



**Transcript of the 39th Annual General Meeting of Sika Interplant Systems Limited  
Held on Wednesday, July 9, 2025, at 11:30 A.M. (IST) via Video Conferencing ("VC")**

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**Chairman (Mr. Rajeev Sikka)**

A very good morning to all.

I am the Chairman of **Sika Interplant Systems Limited**, and it gives me great pleasure to welcome you all to the **39th Annual General Meeting (AGM)** of the Company, being held through Video Conferencing (VC) from our corporate office.

On behalf of the Board of Directors, I extend a **warm and heartfelt welcome** to all the members and participants attending the AGM.

**Chairman:**

As always, I sincerely thank all our shareholders for their continued support and active participation in the AGM.

Mr. Suraj Kumar Sahu, may I request confirmation on the quorum?

**Mr. Suraj Kumar Sahu (Company Secretary):**

Yes, Sir. The requisite quorum is present.

**Chairman:**

Thank you. With the requisite quorum being present through video conferencing, I now call the meeting to order and proceed with the business of the day.

**Introduction of Directors and Officials Present**

Before we commence the formal agenda, I take this opportunity to introduce the members of the Board and senior executives present at our corporate office and those joining through video conferencing.

- On my right is **Mr. Kunal Sikka**, Managing Director of the Company.
- On my left is **Mr. Suraj Kumar Sahu**, Company Secretary.
- Also present at the office are:
  - **Mr. Satish**, Chief Financial Officer (CFO), and
  - **Mr. Dinesh**, COO.

Joining us through video conferencing are our Independent Directors:

- **Mr. GVS Bhaskar**
- **Mr. P. Jayapal**
- **Mr. Sushil Khanna**
- **Mr. Anuradha Sikka**

**Acknowledgement of Statutory Auditors**

We further acknowledge the presence and participation of **Mr. Subash**, representing our Statutory Auditors **M/s Rao & Emmar, Chartered Accountants**.

**Chairman:**

I now request **Mr. Suraj Kumar Sahu**, Company Secretary, to provide the general instructions for participation in the AGM.



## General Instructions & Voting Procedure

### Mr. Suraj Kumar Sahu – Company Secretary

Good morning, shareholders.

The Company has enabled members to participate in the **39th Annual General Meeting** through the **video conferencing facility** provided by **CDSL**, in compliance with applicable circulars issued by the **Ministry of Corporate Affairs (MCA)** and **SEBI**.

The facility to join the meeting via video conferencing was made available to members on a **first-come, first-served basis**.

To ensure the smooth conduct of the meeting, all members joining through VC have been **placed on mute by default** by the moderator.

Participation of members through VC is being counted for the purpose of quorum, in accordance with the MCA circulars and **Section 103 of the Companies Act, 2013**.

### E-Voting Facility

Members have been provided with the facility to exercise their voting rights through:

- **Remote e-voting** (prior to the AGM), and
- **E-voting during the AGM**, using the CDSL Insta-vote platform.

Members who have not already cast their vote through remote e-voting may vote during the AGM using the **Insta-vote facility**. The voting platform will remain open for **30 minutes after the conclusion** of the AGM.

### Scrutinizer Appointment

The Company has appointed Mrs. Gauri Balankhe, Practicing Company Secretary, as the **Scrutinizer** to:

- Collate and validate the voting results from remote e-voting and the e-voting conducted during the AGM.
- Provide a consolidated voting report for each resolution as set out in the Notice of AGM.

### Corporate Shareholder Representation

Valid resolutions under **Section 113 of the Companies Act, 2013** have been received in respect of corporate shareholders.

Members are requested to refer to the **additional information** provided in the Notes to the AGM Notice for details on resolutions and participation instructions.

### Speaker Shareholder Guidelines

Due to time constraints, each **registered speaker shareholder** is kindly requested to:

- **Keep their questions specific and brief,**
- Limit their speaking time to **2–3 minutes,**
- Share queries that are relevant to the items of business set out in the AGM notice.

### Shareholder Speaking Guidelines and Legal Disclaimers

#### Company Secretary

Each speaker shareholder will be allotted **2 to 3 minutes** to ask their questions.

