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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 November 13, 2025, at 11:00 AM (IST).

We request you to kindly take the above on record.

Thanking You,

For **Unimech Aerospace and Manufacturing Limited**

Akash Shetty
Company Secretary & Compliance Officer
M. No: F11314

Encl: A/a





“Unimech Aerospace and Manufacturing Limited Q2 FY26
Earnings Call”

November 13, 2025



MANAGEMENT: **MR. ANIL KUMAR PUTTAN – CHAIRMAN & MANAGING DIRECTOR**
MR. RAJANIKANTH BALARAMAN – WHOLE-TIME DIRECTOR
MR. RAMAKRISHNA KAMOJHALA – WHOLE-TIME DIRECTOR
MR. MANI PUTTAN – WHOLE-TIME DIRECTOR
MR. PREETHAM S.V. – WHOLE-TIME DIRECTOR
MR. AAKASH JAISWAL – ASSISTANT GENERAL MANAGER, INVESTOR RELATIONS

MODERATOR: **MR. MANISH VALECHA – ANAND RATHI SHARE AND STOCK BROKERS LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Unimech Aerospace and Manufacturing Limited Q2 FY26 Earnings Call hosted by Anand Rathi Share and 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

Manish Valecha: Thank you. Good morning, everyone. Welcome to the Unimech Aerospace and Manufacturing Limited Q2 FY26 Results Conference Call.

We have with us from the management, Mr. Anil Kumar Puttan – Chairman and Managing Director, Mr. Rajanikanth Balaraman – Whole-Time Director, Mr. Ramakrishna Kamojhala – Whole-Time Director, Mr. Mani Puttan – Whole-Time Director, Mr. Preetham S.V. – Whole-Time Director and Mr. Aakash Jaiswal – AGM, Investor Relations.

I would now like to hand over the call to “Mr. Anil Kumar Puttan for his Opening Comments.” Over to you, Anil.

Anil Kumar Puttan: Good morning and welcome to Unimech Aerospace and Manufacturing Limited Q2 FY26 Earnings Call.

The 2nd Quarter delivered a performance better than our initial expectations we anticipated at the start of Q2, despite the headwinds from additional U.S. export tariffs that significantly increased duties.

As we have indicated earlier, FY26 is the year of strategic investments for Unimech. Our focus remains on expanding capacity through new facilities, scaling our high-value engine tooling operations, and strengthening our order book along with customer base across key segments within our growing precision manufacturing business.

This strategic direction aligns closely with our strong momentum witnessed across both domestic and global aerospace markets.

Aircraft and engine manufacturers are accelerating production cycles supported by supply chain localization and capacity expansion. For instance, the Airbus continues to ramp up assembly lines across the Western and Asian geographies, targeting a production of almost 75 A320 family aircrafts per month by 2027, up from the current 60 units per month.

Similarly, LEAP engines continue to scale with 500 engine deliveries in the last quarter, depicting a 40% year-on-year growth.

India, meanwhile, is emerging as a key hub in the global aerospace manufacturing value chain. With continued investments in infrastructure, skill development, and technology partnerships, we believe both India and Unimech are well-positioned to capture a significantly larger share of global opportunities over the next decade.

The Government's UDAN scheme has now connected over 649 routes and is being extended beyond 2027 with an additional 120 new routes, a clear indicator of sustained growth in aircraft demand in the country.

Coming to "Business Performance Segment-Wise":

our tooling segment, which accounted for about 78% of Q2 revenues, has seen moderate yet healthy performance amidst the prevailing geopolitical uncertainties arising out of tariffs. This is in line with what we indicated at the close of our 2nd Quarter via an exchange notification that we continue to experience slowness in revenues as customers while monitoring tariff environment has continued to delay order pickup.

However, a notable highlight during the last quarter was significant order wins for ground support equipment under the LEAP engine program. This achievement marks a meaningful milestone for us as historically our order wins have ranged between USD0.5 to 1 million, whereas this new order valued at \$4 million, is among the larger orders we have secured in recent times, with potential to convert into meaningful long-term orders for the future.

Moving to "Precision Engineering Segment," which represents our diversification beyond aero tooling business, continues to progress well. During the quarter, we onboarded a new aerospace customer and we are currently executing close to 100 FAI articles. Onboarding will help us establish a foothold in developing sub-assemblies for unmanned aircraft systems used for tracking and surveillance.

In the semiconductor space, which can potentially be a big segment for us, FAIs continue to be developed with various parts in the final approval stage. Our continued evaluation of process and product delivery to the customer has resulted in customers gaining more confidence. On successful approvals, these can lead to potential long-term orders beginning calendar year 2026.

Additionally, in the previous quarters, we indicated onboarding robotics, medical equipment manufacturers, and a couple of Israeli defense OEMs. Since then, we have successfully completed initial batch of FAIs and obtained approvals from them. Successful completion of these FAIs has led to more qualification orders with a higher complexity, indicating a strong execution capability which Unimech possesses.

To give a sense of how much FAIs we have executed, over 50 FAIs are completed in the last few months between semiconductor, medical, and defense tier 1 OEMs.

In addition, we are in advanced discussions with several other global OEMs and tier 1 currently in the process of onboarding a European aerospace customer and we are working on a large RFQ.

