



“Anlon Technology Solutions Limited H2 FY'25 Earnings Conference Call”

May 17, 2025



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Moderator: Ladies and gentlemen, good day and welcome to the H2 FY25 Earnings Conference Call of Anlon Technology Solutions 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Unnikrishnan Nair P M – Chairman and Managing Director of Anlon Technology Solutions Limited. Thank you. And over to you, sir.

Unnikrishnan Nair P M: Yes, thank you, Michelle. Ladies and gentlemen, investors, associates, friends in the industry, I really want to thank you for taking your time off and joining this conference.

First of all, I just want to express my sincere gratitude to all of you who stood by us in this month, almost a year now that we embarked on this journey of supporting the Indian industry with something that we can call our own and with the help of several international partners. So, in the last many months, we have received encouragement, support, appreciation, many of you paid visits to us, just to say that you are all with us, we deeply appreciate that we could not have done this without sincere support from all of you. So, I really want to thank you for all the support we have enjoyed from you, and we try to leave up to the expectations as much as possible while balancing the responsibilities vested on us from industry.

So looking back to these six months and the year that passed, until the 31st of March, I would like to bring some key highlights of what we have done in this month to you.

#1 thing is that for many, many, many years, we relied on complete import of certain very critical and safety-related infrastructure equipment for airport air side operations. And now we stand and look back with a certain amount of satisfaction that our effort to make a rather complex machine very successfully, and that is being tested in a brand-new airport in India and we have received very successful reports about that. They have accepted the truck for regular operations. The brand-new airport, as soon as they start operations, they will put our vehicle into service. All kinds of tests are over. Both our OEM and the customer together tested them and approved this. So today, we have completed all those preparations, and we have completed the machine successfully. Not only that, machine, following weeks, we completed nearly now seven machines. All of them manufactured in India with technology support from Germany and core components from the United States and Germany, and many of the components, more than 60% indigenized components and quite a lot of engineering and software preparation also done in India with a very talented group of people. And yesterday we concluded a factory acceptance test with the Airports Authority of India, who have cleared also the factory acceptance test of four vehicles.

So it's a big feat for us. Fortunately or unfortunately, we had to start with one of the most complex machines even to start with. We would have liked to start with some lighter machines to see success and go into a more serious one, but the market wanted us to do one of the most complex machines and we have done that, and in the process, we had to take an extra two months' time, because this machine is normally an equipment we can test along the way. We can do an assembly, test it how it works and then go on for the assembly. But this particular equipment, there is an extremely high-pressure pump. This can only be started and tested when the complete circuit is over, and the entire circuit has to be ready for high pressure operations. I do not want to get into too much of details, but the extra two months had to be taken for few reasons; #1, the quality expectations of our German partner was of a very high standard. They were not willing to make any compromise. We had almost finished by the end of March, but they said no, we had to do certain testing. And in fact, one of the machines is at the moment sailing to Germany for advanced test and rest of them have been tested in Bangalore. Then there were several software enhancements that we had to do. So they were not satisfied to just make a machine which they made about 17-years ago, redo the same technology, but they also wanted to bring in some extra enhancement in that.

We also would like to inform you that we have entered into some new segments using Artificial Intelligence and Digital Solutions. One of them is we are in the final stages of doing a proof-of-concept for a major airport in India. This is for augmented reality-based 3D wave finding solution. My son, Rohan Unnikrishnan, who has completed his artificial intelligence graduation program is spearheading this program. And we have a slight delay due to this airport red alert that is now happening in various airports in India. The airport that I am talking about is one of the most sensitive airports in India and so we are also entering into this segment. On Monday, we will do a presentation to Mumbai Fire Brigade on preparing the young firefighters to stay at high altitude with augmented reality, that is virtual reality training program. So these are some of the new segments that we have got in.

And I also have great satisfaction in informing you that we have had also a very successful year in terms of our traditional business in terms of order booking. In terms of order booking, in the history of Anlon, maybe in the history of Indian aviation sector itself, we have clocked one of the highest number of CST order bookings last year, of which some have been delivered and some will be delivered during the course of this year, and also our customers have greatly encouraged us with another set of let's say 50 numbers of Make in India vehicles to follow through which constitutes about 60% of the coming years orders.

