

**ASTRA MICROWAVE PRODUCTS LIMITED**

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February 15, 2023

To  
The General Manager  
Department of Corporate Relations  
**BSE Limited**  
Sir Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai -400 001

To  
The Vice President,  
Listing Department  
**The National Stock Exchange of  
India Limited**  
Exchange Plaza  
Bandra Kurla Complex, Bandra (East)  
Mumbai 400 051

**Scrip code: 532493**

**Scrip code: ASTRAMICRO**

Dear sir,

**Sub: Conference call transcript.**

We are sending herewith Conference call transcript held with analysts on 10<sup>th</sup>  
February, 2023.

This information is also uploaded on the website of the Company  
[www.astramp.com](http://www.astramp.com).

Thanking you,

Yours faithfully,  
**For Astra Microwave Products Ltd**

**T.Anjaneyulu**  
**G.M - Company Secretary**



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# “Astra Microwave Products Limited Q3 FY23 Earnings Conference Call”

**February 10, 2023**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10<sup>th</sup> February 2023 will prevail

**MANAGEMENT: MR. S.G. REDDY - MANAGING DIRECTOR, ASTRA  
MICROWAVE PRODUCTS LIMITED  
MR. M.V. REDDY- JOINT MANAGING DIRECTOR,  
ASTRA MICROWAVE PRODUCTS LIMITED**



**Astra Microwave Products Ltd.**  
Leaders in RF and Microwave Technologies  
CIN: L29309TC1991PLC013203

*Astra Microwave Products Limited*  
*February 10, 2023*

**MR. ATIM KABRA – DIRECTOR (STRATEGY &  
BUSINESS DEVELOPMENT), ASTRA MICROWAVE  
PRODUCTS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Astra Microwave Products Limited Q3 FY '23 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in 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. S. G. Reddy – Managing Director. Thank you, and over to you, sir.

**S. G. Reddy:** Thank you, Vikram, and good afternoon to everyone. A warm welcome to all the participants to the fourth earnings call of our Company.

I am with my colleague, Mr. M.V. Reddy – Joint Managing Director; and Mr. Atim Kabra – Director (Strategy & Business Development); and SGA, our Investor Relations advisers.

The results and Investor Presentation for the 3<sup>rd</sup> Quarter ended are uploaded on our website and the stock exchanges. I hope you have an opportunity to look at it.

I am happy to inform you that we have reported another quarter of stellar performance and recorded our highest ever quarterly profitability. We achieved a record EBITDA and PAT of 453 crores and 30 crores, respectively, for the quarter ended December. For 9 months period, we have delivered 86 crores of PBT, which is our guidance for the entire year.

This quarter is a good quarter, not only in terms of sales and profitability, but also in terms of products delivered by the company. We have delivered the following systems to our customers during the quarter. Radiation mode test and evaluation facility, 7.3-meter antenna system for ITR, ST Radar for Calcutta University and PATM 2 for ITR.

We expect to deliver about 270 crores of sales during quarter four and reach an overall top line of about 825 crores. Bottom line at the PBT level will be about 110 crores. We expect to end the year with an open order book of about 1,750 crores. For the next financial year, we are confident to book about 900 plus crores orders and deliver top line of about 950 crores and the bottom line at PBT level of about 135 crores.

Long-term view for the next 5 years ending 2028, we are confident to deliver accumulative top line of about 8,000 crores and carry over order book of 6,000 crores at the end of 2028. During these years, we are confident to deliver bottom line at PBT level of 15% to 18% of revenue.

Before I open this discussion for question and answers, I introduce my new colleague, Mr. Atim Kabra, who joined our Board as a whole-time director taking off looking after business and strategy development from 1st January 2023. Atim, I warmly welcome you.

**Atim Kabra:**

Thank you, S. G. And hello, everybody. As a fellow shareholder in my mind, I represent all shareholders. And I am very excited by what I see in potential business at Astra. My desire is that we delight Astra with radars, that we know that our company is a key enabler in electronic warfare, and a key enabler of missile subsystems.

