June 02, 2025

Corporate Relationship Department
BSE Limited
PJ Towers, Dalal Street,
Mumbai-400 001
Scrip Code: 544322

The Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G, Bandra Kurla
Complex, Bandra (E) Mumbai - 400 051
Symbol: UNIMECH

Subject: Transcript of earnings conference call

In accordance with Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call conducted on May 28, 2025, at 11:00 AM (IST).

We request you to kindly take the above on record.

Thanking You,

For **Unimech Aerospace and Manufacturing Limited**

Ramakrishna Kamojhala
Digitally signed by Ramakrishna Kamojhala
Date: 2025.06.02 09:58:58 +05'30'

Ramakrishna Kamojhala
Whole Time Director & Chief Financial Officer
Encl: A/a

“Unimech Aerospace and Manufacturing Limited

Q4 FY '25 Earnings Conference Call”

May 28, 2025

MANAGEMENT: **MR. ANIL PUTTAN KUMAR – CHAIRMAN AND MANAGING DIRECTOR – UNIMECH AEROSPACE AND MANUFACTURING LIMITED**
MR. RAMAKRISHNA KAMOJHALA – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – UNIMECH AEROSPACE AND MANUFACTURING LIMITED
MR. RAJANIKANTH BALARAMAN – WHOLE-TIME DIRECTOR – UNIMECH AEROSPACE AND MANUFACTURING LIMITED
MR. MANI PUTHAN – WHOLE-TIME DIRECTOR – UNIMECH AEROSPACE AND MANUFACTURING LIMITED
MR. PREETHAM S V –WHOLE-TIME DIRECTOR – UNIMECH AEROSPACE AND MANUFACTURING LIMITED
MR. AAKASH JAISWAL – AGM INVESTOR RELATIONS – UNIMECH AEROSPACE AND MANUFACTURING LIMITED

MODERATOR: **MR. MANISH VALECHA – ANAND RATHI SHARES & STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Unimech Aerospace and Manufacturing Limited Q4 FY '25 earnings call hosted by Anand Rathi Share & Stock Brokers Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phones. Please note that this conference is being recorded.

I now hand the conference over to Manish Valecha. Thank you and over to you, sir.

Manish Valecha: Thank you. Good morning, ladies and gentlemen. Welcome you all to the 4Q FY '25 and FY '25 results conference call of Unimech Aerospace and Manufacturing Limited. From the management team here today, we have Mr. Anil Puttan Kumar, Chairman and Managing Director, Mr. Ramkrishna Kamojhala, the Whole-time Director and CFO, Mr. Rajnikant Balaraman, the Whole-time Director, Mr. Mani Puthan, Whole-Time Director, and Mr. Preetham S V, the Whole-time Director. We also have Mr. Aakash Jaiswal, AGM, Investor Relations.

I now hand over the call to Mr. Anil for his opening remarks, post which we will take the questions from the participants. Thank you and over to you, Mr. Anil.

Management: Good morning, ladies and gentlemen, and welcome to the fourth quarter of FY '25 call. As we talk about our performance during the quarter, I would like to share a few insights on the industry and segment that we work in. Firstly, on the aerospace, India has become the third largest passenger market globally as per FY '24 data, highlighting the increasing importance of tooling in MRO industry in maintaining the efficiency and reliability of the aviation sector.

Favorable government initiatives and increased global demand for MRO services are boosting the growth in the segment. As per NITI Aayog report, the Indian MRO market value is approximately 1.7 billion into '21, is expected to reach USD4 billion by 2031, reflecting a strong CAGR of 8.9%, significantly outpacing the global average of 5.6%.

Taking on the efficient segment, we are working on two aspects. One, eyeing on opportunity in nuclear and energy segment, predominantly domestic, and two, onboarding overseas OEMs and Taiwan in building a strong pipeline for increased manufacturing operation competence.

Coming to nuclear updates, Unimech is aiming to capture a bigger opportunity with this segment, which also gives us a longer order visibility. With NPCIL planning expansion of 11 new reactors, Unimech is planning to participate in at least 15 subsystems, amounting to INR400 plus crores of opportunity in each of the reactors for Unimech.

And also, eyeing an opportunity in a couple of subsystems from one of the domestic Tier 1s of NPCIL, coming to a few hundreds of crores of opportunity in the coming quarters. Also, eyeing an opportunity of five EMCCR reactor tenders, with each reactor budget is valued above INR1,000 crores, and some of the tenders are open.

Further, the second generation reactors in BSR and SMR space, providing a strong opportunity on the revenue front to sum it up, Indian government has budget to launch 100 gigawatts of

energy products reactors, making India initiative along with the FDI push. The recent FDI push will witness a rapid expansion in the segment in the future years.

Coming on the capacity updates, Unimech believes in rapid expansion. Our sheer commitment to growing pipeline of customers has resulted in adding four new customers in aero tooling and three customers in precision components during the fourth quarter of 2025.

Now, our total customer count, including aero tooling and precision segments, has reached to 32 customers as of March 31st, 2025. During first quarter of FY26, we have qualified two new customers in the precision segment, precision component segment. Additionally, we are working towards qualifying five new customers, of which two are OEMs and three are Tier 1s.

Focus has always been in increasing qualification of high complex tooling and precision components and sub-assemblies, which reflects our strong margins. Qualified SKUs as of March 25 is 4,388 against 4,041 of December 31st, 2024. And recently, we bagged an order on the new product line, new engine stands, the ground support equipment for engine transportation, one of the most running engine programs in the world today. So, we see an opportunity for a long-term order visibility or long-term agreement in the coming quarters.

A lot of efforts started in third quarter, continued fourth quarter in FY '25. We have hired 132 employees in the quarter. This increases our employee headcount to 793, up from 661. This looks like a significant addition, but is in line with the planned capacity and enhancement. We also increased our capacity to 213,000 square foot as of March '25, up from 1,80,000 square foot as of December 31st, '24.