Shareholders are hereby advised that statements made by the management during the Q&A session — which describe the Company's objectives, projections, estimates, expectations, or forecasts — may constitute **forward-looking statements** under applicable laws and regulations.



Actual results may **differ materially** from those expressed or implied. The Company assumes **no responsibility** for such forward-looking statements, which are subject to change based on subsequent developments, information, or future events.

Please note that **Sika Interplant Systems Limited** operates in the **defense sector** and holds an official license from the Government of India.

Accordingly, there are **confidentiality restrictions** on the nature and extent of information that the Company is permitted to disclose in public forums such as this AGM.

The statutory registers required under the Companies Act 2013 have been made **electronically available for inspection** by the members during the AGM.

As the meeting is being conducted through VC, the facility for **appointment of proxy** is not applicable. Therefore, the **proxy register is not available** for inspection.

## Notice and Auditor Reports

### Chairman:

The Notice convening this AGM has already been circulated to all members and, with your permission, is taken as **read**. The Notice also forms the agenda for today's meeting.

There are **no qualifications, observations, or adverse comments** in the Independent Auditors' Report or the Secretarial Auditor's Report. Accordingly, both reports are also **taken as read**.

## Summary of Resolutions Placed Before the Meeting

**Presented by Mr. Suraj Kumar Sahu – Company Secretary**

### Ordinary Business:

1. **Adoption of Standalone Financial Statements**  
Adoption of the audited standalone financial statements of the Company for the financial year ended **March 31, 2025**, along with the Board's Report and Auditor's Report thereon.
2. **Adoption of Consolidated Financial Statements**  
Adoption of the audited consolidated financial statements for the financial year ended **March 31, 2025**, along with the Auditor's Report thereon.
3. **Declaration of Dividend**  
Declaration of a dividend of **₹2.40 per equity share** for the financial year 2024–25.
4. **Reappointment of Director Retiring by Rotation**  
Reappointment of **Mrs. Anuradha Sikka** who retires by rotation and offers herself for reappointment.

### Special Business:

5. **Ratification of Cost Auditor's Remuneration**  
Ratification of the remuneration of the Cost Auditor for the financial year ending **March 31, 2026**.
6. **Appointment of Secretarial Auditor**  
Appointment of the Secretarial Auditor of the Company for a term of **five consecutive years**, from **April 1, 2025 to March 31, 2030**.

### Voting Reminder:

Members may note that the **e-voting facility** on the CDSL platform shall remain open for **30 minutes after the conclusion of the meeting**.

### Shareholder Q&A Session Begins

**Suraj Kumar Sahu – Company Secretary**

We shall now begin addressing the questions received via email from shareholders. Following that, we will invite the **registered speaker shareholders**, one by one, to ask their questions.

I request the moderator, **Mr. Srikanth Reddy from CDSL**, to assist in unmuting the shareholders and enabling their video/audio when their name is called.



**Company Secretary - Mr. Suraj Kumar Sahu:**

Members are requested to kindly:

- State their **name and DP Client ID** before asking their question.
- Confirm they are attending the AGM in person (virtually).
- Keep questions **brief and relevant to AGM business**.

**Moderator (Mr. Srikanth Reddy - CDSL):**

We now have our **first registered speaker shareholder, Mr. Pratyush Mittal**.

**Shareholder Q&A Session**

**Speaker: Mr. Pratyush Mittal**

**Mr. Pratyush Mittal:**

Good morning. Am I audible?

**Chairman:**

Yes, you are. Please go ahead.

**Mr. Mittal:**

Thank you for the opportunity. My DP ID is **1201320000635586**.

Although I have already submitted a detailed list of questions via email, I will now briefly summarize the key points for the benefit of all participants.