One of the things that we would look forward to the coming year is that we have now established a supply chain with the help of the German engineering team. We have now successfully translated the quality requirements to the local industry. It took some months for them to struggle and prepare what they wanted, especially many of the fabricated components. We will now build on this platform to



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optimize costs and reduce the prototype building with our design. We have established contact with the good quality material supply chain. So now we are able to offer a little more better scale of economy, thereby improving our margin and we have streamlined our production so that we have an improved scale of ability to manufacture and also in terms of volume output.

So these are some of the key highlights when we look back to these six months. There are quite a few things I am excited to share with you, but we can follow through in a question-answer session later.

Now, I would request to my colleague and our Chief Financial Officer, Mr. Emmyunual S to Explain the Financial Details of our Last Six Months or a Year Performance.”

Emmyunual S:

Thank you, sir. Good afternoon, everyone. It's a pleasure to speak with you today as we reflect on Anlon's Financial Performance for the Fiscal Year and Half Year ended 31st March 2025.

I am pleased to report that this has been a year marked by strong growth, disciplined execution and strategic investment. Let's begin with the top line. We delivered a 43.4% increase in the revenue from operations, reaching Rs.50.23 crores for the year. This growth reflects both increased volumes and stronger market traction. Notably, our performance accelerated in the second half of the year with H2 revenues rising nearly by 79% compared to the same period last year. This momentum is a clear testament to the success of our commercial initiatives and the agility of our operating model. A significant contributor to this growth was the delivery of the equipment worth nearly Rs.11 crores from our long-anticipated manufacturing and assembly segment which marks a major milestone for the Anlon.

In addition, we witnessed a meaningful increase in the direct sale of key equipments such as personal protective equipment, multi-purpose fire robot and line laser marking machines further strengthening our top line.

On the profitability front, EBITDA grew by 47.3%, which is Rs.10.25 crores with the margins improving slightly to 20.4%. This performance was achieved despite rising input costs and increased infrastructure investment. Our ongoing focus on cost control and productivity enhancement played a pivotal role in preserving margins while we scale the business. EBIT stood at Rs.9.67 crores, up by 43% year-over-year. Profit before tax rose to Rs.8.73 crores, a 42% increase compared to the previous year. Profit after tax reached to Rs.6.49 crores, reflecting 43.7% growth over FY24.

Earnings per share improved from Rs.8.06 to Rs.10.38, a strong indicator of the value being delivered to our shareholders. Of course, this growth was accompanied by an increase in interest and depreciation expenses.



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Interest cost rose to 94.6 lakhs comparing to the last financial year which was Rs.61.56 lakhs.

In line with our strategy for expansion, depreciation increased to Rs.57.8 lakhs from Rs.21.83 lakhs, reflecting our investments in building long-term capability and capacity.

Coming to the “Cash Flow Highlights”:

In terms of the cash flow, net cash used in operating activities stood at Rs.16.73 crores, impacted by higher working capital requirements due to increased inventories and receivables as we scaled operations expected at our growth stage and aligns with our expansion strategy.

Investing activities saw a net outflow of Rs.10.34 crores, primarily due to capital expenditure in our manufacturing and assembly facilities. This reaffirms our commitment to long-term capability building.

On the financing side, we generated Rs.26.01 crores net cash supported by proceeds from the successful QIP and facility with the banks. This healthy inflow helped us to strengthen our liquidity position. As a result, we closed the year with 29.5 lakhs in cash and cash equivalents, down from Rs.1.35 crores in FY24 but with a significantly stronger asset and growth base moving forward. We are confident these investments and working capital shifts will yield long-term returns and position us for sustained growth.

Looking ahead, as we look forward, FY26, we are optimistic, our core business continues to perform strongly and our new manufacturing and assembly segment offers a meaningful upside considering the orders which are on hand. We will maintain a sharp focus on financial discipline, operational excellence and long-term value create.

Before I conclude, I want to extend my sincere thanks to our investors, partners and most importantly, our colleagues who's dedication and support have made this performance possible.

Thank you. And now I will hand back the call to moderator forward to your questions.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Rahil Dasani from MAPL. Please go ahead.

Rahil Dasani:

Yes. Good afternoon and first of all, congratulations on such a great execution. It's pleasing to see how the company is progressing and even on the manufacturing side even at such a scale, we have been able to maintain the double-digit margin. That's very commendable. Sir, my first question is, post the sale of a vehicle, when will the AMC and spare part demand come in? Moreover now that it is our own manufactured vehicle, how much percentage of the vehicle will be AMC and spare parts?