We plan to add some more facilities as we expect more and more inflows, order inflows in the coming quarters, expecting to increase at least to 3,00,000 square foot by adding another facility in the near vicinity in the Devanahalli area. We have added 48 machines during the quarter as of March '25, and we have machining capacity of 6.33 lakh hours, up from 4.22 lakh hours of December 31st, '24. We talk about the utilization and other details in the coming slides. Ram will detail -- give you detail, a couple of more details on the utilization points on this.

Coming to the revenue updates and guidelines for FY '26. Revenue growth during the quarter has been very strong, achieving operating revenue of INR68 crore the highest ever in any quarter. This resulted in FY '25 operating revenues to INR243 crore, up by 16% year-on-year submitted growth. Revenue has grown over six times in the last 4 years of operation.

Before I hand it over to Ram for his additional details on the financials, I would like to emphasize that we can reasonably grow around 35% to 40% this year. There might be some slowness in the order pickup or sales in the first one or two quarters because of the tariffs, and a lot of the inventory shipments would see some slowness in the first two quarters from our customers until there is clarity on the U.S. tariffs by 9th July. But we are confident that we would hit what we have planned for.

But as the tariff negotiation between the both countries crystallize, order pickup will be back to full swing. I would expect from probably mid of second quarter that would see the full swing. So thank you, gentlemen. I'll hand it over to Ram.

Ramakrishna Kamojhala: Thank you, Anil. Good morning, everyone. I'll now give you a complete overview of financial performance, as well as outlook for the next year. Coming to the revenue, our FY '25 revenue growth was healthy and grown by 16% from last year. And even quarter four also witnessed strong revenue growth of 27% quarter-on-quarter. The quarter ended with revenue of INR68.4 crores and the year ended with a total revenue of INR243 crores.

On the revenue contribution, if you look at from business segment wise, aero tooling is contributing 85% of total revenue while balance coming from the other segment, which is precision segment. Our largest revenue comes from U.S. geography and followed by Europe. U.S. is 80% and Europe is close to 16%.

Coming to the profitability aspects, gross profit margin were at 69% for FY '25. We maintained strict control over material cost. Sub-contracting costs continue to trend lower due to addition of new facility expansion and more machines were added. And we started using more machines, so sub-contracting costs continue to be lower.

BITDA for FY '25 was INR92 crores, which is grown by 16% from previous year. If you look at, we maintain EBITDA margin strong at 38% like last year, despite undertaking substantial investment in facilities and human capital in the current year.

PAT for FY '25 was INR83 crores along with improved margin of 31% versus 27% in last year. Adjusted ROCE and ROE continue to stay strong at 33% and 25% respectively. In overall, the profitability and margins for FY '25 demonstrated a strong performance.

Coming to assets and capacity utilization trend, last year was a year of significant capex addition, as Anil mentioned, as we have added new machines and additional facilities. With a fleet of new 141 large machines, the planned capacity of Unimech has now increased from 2.2 lakhs hours to 6.3 lakhs hours, which is almost three times capacity addition happened. The majority capacity happened in last two quarters, which is expected to be utilized to peak in coming 2 years' time.

Due to significant machine additions last year FY '25, our capacity utilization, as I mentioned before, remained low, close to around 55% to 58% kind of thing. However, we expect that optimal level of utilization to be attained in next 18 to 24 months.

The fixed assets turnover ratio, if you look at now for FY '25, was at 2.3 times. Despite the increase in significant capacity addition during the year, we maintain this ratio healthy. We expect that as the capacity utilization increases, this ratio can improve further. We expect that in aero tooling segment, it can easily be around 3.5 times, while precision component segment can be close to three times at the peak capacity utilization level.

Now, I would like to give some future guidance related to revenue and profitability side for the next financial year, FY '25-'26. As I mentioned, we aim to achieve revenue growth of 40% for the next year, FY '25-'26. The primary segment, which is aero tooling segment, is expected to grow by 35% approximately.

Just to give you some more information about the segment, this segment focuses on aero engine and airframe tooling in high-mix, low-volume categories and always have a continuous order flow on daily and weekly basis. And these orders are expected to be executed in short duration.

We are also working on newer commodity groups and continue to take bigger, valid shares from existing customers. Additional capacity creation will always give opportunity for us to more work orders. While we do not have any LTA in this segment, but we can continue to drive the revenue growth in this segment on quarterly basis only.

Coming to, speaking about precision segment, which has 8% small revenue base, it can grow by 75% to 80% approximately next year. We expect majority of revenue to start flowing from third quarter as many clients are in the development stage and getting their first article order executed, which means the first half of the year will have lower orders and revenue.

This segment will see LTA and order flow from second half of the year onwards. At present, this segment, as Anil mentioned, focuses on onboarding new customers, completing phase and aiming for LTA. We are confident that this segment will shape up well by the end of this year.

On the nuclear side, we are aiming to participate in various tenders like EMC, which are new projects, et cetera. And working towards getting accreditation for newer subsystems, which enable our growth trajectory in this segment. For your information, as Anil mentioned, there is a lot of traction happening in this segment in India from policy and execution point of view, which will definitely create a bigger opportunity for us in the coming years. We are very confident of growing this segment with a large order book by year end.

So subject to tariff impact, with a healthy pipeline of customers and strong continuous order book compared to previous year, we are reasonably confident to achieve the suggested revenue growth of above 40% kind of thing in FY '25-26.

Coming to gross margin forecast, our GP margin is expected to see slight compression due to the first articles or inflation, et cetera. And we expect to maintain GP around 60%-62% range at the year end for the next year. For your information, we haven't factored the impact of US tariff on this gross margin level. However, there might be small impact once we get clarity on tariff side.