1. **Aircraft Parts Revenue Growth:**  
In FY 2024–25, our revenue from aircraft parts increased significantly — from around ₹20 crore last year to ₹42 crore.  
Could you help us understand what contributed to this sharp growth?  
Also, can we expect a similar growth trajectory going forward? Please share some insight on the nature of these parts, the customers involved, and how this segment is evolving.
2. **Aerospace Systems Segment:**  
Similarly, there has been notable growth in aerospace systems — from ₹90 crore to ₹129 crore.  
What are the driving factors for this?  
What is the medium-term potential for this segment?
3. **Acquisition of Aerotech :**  
The Annual Report mentions that the company has acquired a 49% stake in Aerotech Mexico Aviation & Avionics Systems.  
Please elaborate on the scope of work of this subsidiary.  
How will this acquisition benefit the company going forward?
4. **Order Book Clarity:**  
We noted the ₹334 crore order book.  
Can you please elaborate on the execution timeline, product details, key customers, and the pipeline of potential new inquiries?
5. **CEMILAC Certification:**  
In previous annual reports, we mentioned approval from CEMILAC (Centre for Military Airworthiness & Certification), but this was not referenced in recent reports.  
What is the current status of this certification?  
Was it strategically important? Is it no longer required?
6. **Automotive Sector Contribution:**  
Could you share more about the critical components we supply to the automotive sector?  
How significant is this business vertical, considering our primary focus is aerospace and defense?
7. **Indigenization & Raw Material Imports:**  
Although there is a clear national push for “Make in India” and indigenization, around 75% of our raw materials were imported this year.



Could you please share your views on how the company plans to align with this policy direction?  
Are there technical limitations that prevent indigenization?

8. Debtor Days:  
Our debtor days have increased significantly as of March 2025.  
What are the reasons for this increase, and do we expect normalization going forward?
9. Other Receivables:  
The Annual Report mentions that "Other Receivables" have increased by ₹1.89 crore.  
Could you explain what this pertains to?
10. IDX Program (MoD Initiative):  
The Ministry of Defence has launched several new initiatives, including the IDX program.  
Has the company participated in any such programs?  
Have we secured any contracts under this scheme?

Thank you once again. I look forward to your responses and wish the company continued success.

**Mr. Kunal Sikka, Managing Director and CEO:**

Thank you, Mr. Mittal. We shall take note of your questions and respond to them in due course during the AGM.

Shareholder Q&A Session

Speaker: Mr. Keshav Garg

Moderator (CDSL):

We now invite the next registered speaker, Mr. Keshav Garg.

Mr. Keshav Garg:

Good morning. I'm facing some internet issues, so with your permission, I will continue with audio only.

Chairman:

Yes, please go ahead.

Mr. Garg:

1. FY26 and FY27 Outlook:  
What is the outlook for FY 2025–26 and FY 2026–27 in terms of top-line and bottom-line growth?
2. Margins by Segment:  
What is the steady-state margin we expect to maintain across:
  - Trading,
  - Manufacturing, and
  - Services?

Do we expect margins to improve over the next 2–3 years with a change in product mix or economies of scale?

3. Business Segment Overview:  
Could you provide an overview of the product portfolio, customers, and order book in key verticals such as:
  - Engineering service systems,
  - Engineering products, and
  - Services?
4. Revenue Mix & Manufacturing Services:  
How do you expect the share of manufacturing services to evolve as a percentage of revenue over the next 2–3 years?
5. Competitive Edge:  
What is the USP of Sika Interplant compared to peers like DCX Systems?



6. Defense & Aerospace Pipeline:  
What is our order booking pipeline in the defense and aerospace segments over the next 2–3 years?  
What are the current capacity levels and utilization rates?

#### Consolidated Response to Shareholder Queries

##### Mr. Kunal Sikka, Managing Director and CEO:

Thank you, shareholders, for your thoughtful questions.

Since there were a number of overlapping points between Mr. Pratyush Mittal and Mr. Keshav Garg, I will respond to them together for better clarity and efficiency.

#### Aircraft Parts vs Aerospace Systems – Revenue Spike

The observed increase in revenue under the "aircraft parts" category is primarily the result of **accounting classifications** as per **HSN codes** and not due to a change in the nature of our core business.

In reality, we treat both "aircraft parts" and "aerospace systems" as part of our **unified aerospace segment**, and revenue movement across these categories reflects **project-driven dynamics**.