We know Astra as being a key player in satellite space. And lastly, its products in meteorology and weather segments are important for the nation. We are looking at a significant growth phase for the company, which has delivered a very healthy return to its shareholders with a 5, and we are looking at a 5-year cumulative sales execution for cost of close to \$1 billion in gross sales.

To put it in perspective, that's nearly 10 times our current sales trajectory cumulatively. And we hope to grow our order book alongside to a very, very healthy number at the closing of year 5. Even better is that we expect this rear-ended sales growth to be with improving margins and rising return ratios.

Kudos to our R&D team, which is developing multiple exciting products under the leadership of our Founder, Director, Mr. Chitrakar. And as Astra continues to go up the value chain, we are right up there in systems and solutions already.

We are proud to be a part of Aatma Nirbhar Bharat. While we continue to work with our valued partners from overseas and progress in our ARC JV with Rafael, Israel is a proof of this besides our esteemed export partners. That's our vision. That's our very simple story. And we will explain as we go along in the question-and-answer session. S.G., M.V.?

**S. G. Reddy:**

Yes. Now this forum is open for question and answer.

**Moderator:**

Ladies and gentlemen, we will now begin the question-and-answer session. We have our first question from the line of Hitanshu Bhatia from Gandhi Securities. Please go ahead.

**Hitanshu Bhatia:**

Congratulations on a great set of numbers Sir, I have two questions. One is on the 31st page of the investor presentation, you mentioned NavIC and GPS receivers. So, could you throw some more light on the prospects of it?

And the second would be that we have bid for the tender alongside some private players like Alpha Design, Elena Geosystems and also Manjeera Digital Systems. So, what was the outcome of that tender with regards to the NavIC and GPS I am talking about? Has it been awarded to us?

And I mean also, I believe we have a customer relationship with the company Manjeera Digital Systems. So, could you also elaborate on our relationship with Manjeera as well?

**M. V. Reddy:** So, this is regarding NavIC systems. As we have mentioned in last investor call, we have invested in a startup company called Manjeera Systems with their professional in this VLSI design and all. So, they are developing baseband chip and for NavIC products. And with using that chip, we are developing subsystems like receivers for various applications, and also tracking units, like vehicle tracking unit center, which are in development phase. So, currently, the baseband chips are in the final stages, and we expect these particular chips to get qualified from ISRO in the next one month timeframe. So, probably in the 6 months to 8 months timeframe, we should be, you know, demonstrate these subsystems for NavIC applications. This is what we have a road map as far as NavIC is concerned.

**Hitanshu Bhatia:** So, the potential in the NavIC and GPS receiver, if you could throw some more light on it?

**M. V. Reddy:** Huge potential is there. In fact, with the kind of applications which we are targeting, next 5 years, we should have at least about 2,000 crores worth of business, minimum business, what I am talking about from the different sectors.

**S. G. Reddy:** I will add to this that to the best of our knowledge, there are only 2 companies in India, which are developing this chip. So, around this chip, once it is approved, there will be not only us, but other guys also who would be developing the subsystems, which are the receiver models, which M.V. is talking about.

We will initially compete probably with imported chips. And we are very well placed in terms of our costing and margins over there. So, this could be a very huge business as the business, as the story translates into real-life applications.

**Hitanshu Bhatia:** So, the only doubt that I have is that if you have a customer relationship with Manjeera and you would be competing with them on the same tender, so how would that go out?

**M. V. Reddy:** See, basically, initially, we competed. But now we are working together.

**Hitanshu Bhatia:** So, now there would be no conflict of interest with Manjeera and us then?

**M. V. Reddy:** Yes.

**Hitanshu Bhatia:** And with regards to the tender that we...

**M. V. Reddy:** Actually, if you look at that, we have a relationship with only for 1 particular product. Other products even within NavIC feature, we may compete.