Coming to EBITDA guidance, EBITDA margins should remain under pressure owing to increased employees count and other operating expenditure. We have expanded our facility and increased employee during the last year as we mentioned. All these initiatives will have a full cost impact in FY '25-'26, affecting the margins to be lower than last year. We expect this EBITDA to be around 30%-32% range.

Profitability and other return ratios will remain slightly impacted due to increased cost in FY '25-'26 as I mentioned above. And again, we would like to emphasize that this year focuses more on investment, capex, completion of infrastructure, onboarding new customers, completion of first article, et cetera. This year lays a strong foundation for future definitely. All these efforts made in this year will bear fruit in coming next 2-3 years.

Finally, the focus of the founders team is to keep the cost stream, rationalize, improve efficiencies, and maintain lean operating cost structure. We are investing heavy this year, but will always keep close eye on how external factors impact businesses. And a suitable call will be taken to rationalize these investments and cost if required. Yes, that's it from my side and thank you everyone. Now, I'll hand over this to my Co-Founder, Mr. Rajanikanth to update M&A.

Rajanikanth Balaraman: Thanks, everyone. I wanted to share updates on two important topics. One, data engineering and technology. Unimech currently owns 16% of data with a clear path to reach 30%. With the Indian defense push, there is strong strategic tailwinds with India's Ministry of Defense launching the Jet Engine Banao Initiative, offering incentives for indigenous propulsion engine.

They are squarely fits in this mandate. Recent milestones, the DT500 micro gas turbine achieved 20,000 RPM bench test. Combustion optimization is underway in partnership with ISC Bangalore. Certification dialogue has begun with CEMILAC, India's Military Airworthiness Authority. A co-development MOU is being worked on with Czech company turbine specialist for a 20 kg, 200 Newton thrust engine, DT200, which is fully functional engines and on-ion.

Multiple platform OEMs like UAV, loitering munition and light jet segments have signal interest in joint ventures once airworthiness gates are cleared. These steps de-risk the technology and pull forward revenue visibility for Unimech as exclusive manufacturing partner in the future.

Number two, M&A outlook. As part of the strategic focus, we continue to evaluate precision manufacturing companies in India and the US that can deepen our technical bench, expand capacity and open new customer channels. We remain disciplined prioritizing cultural fit, sustainable margins, synergies and fair valuation.

We will only proceed when a target clearly meets our written thresholds and strategy criteria. As part of next steps, we will promptly brief the market once we have concrete definitive agreements. That concludes my update. Operator, please open the line for questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Akshay from AK Investments. Please go ahead.

Akshay: Thanks for the opportunity, sir. And my first question is, do our old revenue comes from the order book or there is some direct order like immediate order, sir? As well as, are there any relation between the revenue and order book? If you can help over there.

Management: Hi, Akshay. Yes, that order book something is which holds good for a 3 to 4 month of revenues that we generate. So, our order book as Anil sir mentioned in the opening remarks also, is something that we keep on getting customer inquiries that is on a daily and a weekly basis, and basis which the order book keeps evolving and adding up. So, last year if you have seen the order, sorry in the last quarter as on 31st December when you have seen the order book was over INR100 crores. And in this quarter it is closer on INR93 crores.

What has happened is due to our better execution, we have been able to materialize better revenues and hence our order book is also somewhat low. But basis the demands and inquiries

that we keep receiving from our existing customers and the new ones, we keep on adding the order book. So, this will something which will be holding close to around INR100 crores whenever we report until there is a very significant push or a significant order coming across.

Akshay: Okay, sir. And secondly, sir, in the opening remarks you have said that we will have some impact on first two quarters because of the tariffs and all. And once we have the clarity about that we will get new orders. But in last conference call you said…

Management: Akshay, we are not able to hear you clearly.

Moderator: The line for the management must have been disconnected. The next question is from the line of Arvind Ananthanarayanan from ValueQuest Investment Advisors, Private Limited. Please go ahead.

Arvind A: At the outset, can you hear me please?

Management: Yes, we can.

Arvind A: Wonderful. So, congratulations on a good set of results. Just wanted to confirm, what is the outlook as far as M&A is concerned? Are there any candidates that are identified? And considering the tariffs in the US environment, are we looking for any acquisitions in the US? And what could be the timelines in which any such acquisitions could be done? Thank you.

Management: So, on the M&A front -- hello.

Arvind A: Yes, please. I can hear you. Please proceed.

Management: Okay. On the M&A front, we are working extensively. Operator, there is a disconnect on the line. So, there is a static noise. Is there only my issue or?

Arvind A: No, I am not able to hear you very clearly either.

Moderator: Sir, I guess there is an issue from your end. Mr. Arvind, there is an issue on your end.

Arvind A: I don't know whether there is an issue at my end. But, is it better now?

Management: Sure, it's better now. In any which way, if the line again echoes, I will request on the other side if you can mute, please.

Arvind A: Yes, I will do that. So that you can just -- this was the only question I had, essentially, so.

Management: Okay. Yes. So, on the M&A front, there has been extensive efforts that we have already doing. So, we have been exploring opportunities both domestically and internationally. U.S. being one of the most preferred territory as it will open us to avenues, the opportunities which do not come to India. So, U.S. is what we are extensively working towards.

As mentioned in the opening remarks by Mr. Rajanikanth, we are looking for a strategic fit which will not have an impact on our existing margins. Also, the opportunity should be something that should fit to the amount that we have allocated towards.

So, these are certain areas that we are very extensively working towards. However, we want to close this as quickly as possible. You will definitely see some results in a quarter or two from now.

Arvind A: Understood, understood. And just as an aside, we are looking into other areas, but there is a substantial demand in the aerospace side. So, are we also looking to bolster over there or are we consciously de-emphasizing that in favor of other areas?