We are also working towards signing a long-term agreement with tier 1 for single-aisle aircraft parts.

Beyond aerospace, we are engaging with oil and gas drilling companies for precision components in the oil and gas sector with RFQs currently under submission.

While these opportunities are promising, certain headwinds also persist due to tariff implications in the U.S. Few of the U.S. customers have notably reduced their orders towards the FAIs as they see challenge in their U.S. supply chain because of tariffs.

In the domestic nuclear segment, we continue to see potential as communicated earlier. We have already submitted bids for nuclear projects amounting to approximately about Rs.800 crores and expected to submit a few more RFQs in the coming months between November and December 2025. Tender evaluations for several of these nuclear projects are now complete and results are expected shortly.

India's growing emphasis on nuclear energy especially through 10-fleet mode PHWR reactors of 700 megawatt capacity by NPCL and Ashwini JV.

Additionally, prototype fast breeder reactor in Kalpakkam, Tamil Nadu, the country's first indigenous 500 megawatt fast breeder reactor by BHAVINI is under final commissioning stage expected by end of next financial year.

Successful completion of this prototype will lead to approval of two more 500 megawatt FBRs.

Further, as indicated earlier, the government of India is encouraging public sectors like NTPC and NPCIL and various players' participation in this sector through building of FBRs.

All these initiatives highlight a strong pipeline of opportunities in the sector. We understand in the next five to seven years we will have more work in the segment.

Operationally, our SKU base continues to expand incrementally, adding around 10% in the new SKUs in Q2, taking the total count to 5,200-plus. This number continues to rise each quarter as we continue developing more FAIs and prove-outs in our multiple business segments.

I would also want to highlight about our order book, which is about Rs.105 crores until the end of first week of November, of this, around 95% pertains to the tooling business.

Tariffs and business impact on Unimech. Reiterating what I have mentioned earlier, some of our U.S. customers have been deferring order pickups to minimize the impact of elevated tariffs on aero tools. For the past few months, we have observed a structural shift in the operating model of our customers,

changing from build-to-inventory to more conservative build-to-order approach, resulting in longer lead times for order transformations and mobilization.

To mitigate the near-term effect of these tariff-related uncertainties, we are actively implementing several measures. The establishment of our free trade warehousing zone is progressing well and is currently in the process of government approvals, with operations expected to commence in Q4 of this year.

Additionally, we are leveraging drop shipment mechanisms to ensure steady and uninterrupted deliveries to non-U.S. end customers. So, as I mentioned in our previous discussions, our non-U.S. consumptions are about approximately 65% to 70%.

Given these dynamics, the annual revenue and margin guidance provided earlier during the year will be difficult to achieve. However, we target to surpass last year's annual revenue numbers with lower margins as compared to the last year. Despite these challenges, our confidence in the industry's growth remains firm. A delay may occur, but our strategic goals remain intact.

Before I conclude, I would like to note that we are actively evaluating acquisition opportunities, joint ventures, and other inorganic growth plans aligned with our long-term growth agenda, a couple of which are in advanced stages.

With that, I will now hand it over to "Ram for his Comments on the Company's Financial Performance."

Ramakrishna Kamojhala: Thank you, Anil. Good morning, everyone. Let me now take you through the financial performance for the quarter and our outlook for the remainder of the financial year.

Coming to the revenue side:

Revenue for Q2 FY26 stood at approximately Rs.62 crores, which is up by 1% over last year, and revenue for H1 FY26 is Rs.125 crores, a nominal increase of 4% over last year.

Sequentially, revenue was slightly lower than Q1 FY26, reflecting temporary slowness in order pickup from U.S. customers following the new tariff regime. That said, performance was better than initially anticipated and we are expecting improvements in a coming quarter with mitigants being worked upon.

Aero tooling business is still significant as usual and contributed about 75% of total revenue during the quarter.

An update about orders:

Our order book is healthy at Rs.105 crores, including high order, which we owed recently, as Anil mentioned.

While pipeline appears to be strong in all business segments, namely aero tooling, nuclear and fission segments, we are very confident to overcome all challenges with a strong pipeline build.

Margin side:

Gross margin remained healthy at 68% in line with previous quarter. However, on a half yearly basis, gross margin is slightly lower in comparison to H1 of the previous year.

As mentioned in the previous calls, our focus in this year is on various prove-outs and completing first articles to meet qualification requirement of various customers, which we have onboarded in the last few months. This will continue for the rest of the year as well and thereby, COGS continue to be higher and GP will have slight dent. That said, we are focusing on utilizing our existing capacity more and reducing reliance on subcontracting. This helps as a mitigant to offset higher COGS.

Subcontracting cost as a percentage of sales has reduced from 6.9% to 5.7% in current quarter over the previous quarters. This is a clear indication of improvement in utilization and in-house efficiency.

Coming to EBITDA:

EBITDA for the quarter is Rs.18.5 crores which is a 30% kind of EBITDA margin. There is a clear drop in EBITDA over previous quarter as well as previous year as well. This is primarily due to lower sales on account of tariff impact.