Due to the nature of defense and aerospace manufacturing, it's common for different sub-segments to show variable revenue trends across years. We do expect long-term growth to continue, but **year-on-year variations** are inevitable.

#### Acquisition of Aerotech (UK JV)

Regarding our acquisition of the remaining **49% stake in Aerotech Sika Aviosystems Private Limited**, this was a strategic move to:

- Consolidate control over operations,
- Enhance flexibility in capturing emerging opportunities, and
- Leverage the existing **landing gear and hydraulic systems** expertise.

This acquisition directly supports our capability to **enter and scale** within specialized segments — including the recent **licensing agreement with Collins Aerospace**, which is aligned with the Aerotech subsidiary's core competencies.

#### Order Book & Execution Timeline

Our current order book is diversified across platforms, products, and services.

- **Execution timeline** varies significantly by project, typically ranging from **6 to 24 months**.
- Products span **mechanical, hydraulic, electromechanical, and electronic systems**, both at **component and integrated system level**.

Due to confidentiality in the defense sector, we cannot disclose client names. However, our key customers include:

- Ministries and departments under the **Ministry of Defence (MoD)**,
- Leading **Indian private-sector defense manufacturers**.

#### CEMILAC Certification Status

The **CEMILAC** (Centre for Military Airworthiness & Certification) approval is **not a basic certification** — it is a **strategic asset** for companies working in military aerospace.

Previously, we held **organizational-level approval**, but due to a change in regulatory frameworks post-2020, CEMILAC now issues approvals **at the product level**.

We currently hold valid certifications for multiple products, and we are undergoing the **new evaluation process** to regain the broader certification. We fully expect to obtain it once the revised procedures are stabilized.

#### Automotive Segment Focus (Reduced)

As correctly noted, we are **primarily focused on aerospace and defense**.



While we have supplied **critical components to the automotive sector**, particularly combustion-related assemblies, we are **de-emphasizing this vertical** to channel our resources toward our core strengths in defense and aerospace.

### Indigenization & Imports

We recognize the importance of **localizing supply chains** in line with the “**Make in India**” and **Atmanirbhar Bharat** initiatives.

However, many of the **raw materials and components** we use require **technical precision, certifications, and volumes** that are not yet available domestically.

We are constantly evaluating:

- Feasibility of localization,
- Strategic vendor development, and
- Risk mitigation through diversified sourcing.

### Mr. Kunal Sikka, Managing Director and CEO:

Regarding indigenization, while we have made progress in sourcing **indigenous alternatives** for certain mechanical and electromechanical components, it remains **unviable** for others due to:

- Low demand volumes,
- High development costs,
- Absence of local suppliers with required certifications.

This is **not due to lack of technical expertise in India**, but due to **volume economics**. Many imported components come from **Europe and the US**, where larger market sizes allow batch manufacturing viability. Even in those markets, parts are sometimes produced in multi-year batches.

### Debtor Days & Working Capital

On the increase in **debtor days** as of March 2025:

- The spike reflects a **static snapshot** due to **high-value project deliveries in Q4**, and
- Does **not indicate a structural issue**.

We are comfortable with our working capital position, which we consider to be **above industry average**. The Company maintains strong internal controls and focuses actively on **cash flow and collections**.

### Other Receivables

The increase in "Other Receivables" amounting to ₹1.89 crore under “Other Current Assets” relates **entirely to input GST credits** — which are expected to be utilized against future output supplies. There is no concern from a recoverability standpoint.

### IDEX Participation

On the **IDEX (Innovations for Defence Excellence)** program:

- While we explored one or two opportunities under IDEX, we did not pursue them actively.
- IDEX is designed primarily for **startups**.
- Our discussions with end-users indicated a preference for **startup-led participation**, and only in the absence of qualifying startups are mature companies like us considered.

### Outlook for FY26–27

We remain **optimistic** about growth prospects over the next 2–3 years, based on:

- Government policy momentum,



- Defense modernization,
- Indigenous capability buildup.

We expect to **maintain steady margins** in line with past performance and will continue to pursue **engineering-driven high-value segments**.