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Unnikrishnan Nair P M: Thank you for your very encouraging words and your time as well. The service requirements and spare parts requirements, we can classify into three -- Service, Consumables and Spare Parts. This vehicle being a very special vehicle that uses extremely high pressure for the circuits, it's normal practice that none of the customers would want to service this vehicle and most of the airports would ask us to even operate the machine. This requirement will kick start right from the first day of the induction into operation. For example, we have supplied the first machine that has put into operation in a brand new airport, in the first month, they will use it most likely for paint or let's say runway marking removal, because once the final testing of the airport is done, they might want to reorient some aero bridge positions or something like that, for which they would like to do a relining. So the initial months it will start with the paint removal. So first day of operation itself, we will be there to work on this machine. And to answer your questions on the percentage of service and spare parts, it's all together calculated at about 7% to 8% of the value of the vehicle.

Rahil Dasani: Understood. That's very helpful. On Rosenbauer company -?

Unnikrishnan Nair P M: You are saying Rosenbaeur company -?

Unnikrishnan Nair P M: Our partner Rosenbauer is like a world standard for fire pump. So this brings us to a situation that the customers ask us to supply pumps and firefighting systems to even to our competitors. For example, BPCL required a high rise building firefighting machine. We also competed, but anyone from whom BPCL would buy, they would buy a Rosenbauer firefighting system. So it's quite unlike of in tender rules, but beyond all the rules, including government companies specify that we must have a Rosenbauer firefighting system. Therefore, they are also our customers. You got my point, Rahil? That is why they are our customers.

Rahil Dasani: Understood. And sir, my last question before I get back in the queues that till now we have been more focused on getting our product-ready and large sales, although still we have been getting large orders, which was very surprising. But now with the product ready, what sort of pressure are we to put on the sales part, any further hiring plan on the sales or marketing side to get more and more RFQs?

Unnikrishnan Nair P M: Yes. So in terms of internal preparations, #1, we have now consolidated on a strong production team. We will have a couple of more or let's say two, three, four more recruitment in production management. That will allow us to do a lot of things, including software programming in-house within our company, #1. #2, we have acquired certain design software that will further strengthen our in-house capability. #3, we have moved on to a unique automated storage and retrieval system which will considerably reduce our time to look at parts, retrieve it manually and look at tools and search for tools and all these things in the shop floor, and the new system will reduce the idle time or let's say searching time for parts by about 33%, almost one-third so that anyone wants one part has to just key in, in the computer and the part will be available for him. The other step that we have done is we have translated to a set of suppliers with a long-term view that what materials they have to use,

what kind of welding technology they have to follow, what kind of metal working methodologies and the production systems that they need to use. So, quite a lot of time in the last one year has been spent on preparing the market to giving us components. So I don't know, I can't tell you that the amount of time that we have spent and sometimes we almost thought our patience is running out, but our OEMs also helped us. I lost count of how many times our teams visited these suppliers. We called them over to our plant, we showed them how the final assembly will look like and how we need it. So I think these last few months have really prepared us well to know what we can get, what we cannot get, who will give us the best material, who is best for what type of machine application. So therefore, we are in a much better platform to produce more equipment at a much better time and at much better cost to produce more equipments. I hope I have answered your question.

Rahil Dasani: Sir, just one thing in this is that are we planning to expand our sales team?

Unnikrishnan Nair P M: You mean to say are we planning to expand our space, our factory, is that what you're asking, Rahil?

Rahil Dasani: Sales and marketing team.

Unnikrishnan Nair P M: The utility vehicles itself will become an independent sales team, it was at the moment. And utility vehicles and building systems, we are also getting some enquiries for baggage handling systems. So we are thinking about dividing the team and recruiting some more people in sales and marketing. See, Rahil for us it's not really sale, it's actually technical sale of the concept and the technology that we can put into use for customer. So when people make proposition, the one that has got distinctive advantage and long-lasting performance life is what they buy. So unlike in many sales and marketing areas, our sales is more or less into a lot of things into performance and specifying the product what it can do. I am not saying price, doesn't have a value, it has a great value, but that comes at the last our world of sale. So for achieving this purpose we have set up a strong product engineering team. So a salesman will translate what the market needs. In fact, if you look at the fire engine, every single airport went for their own design. So each machine had to be prepared according to the local requirements, specific requirements and training habits of each fire team. So this will be translated to product team. They will give tailor-made solutions to each one of the customers' needs. You got my point? So it's not just expanding sales team, but it's also supporting the front-end team with a strong technical support.