Increase in employee cost on account of capacity investment, including a portion of ESOP impact is also there. Further, there is an increase in operating expenses which is again due to capacity addition. That said, company has initiated a lot of activities for cost reduction, spend discipline, and for a lean operating structure to keep costs under control.

Coming to depreciation, which stood at Rs.6.3 crores, up by 8% over previous quarter, reflecting additions to plant, machinery, infrastructure across our new facilities. Company now operates 146 machines, including CNC milling, turning, and CMM units, having added five large machines in this quarter as well.

Finance costs for the quarter have increased to Rs.1.4 crores from Rs.1.2 crores, reflecting additional of Rs.30 crores working capital availed during the period on account of early procurement of raw material for our new projects, one of which, as Anil mentioned, which is engine stand orders.

Net profit for the quarter is Rs.15.6 crores, which stands at 22% sales level. Though this is a good profit level, but largely influenced by other incomes.

Adjusted ROCE and ROE for the quarter stood at 11% and 17% respectively.

Overall, though the profitability is slightly lower than the expected level, but the good part is, margins not dropped significantly despite capacity expansion, increased resources, additions and geopolitical headwinds leading to slower sales.

Coming to an update about assets and capacity utilization, the total machine capacity is 6.83 lakhs with recent additions, but the utilization is low at 55% level.

I would like to emphasize here again that all recent additions to the capacity are towards strategic investment for future scalability.

Another important thing is, owing to large number of phase being worked upon, utilization will continue to trend lower.

Similarly, fixed assets turnover ratio at 1.9x in Q2, which is again lower than the previous period, and this is again due to recent capacity addition and lower revenue realization.

As we mentioned earlier, the assets turnover will reach 3x to 3.5x over the next 24 to 30 months with improved utilization and revenue growth.

Coming to outlook for the year:

Looking ahead for the second half of the year, though we continue to focus on revenue acceleration, we expect geopolitical challenges continue to hinder our growth and revenue target in this financial year as well. The primary reason, as we all are aware, is U.S. tariff impacting revenue growth. This has resulted in a change in our customer stocking and inventory building strategy, as Anil mentioned, moving to a more need-based order pickup rather than keeping inventory, resulting into slower sales and making it difficult to estimate higher revenue in the next quarter. Consequently, as Anil mentioned, achieving the earlier revenue growth guidelines of 40% for FY26 is not practical. Similarly, EBITDA and PAT margin are also going to see an impact which make us difficult to guide for the next quarter and full year. Nonetheless, we will be able to deliver higher revenue compared to last year. Also, there are enough positive movements around the business. We are very confident to see a healthy order book from nuclear projects in the upcoming months, apart from the tooling business.

We are also confident to foresee potential long-term agreements which are under process with our new customers in the precision segment.

Reiterating my thoughts on working capital requirement, business will see a higher working capital as we move into delivering more nuclear projects, larger value GSE orders, more inventory purchase, post-signing of LTA in precision segment business, thus indicating working capital to raise from current 110-days to around 150-days in future periods.

So, before I conclude, I would like to reiterate that we remain deeply committed to growth, transparency, operational efficiency, and discipline cost management. Our focus is on maintaining agility, optimizing investment, and ensuring every decision contributes to sustainable long-term growth.

So, with that, I will hand over to Mr. Rajanikanth for the Other Growth Updates.

Rajanikanth Balaraman: Thank you, Ram. Good morning, everybody.

Since the last update, our focus on inorganic growth has remained steady and disciplined. We continue to actively evaluate a robust deal flow of precision manufacturing targets across India, the Middle East, Europe, and the United States. Our evaluation framework is unchanged. We prioritize operational synergies, technology enhancement, cultural fit, sustainable margins, and clear return thresholds.

I am happy to say we are in advanced discussions for joint ventures in the Middle East and the U.S., focused respectively on oil and gas and aerospace and defense opportunities. We will share more details when we reach definitive agreements. Any transactions signed in the near term are likely to be integrated into our operations next year.

On Dheya technologies:

Our progress on our minority investment continues to be encouraging. On DET-500, our 50-kilogram engine, it achieved self-sustained operation at 34,000 RPM, a significant technical milestone. We are targeting a complete technology demonstration by next year.

On DET-200, the 20-Kg engine, the certification program is underway under CEMILAC DRDO Supervision. Certification is expected to conclude next year and would potentially mark a notable first for private sector micro gas turbine certification in India.

Quality Milestone:

Dheya has successfully completed the AS9100 audit and has been awarded the certification, an important foundational step and precursor that strengthens the path towards CEMILAC certification.

There is a new update where DHEYA built two prototype units of hydrogen anode blowers, which have been delivered to the defense sector. Testing and qualification with DRDO are underway.

On ECU, joint development of engine control unit is in the final phase with prototype manufacturing wrapping up and delivery is expected by Q1 next year.

These technical and quality milestones strengthen DHEYA's readiness and increase the visibility of manufacturing opportunities for Unimech as their exclusive manufacturing partner.

In short, our inorganic agenda is progressing, backed by an active deal flow, disciplined screening, and advancing JV discussions. While DHEYA's technical and quality milestones materially strengthen our strategic optionality in propulsion technologies, we remain focused on executing these initiatives and will keep the market informed as we cross material milestones. Thank you. I will end my update here.