#### Segment-Wise Margins

We do not report margins **segment-wise**, as:

- Our project-driven model introduces variability,
- Such segmentation would not offer meaningful insight due to **fluctuating project mixes**.

#### Revenue Mix & Competitive Positioning

- Both **manufacturing and services** segments are expected to grow.
- Our **USP** lies in:
  - Deep engineering customization,
  - Niche solutions,
  - Focus on value-added, less crowded verticals.

We do **not position ourselves as a typical competitor** to players like DCX Systems.

#### Capacity Utilization & Peak Revenue

Being a **project-based company**, "capacity utilization" is not measured traditionally. Instead, growth is **resource-driven** — we scale via **skilled manpower** and project infrastructure.

Our existing infrastructure can support **additional volume**, and we add capacity on a **modular, demand-linked basis**.

#### CapEx & Funding

CapEx decisions (like those supporting the **Collins Aerospace MRO** project) are evaluated **project-wise**.

- Funding is through a **mix of internal accruals and external sources**.
- Decisions are reviewed by management and the Board depending on project scope and financial climate.

#### Collins Aerospace MRO Partnership

- A long-cycle engagement focused on **A320/A321 aircraft**.
- Involves:
  - Transfer of know-how,
  - International and local training,
  - Certifications.

The opportunity is large — each aircraft has **20+ parts** under scope, and given the volume of A320s in India, this has **multi-year revenue potential**.

Operations are expected to commence in **18–24 months**.





## Land Assets & Monetization

We own:

- ~6.5 acres in Bommasandra (Bangalore), and
- ~3,000 sq. ft. in another industrial area.

While **ready reckoner rates** were not available during the meeting, we are actively **evaluating options to unlock value** from these non-core assets, including **demerger/spin-off schemes**.

Once any plan is firmed up, it will be shared with shareholders.

## Subsidiary Ownership

**Aerotek Sika Aviosystems Private Limited** is now a **100% wholly owned subsidiary** of Sika Interplant Systems Ltd., post acquisition of the remaining stake in March 2025.

## Replacement Cost of Facilities

We do not have a fixed "replacement cost" figure because:

- Our value lies in **custom-built test facilities, IP, and integration capabilities**,
- Much of our infrastructure is **built and evolved in-house** over time.

## Tax Rate & IRR Targets

- Expected **effective tax rate** for FY26 is ~25% plus applicable cesses.
- We aim for a **minimum IRR of 20%** before approving significant new projects.

## Pricing Models

- Most contracts are **fixed price**, in line with Government norms.
- Longer contracts may include:
  - **Fixed escalations**, and
  - **Exchange Rate Variation (ERV)** clauses.

We avoid market-based hedging where ERV clauses are available.

## 3–5 Year Growth Vision

We are positioning ourselves for long-term growth through:

- Continued focus on **aerospace, defense, and MRO**,
- Strengthening our **engineering base**,
- Selective **strategic partnerships** and capacity expansion.

**Mr. Kunal Sikka, Managing Director and CEO:**

Thank you once again, Mr. Pratyush Mittal and Mr. Keshav Garg, for your **thoughtful and insightful questions**. We hope these responses have addressed your queries comprehensively.

## Shareholder Q&A

**Speaker: Mr. Saurabh Jain**

**Mr. Saurabh Jain:**



Good afternoon to the management team. Thank you for your detailed responses. My questions are as follows:

1. **Current Order Book:**  
Please confirm the current order book value.
2. **Revenue & Order Book Breakdown:**  
Could you provide a split of FY25 revenue and the current order book in terms of:
  - **Build-to-Print vs Build-to-Spec,**
  - **Systems, Subsystems, Components, and**
  - **Domestic vs Export?**
3. **Customer Concentration:**  
What is the contribution of our top customer and the top five customers to FY25 revenue?
4. **MRO Business Questions:**
  - Is the **A320/A321 MRO opportunity** worth around ₹500–₹2000 crore?
  - With Airbus pushing the A220 series, are we pursuing MRO for that as well?
  - Are we exploring **MRO for helicopter components**?
  - What's the timeline and revenue potential (₹50–100 crore?) for the **Radiant Power MRO station**?
5. **Cash Utilization:**  
With ₹63 crore of cash on the books, what are the plans for deploying this?
6. **Future Sales Growth:**  
Can we reach ₹300–₹500 crore revenue in 3–5 years with the **current product portfolio**, or will new divisions be required?
7. **New Product Introduction:**  
Have we introduced any **new products in the last 1–2 years**?  
Can any of them contribute **₹25–₹50 crore annually** in the near future?
8. **Workforce Expansion:**  
What are the plans for **employee additions** in the next 1–2 years?
9. **Wallet Share in Landing Gear / Life Systems:**  
What is our **wallet share** in these domains?
10. **Contribution of Systems/Sub-systems:**  
Have these been the **primary drivers** of recent growth?