Rahil Dasani: Just in relation to my previous question, like you said that we are also supplying to several other truck manufacturers, so how does it work exactly, because now we are sharing our technology with these other players who may in the end come and underbid us in the tenders, so how should we think about it?



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- Unnikrishnan Nair P M:** The units that we sell are self-sufficient. They just take an engine power, and they operate by themselves. They are free to open it and learn. All the best to them. But from 1978 fortunately or unfortunately, nobody has duplicated the Rosenbauer fire pump.
- Rahil Dasani:** No, of course I am coming in terms of our main mode is our technology is the vehicle that Rosenbauer has. If we are sharing the key products from that like the pumps and the engine they basically would have a similar product to ours and they may underbid us in those tenders?
- Unnikrishnan Nair P M:** See, when you are a universal supplier and when the government agencies ask these suppliers, I want only Rosenbauer. I cannot take a stand that I will not give pump to others you see. For example, Cochin BPCL, they had a very special requirement of six deliveries at various rates of form from a single equipment and this is available only with Rosenbauer. So when a company like BPCL come forward to specify that particular equipment, we cannot take a stand that we will not supply to you. So we have to be able to supply to you so the amount of equipment sale on that is high. We lost that particular order because not only our equipment is costly, but because the one that they sold is the ladder unit was much cheaper than ours. But still we made a very strong sale because the equipment that we sold was one of the prime equipments that would more than make good all that loss we made in or let's say the sale that we didn't make. So it was a good project for us. We still do the service and maintenance for them.
- Rahil Dasani:** Yes, that was going to be my next question as to if we are also servicing these customers to whom we are giving. I will get back in the queue. Thank you very much.
- Unnikrishnan Nair P M:** Thank you.
- Moderator:** Thank you, Sir. We will take the next question from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead, Parikshit.
- Parikshit Kabra:** Hi, thank you for the opportunity and congratulations on a great set of numbers. I was just wondering this time the jump in sales, is there anything special that you can attribute this to or is this just your general increase in sales pipeline and so on and so forth?
- Unnikrishnan Nair P M:** And maybe later on, Emmyunual also will contribute, but from a management perspective we did strongly what we used to do. #2, the requirement of even spare parts is going high because the number of vehicles in the country is going high. Third, many customers until some time back people used to buy only the main equipment from Rosenbauer and let's say things like personal protection equipment like helmet, boot, jacket, everything from some cheap source. But the last two years have seen a different trend including from M/s. Adani Group. They said don't care about the cost for these kind of products. So they chose to buy premium personal protective equipment from one of the best

sources in the world, which is Rosenbauer, saying they wanted all firefighters and the passengers to be safe. So this shift has made a significant contribution to our revenues –

Parikshit Kabra:

Sir, if I can just interrupt you here, this trend that you're talking about sound of it seems like a two year trend but your sales numbers have jumped significantly in H2. So is there something in particular that has happened in H2?

Unnikrishnan Nair P M:

No, I pointed out what happened in the recent past. The first two, three reasons I told have been contributing over the years for the revenue of the growth. So this means that when new vehicles are coming, people are buying more and more of our associates equipment. See, Mr. Parikshit, we are in a field where all the machines that we sell are handcrafted. That means that the parts which is good and bad. The good thing is that we are the only source that they can buy parts from and technology from. The other thing is, it's a lot of stress that you cannot say in a month "Sorry, I finished my budget. Please come for spare parts next month." Whenever they want a part, I have to make money and I have to buy the equipment and give it and I have to service it because we are in a lifesaving and safety equipment field. So over the years as the number of equipment increases, proportionately service and spare parts and technology support area also increase. And the market is registering let's say aviation is one of the growing fields and many, many Tier-2 and Tier-3 cities are also coming for high rise building rescue and machines and all. I mean, fortunately, all the three areas of our focus and our emphasis, all these three areas are growing. That means aviation of late, we also got into defense aviation, then the petrochemical industry, they need more and more of our equipment because government is putting a lot of emphasis on being self-reliant in oil refining and then thirdly, the civil, fire and emergency infrastructure, because now as we move on, there are more and more high rise buildings all over the country. So each municipal corporation, each town wants to have the safety equipment for dealing with a high rise building incident. Three and a half months ago, our machine in Thane saved 42 people from a burning building. So we are in an industry where India is increasingly becoming aware of fire safety and disaster management. This is over the years significantly and consistently contributing the increase in revenue.