Operator, you may now open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aniket Madhwani from Steptrade Capital. Please go ahead.

Aniket Madhwani: So, I just want clarification on the margin. As you mentioned, there is a dip in quarter-on-quarter basis and year-on-year basis. So, do you expect a further dip in these margins due to tariffs?

Ramakrishna Kamojhala: Yes. So, as I mentioned, the indicated EBITDA margin in the beginning of the year, we mentioned around 30% to 32% EBITDA margin, right now, this is at 30% level for the H1. So, again, the movement sales get dropped, obviously the EBITDA will get dropped. So, as of now, because of geopolitical issue, US tariff scenario, we are still not sure. If that continues for a quarter or another quarter, then definitely EBITDA margin will have a drop along with the sales. But otherwise, we are able to maintain 30-ish kind of EBITDA margins.

Aniket Madhwani: And drop up to what extent, is there a specific number?

Ramakrishna Kamojhala: As of now, we are not able to indicate that, because the drop in sales how significant we do not know. But indicatively, like if drop in sales is significant, it definitely go to 2-3%, drop in EBITDA will happen. Otherwise, if we achieve at least above the last year turnover, this is going to be respectable margins only above 30%. So, indicating at this stage is difficult because we are not sure how tariff is going to impact our business.

Aniket Madhwani: Okay. And considering the tariff effect, so what would be the revised guidance for the top line? Previously you mentioned around 20%, right?

Management: We are not issuing any guidance for the top line now. Considering what we have been indicating, we are seeing some tariff-related challenges. And as what the management also indicated in the opening remarks, considering the modalities have changed, so that will be something we will have to look into. So, maybe by next quarter, we will get more clarity how margins or the growth for this financial year is going to happen.

Aniket Madhwani: Got it. Got it. And do you have any updates on the nuclear segment tenders?

Management: Are you talking about nuclear tenders?

Aniket Madhwani: Yes.

- Management:** Okay. So, as of now, many nuclear tenders yet to be announced. So, we have noticed there is a slowness from the NPCI side. Maybe indicative guessing is like by November end, they might announce certain nuclear tenders now, but as of now, no update.
- Aniket Madhwani:** There are no updates?
- Management:** Yes.
- Aniket Madhwani:** It was expected around Rs.400 crores before?
- Management:** No. So, what we have always been mentioning that we are applying for bids and tenders. So, cumulatively, we have applied for close to around Rs.800 crores. The indication how much we can win from it is always a guess because it depends on the lowest bidder who emerges in terms of these projected wins. So, the indication that we had given that we are targeting somewhere close to around 200 crores to 400 crores, but let the order come out, let the results come out, and only then we can guide you for what is the indication. By November, December end, we assume some bit of tenders results to be out and that will be a clear indication what will be the path ahead.
- Aniket Madhwani:** Okay. Thank you.
- Moderator:** Next question is in the line of Varun Mohanraj from Skaniva Capital. Please go ahead.
- Varun Mohanraj:** Good morning and thank you for the opportunity. So, regarding the tariff situation again, so, I mean, like, once this tariff situation is behind us, I just wanted to know, like, what the timeline it would be required from our side to get back to the earlier levels of momentum of growth -- is it like, again, we are through the validation process or is it just like the tariff clarity is emerged, then we will immediately be back on track with our growth aspirations?
- Management:** I will divide this into a couple of segments what we are seeing. In the aero tooling business, what we had been observing since the modality has changed, so there is a bit of uncertainty prevailing. But as the tariff goes up, what we understand, it will not go up to the previous level. There might be still certain bit of tariffs. So, we do not want to contemplate how much down it can go to, but it is always a good news for us if it comes down from this level as eventually the revenues will obviously be picking up as currently customers are holding up. In the other segment, which is the precision segment, while we have worked upon FAI, there has been supply chain disruption and we being one of the constituents of that supply chain and one which is emerging into this business value chain, we will not be able to give you a very clear indication what will be the near-term impact and how things will evolve. Only thing what we can mention is, yes, if the tariffs go down to an extent, revenues will rise. We have been guiding for a growth of achievement up to Rs.1,000 crores by end of FY29. We will strive to deliver to that number. That is the objective we can outlay at the moment.

Varun Mohanraj: Okay, great. And regarding our plans, I just wanted to know that I think to the previous participant you had spoken about the nuclear tenders, so, are our plans like fungible between the aerospace and the nuclear segment like, considering if the tariff situation is prevailing and we see a lot of business through the nuclear segment, is it like a fungible thing or something like that, I just wanted to understand?

Management: So, yes, you are absolutely right. So, machines are all fungible across various business segments that we are targeting.

Varun Mohanraj: Okay, great. And lastly, anything on the semiconductor business, if you can share some color on it?

Management: So, in the semiconductor space, we understand that it can be a good potential. We have worked upon a number of FAIs, which as we speak are under discussion for approvals. So, once these approvals are done, we are expecting good set of orders from that also. So, by beginning next calendar year, we anticipate some bit of revenue flow to start appearing in this semiconductor space.

Varun Mohanraj: Okay, thank you, and that is it from my side and all the best.