**Hitanshu Bhatia:** And in regards to the tender that we had bid, so have we won the NavIC tender with the Ministry of Electronics affairs? Or what's the outcome of that tender, sir? Has the result come out yet?

**M. V. Reddy:** No. We on price front, actually, we are not there. But as I mentioned, Manjeera won the first order, where we are invested in a particular product to get developed. But otherwise, the second tender where we have participated on the price front, we lost it. .

- Moderator:** Thank you. Your next question from the line of Riya Verma from NR Securities. Please go ahead.
- Riya Verma:** I just had two questions. Firstly, on the gross margin side, as there is an increase in our quarterly margin for two consecutive quarters now, I just wanted to understand the sustainability of these margins. So, if you could please elaborate a bit on the reason for this margin improvement, and how sustainable these factors are in the future?
- S. G. Reddy:** The margins delivered by the company at the end of Q3 are sustainable for the future. In fact, you can see an increment from now on. Your other question is, how the change in margins has occurred? I didn't get your first question.
- Riya Verma:** Sir, I was just saying this margin improvement, what are the factors behind this? And is it sustainable?
- S. G. Reddy:** Yes. It is sustainable that I already answered. In fact, it can improve. But the improvement is coming in because of the change in the sales mix of the company. As explained in the past many times, the domestic sales carry a higher margin compared to the export sales. Up to now, the export sales are almost equivalent or more than the domestic sales. Going forward, the mix is skewed towards domestic. Therefore, the increase in margins is happening. Improvement in the margins is happening.
- Riya Verma:** And one more question. What would be the long-term sustainable PAT margin levels according to you?
- S. G. Reddy:** So, PBT levels, I already said. Probably 15% to 18% is the one which is sustainable.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments.
- Vignesh Iyer:** Sir, I heard you are saying like revenue of 950 crores is expected, you are expecting around for FY '24. And you mentioned 135 crores, what number did you mention 135 crores?
- S. G. Reddy:** Yes, you heard it correctly.
- Vignesh Iyer:** 135 crores of what? I mean, is it the PBT levels?
- S. G. Reddy:** PBT levels.
- Vignesh Iyer:** All the commentary on order book that you are expecting around 900 crores, can you explain to us, what is the area you are targeting, and you are expecting to get majority of the orders from? Like, say, if you could just say, if it's from the missiles, or which area of the defense? Just a ballpark number will do.
- M. V. Reddy:** For next year, close to 1,000 crores we are targeting to book. Out of 1,000, 930 are from the domestic sector. In that, Defense and Aerospace together close to 750 crores, and from space

sector about 100 crores. Meteorology and Hyderology put together about 80 crores. And the exports, we have planned to book 150 crores.

- Vignesh Iyer:** And in exports also, we have almost like a similar margin profile to domestic?
- M. V. Reddy:** No. In exports, out of 150 crores, 50 crores is from BTS, again is BTS contracts, and 100 crores BTP, which is of low margin.
- Moderator:** Thank you. We have next question from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** Sir, as a follow-up on NavIC, the tender which we have lost, is it in L5 band or L5 and S dual band module?
- M. V. Reddy:** There's a dual band.
- Ketan Gandhi:** So, now we are working on L5 or S-band?
- M. V. Reddy:** Yes, L5.
- Ketan Gandhi:** L-5, okay. And government, is there any mandatory fitment of the NavIC chip into mobile telephone and all the other equipment?
- M. V. Reddy:** Yes. We expect these policies to be out. I think, government, in fact, what we heard is government working towards that. And the only thing is that waiting for the more manufacturer in this particular domain. Like, you know, only limited players have come with the indigenous development. Now, once we see a greater number of players will be there, then I think probably policies can be made. That is what we heard about from different agencies.
- Ketan Gandhi:** And sir, in ISRO document, it's written that L5 band's expected cost per unit is around Rs. 5,000 and L5 and S dual band is around Rs. 10,000 per unit. Is that understanding correct?
- S. G. Reddy:** Yes, you're right.
- Moderator:** Thank you. We have the next question from the line of Pulkit Jhunjunwala an Investor.
- Pulkit Jhunjunwala:** Just wanted to get some clarification on the fundraising that we had proposed to raise 400 crores. Any ideas on that? Could you give us some clarity?
- S. G. Reddy:** Sure, we are on the job. Right now, the members voting is going on. And yes, we are on it. Probably, you will come to know more developments maybe in the next fortnight.
- Pulkit Jhunjunwala:** And is it like an issue of shares? Or like which model are we going for in order to raise that 400 crores. There will be dilution.