**Speaker: Mr. Aditya Deorah**

1. **Ambulance Work on ALH:**  
Without naming the customer, what is our scope of work on the **Advanced Light Helicopter (ALH) ambulance project**?  
Is this a new business vertical?
2. **Clarification on Collins A320 MRO Order:**  
You mentioned **20 units per aircraft** — does that mean 20 units per year or per aircraft lifecycle?  
How frequently are these units overhauled?
3. **Updated Order Book:**  
Please share the updated **order book figure post the Collins MRO win**, and a **quantified revenue outlook** for FY26 and FY27.

**Speaker: Mr. Shlok Dave**

**Mr. Shlok Dave:**

Thank you for the opportunity and congratulations on the results. My queries and observations are:



1. **Services vs Manufacturing Split:**  
Can you share a split of **manufacturing and services revenues** for the last 3 years?
2. **Capital Efficiency Observations:**  
Despite revenue growth, CapEx and employee costs have been stable.  
What makes your business model so **capital-efficient and scalable**?
3. **Margin Ceiling:**  
Is there a **limit to margins**, or can they keep improving with scale?
4. **Capacity Needs:**  
When do you anticipate needing **additional capacity**?
5. **Annual Report Quality:**  
A constructive suggestion — the last sections of the **Annual Report are repetitive** and include more macroeconomic commentary than business insights.  
Please enhance disclosure and company-specific commentary.
6. **Regular Updates Request:**  
Kindly consider:
  - Holding **two earnings calls a year**, or
  - Sharing **qualitative commentary** along with quarterly results.
7. **Working Capital Cycle Clarity:**  
Could you please share the **average working capital cycle** (not just the year-end snapshot)?

**Mr. Kunal Sikka, Managing Director and CEO: Consolidated Response**

**Order Book & Revenue Composition**

- **Current Order Book:** Approximately **₹280+ crore**, i.e., more than 2x of FY25 revenue.
- **Build-to-Print vs Build-to-Spec:** Skewed more toward **Build-to-Print** due to execution bandwidth.
  - Maintaining this balance is a strategic choice.
- **Customer Concentration:**
  - **Top 5 customers** account for ~55% of revenue.
  - This has reduced over time but remains healthy since they are platform integrators.

**MRO Business Clarification**

- The **Collins Aerospace opportunity** is a **long-term engagement** (10+ years).
- It is too early to quantify the full value; operations will commence in **18–24 months** after training, know-how transfer, and certifications.
- **A320/A321** is our focus due to their dominance in Indian aviation.
- No active pursuit of **A220 MRO** due to its low presence in India.
- MRO for **military helicopters** is ongoing.
  - **Civil helicopter MRO** is less viable due to low volume and fragmented types (~250 aircraft).
- **Radiant Power MRO station:** Specific timelines and potential are still under evaluation.

**Cash Utilization, CapEx, and Growth Plans**

- Cash (~₹63 crore) is reserved for:



- CapEx linked to customer projects, and
- Possible accretive opportunities.
- We believe ₹300–₹500 crore revenue is achievable **within the existing product suite**, though **selective new product additions** may aid scaling.
- **New products** introduced over the past 1–2 years are expected to deliver **₹25–₹50 crore each**, depending on adoption and maturity.
- **Employee Expansion** is underway to support anticipated growth.

#### ALH Ambulance Work

- Yes, this is **relatively new work**.
- Our scope includes specific **medical support subsystems** onboard the ALH variant.
- This aligns with our **systems integration capability**.