Moderator: The next question is in the line of Ananya Nechani from Thinqwise Wealth Managers LLP. Please go ahead.

Ananya Nechani: I had a question on gross margins again. So, in last quarter, you had guided for 60% to 62% gross margins by the end of this FY. And that was mostly on account of first articles coming in. So, then I'm assuming gross margins on that are lower and because of new clients coming in, in second half. So, do you think in the second half, gross margins will be in like late 50s, because this quarter, gross margins have held up to an extent?

Ramakrishna Kamojhala: So, while gross margin, we indicated a 62% kind of level, but good part is like, it is not significantly dropped at this stage, first half of the year, 68% we have seen. So, probably it will help, to average it out at the year end, like it might not drop significantly. Okay? The thing is like, as additional capacity and more phase added, so there is always a kind of chance of impacting the gross margin level. But I do not see going below 60% is not possible, 62%, still we are kind of feeling.

Ananya Nechani: So, still you are maintaining 60% to 62% in end of the year?

Ramakrishna Kamojhala: For the tooling business for this financial year.

Ananya Nechani: And this is including tariff impact, like not first article?

Ramakrishna Kamojhala: Independently, gross margin level is that, but if you see mathematically, like the moment sales comes down, okay, and in a sense, as we do not see like as of now, whether customers will ask us any drop in price, all those stuff is very speculative at this stage. So, we have not got any clue whether such things, because customers also do not know what percentage is going to stay, so they do not know

what percentage they will ask us to drop, it is very uncertain at this stage. Probably we need to wait a month time to get more clarity on the subject, I guess.

Ananya Nechani: Okay. Okay, sir. Thank you so much.

Moderator: The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity, sir. I have just one question. In the current environment of this tariff, when you are selling your products to the US market, in what proportion these additional costs are being distributed between you and the customer, so how much of the impact the customer is willing to take and how much you have had to take? I know the situation is very fluid and the situation will emerge as the time progresses. But if you can talk about the nature of the arrangement at the moment, that will be very helpful?

Management: Harshit, what I could have understood, you are trying to understand how the tariff implications are to be distributed among our customers and Unimech. See, the discussions as what Mr. Ramakrishna also mentioned in his previous answer, discussions have not yet been fructified. The only reason is that uncertainty around tariff is still available. Now, for example, if our end customer charges or arranges for some bit of tariff sharing with us and at a certain point in time, maybe a couple of months or so, we see there is a tariff reduction. Then there is a again revisit to this entire thought. So, right now, it is again very indecisive to convey even what will be the tariff sharing proportion. We have not been able to hear what or understand also what has been the tariff implications. And this is the only reason why you see revenues are slowing down. Otherwise, revenues could have flown if the agreements in terms of the tariff sharing or the cost sharing part would have been achieved. So, we have to wait for a couple of months maybe or sooner or later if this tariff thing gets sorted out because we also keep on hearing in the news that some bit of arrangement has been achieved between the two governments. If that happens to be true, we will be able to tell you what is the real impact of the tariff going ahead.

Harshit Patel: Understood. So, for example, if you are shipping out a product today, so that shipment -

Management: Sorry to interrupt, but could you please speak a bit louder?

Harshit Patel: So, for example, if you are shipping out a product today, then in that case, is that shipping being done at the previously agreed prices or there is some variation on that? I am asking because we have not seen too much of an impact on our gross margins yet. So, there are two things here. There are customers, those who consume for US as well as non-US. What we have been indicating, non-US has not been challenging at all. It is the US-based end consumption tools that we are shipping, that has seen challenges. Largely, around 70% is non-US, which we do not see issues or impact because of tariffs that is there, but for 30%, we will not be able to convey what is the real tariff sharing impact. And hence, you see our margins still hold at similar levels with a slight bit of impact because of FAIs that we continue to do.

- Harshit Patel:** Understood. Thank you very much for taking my question and all the very best.
- Moderator:** The next question is in the line of Nishitha Shanklesha from Sapphire Capital. Please go ahead.
- Nishitha Shanklesha:** So, you mentioned that the total utilization level is at 55% currently and you also mentioned that this trend is supposed to be lower only. So, if I can understand why we cannot ramp up our capacity utilization, what is the reason behind that?
- Management:** So, for this financial year, what we have always been telling that it will be at lower, ranging around mid-50s. So, that is what we have been indicating. Reason is the newer segments that we are entering. And to enter into that segment, we have to serve various qualification orders. And that will not 100% or very efficiently utilize machines because the spindle efficiency is not achieved while we are working on those smaller bits of orders. That is the only reason which we can convey are holding down. The other part is though investments were made in machinery, but tariffs are also relaying some bit of impact. Once the tariff issues are sorted out, even on the aero tooling business, we will be able to see a better order execution.
- Nishitha Shanklesha:** Okay. So, from FY27, we expect the capacity utilization to ramp up, right?
- Management:** Yes. So, it will eventually start improving. So, now it cannot be a very clear number what we can indicate. But, yes, as we are targeting to have a decent order book by end of this fiscal, we will eventually have better machine utilization, maybe rising to around 7 to 10 percentage points by the mid of next year.
- Nishitha Shanklesha:** Okay. Thank you.
- Moderator:** Next question is from the line of Pratik Kulkarni from Kaush Wealth Management. Please go ahead.
- Pratik Kulkarni:** Hello, sir. Thank you for the opportunity. Anil I had two questions. The first one was regarding the precision tools segment. We have shown that the applications rise in nuclear, semiconductor and aerospace. So, could you just elaborate more on the specific use of those components and how critical they are and how do you see the opportunity in them in future?
- Anil Kumar Puttan:** So, your question, if I understand, is the end usage across these various industries in precision manufacturing?
- Pratik Kulkarni:** Right.
- Anil Kumar Puttan:** So, you asked about semiconductor. For semiconductor, the end use is that these components and subassemblies go into the equipments that manufacture chips. So, you have companies which manufacture equipments, they take the silicon wafer and turn that into chips. And these are large equipments that get manufactured by the likes of Applied Materials, Lamb Research [ph], ASML and the likes, and the parts, components and subassemblies that we manufacture go into these