- S. G. Reddy:** Yes, it will be dilution.
- M. V. Reddy:** Just to clarify, the resolution is for up to 400 crores.
- Pulkit Jhunjunwala:** And just while we are on it, I would just like to get the management's perspective on why do we need this capital at this point in time? Is it for working capital for future orders?
- S. G. Reddy:** No, it is a mix of both. Primarily, as you know, the Defense Procurement Policy, there is a drastic changes have come in where the government is encouraging the private sector to take the risk, invest in new product development, get the product developed, so that the companies can compete as and when this business is available.
- And also because of this import embargo, a good amount of opportunities available for the private sectors to identify their key areas where they have the expertise. And we should be able to take that financial risk in developing those products and be ready for demonstration as and when those opportunities arises.
- The majority of this QIP or the fund raise is to make the company financially strong so that it can invest in these technologies and develop their products. A small portion of that, of course, is there for working capital. But I would say that the majority of that is for this kind of new product developments.
- Moderator:** Thank you. We have the next question from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.
- Subrata Sarkar:** Sir, couple of questions. First, sir, can you clarify one more the target which you have given for 2000 like after next 5 years, what kind of revenue and order book we were expecting that you told like can you redo it once more, sir, for better understanding?
- S. G. Reddy:** For the next 5 years, starting from the financial year '24, we should be able to do a cumulative sales of about 8,000 crores. Cumulative sales of about 8,000 crores. And at the end of the year 2028, we should have an order book of about 6,000 crores.
- Subrata Sarkar:** Sir, now from our presentation in 27 or slide 27, you have mentioned like we have expertise in, you have given the expertise of various players across segment. And there we have mentioned like we have system expertise. So, can you just elaborate a little bit, like which systems we are talking about, and what is the potential of that system, sir?
- S. G. Reddy:** In fact, first of all, no, your voice is not very clear. It is breaking away. If we have heard it correctly, you would like to know what kind of expertise we have in the systems. Am I right?
- Subrata Sarkar:** Yes, sir. You have mentioned like we have system expertise. So, I just wonder a little bit more elaboration on that.

**M. V. Reddy:** Systems, you know, we have already started delivering radar systems. And we build a systems group within Astra addressing radar and electronic warfare.

In Electronic Warfare segment, we just initiated designing the systems for airborne applications and as well as for the ground application, whereas in radar, we are already delivering this telemetry tracking radars and also small range surveillance radar. And we are developing counter-drone radar. And also, we are planning to develop bird detection radar kind of radars we have in pipeline.

So, likewise, we have developed the system expertise within the company. And apart from that, in the future, going forward, in space domain also, we are trying to build payloads, satellite payloads.

**Subrata Sarkar:** Last question, you have mentioned about like media purpose of this fundraising is major part will go for new product development. So, if you can elaborate again a little bit more, like which area, or which specific product we want to be prepared with so that there is a new opportunity comes from the government side, defense side, we can explore that? So, if you throw some light on what are the areas and new products we are trying to develop with these new funds?

**S. G. Reddy:** There are many projects which we could see having good potential, you know, in future and which have been already come under import embargo. So, there we have picked up few projects.

And also based on the responses what we have sent and what we are having that confidence to develop, so we could take the few projects development, which are basically in domain of radar and electronic warfare in defense. And as far as the satellite is concerned, we are also getting into the defense payloads. These are the few important projects which we picked up.