Parikshit Kabra:

Perfect. Got it. So I am going to be asking a fundamental question which is going to expose my lack of understanding of your business as of yet. But you have exclusive right to redistribute Rosenbauer's power equipment in India. In Rahil's question earlier when he asked there is a person who's competitively bid with you, but still buys the equipment from you. This essentially means that when someone puts out a tender they say, okay, I want a truck with these specifications. Some of them require the equipment from your vendor, but the others can be assembled and made on their own and hence someone else can underbid you because the other parts are cheaper. Is that fair understanding?

Unnikrishnan Nair P M:

No, let me explain this to you. In the high-rise building equipment area, there are two equipments. One is called a hydraulic platform. But this hydraulic platform is only for industrial application and

that is like a crane. And in the particular case, the oil refinery chose to go for an industrial machine. We are costlier slightly because that doesn't need civilian rescue-related European nation safety norms. Because it's not really a nice industrial practice, but they sell it saying, it's an industrial equipment. That is the only place we are a slightly costlier. However, the cost of equipment itself is quite significant what they bought from us. So we were happy to lose that project because we served what is the most significant part of the machine and they sold only the structure. Now to overcome that situation, a week before last, the German management team was here, they are allowing us to do the same equipment to be manufactured from Bangalore. So with that strategy, we will overcome whatever little bit marginal cost difference at the moment and we never promoted that equipment in India because we believe that's our responsibility to educate the market, saying that it's not safe for a human rescue. This machine is used only for repairing windmills in Finland. And we always refrained from projecting it as a civilian rescue machine. However, if somebody needs, now, we are building a platform that we will give it from India. They visited us, they saw our manufacturing background, they said, okay, this is we are quite satisfied because we are now going to build this year civilian counterpart of the same equipment. This only we can do because our competitors cannot build offsite. You got my point? The design is such that they have to do quite a lot of work in the chassis to prepare themselves to build such a machine in their own factory, so therefore they must do it in their factory. And we are the only manufacturer in the world in this area that can do it in another factory, which is Bangalore at the moment. They are very frantic now. I don't know your friend from our competitor in the conference call, but it is quite a funny situation. No, I am not enjoying. I mean, I wouldn't call it a monopoly or something, but company is making this ladder from 1842 in Germany and the ladder they supplied to Paris Fire Brigade in 1855 is still displayed in their lobby. So they know what they talk about and they made it in such a way that their ladder, their safety, their rescue system can be built anywhere in the world if we give them an appropriate chassis. So therefore that gives us a competitive advantage. We have no problem if somebody wants to buy a pump or firefighting system from us. And only in that particular equipment they can do slightly cheaper, nowhere else.

Moderator: Thank you, sir. We will take the next question from the line of Yash Visaria from Maveria AMC. Please go ahead.

Yash Visaria: Yes. Hi, sir. Congratulations on the great set of numbers and thank you for the opportunity, sir. With regard to the three segments that we are talking about, one is aviation, one is civil and the other is the firefighting. So what is the target market that we are seeing in each of these segments? And second is relating to the margin profile. So what are the margin profiles that we are seeing in all these three segments?

Unnikrishnan Nair P M: Let me put it this way that the division is like this. Mobile firefighting rescue and evacuation. And in this particular field, one segment is aviation, the second segment is petrochemical industry, and the third segment is civil defense. I am just rephrasing what sir you mentioned. So coming back to the