machines or equipments. And we also work with medical, for example, there is manufacturing of robotic surgical equipment and our components actually go into these. Then you have defense, where the components that we manufacture go into radars, missiles and other places. And aerospace could be structural components, engines and all of this that it goes to. And energy, you have nuclear components, assemblies. Other than that, you also have oil and gas components. This is the end use.

Pratik Kulkarni: Okay. Thank you, sir. And the second question would be, if I am not wrong, we might be looking for inorganic growth opportunity. In which segment we are targeting -- would it be in aero tooling where we will be moving up the value chain or similar into the precision components and assemblies?

Anil Kumar Puttan: We are looking at both aero tooling as well as precision components and assemblies in India, US, Middle East and Europe.

Pratik Kulkarni: Okay. Thank you. Thank you, sir.

Anil Kumar Puttan: Sure.

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

Balasubramanian: Good morning, sir. Thank you so much for the opportunity. Sir, nuclear projects have lower margins than aero tooling, but you mentioned about this will offset by higher utilizations. And can you provide what kind of margin range for this nuclear segment? And secondly, working capital days are higher for these nuclear projects. And how this project will be funded and how this will impact our cash flows? And what kind of working capital cycle target we have end of this year?

Management: Okay. So, your question is about nuclear and the working capital requirement, margin and all those stuff, right? So, coming to margins, definitely, nuclear is in a slightly competitive world, compared to aero tooling or precision world. So, we see a gross margin 55-ish kind of level when a peak nuclear projects comes up. And coming to working capital, see, the working capital cycle, definitely larger is for a nuclear segment because the lead time gestation period is longer. So, how it is going to impact in a nutshell in future is overall as of now, say we run at 90 and 100 days kind of net working capital days, that will change eventually to 140 to 150 days kind of thing with this mix. While mix is to understand, but my indication is going to be like this. Coming to the increased working capital, we definitely have credit line opened and additional fund already, we have raised the money post-IPO for working capital purpose. With this intention we already raised, so there is no issue from cash flow point of view. We will be able to handle any increase in working capital from nuclear aspect.

Balasubramanian: Okay, sir. On the export side, right now we have a 90% of revenue comes from export side. We have a target to reduce to 75% and given that domestic, like example, nuclear and defense having lower margins and cycle is very longer. And how do this strategic shift to align with improving your overall profitability and ROCE? And secondly, you mentioned about 70% of exports non-US, and if the tariff still continues, is there any strategy to reduce US exposure going forward?

Management: Good question. So, last one I will answer. So, earlier we all used to feel very proud about the business in US, while tariff is going to settle gut feel but as a risk mitigation always company like us has to think beyond US and we are no different from that, we are also thinking, and definitely Middle East is the next area that we have already started working on that. So, to answer your question, yes, there is going to be a geographical shift beyond US would definitely be there. And second thing, in terms of mix between exports and domestic, aero tooling and non-aero tooling, our plan is definitely though, as of now, more focus on aero tooling. But the kind of efforts what we have put in for the past few years on nuclear and precision segment, we can proudly say that, like, revenue contribution is going towards precision segment and nuclear. It is kind of indicative. As we earlier mentioned, like in our financial, our strategic goal is now to achieve 1,000 crores by FY29. In that, if you look at that financial year, when we achieve the strategic goal, you will see 65% aero tooling, kind of approximately and 35% will come from nuclear and precision segment. Yes, so this is the kind of thing. And margins wise, definitely blended gross margins will happen because aero tooling, we proudly say that it is a high gross margin segment, but, when it comes to nuclear, there is going to be blended gross margin, which will reduce to 62 kind of, 63 kind of blended gross margin at a peak level kind of thing. Yes, so this is a kind of broader picture.

Anil Kumar Puttan: One thing I wanted to highlight is, I think we need to take a step back to kind of understand the larger rationale for why this diversification, right? We have aero tooling business obviously giving us really good gross margin, but why do we have to diversify the precision segment or nuclear segment? It is the fact that we will have to in the business, build resilience, right? Because as aero tooling business is a PO-to-PO business. But as a publicly listed company, we have a responsibility to our shareholders to make sure that, we are resilient through the thick and thin and you are seeing that there has been a lot of dynamics and changes that is going on. And as a business, we want to stay resilient, which is kind of the reason why you have this diversified thing, even in spite of some gross margin compression. And we feel as a business, we need to actually stay resilient. And that is kind of the rationale for why we have all this diversification. Some offer long term visibilities, long term orders, some offer short term, and we will have to have a blended way to ensure we optimize.