**M. V. Reddy:** Yes, we will not be able to share the names of the product.

**S. G. Reddy:** You know the negative list, which have come out, right? There are more than 400 items are in the negative list.

**Subrata Sarkar:** Yes, that's a major list.

**S. G. Reddy:** Out of more than 400 items in the negative list, we are right now operating in probably 40, 45 items only, which are in our domain, out of those 400 plus, of which we are operating currently in around 15 which leaves us with a huge amount of products and which we can fill in, in the negative list alone, while we are developing a whole range of other products in the segments which M. V. Reddy just mentioned.

**Moderator:** Thank you. We have next question from the line of Viraj Shah from Shah Investments. Please go ahead.

**Viraj Shah:** Just wanted to know, are we expecting any orders from Hindustan Aeronautics with respect to the new helicopter plant?

**M. V. Reddy:** From HAL, we are expecting orders for that LCA, Uttam radar, and also going forward, other airborne radars what we are going to develop for the airborne platforms.

**Moderator:** Thank you. We have next question from the line of Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:** First of all, congratulations for a good set of numbers. I have couple of questions. The first one is essentially, if you look at the Q4 results of, you know, other companies like HAL, BEL, even BDL, they were tagged low on execution. So, going forward, do we see a risk of some of the orders that we were expecting getting delayed in FY '24 for BEL in particular?

**M. V. Reddy:** As of now, whatever the numbers which we have mentioned, I think, we have a good probability in booking these orders. And this is as on date, whatever visibility we have, with that only we are presenting this. I think we should be in a position to book this 1,000 crores order in next year.

**Atim Kabra:** But Amit, we are not a quarterly driven company. Amit, we are not a quarterly driven company. Right? So, I think you have to look at this on a rolling quarter basis. There may be delays. Some critical components may be delayed coming, etc., etc.

So, I think this company is not a company where you can put in place a quarterly number and expect that we will hit that number every possible time, right? I think M. V. Reddy and S. G. Reddy have done a tremendous job in terms of exceeding the targets which have been set out, you know.

But be cognizant that there could be delays in the system itself, which can sometimes push the numbers out. And sometimes, maybe we can get lucky also. And we can be getting some excellent orders, which we may not have anticipated.

You are aware that recently, there are four Doppler radars were dedicated to the nation. The minister came out and said that he is expecting Doppler radars to be installed all over the country.

Now that's a massive business, which we had not anticipated. But we will be getting a product. We have delivered 10 Doppler radars to the country at this point in time. And that's a significant piece of business, which is evolving, which was not anticipated also.

**Amit Dixit:** The second question is essentially, if it is possible to provide the breakup between BTS and BTP orders, I mean, as far as the execution is concerned in this quarter? And going forward, what would be the mix that you would be targeting between BTS and BTP?

**M. V. Reddy:** For the current quarter, we don't have any BTP exports order. But going forward, next year, as I mentioned, out of the 150 crores, which we are expecting from the export segment, 50 crores from the BTS and 100 crores from the BTP. Rest all in domestic, as you know, all are BTS orders. We don't have any BTP in the domestic business.