other segment is utility vehicles, that are used for cleaning runway both in terms of removing rubber, sweeping and removing sharp objects that can potentially deflate an aircraft tyre, which is statutorily required. And fortunately or unfortunately, all equipments that we sell are statutorily required by our customers. So this means that there is no choice whether to buy or not. So this also adds a lot of responsibility in terms of assuring performance. For example, the runway rubber mold machine has to be moved out in case of an emergency landing in maximum three minutes. So the equipment has to be ready for that. Coming back to the segment, then you have equipment that will test the friction levels of runway. Now, there is a new regulation which is prevalent in maybe last year, it was introduced by ICAO saying that if a pilot before landing wants to know the friction value of the runway that's on, the airport or air traffic control is bound to tell them what is the latest friction value. So therefore, that equipment is also becoming and the friction tester is saying, the value is less than immediately they have to deploy a runway rubber removal machine and the pilot can decide whether to land or not. So this segment is after mobile firefighting and rescue. This is the next segment which is Airport Air Site Maintenance. We also have a product called Disabled Aircraft Recovery Kit. This is immediate recovery and removal of an aircraft disabled due to any reason to a non-operational area so that they can resume the operations. This is a very critical requirement but it's for the airports. So this comes the second segment in Civil Aviation. So civil aviation has mobile firefighting as well as utility vehicles. Then in the area of civil defense, they need equipment to train their firefighters to be ready for high rise firefighting. We are offering them digital solutions to simulate fire situations and then we are giving them new equipment for new types of challenges. So basically to come back to segment, it's a mobile firefighting, rescue and evacuation, utility vehicles and prevention of fire equipment and the fourth one will be building systems, especially for airports. That's also related to civil aviation. So I quoted three segments in terms of growth because they are civil aviation, petrochemical industry and then the civil defense of municipal corporations and state governments for protecting people. So in terms of products, three, four segments and in terms of generalized category three segments especially from a customer point of view.

Yash Visaria: Sure, sir. Thank you for the elaborate answer, but my question was relating to what is the target market that we are looking at across the segments that you just elaborated on?

Unnikrishnan Nair P M: Please come again.

Yash Visaria: So what is the time that we are looking for in terms of number and value for these segments in the coming years?

Unnikrishnan Nair P M: Government would like to build, I don't know, like our PowerPoint says 240 airports. That's an unimaginable number from the base where we are at the moment. We are at about, I don't know, 70 to 80 live airports. So that is a huge expectation, but I would say we will realize at least most conservative estimation of another 30 to 40 airports. So this is the projected growth in coming at least

couple of years in civil aviation and they would like to do all Euro VI fuel production from India. So every single manufacturer like HPCL, BPCL, IOCL, everybody is asked to double the capacity to manufacture more of Euro VI fuel. We have something like 722 municipal corporations in India. Various categories, Tier-1, Tier-2, Tier-3 depending upon population and geographical area. And I would say at least one-tenth of them should go for high rise building rescue machine, because according to National Building Code, except Mumbai metropolitan region, all other parts of the country 15 meter and above is classified as high-rise building. So this is why I said. Fortunately, all the three segments or let's say customer areas that we work have to grow if the country has to grow in infrastructure. See, for example, many cities, including Gurgaon, the corporate offices of multinational companies are asking their building owners to provide them sufficient safety measures to house and to make offices of their senior expat colleagues to be working from there. So they are giving them certain basic fire and safety standards to protect their data, their servers, their valuable materials and lives of their colleagues who are coming from all over the world and working there. So this is the growth engine for us in all the three segments that we are working on.

Yash Visaria:

Sure, sir. Sir, any number on the order book currently and order pipeline?

Emmyunual S:

Mr. Parikshit, good afternoon. So, at the moment, we are having the order book of Rs.80 crores which is actually apart from our traditional business. So our traditional business, you may have come across how the business is defined in Anlon. If you initially you asked how the revenues jumped suddenly, so the main reason I just wanted to give you clarity on that. So we just started billing the revenue from manufacturing and assembly this year. So that is billed in the H2. So that is one reason. And apart from that there are other equipments like as sir said, personal protective equipment and then there is a multi-purpose fire robot and there is a line laser marking machine and there is a baggage handling system which we delivered in this particular year. That is one of the reasons that okay, you're seeing such a growth. Coming to the order book, yes, we had received close to Rs.25, 27 crores which is relating to the manufacturing and assembly in the previous year, out of which we delivered close to Rs.7 crores and balance which is going to be billed in this year, which is in the form of the semi-finished and final stage of production. Apart from that, from last four months we have received orders close to Rs.48 crores so which are again in the pipeline. This order book what I am talking is other than the AMC and spare parts what we get regularly. And also you asked segment wise how is it. So over the years our major revenue was coming from the airport segment as well as the refineries and municipalities. But when it comes to the manufacturing and assembly, we received an order from the Goa government that is for building a 42-meter detail which will be to assemble the tower plant. So that is close to Rs.9.6 crores. There are 43 vehicles order which is on hand, out of which four vehicles are other than the vehicles relating to the airports, but eventually we are seeing a lot of enquiries and we are seeing a lot of growth in the other areas as well because the number of tenders which is getting out from the respective organizations which are increasing compared to the previous years.