Balasubramanian: Okay, sir. What is the current momentum of order enquiries and customers like they wanted immediate delivery basis or they are procrastinating or maybe they wanted a later delivery at this point of time because of these tariff issues?

Management: Got it. So, now, as Anil mentioned in his speech, that there is a kind of shift in customer strategy, which used to be like, keeping enough inventory of MRO tooling or aero tooling in anticipation of end customers. That has changed from inventory build to order as and when required... need basis. So, that is as of now is happening. And second thing, going forward, we are thinking like, it is too early, but, can indicate that customers are realigning or having a different strategy and logistic arrangement, instead of, US, they are thinking about, like, keeping inventory in India kind of thing, like, as a strategic logistic hub, maybe in a kind of too early, but they are thinking like, okay, augment all the logistical, when an inventory holding it to India level and supply from India, those kind of things are going to come up. And towards that, like, a kind of advanced discussion also happen to set

up in India, a free trade warehouse concept, thereby, from India, the kind of consumption beyond the US can go directly from India to other locations. So, these are all the kind of post tariff, interesting, the logistic realignment discussions are happening, I am sure, which goes towards a positive solution, and definitely in favor to India, and as well as, the anywhere kind of customers. So, yes, this is a kind of a broader kind of perspective that customers are thinking now.

Balasubramanian: Okay. So, the execution is going as per customer schedules, is that right way to understand, sir?

Management: Yes. Because, the end requirement remain same. And we do not see like, suddenly new suppliers will be created in the US or any other. The supply chain disruption is going to be shorter, but a kind of solution, via media solution, customer and supply like this will be figured out. Yes, that is exactly happening at this stage.

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

Moderator: The next question is from the line of Jainam Doshi from Kriis PMS. Please go ahead.

Jainam Doshi: Hello, sir. So, considering the tariff scenario, are we seeing any shift in the customer sourcing arrangements like the customers are asking for some kind of a dual sourcing to mitigate the risk or like setting up of JV or subsidiary in US and supply to them or etc., like any other arrangements are we exploring or have been indicated by our customers to us?

Anil Kumar Puttan: I think as of now, there is no indication from customers. Honestly speaking, making this high mix and low volume products in the western region is not feasible from a cost point of view. And also the kind of capacity that they have to create with the kind of increased demand of engine MRO. I think it cannot happen immediately. Maybe they might also think for the future. But I think as Ram mentioned earlier, at least 30% of the consumption only happens in US originally for our kind of products that we ship from here and the remaining 70% gets consumed outside US. So, they would wait for the revised tariff clauses and then probably make any decision based on that. As of now, there is no indication. But I think rather they are looking at using India or other regions as a logistic hub for all other deliverables except US. I think US, once it comes on, probably things may come normal. But also the build to inventory model will also improve. Currently, that is the one which kind of has impact on the order intake actually. So, they would start taking more and more inventories once there is a reduction in the tariff levels. But there might be some logistical mobilization. I think there are ways to work around. And they are also setting up FTWZ in their facilities, which kind of minimizes the effect of tariffs immediately suppose even if they carry inventories because we are also in FTWZ or SEZ here. So, there are lots of options in front of us. But, we will only kind of engage into those when we have certain confirmation from the tariff aspect. But as of now, what we are looking at is the drop shipment to end customers' non-US consumption. That is happening. And setting up an FTWZ, moving all the inventory goods to the FTWZ, where the customer takes the ownership to the CHS. I think those two options have been worked out now.

- Jainam Doshi:** Okay. Thanks for the detailed answer. Thank you. That is it.
- Moderator:** The next question is from the line of Amaya Dotsthali, an individual investor. Please go ahead.
- Amaya Dotsthali:** Hi. So, as you guys have indicated that there is an inventory model shift right from the US customers because of the tariffs. So, assuming that there is some sort of settlement and the tariff rates are reducing overall, are we well positioned to sort of get back into supplying more aggressively if the customer's requirements change again?
- Management:** Yes. If tariff situation improves, we will be able to ramp up the supply as well. But it will not happen on a very immediate basis. So, say for example, if tariffs are reduced from current 50% to whatever lower levels tomorrow, it is not going to start immediately, but definitely in a month's time, we will be able to start ramping up.
- Amaya Dotsthali:** Okay. Actually, I just wanted to understand if the trajectory again comes back because the tariffs have had an impact on the revenues, right? So, if that sort of reduces, then will you be able to come back at the same speed that we were looking at earlier?
- Management:** Yes, it will come back. But we will also have to see what is the quantum of the residual tariffs that is going to prevail. Keeping that in mind, but obviously any positives that if we can understand coming out of the tariff discussion, we will also be able to scale up revenues.
- Amaya Dotsthali:** All right. Thank you.
- Moderator:** The next question is from the line of Ashish Sioni from Family Office. Please go ahead.
- Ashish Sioni:** Sir, in terms of diversification, you spoke about region diversification. So, FY29, in terms of region, what is the split you're looking for? And how does Middle East come into picture when you are talking about acquisition or JV?
- Anil Kumar Puttan:** Sorry, could you just repeat the last part?
- Ashish Sioni:** Okay. So, you spoke about diversification in terms of region, less dependency on US. You spoke about acquisition for joint venture in Middle East. So, your FY29 plan wise, what is your geographical split you are looking for in terms of your work?
- Anil Kumar Puttan:** Obviously, these are all speculative and we have started working on it, and then as we model and then we have something definitive, we can actually say it with confidence in terms of what these splits are going to be. But there is a disciplined work that is going on and progressing in terms of joint ventures and advancing on them.
- Ashish Sioni:** And your acquisition or joint venture in Middle East is to supply to that region or to their customers, what exactly are you looking for there?