Management: So, we are open to acquisitions. It's not we are specifically targeted to acquire something which is there in aerospace. Yes, if there can be an extension of what we do, we will be happy to look into. But on the other side, there are enough number of opportunities. Speaking specifically of U.S., there are enough opportunities to get into defense, energy, oil and gas. So, those are also other sectors that we are extensively eyeing towards.

Arvind A: Understood. Thank you very much.

Moderator: Thank you very much. The next question is in the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity. Firstly, on the bookkeeping part, last time you had mentioned the share of revenues from the top four, top five customers for the nine-month FY '25. So, if you could give the data for the full year FY '25, that will be very useful.

Management: One second. This customer-wise detail, we are publishing in the annual accounts as part of -- from part of the notes to account. Customer-wise of more than 10% of each customer is contributing those details is from part of the annual notes to the annual account

Management: Harshit, so yes, there will not be a very invariable change what we would have mentioned in the last quarter. Those are on the similar lines. The customer concentration will not have moved too much, is what I can indicate.

Harshit Patel: Understood. Sure. Secondly, as you have explained, we have expanded our capacities for both tooling as well as precision components very substantially. So, what kind of further expansion we are planning? So, your guidance for capex for the next couple of years.

Management: So, yes, just to tell you, yes, the expansion has been a very rapid one. Last year, December 31st, we were sitting at around 4,70,000 machine hours. We have ramped it up to 6.22 lakh hours. Now, we are also adding new facility spaces for the order that we expect. One order that Mr. Anil would have mentioned on the call was the engine stands that we are eyeing towards. That gives a good opportunity to us.

So, to handle orders like these, we are also expanding into further units. So, these units will, again, enhance our floor capacity to somewhere close to over – the machine hour capacity close to around 8 lakh hours, taking our floor capacity to somewhere around over 3 lakh square foot.

Saying this, opportunities are there in the segment. There are enough number of opportunities also coming on the nuclear and the precision segment. So, the capacity addition in terms of machinery, around 60% has – 60% to 70% has happened during March 31st, 2025. However, some bit of portion is also spread over to FY '25-'26. You will see some bit of expansion.

However, all these capacity additions that we are doing will hold good for next 3 years that we have. There will be certain capacity addition FY '25-'26, which will hold good for until FY '29. The idea will be to enhance the utilization levels from here on, currently sitting at around 55%-58%. Idea will be to take it to optimal level of close to around 85%-90% in next 3 years.

Harshit Patel: Understood. Sure. Just lastly, on the tax rate front, the tax rate for the full year FY '25 was only 18%. I believe that it would be on account of tax benefits at our Innomech SEZ facility. What would be our blended tax rate for the next 3 to 4 years?

Management: So, Harshit, you know, the next 5 years, now this financial year, 18% MAT. And next year onwards, if MAT will continue for the 50 % of the profitable, the profits, book profits, and the remaining 50 % of normal corporate tax rate would be applicable for the next 10 years. So, it means 50% tax bracket, we will come to then. And maybe, my guess is more kind of going forward, the math provision could be maybe 21% kind of math provision we will make. As of now, 18 plus percent we made.

Harshit Patel: Understood. Perfect. Thank you very much for answering my questions and all the very best.

Management: Thank you, Harshit.

Moderator: Thank you very much. The next question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

Kamlesh Jain: Yes, thanks for the opportunity, sir. And congratulations for adding a lot of new OEMs during the FY '25. So, going forward, like data precision components is roughly around 15% as of now. And we had articulated that it would move up to 30 odd percent over the next 2 years. So, my question was in regards to the margin trajectory. So, the margins which used to be 40 odd percent would now that go to like say 35 odd percent level. So, on a structural or steady state basis.

Management: Kamlesh, yes, you are somewhat right. So, the compression will be there as we are entering into the precision segment. But the idea is also to have a longer-term arrangement when we foray into a segment called precision or the nuclear. That segment will also give us additional advantages because India is progressively becoming to -- progressively eying towards getting a higher share of developing energy reactors. So, that will give us a larger order book, larger revenue to come across.

Eventually, I believe once the company grows, margin compression will be there. But it will still be much better. It will not be as high what we have delivered in last financial year. But it will not be below the 35% benchmark EBITDA margin is what we are never targeting below that.

Kamlesh Jain: Okay. And lastly, like in the last quarter, we had alluded that there was some delay in licensing or renewal of licensing. So, all that thing is done now. And could you please share the order book in both aero tooling and the precision components?

Management: See, the issue that was there last quarter has been all sorted out in terms of the licenses. We had already mentioned in the previous quarter call itself that that was once in a decadal issue. And it was overlooked to an extent and it will not happen. So, that was something we are very confident of.

On the other side, yes, opportunities are there in the precision segment. To give you an order book on that side, we are eyeing towards the tenders which are open. Once there has been an application towards the tenders, we will be able to give you a quantitative number towards it.

On the overall book, we can guide for the order that we have in hand is close to around INR93 crores that we have also mentioned in our presentation. We will continue to stick to that as of now. But in case of any further development that comes through, we will be happily communicating to the street.

Kamlesh Jain: And lastly, like 10% revenue growth and given the fact that there is an immense potential in the aero tooling and all those businesses, like 10% revenue growth and the capacity build-up which we have done over the last one year. So, it looks relatively disappointing that even in the last quarter, we had decreased significantly.

And we haven't been able to capture that last opportunity in the last quarter. So, and I think a 40 odd percent revenue growth for the next year. So, how confident are we? Because there are trade dispute issues. And even the order book, that's not also that much increasing like say INR90-INR100 odd crore order book.

Management: See, what I mentioned, order book is something that holds true for next 3 to 4 months. Obviously, in for the first two quarters until the negotiation on the tariff crystallizes, there will be some slowness. And this is what we are guiding for next quarter one and mid of quarter two, there will be some slowness in the tooling segment. But this will not hold for the entire year. The management is getting inquiries. There is enough number of demand with our existing customers also with the new ones that we are doing, want to do business with.