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- Yash Visaria:** Sure, Sir. That's helpful. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Rahil Dasani from MAPL. Please go ahead.
- Rahil Dasani:** Yes. Thank you for the opportunity again, Sir, I have several questions, but since we are running short on time, I wanted to understand a bit about the numbers. So one interesting thing I can see is that even after the sale up in revenues, our employee expenses did not increase much, so can we say that hiring is largely done for the manufacturing side and going ahead as we scale up in manufacturing to an optimal utilization, our cost will not increase as much?
- Unnikrishnan Nair P M:** Yes, we both will answer this, Rahil. The first year of any project is a lot of learning curve. So we basically inherited a design with the help of our OEM, which is required for any Make in India program and we made a redesign, because most of these machines working in India had been deployed 15 to 17 years ago. So time has moved in, engineering has moved in, very few of the manufacturers became obsolete in COVID times and in Ukraine war. So we basically brought out a new design, but from the base of the erstwhile German design. And this had to be translated to be a manufacturable design from the supply chain. And this process has been achieved. And we are in a platform where our suppliers will now understand what we need. So the amount of wastage, amount of learning time and learning with materials have come to almost much, much reduced position at the moment. So, therefore we are saying we can improve the turnaround time, we can optimize costs, and we can produce equipment faster. And in one way, I thank God under the circumstances that we built the most complex machine in the first year. And none of the equipment in the coming one year at least that we are going to build are not as complex as this machine. I don't know. It looks like writing the post-graduation exam before the school final exam, something like that. I don't know, maybe Emmyunual would like to add something more to that.
- Emmyunual S:** Yes, Rahil, coming to the employee cost, yes, of course, as we also wanted to prepare for, all these supplies comes with the AMC, comprehensive annual maintenance contract, wherein in some of the cases we may need to operate these machines. So we should be prepared with sufficient staff who can operate these machines and who can maintain this. And considering the volume of the orders we are getting, keeping that in view there's a slight increase in the employee cost. That is the major reason for the increase in the cost.
- Rahil Dasani:** My second question is that manufacturing and working capital which was expected of course, but now we are only left with Rs.4 crores of cash on the balance sheet, so how will you manage your working capital going ahead as this manufacturing revenue pays more and more, would that be the way to go or are you also thinking about the dimension?

- Emmyunual S:** So basically Rahil, if you see the balance sheet, the billing what we've done in H2, some of the things which falls in the March month so which is due for the receivable at that time. So you see there is Rs.18 crores value of the receivables which is there in the balance sheet. And apart from that there is an amount which we have put in for the inventory which is in the form of the final stage. So all these going to be liquidated in a few months' time. So alongside we may also get some of the extension of the limits which may help us to manage. Of course if at all if there is any further orders which we will be getting it, we may look for the other options. But at the moment, we have not decided on that.
- Moderator:** We will take the next question from the line of Mulesh Savla from Shah & Savla. Please go ahead.
- Mulesh Savla:** Thanks for taking my question and heartiest congratulations for successfully completing complex machine and delivering it to the customer.
- Unnikrishnan Nair P M:** Thank you, sir.
- Mulesh Savla:** Sir, as you said that about 60% of the components were indigenously manufactured, so can you tell us sir, these 60% can go up to what level within another two, three years and what are the critical components which we must import from the OEM and all other things we can do it, so can you give some more color on level of indigenous that we can think of?
- Unnikrishnan Nair P M:** Yes, let me give you one example, sir. There is let's say a suction system in the runway rubber mold machine. So, the German manufacturer suction system is rated to be the best in the industry because they don't leave any rubber particles behind. In any airports, including Mumbai, they have to send a sweeping machine behind the runway rubber mold machine to remove the sharper particles anyway. So from our side, this suction system has several sub-components. That means it has got an air suction unit, it has got a filtering unit, it has got a filtering unit downstream, and then it has got a push of the hole slush into the debris tank. When I say indigenization, I bought only the vacuum pump from Italy. Rest of the upstream and downstream parts I made in India with the drawing prepared together from the German engineer and our Indian engineer. So one of the things is we try to do is that, I come from an industry which is much more precision-oriented and a very highly complicated machinery. I started my career there. So some of my old friends and colleagues came running to help me and they came onboard. For them, it's still complex, it's still a different field, but it's not as complex as the job that they had been doing both in terms of software and in terms of hardware. But still with due respect, this is a very well-engineered machine, and this background helps us to optimize what we need to do and what we should not do. You should also know what you cannot do. You cannot be a hero by saying I will do everything here. This is the reason for failure of several Make in India projects. You must respect somebody's intellectual property and their OEM work. You cannot come overnight and say, okay, I am doing it now here. It's not possible. And you cannot reinvent the wheel. So we went for heart of the machine 25-years' time tested component. For example I can get the high pressure pump for half the cost in the United States. We wouldn't use that pump. With due respect to