- Anil Kumar Puttan:** The idea is to, I mean, like in Atmanirbhar Bharat, all countries are actually going in terms of making in that country so that the consumption can happen directly. So, the idea is to basically set up the plant in Middle East where the consumptions will be done there itself.
- Ashish Sioni:** Okay. And in terms of FY29, you said aerospace tooling can be 65%. Can it not be 50%, because if you talk about too diversification, it should be like 50-50 sort of thing, is it not possible?
- Management:** So, the question is like, when the Middle East picks up 50-50% level, is it possible, is that your question?
- Ashish Sioni:** FY29, you said aerospace tooling will be 65% and other businesses will be 35%. So, why cannot it be 50-50 I am just trying to understand?
- Management:** Okay. See, my view is like, indicatively, though tooling is going to be a higher contributor, from even now also and in the future also for the next two, three years. To reach that level, the precision or other segment, my guess is like it takes time. That is the reason like, we are still hoping more contribution from the tooling. But there is a possibility that like, if precision side, a bigger, larger than LTS comes up, then, the ratios may change, it could be 55:45 ratio also can come. And as Rajani mentioned, like, the oil and gas segment, or the Middle East segment, what we are thinking, in a month time or two months' time, we will get better clarity as to like how the demand is going to help in our achieving FY29 numbers. So, then the priority is slightly changed, thereby, like, the composition of aero tooling to non-aero tooling, will have kind of slight impact would be there. But we are proud to say that the aero tooling is always as of now heavy focused and in a couple or three years also going to be heavy focused.
- Ashish Sioni:** Okay. If customer does not switch from just-in-time inventory to your inventory-based thing, will it impact your growth rate what you have projected?
- Management:** Yes. So, this is a kind of settlement process, like, he is shifting strategy from inventory to order-based. So, during that time, like, order dip will be there, it takes a couple of months. Maybe this financial year, if that is going to happen, which is a very kind of lesser possibility, but if that happens, this financial year will have an impact. But after that, the cycle will settle and he is continuing when the demand comes and order flow will continue. So, short-term impact will have more impact will be there in this financial year.
- Ashish Sioni:** Would the volume will decrease compared to the inventory-based model when the customer switches permanently to just-in-time inventory sort of thing?
- Management:** See, what we are observing, yes, in the interim, there will be temporary issues to settle it out. But the mitigant that the customers are also trying to work upon is establishing free trade warehouses that will help the supply chain to be sorted throughout. What we have also been asking and conveying to our customers and even customers also agreeing to have more non-US orders.

Anil Kumar Puttan: Just to give you a more concrete example on this, I mean, these kind of challenges generally have a silver lining. So, let us assume that, we have a free trade warehouse here in India, which my customer basically takes in. Today, or sometime back, when we basically deliver our tooling, the tooling basically goes and sits in US. So, it makes a round trip, goes and sits in US, and then from there it goes again to Europe. Now, having a free trade warehouse in India actually enables them to reduce the logistic cost because now from India, it can actually get directly shipped to the Europe, wherein the cost actually gets reduced. So, we actually see that, as the tariff dark cloud emerges, there is actually silver lining in terms of better logistical solutions.

Ashish Sioni: Okay, sir. Thanks and all the best.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the Management for closing comments.

Anil Kumar Puttan: Thank you for joining us and for your time and attention today. We hope we have been able to address most of your questions. Should you have any other queries, please feel free to reach out to our investor relation team.

Before we conclude, I would like to leave you with a few thoughts. Our continued investments across capabilities, technology, and people are steadily shaping the business we are building for the long-term. Some of these initiatives may not yield immediate results, but they are deliberate steps towards establishing Unimech as a stronger and more resilient and globally competitive enterprise.

I would also want to indicate that next quarter will be a little slow as well in terms of revenue with strength only opening appearing in the last quarter. Additionally, in the coming two quarters, you will also see a much, much stronger order book compared to our current levels. While certain quarters may see fluctuations driven by external or cyclical factors, our focus remains unwavering to create sustainable value and deliver consistent long-term growth. We remain confident that the foundations we are laying today will translate into the meaningful outcomes in the years ahead, overcoming near term challenges. Thank you.

Moderator: Thank you very much, sir. On behalf of Unimech Aerospace and Manufacturing Limited, that concludes this conference. Thank you for joining us today and you may now disconnect your lines.