So, the idea is because of the growth in the tooling segment, 40% of the business in revenue growth is very much achievable. We are eyeing a 30% to 35% of revenue growth in the aero tooling segment. That is also possible because of the talk that we are having with our existing and the new clients.

So, basis that we are able to tell you, 35% growth in the tooling segment is quite achievable. And on the overall, 40% growth will be achievable because of the other precision and the nuclear segment that we are entering.

Kamlesh Jain: Thanks a lot and best of luck.

Management: Thank you.

Moderator: Thank you very much. The next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: Good morning, sir. Congratulations for a good set of numbers. My first question is regarding the tariff side. I think we have 80% revenue exposure from the U.S. Right now, the tariff rate is around 10%. Like, the tariffs are completely borne by the customers or if there is any sharing basis, 5% to the customers or 5% is ours. How this tariff arrangement works and how do we look at the next few quarters?

Management: So on the tariff side, yes, as of now, it is difficult to estimate the impact. Probably, the kind of indication what you mentioned, like, you know, some percentage of customers might ask us to bear some or they may bear. All those permutations, the probability is there. But what we see is like, you know, while 80% of our export is to the U.S., but our customers always indicate that we are a green channel partner. There is always a possibility of state drop shipments to end customers, build to the U.S. and drop to destination, different destinations other than out of the U.S.

So, if customers emphasize on that, the impact of tariff by adopting the drop shipment strategy, the impact would come down. As of now, we have not assessed how the impact is going to be, but yes, we'll wait for the final Trump decision. Maybe my other co-founder would like to add something.

Management: Hi. So, firstly, on the tooling side, among our top customers, 80% of the tooling that has been manufactured are being consumed outside the U.S. Even though it has been built 80% to the U.S., 80% of the manufactured goods go outside the U.S. So we are working with a customer on an arrangement to ship directly to those locations instead of sending it to the U.S.

So there is a tariff thing for a 20% that it's going to basically do. It's harder to speculate on where the tariff would land, if anybody's guess. We are still looking at where that will land and how we'll work on that 20% part. The good part is that we are shielded from that perspective in terms of the product being shipped outside the U.S. for 80% of the tooling.

Balasubramanian: Got it, sir. So basically currently, we are only taking care of the tariff side, right sir? Not the customer.

Management: Sorry, could you repeat that question please?

Balasubramanian: Currently, this 20% is a part of exports. The remaining 80% is shipped to different locations. This 20% of our tariff, we are taking care of it, right sir, from outside?

Management: 20% -- for the 20% it's been shared between -- the tariff hit is been shared between Unimech and our customers.

Balasubramanian: Okay, got it. And sir, actually one of our competitors talked about around INR700 to INR800 crores of inflows for nuclear reactors and refurbishments and all. So, like especially, we are also supplying around multiple subsystems. I just want to understand what kind of product for nuclear reactors we are focusing on.

And you mentioned about around INR400 to INR500 crores of order inflows. How do we look at in this phase of our opportunity side? I think how many quarters it will take to finalize those orders.

Management: I think, we're not able to hear you completely, but I think if we guess correctly the words, you're asking how many quarters does it take to kind of materialize the order.

Management: What are the different commodities that we are doing for nuclear industry? That's it.

Management: See there are various core subsystems actually. So I would not be naming anything here in the call, but there are at least about 10 to 15 subsystems that we are working on, getting qualified. And we are confident that okay, we would be giving a tough competition to our competitors also on these kinds of subsystems.

So we are waiting for most of the tenders to open. And I think in the next one or two quarters, we'll hear a lot of positive details about these tenders.

Balasubramanian: Got it. And we're also doing for refurbishment site also right now?

Management: Yes, EMCCR.

Balasubramanian: Okay, sir. Okay, sir. Thank you, sir.

Moderator: Thank you very much. The next question is from the line of Saini Batra from AM Investments. Please go ahead.

Saini Batra: Good morning, sir. Congratulations on a great set of numbers. Sir is mentioning about some order book opportunities, which I actually failed to sort of hear to. Could you reiterate that for me, please?

Management: Yes. So the order book opportunity on the nuclear side that we have mentioned is there are enough number of reactors, say for BSR Bharat small reactors and small and modular reactors that are coming across. That is one opportunity. In terms of repair and replacement, there are around five nuclear reactors for which the tenders will open shortly, and we will be in the process of applying that. That is another segment.

On the overall side, government of India through its budget has communicated that there is close to around 7,800 megawatts of energy production capacity that will be generated. Basis which enough number of repairs and replacement also will come across in the industry. So we will be also targeting towards building parts and replacing parts or the subcomponents for these reactors in place. That is one on the tooling segment.

In the precision, sorry, that is one on the nuclear side. On the precision segment also, we are exploring opportunities currently, targeting OEMs to build our order book. So once we are able to get them across and get a good order book generated from them, you will see a better or a more robust order book from our side.

Additionally, what Mr. Anil also mentioned in his opening remarks was there is a new product segment coming as an engine stand that we are eyeing towards. That will also give us a good long-term arrangement on the order book. So these are five, six segments coming that will add on to our order book, coming from OEMs, coming from our nuclear facilities and nuclear power projects domestically.

Saini Batra: Okay. So secondly, with so many products coming in and us exploring the nuclear side as well, do you see a segment shift in terms of the contribution that comes from every segment? Do you see that mix changing in the near future?

Management: So it will not change very drastically. The tooling segment will continue to hold the lion share. It is in next 3 to 4 years you will see a significant ramp-up from the nuclear and the precision segment. The idea is to get to a 60-40 mix in next 4 years down the line. That you will see in our revenue mix.

Saini Batra: Okay. Okay. Thank you so much, sir. That will be from my side. Congratulations.

Management: Thank you.

