in my target. CAGR is 60%. So it may takes a slightly higher time.

Operator
Do we have metal 3D printing capabilities?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yeah. So we are building a -- we are tied up with a company called Markforged. I think we are going to make an announcement in a month. So we are building that capability. So we are adding nine metal 3D printers. This is part of the requirement of our existing customers. So we are going to build metal 3D printing parts for our existing customers in Israel, Europe, as well as the Indian. They're all

very complex parts which cannot be machined by CNC machining. I'll make an -- yeah I'll make an announcement in October.

Operator
Which company do we see as our role model and further have you onboarded any marquee investor?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I have no clue on the marquee investors this thing. Probably some of the investor friends can throw that light or you can look into the relevant areas of the BSE portal. My peer growth pattern or what I am looking for is Azaz Engineering is one of my role model and the growth -- I keep studying their growth pattern. There's something always to learn from what they have built capability over the period of time, and at some point of time they -- I would like to be like Azad Engineering.

Operator
Are we dedicating some specific units to Israeli customers like HVAC facilities that is coming?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
At this moment, it's part of our Strat plan. We are going to build once one factory or one space which is more than 20,000 square feet only for one of the product line that will come up in February 2027.

Operator
Are we dedicated -- sorry, what is the peak revenue post capacity expansion?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
INR300 crores.

Operator
Any dependence on imports?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
At this moment, couple of aerospace components and defense parts we are depending on the French and US supplies. But then we are working with our customers on alternate material, which is available in India. So because the lead time for all this aerospace material is between eight to 10 months. So alternate materials are available in India, so we are going to handle that locally.

Operator
Except for Azad and Unimech, do we compare ourselves with other listed players like some of like -- some like Axis Aero or any other company?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So Axis Aero is a much smaller company, it is my neighbor. Of course, there are some strategic things, like Unimech is in a -- is in a different ballgame. They are into aerospace toolings. I'm not in that area. I am talking about Azad mainly because we are in this very similar area of high-end machining and they are also on engine based -- I see engine-based components they make. They make for Rolls-Royce and so that's -- Azad is going to be my role model. I'll continue to do that. Unimech is slightly different. They're into the aerospace tooling. So I'm not at this moment not making any aerospace tooling.

Operator
What are the plans for expansion in railways? Do we have niche capabilities in railways to export?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
In railways, you know, what has happened is we are adding around another nine machines and making a separate unit for the rail and it will be a separate P&L, you know, to be headed by one thing. So rail is a different ball game where you don't have critical components. So you don't have, you know, the tolerance levels are, you know, between 10 micro and 20 microns. So you don't require really high-end resources to manage those components. So rail is going to be the growth sector where it's only a volume business over there. You will see the growth pattern only in the terms of volumes. So new product development is very limited there. And even though the way it is in the aerospace and defense sector, very high new product developments are there. So rail sector is very limited. So that will be handed independently.

Operator
Are there any bigger -- other big projects that our company is working on, except Elbit INR200 crore a year?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We are working on many other projects, but they are all in technical evaluation stage. So I will be making announcements in the coming days as and when we close this technical evaluation.

Operator
Are you also exploring opportunities to use metal injection molding somewhere? This is also known for manufacturing very intricate ships with strong material strength.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I am not going to get into that business model. We are aware of the MIM process that has a specific requirement and application. We will get diverted in -- we are very focused right now. So our customers also have not come with any of those projects. At this moment, we are not into MIM activity.

Operator
What will be the PAT margins for FY '27, '28, or is it sustainable as in FY '25?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I think I answered this.

Operator
Axis Aero has onboarded Mukul Agarwal as an marquee investor. Are we looking to board any other long -- long-term investor?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I really don't know, and we are talking to many of the people at this moment. Right now I can't disclose any of them. There are going to be many people who is going to be part of our growth story.

Operator
Where do we see ourselves in next five years looking at tremendous tailwinds in sector, post full

capacity utilization from IPO proceeds in next two years, are we planning to add more capacity?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We are going to add. As and when opportunity comes we are going to add capacities. So additional factories have to be built. But that is not my priority as of now. So that we will take a decision in FY '27, '28.

Operator
Azad developed turbojet engines. In future can we see something like this?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yes. You can see something -- something coming in.

Operator
What is the succession flans for the company?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We have our children getting trained right now, myself and my son and my partner, Madhu son also getting trained. My daughter is also getting trained on the financials and other things. So they will be very active. They will be part of the business in next one year.

Operator
Are we planning to add more of German-made or Japanese CNC machines for microns tolerance in the range of 1 to 4 microns.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Yeah, we are adding 16 machines of German and Japanese, Mazak, Makinos and DMGs. They're all getting added now.

Operator
Meditronics from your area has a Nadcap aggradation in pipeline. Are we looking towards it?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I answered that. We are going to get Nadcap post April next year.

Operator
In what range will be our OPM going forward?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
I think I answered that.

Operator
How are we building the team for the next couple of years?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Okay. So there are multiple aspects which is, you know, at the Board level and the senior management level we are -- at this moment we are hiring a lot of senior management team in different areas like engineering, procurement, operations. We have -- we have closed some of those positions at the senior management level. Some of them we are presently in place of hiring those positions.

What we have done is, we have very clearly distinguished the business models, one in rail sector and one is in aerospace and defense. In rail sector, we have already completed all the talent building, resource addition, a separate factory. We have made all those ERP systems, all that is already complete. And we are now focusing on adding high-level talent in business development, HR, and other senior positions for the aerospace and defense sector. So we'll be closing all those positions in October and November.

In the meantime, someone asked me on the R&D of this. So we are spending -- we have added a lot of resources right now in terms of software. Right now we are recruiting high-end talent to be ready to develop good products -- our own product to them -- to the market. So you will see lot of products coming out from Millworks in the coming days.

Operator
How -- our spring division is going like, are we getting approvals for it and later going on all those trials into productions like in BrahMos.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
We have got couple of approvals from our Israel-based customers and also from one of the defense companies in India. This has moved into production, but they are, you know, the value is not significant enough. There are many other trials going on with other defense companies in India, they're all in working progress. So spring is going to be a challenge, and this is a very niche product and the growth in that area is going to take time. And we feel even though it's going to be part of our this thing, so we are going to complement this along with other products in the areas where we work.

Operator
Are we targeting to acquire any company in the future?

Sridhar Acharya - Managing Director, Millworks Technologies Limited
At this moment no, but we are working on technology transfers with some companies, so that me come soon.

Operator
[Operator Instructions]

Sridhar Acharya - Managing Director, Millworks Technologies Limited
So I think we are to the end of this session. Thank you very much all of you for taking out time and being part of our journey and try to understand from the company's promoters. Thank you very much. Any questions if you have or anything, Kirin Advisors will be, I think they will share you the coordinates. We are there to answer any of your queries at any point of time.

Operator
Thank you everyone for your time and participation, and if there are any further questions, you can reach out to us at research@kirinadvisors.com. Have a wonderful day everyone. Thank you, sir. Thank you, everyone.

Sridhar Acharya - Managing Director, Millworks Technologies Limited
Thank you. Thank you very much