them they are good in some area but they are not good in this area. We needed a precision pump and this pump that we are using for about 30, 35 years, the design never changed...never ever changed. And in all our machines, you will see this pump even if we lose the project.

Mulesh Savla: So basically up to what level we can go indigenization, so can we reach up to 80% of the total cost of the vehicle, can we reach to 70%? I just would like to have some color on that.

Unnikrishnan Nair P M: No, the next objective is whatever over 60% that we develop, we want to further sharpen the quality, we want to further optimize design, and we want to further reduce the cost of this as a next step. So we will go to a level, even the Germans would want to source from us for those components.

Moderator: Thank you so much, sir. We will take the next question from the line of Aakash Javeri from Time and Tide Advisors.

Aakash Javeri: Good afternoon, sir, and thank you for the opportunity and congratulations for good set of numbers. Sir, my one question is that you mentioned the vehicle that we rolled out in this half year was more complex than the others. We have had margins of about 13.8% for that unit. Going forward, since the others may not be as complex, can we assume that these margins would be lower, similar level or which scale we can increase these margins?

Unnikrishnan Nair P M: Aakash saab, who told you that particular machine we made 13.8%?

Aakash Javeri: I mean, I am taking it from the segmental results from manufacturing.

Emmyunual S: Yes. If I may interrupt here, I would like to answer to this question. So the margins actually which is reported is for that particular machines. There are two types of equipments. One is firefighting related equipment what we have supplied to Maruti Suzuki India Limited and the other one is the (RRM) Runway Rubber Removal Machine, which is supplied to Yamuna International Airport. So as we just started initial struggle was to source some of the things which results into less margins. But eventually if you see that as sir said that most of the things wherever we can indigenize with the help of our production team and with the help of our CTO, we are eventually targeting to improve the margins. And as sir said, it's a complex machine, but basically all these machines are different, we cannot just compare and we cannot just give general margins. So firefighting is a different segment, runway rubber machine is a different segment. So that's why it's quite difficult to give the margins as a general.

Unnikrishnan Nair P M: Yes, Aakash saab, just to add to what Emmyunual said. Few factors for your consideration. Let's say when we started this manufacturing, one major cost would have been to translate the German drawings to India and then mix with the Indian market what we should do and then to align with the new product. For example, the wastewater and water system is completely redesigned. So you have



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to imagine that there is certain initial cost to do such exercise. So this is one of the factors. Then let's say you have some base equipment that need to be for preparing or manufacturing component. So there are fixtures, there are various kinds of preparatory equipments that needs to be prepared before you make a production. Thirdly, you ask a gentleman to bring me, I don't know the base frame, he comes, but the sender let's say the support is 2mm of sender. You got my point? Then you tell him, okay, you take it back and do it. But you have a time effect, you have a cost effect in that. So these are unavoidable when you begin such a process.

Aakash Javeri:

Okay. Thank you so much, sir.

Moderator:

Thank you so much, sir. Ladies and gentlemen, in the interest of time, that would be the last question for today. I would now request Mr. Unnikrishnan Nair to give us closing comments. Thank you and over to you, sir.

Unnikrishnan Nair P M:

So I would say we are almost coming to the end of a curve for what it means to do a manufacturing by ourselves. We learned in a costly way that you can be great in repairing and maintaining and servicing and recommending for spare parts, but it's quite another effort to draw it and make it, test it and assemble it. So I think we are almost at the end of the upward curve of this learning process. Just wanted to thank each one of you for so much of support. In fact, every late evening that we spend here, we remember your faces and how much you all have been supportive of. And this spirit will continue. And I hope that it will be a great partnership together. Thank you so much for all the support we received. Thank you, Michelle, for a very disciplined and strict moderation of the program.

Moderator:

Thank you, members of the management. Ladies and gentlemen, on behalf of Anlon Technology Solutions Limited that concludes this conference. We thank you for joining us and you may now disconnect your lines.