Moderator: Thank you very much. The next question is from the line of Rajmohan V. an Individual Investor. Please go ahead.

Rajmohan V: Yes. Thank you for the opportunity. Hope I am audible.

Management: Yes, you are.

Rajmohan V: Yes. My first question is on the machine capacity, which has increased significantly to about 6,33,000 hours over nearly three times last year in capacity. And you are further planning to increase it to 8,00,000 hours. Now, though you have indicated to 35% to 40% growth in FY '26, what kind of capacity utilization would we be seeing in FY '26? from the current around 50s. And then also, could you give some idea about what kind of capacity utilization will happen in FY '27?

Management: The progression will be a bit linear. So, what I can say currently, we are at around, closer on 55, 58. Next year, the target is to achieve somewhere close to 70, 70, 75, maybe reaching around 80 also on a very optimistic side. But just to give you a point here, capacity utilization will only start improving as and when we qualify and have more products in line. Currently, the idea that we are currently doing is there is most of the first articles and development orders that we are generating and building towards.

So, this will have some pressure on the utilization levels also, as these will be very small orders. So, next year, what you can assume is 75% to 80%. Beyond that, by FY '28, you can clearly see

a roadmap towards the 85% level to 90%. But you can fairly assume it could be an 85% to 90% by FY '28 and FY '29 distributed. That can be arranged.

Rajmohan V: Okay. So, based on further extending into this and trying to understand it a bit deeper, as your mix sort of enhances with you being eligible for a higher wallet share inside your customer, will this 85% capacity utilization in '28 mathematically lead to a proportionate increase in revenue? Or would the revenue increase be more than proportionate?

Management: So, the 80% increase in the utilization levels will obviously give better revenue growth. The idea that you have already been hearing from us is the 40% target for next financial year. So, as and when we increase capacity, obviously our wallet sizes and the order delivery capacity also enhances. So, hence, you will see a better number.

Management: Another thing to remember is we are an end-to-end manufacturer. So, machining is an aspect of what we do. Whereas, in addition to machining, we have assembly, we have welding, we have other services that is there in play. And, you know, the proxy has always been using machine hours as a proxy. So, there is all these that actually come into play adding in revenue margins.

Rajmohan V: Okay. So, fine. One question on margins, you indicated 32% margins in this fiscal. Where do you see it heading in FY '27 and beyond? Because based on the mix we are targeting, will it remain around that 32% or it has the potential to head higher with operating leverage kicking in from FY '27?

Management: Yes. So, rightly said, the operating leverage will come from FY '27. Margins will not be as low as what we are thinking of this year because it's not from the point of production or manufacturing capacity. It is mostly from the point of the additional cost that we will have in FY '26 P&L. In next financial year, though we are not guiding for a very long-term number right away, what you will be seeing in FY '26 end.

Rajmohan V: Fine. So, operating leverage will kick in. My final question is you have indicated to 35% to 40% growth in FY '26. Based on the total capacity that you are currently envisaging of 8,00,000 hours, this 35% to 40% growth is what will sustain over the next 3 years or FY '27 could see a bigger leap because several things will fall in place and come into play.

Management: See, the target is to keep growing at a 40%. While we were out there during our IPO roadshows also, we would have thought of delivering a 40% growth for next 4 years. So, that will continue to hold. We have an ambition of achieving a INR1,000 crore sales by end of FY '29 and we'll continue to work towards that.

In between, but every financial year we'll continue to guide what the next financial year looks like. There are enough number of geopolitical issues also that might come into play and basis which we'll have to moderate or enhance our guidances for the next financial year.

Rajmohan V: Fine. Thank you very much and best wishes to such a young team who have embarked on quite an esoteric kind of path. Best wishes.

Management: Thank you.

Moderator: Thank you very much. The next question is from the line of Sonia Lalwani from ValueQuest. Please go ahead.

Sonia Lalwani: Hi, everyone. Congratulations on a good set of numbers. A couple of questions from my end. In the last con call, we had discussed that there was an order on the nuclear end which we were not able to deliver. Did we deliver that order this year, in this quarter or is it still standing in our order book?

Management: It's still standing in our order book. I think we are going to ship a lot of these subsystems by Q1, Q2. And I think as we mentioned in the last quarter, the delivery delay happened not because of the exhibition issue. It was purely because of the standard part quality issue that we had that we bought it from one of the approved vendors from the OEM. So with that kind of the bought out issue, had a cascading effect on our final assembly and testing.

Since we have the test station, we have only one test station which can able to test a certain number of assemblies per month. So then the delivery schedules have shifted to right. So now, all these technical glitches were solved and we are confident we are going to ship it in first and second quarter.

Sonia Lalwani: Understood. The second question was on the aero tooling versus the precision manufacturing. Could you give us the breakup of these segments for FY '25?

Management: Aero tooling is close to around 85% of the revenues and the balance is coming from the precision and nuclear.

Sonia Lalwani: And this is for FY '25 and not just for quarter four?

Management: It would be on the similar range.

Sonia Lalwani: Understood. The last question that I had was in terms of employee benefits. We have been seeing an increase given the hiring that has been done by the organization. The employee cost has been around INR11-INR13 crores. But this quarter, we see a dip in the number. Can you explain what has led to that?

Management: Okay. So, it is the -- primary reasoning like, you know, for all the quarters whenever closing happens on a conservative or required kind of maybe variable bonus or any other kind of benefits. We factored at a bullish level considering all employees, factoring no resignation, all those stuff. So we taken enough provisions every time. And however, March quarter is a time where there needs to be certainty, actual and employee based on actual performance and employees who have completed a number of it.

So whatever, you know, based on those kind of HR stuff, the provision has been finalized. So any kind of you know, differential has been reversed. So you will see some kind of positive impact in the employee benefit. But it is not that there is a headcount drop or anything, it's like, you know. So the provisional kind of finalized provisions and anything of excess kind of need to be neutralized. That is the kind of event that happened in Q4.