#### Capital Efficiency & Margins

- Our model is **not traditional manufacturing**.
  - It is **project-driven, engineering-intensive**, and relies more on **people than fixed assets**.
- Hence, CapEx and employee expenses don't scale linearly.
- This enables **strong operating leverage**, but **margins do have a ceiling**, depending on product mix, pricing, and overheads.

#### Annual Report & Communications

- Your suggestions on **improving disclosures** and commentary are well noted.
- We will explore the feasibility of:
  - Adding richer **business insights** in future annual reports,
  - Holding **at least 1–2 earnings updates**, or
  - Sharing **quarterly qualitative notes**.

#### Working Capital

- Working capital spike at year-end was **project-driven**.
- On a **normalized basis**, our **working capital cycle** is modest compared to peers, and we maintain a **tight control framework**.

#### Shareholder Q&A

**Speakers:** Mr. Hardik Jain, Ms. Yashvi Kothari

#### Responses to Mr. Hardik Jain

##### 1. Major Revenue Contributors (Product-wise):

While specific products cannot be disclosed due to confidentiality, revenue contributors span across:

- **Aircraft and Helicopter systems**
- **Land systems** (armored vehicles, air defense, radars)
- **Naval platforms**



**Note:** Revenue split varies annually based on government order flows and OEM customer delivery schedules.

## 2. Replacement Cycle of Core Products:

- Products are designed for **long operational life**, as per defense standards.
- **Replacement** is not frequent, but:
  - MRO (Maintenance, Repair, Overhaul) generates **service revenue** over the product's life cycle.
  - There may be **product upgrades or variant introductions**, which create further supply opportunities.

## 3. MRO Revenue Clarification:

- Current MRO revenue is **part of the ₹2 crore service revenue**, as disclosed.
- MRO is still in **early stages of scale** (especially the civil side) and is expected to **significantly grow** with future partnerships like the Collins Aerospace deal.

## Responses to Ms. Yashvi Kothari

### 1. Addressable Market – Collins MRO Opportunity:

- The TAM (Total Addressable Market) is **large** given:
  - 1000+ A320/A321 aircrafts in India and neighboring regions.
  - Each aircraft has ~20 components under this MRO arrangement.
- Revenue contribution will **commence after 2 years** and grow gradually.

### 2. Impact on Consolidated Margins:

- The MRO vertical is expected to have **steady margins**.
- Initially, it may be margin-accretive due to value-added services, but volumes will determine long-term margin impact.

### 3. Focus on Airbus, Not Boeing – Reasoning:

- The company is **not actively pursuing Boeing 737 MRO** due to:
  - Strategic decision to focus on **A320 family**, which dominates the Indian market.
  - Operational issues around 737 platforms globally.
- However, engagement with other **OEMs remains open** for future collaborations.

### 4. R&D and In-House vs Partner Development:

- A **large portion** of design, development, and engineering is done **in-house**.
- For certain components or complex subsystems, **specialized partners** or supply chain members are involved.
- This hybrid model supports cost-efficiency and keeps margins optimized.

### 5. Dealer/Distributor Partnerships – Value Addition:

- The company holds **exclusive distributor rights** for some products (e.g., **LMB fans**).
- However, it is **not just trading**:
  - They integrate components into **value-added assemblies**.
  - Provide **after-sales support**, testing, and certification.



- These revenues contribute decent margins but are not as high as proprietary system sales.

#### 6. Corporate Structure Simplification:

- As discussed in the previous AGM:
  - The company is **evaluating non-core subsidiaries** and exploring **simplification**.
  - Currently, **no specific timeline is confirmed**.
  - Updates will be shared with shareholders upon Board approval of any scheme or plan.

#### Concluding Remarks

The company is **capex-light by design**, and leverages a robust **local supply chain** in Karnataka.

- Key **strategic reserves** (cash) are retained for:
  - New customer mandates,
  - Internalization of critical manufacturing capabilities, or
  - Inorganic opportunities.
- The working capital cycle is **~75–90 days** on average.
- Investor communication improvements are acknowledged, and the company is **evaluating adding IR support**.

#### Product Lifecycle and MRO Revenue Classification

While some of our products remain in the field for as long as 30 years, ongoing technological advancements naturally lead to periodic customer requests for upgrades or modifications. These upgrades not only enhance the product's performance but also generate additional business opportunities and revenue for us.

To clarify a prior question, revenue from our MRO (Maintenance, Repair and Overhaul) activities is not reflected under the "Engineering Services" line item in the balance sheet, as that category primarily pertains to design and development services. Instead, MRO revenue is accounted for under the "Aerospace Systems" segment, which, as previously mentioned, is not broken down further in our reporting.

#### Addressable Market and Margin Contribution

With respect to the addressable market, India currently operates over 350 aircraft under the Airbus A320 family. This number is expected to exceed 1,000 aircraft across A320 and A321 models over the next 5–7 years. Additionally, our license allows us to serve operators in nearby countries, which we estimate could add roughly another 15% to the addressable market. Based on our internal business case, we expect this opportunity to contribute positively—above our current average—to our consolidated margins.

#### MRO Opportunity with OEMs

To clarify a follow-up query: our current licensing agreement with Collins Aerospace pertains to one specific product family within the A320 aircraft. There are still several other product families that remain untapped. Each opportunity is assessed on its individual merits. Furthermore, we continue to evaluate potential collaborations with other OEMs and for other aircraft types. MRO is a strategic focus area for us, and we view the Collins agreement as the beginning—not the limit—of our long-term ambitions in this domain.

#### Development Strategy: In-House vs. Partnerships

Regarding the split between in-house system development and outsourced work (commonly termed "build-to-print"), the reality lies somewhere in between. Many of our core developments are executed in close partnership with external collaborators. As previously shared, our revenue is currently derived in a 2:1 ratio from build-to-print versus build-to-spec work. This balance supports our asset-light operational model, which remains a core strategic principle.

#### Corporate Structure Simplification

On corporate structure simplification, this initiative has been underway since our last Annual General Meeting. A key milestone in this process was achieved with the acquisition of the remaining shareholding in Aerotek Sika Avia Systems Pvt. Ltd. (formerly a joint venture with a UK-based partner). This transaction was completed in March 2025 and duly disclosed to the stock exchanges. Some



post-closing activities, such as regulatory filings with the RBI and related bodies, are in progress. Following the completion of these steps, we will proceed to the next phase of corporate simplification and inform shareholders accordingly upon board approval.

#### **Update on Landing Gear Business**

We also received a question from Mr. Amit Doshi regarding our landing gear business. We are pleased to report that we recently completed a significant and strategic order to manufacture complete landing gear systems for a prestigious Indian defence customer. We view this as a breakthrough and are optimistic about securing additional opportunities in this space, which would depend on new platform orders requiring fresh supplier onboarding.

#### **Concluding Remarks – Q&A Session**

With that, we conclude the Q&A session. We sincerely thank all shareholders who participated—either as speakers or by submitting written questions. Your engagement, thoughtful inquiries, and time are greatly appreciated and reflect a strong sense of shared ownership in the company's journey.

#### **E-voting Process and Acknowledgments by Mr. Rajeev Sikka Chairman.**

Thank you, Mr. Kunal Sikka, our Managing Director and CEO, for comprehensively addressing all shareholder questions. Members are reminded that the e-voting window on the CDSL platform will remain open for 30 minutes after the conclusion of this meeting. Those who have not yet cast their votes are requested to do so within this time. The Board has appointed Mrs. Gauri Balankhe, Practicing Company Secretary, as the Scrutinizer to oversee the e-voting process. The voting results will be declared by the Company Secretary and made available on the Company's and the Stock Exchange's websites.

#### **Gratitude and Closing Declaration**

We extend our heartfelt thanks to all our shareholders, valued employees, supply chain partners, and international collaborators for their continued support throughout the year. Despite challenging circumstances, we remain confident in sustaining our growth momentum.

With that, we formally declare the 39th Annual General Meeting of the Company closed. Thank you once again.

#### **Disclaimer:**

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