Sonia Lalwani: Understood. Thank you, Ram, sir. That is it from my end.

Management: Yes.

Moderator: Thank you very much. The next question is from the line of Vaibhav Jain, an Individual Investor. Please go ahead.

Vaibhav Jain: Yes. Thank you for the opportunity. And congratulations on a great set of numbers and getting it out of the park in terms of execution. Continuing on the nuclear segment, I wanted to understand what are the terms of trade there? Like, what kind of cash conversion cycle are we looking at? And what is our vision for that business?

Management: Fine. The nuclear segment, which we started in 2020, started with one subsystem. We successfully now we win the order and continue the delivery. So our vision is to participate in the major reactor programs that are coming up. Whether it is a replacement program, like EMCCR or the new projects, which is the 11 reactors. Our first reactor is already tendered out. And you know, we wanted to participate in that.

And we wanted to be well-known for the electromechanical subsystems related to nuclear subsystems. We wanted to accredit as many subsystems in nuclear as possible and continue to participate actively in the upcoming nuclear projects. So when it comes to guiding for any kind of tender that comes up and the materialization of cash or revenue or cash.

So if you look at now the current tenders like EMCCR is happening, it is expected that in 4 months' time or 3 months' time, a complete PO will be in hand for win the order. And such transactions, such tenders would take 15 months kind of time in terms of delivery. By the own -- when we win the order, we will have a delivery time of 15 to maybe plus or minus 3 months.

Vaibhav Jain: Right. And so the terms of trade, as in, what are the milestones for revenue recognition and when will the payment you know, start, yes.

Management: Sure. So now, okay. While referring again to the recent tenders, so that I can give better information. So EMCCR, if we take into consideration, which is replacement parts, would have more quantum, so quantities. These quantities can be built in bunches. It is not that it has to be delivered after 15 months. It can be built on a milestone basis, like some kind of quantity or quantum, you know, delivered at appropriate times. So it means from there, 75 days would be there for the cash realization.

Vaibhav Jain: Okay, 75 days. Got it. And sir, just curious, we have added some long-term debt this year. Even though we raised funds from IPO and a lot of balance of our cash and investment is sitting on our book, we still raised a little amount of long-term. I just wanted to know, wanted to understand the logic behind that.

Management: Yes, our plan, see the long-term loan we raised in the last year, it is expected to be repaid in the coming months, which is anyway mentioned in the IPO objectives. So the cash which is sitting, some amount is to be repaid for the loan and the remaining cash is earmarked for the two objects. One is for M&A, which is predominant portion is there, which we raised in a pre-IPO time. And

another balance amount is the balance in IPO fund raised. Post debt repayment, we will have a larger amount for the working capital and some payments portion.

Vaibhav Jain: Okay. So sir, again coming back to the nuclear segment, if I have understood correctly, the replacement cycle is 15 months for our products that we are supplying.

Management: Yes, so the tender delivery time, you know, indicatively 15 months, 18 months time, indicatively. Yes. It depends on the product type also, but I am just referring one product, which we are now right now tendering out. So I don't know, participating tender, 15 to 18 months delivery time.

Vaibhav Jain: Okay. Okay, sir. Thank you, sir. That's all from my side.

Management: Thank you.

Vaibhav Jain: And all the best.

Moderator: Thank you very much. The next question is from the line of Rahul Rajani from Maheshwari Investors Private Limited. Please go ahead. Sir, there is some noise from your end.

Rahul Rajani: I had just...

Moderator: Sir, your line is not clear.

Rahul Rajani: Yes. Thanks a lot for the opportunity. I had just one question on the acquisition. The acquisition Dheya Engineering, which we have built the value of the acquisition, and are we planning to acquire it like a complete stake with them? Hello?

Management: Yes, sir. Could you repeat it? You are not been clear, sir?

Rahul Rajani: Yes. What was the value of the acquisition? What is the valuation of the acquisition that we have done on Dheya Engineering? And is there a plan to, when is the plan to acquire the balance 14% stake? And is there a plan to acquire the complete stake in the long term?

Management: Okay. So, your question is on Dheya. And your question is, what is the valuation of Dheya? And when is the plan to acquire the remaining 14%? Is that right?

Rahul Rajani: Yes, yes, yes.

Management: Okay.

Management: So, we have signed up for the acquisition of 30% stake, as I mentioned. The remaining 14% will click in when the first part, the approval completes, the first engine, the approval stage, the prototype engine approval completes. So, my fair estimation is like in a 4 months' time to 6 months' time, their approval process will complete. And then the remaining 14%, they will ask us to pay.

So, the overall valuation what we got was that time was INR30 crores, INR35 crores. So, it means equal to INR10 crores that we need to participate, wherein already INR5 crores, whatever, INR5.5 crores we completed and balance INR4.5 crores would be there.

Rahul Rajani: Got it. Thank you. And is there a plan to acquire the balance, 70% stake, eventually?

Management: No, too early. Well, you know, not sure because there are other investors. So, we are not sure, you know, how it goes. But our interest mainly, you know, to support on the manufacturing side because the complete engine, you know, is built up, you know, in Unimech facility and we are the exclusive manufacturing partner for them. So, that we are more interested in, you know, manufacturing deal than, you know, yes, having substantial. Yes, which is not a bad idea, but not sure how it goes.

Rahul Rajani: Got it. Thank you. Thanks a lot for the opportunity and best of luck.

Management: Thank you.

Moderator: Thank you very much. The next question is in the line of Akshay from AK Investment. Please go ahead.

Akshay: Thanks for the follow-up. Because of some technical issue, my line was disconnected. So, my only question is that what our revenue expectation is from the Dheya Engineering in FY '26?

Management: Oh, we haven't factored any revenue from the Dheya Engineering because it is a prototype and it is not appropriate to factor any revenue in this financial year.

Akshay: Okay. All right, sir. Thank you. All other my questions I have been answered. Thank you.

Management: Thank you.

Moderator: Thank you very much. The next question is in the line of Kher from Niveshaay. Please go ahead.

Kher: Congratulations for a good set of numbers, sir.

Management: Thank you.

Kher: I have two questions, you can answer at your convenience. Firstly, from the aerospace and tooling segments. So, I just wanted to understand that in the tolerance concentration in the aerospace, what is the average life for the tooling that we provide to the OEM licensees?

Management: Your question is the contribution of revenue from the OEM?

Kher: No, no. I am repeating my question. So, the tolerance is very high in the aerospace industry, okay. And we are providing the tooling for that. So, what is the average lifespan of our tooling segments to OEM licensees?

Management: Okay. Lifespan. Okay. Now, if you take any engine tooling side, approximately say 1200 varieties would be there. So, each tool has a different life cycle defined. Yes. While we

particularly don't know, but however, my average indicator thing is like replacement would maybe between 2 to 5 years kind of thing would be there, depending on the size of the tool. Some are as low as 2 years, and sometime 5 years, yes.

Kher: Anything else?

Management: Yes. It depends on the application.

Kher: Okay. And if you allow, I have a second question that in different sites, as the traction in different sites is increasing, are we supplying any precision components in segments or we have seen any increase in the last quarter?

Management: I'm sorry, sir. Can you repeat? Your voice is again broken.

Kher: Okay. So, I'm asking in the precision component side, we have mentioned the defense is in the industry and the customers also. So, are we supplying any parts or subassemblies or component in a different segment right now?

Management: Defense. We have smaller portion, you know. Rajini, do you want to add?

Rajanikanth Balaraman: We are working with few of the companies on the defense thing. Though the aerospace is actually the largest revenue contribution, but we see this as a growing market.

Kher: Okay. Thank you. Best of luck for the future.

Moderator: Thank you very much. The next question is from the line of Shashank Jain from ValueQuest. Please go ahead.

Shashank Jain: All right. So, actually, the first question is on the cash utilization. So, we are starting with a cash of around INR90 crores. And to basically go back to your previous slide, I think you mentioned that 60%-70% of the capex has been incurred. So, how much are we looking to incur in the form of capex this year and how much will be incurred in the form of working capital and like, how soon are we looking to utilize the cash?

Management: Okay. So, the plan for this year is to invest in capex in the range of INR75 to INR80 crores. Investment will happen in the machineries and other stuff. Working capital, overall INR60 cr we plan wherein INR35 cr we'll invest this year and some amount will be kept for the next year, INR30 CR for the next financial year we'll keep. 80 plus 60 is the plan.

Shashank Jain: Okay. And this year we'll keep for the M&A opportunities. And second question was on the margins. Although we are guiding for 32 and probably like 32% to 35% margins, but we are currently targeting at 40% margins. So, in the long term like over the next say 3, 4, 5 years basis are we expecting only 35% margins or are we like expecting to reach 40% margins sometime in the future?

Management: 40% margins is what we have delivered this year for FY '25. FY '26 because of the cost that we are incurring we will have some compression. So, that is the reason why we are guiding for 30%, 32%. Next year when the operating leverage starts kicking in margins will be around 35%.

We are putting a conservative number as of now that we can easily target a 35%. If the future benefit also flows in we will be able to target higher. But to be on a reasonable side we are commenting a 35% longer term.

Shashank Jain: Okay. And the last query is on if you can provide a split between SAI and production in terms of revenue will that data be available?

Management: We can give that to you offline.

Shashank Jain: Okay. Thank you.

Moderator: Thank you very much. The next question is from the line of Vaibhav Shah from Equirus Securities. Please go ahead.

Vaibhav Shah: Thank you very much for the opportunity. My question is on the precision component side. So, we have added seven new customers during FY '25. So, could you share some color on the nature of these customers, particularly their end user industry and their position in the overall value chain. Additionally, what type of precision component are we expected to manufacture for them? For instance, we supply electromechanical subassemblies in the nuclear segment for NPCIL.

Management: Okay. So, I understood your question right. You are asking about the nature of components that we are going to manufacture for the precision segment, as well as for the nuclear segment right.

Vaibhav Shah: For the precision segment that seven new customers that we have added into FY '25.

Management: Yes. So, all these components what we have onboarded the new customers are related to aerospace only and some are defense sector. These are all you know the precision component and fewer assemblies are also there. And our plan for the precision component assembly segment is do beyond the aero also, aero defense and also participate in nucleus, sorry the energy segment you know and semiconductor of course.

So, in the semiconductor also the customer whom we have onboarded in recently, the nature of product would be, a component would be this is going to be used by the -- supplied for the OEMs in building the semiconductor equipment. So, it means for the --to build the equipment whatever the subsystem you know required or assembly required in a mechanical assembly that we will be supplying to these companies.

Management: So, as a pattern unlike tooling where it's used as an auxiliary device to build something else in the precision component section, these components actually go into the actual thing, whether it's an aeroplane, defense component, semiconductor, machine manufacturing, it basically goes into that.

Vaibhav Shah: Understood, sir. Sir, second question is on the...

Moderator: Sir, sorry to interrupt but due to time constraint that was the last question. Thank you very much. I now hand the conference over to management for closing comments.

Management: Hi, thank you. Hope you have -- we're able to answer all your questions. Once again, I would like to assure you all, we all strive for achieving, the guidance also build a much bigger order book by the end of this year reducing customer concentration risk and strengthening the business resilience. The talent in the industry both in tooling and precision industry will work in our favor in achieving the desired growth. Geopolitical issues might have some near term, impact but overall Unimech is very confident on delivering the results. Thank you all.

Moderator: Thank you very much. On behalf of Anand Rathi Share & Stock Brokers Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.