- Moderator:** Thank you. We take the next question from the line of Bhavik Shah from MK Ventures. Please go ahead.
- Bhavik Shah:** Sir, I just wanted to understand the developments on the anti-drone front. So, you are going to demonstrate it by January or February, if I am not wrong, you have mentioned in the last call. So, sir, any update on that front?
- M. V. Reddy:** Yes. We are going to demonstrate it very soon. I think it's in the final testing stage. Definitely, we will hear good news in the next few weeks' time.
- Bhavik Shah:** And sir, now could we sense what opportunity could this be for the company? Or we still need to wait for that?
- M. V. Reddy:** Opportunity is there. Like we have participated a few tenders recently from Air Force and Army. I think we are gearing up for a demonstration of this particular product. Once we are through, then I think we will be in a position to inform you exactly how much business we can get in this. But otherwise, opportunity wise, yes, we have a good amount of opportunity for this particular radar.
- Bhavik Shah:** And sir, any developments on the space front? Like the last couple of years were not that good for the space end. So, like, how do you see space going ahead?
- M. V. Reddy:** Yes. As you know that barring communication satellite sector, which, in fact, been open for industries to take up plus ISRO is continually working on the strategic segment from which we can expect the subsystem order from ISRO. And ISRO, I think, definitely, with some kind of a business we can get for the couple of years. Apart from that, as I mentioned just now, we are also trying to build satellite payloads for the strategic applications. That is something which we are launching soon.
- Bhavik Shah:** And sir, any update on the CAPEX front, like what is our CAPEX till 9 months? And what could be the CAPEX going ahead?
- S. G. Reddy:** Yes, for this financial year, the overall CAPEX will be about 25 crores. And up to 9 months, I think we have spent close to about 15 crores.
- Bhavik Shah:** And any guidance on the CAPEX front for next year?
- S. G. Reddy:** Yes, for upgrading the existing requirements, probably we may be spending about 10 crores to 15 crores. But we have a larger plan in terms of creating facilities for the overall systems, whatever we are planning for. Those details probably we can share with you in the next call once this accuracy process gets over.
- Moderator:** Thank you. We have next question from the line of Shuja Sidiqqe, an Investor. Please go ahead.

**Shuja Siddique:** So, my question is that there is a massive opportunity in defense today. The question to the company is, what are the constraints that's stopping the company from either executing more from the order book that is already there and getting more orders going forward? How do you create the machine, which continues to be on the treadmill of getting more orders and executing more orders?

**S. G. Reddy:** See, we are doing that. If you look at the profile of the products delivered by the company, it is largely components and subsystems what we are doing. This product base has its own limitations in terms of execution. But going forward, that is what we are sharing with you.

The overall environment is also changing where in the private sector has to be more aggressive in terms of bidding for the projects which we are planning to do. Therefore, you see more accelerated action coming in from the company in the near future.

**Shuja Siddique:** Are you in a position to share something at the moment about your future strategy?

**S. G. Reddy:** Future strategy, we have already shared. See, we are planning to raise some capital resources so that we will be investing in new product developments so that we can compete with other people when the market is actually opening.

Yes, that is what we are. We are graduating from a subsystem company to a systems company in a bigger way. And accordingly, we are planning our actions so that we will be there to take that market as and when it is open.

**Shuja Siddique:** Do you need some strategic tie-ups or anything like for you to develop more products and get more strategic high-value products or you will develop all of this on your own?

**M. V. Reddy:** No, few products we are working with some foreign OEMs. One is that with joint ventures. We have one joint venture with Rafael where we have added three other product lines apart from that SDR what we are manufacturing in JV, like we have added electro-optics and all.

Similarly, we have some other products which we are discussing with some few OEMs. And you will see a few announcements in the coming year or so. So, I don't want to reveal it at this time.

**Moderator:** Thank you. We take the next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

**Vignesh Iyer:** I just wanted to know what is on the semiconductor side, how is the availability as compared to the earlier quarters? And if you could tell me what is our receivable days and working capital cycle as on quarter three?

**M. V. Reddy:** As far as the availability of semiconductors is slightly improved as compared to the last quarter. I think the lead times are coming like in a normal mode. But still, yes, it's not so comfortable as

we enjoyed pre-COVID situation. But, I think, maybe next one or two quarters, we expect that should come in a normal mode. And as far as working capital, I think S. G. will answer.

**S. G. Reddy:** Yes, we have receivables of about 300 crores. Domestic is about 289, and exports is about 28 crores. In terms of the working capital days, it is typical to semiconductor industry where, I mean, RF and microwave industry, where the stocking of inventory is one of the critical items for execution of the projects on time. And also, these semiconductor devices, which is a very critical input is available only from specific markets for actually the global leaders.

Therefore, we are forced to place orders in advance and sort the material for the entire project duration cycle. Because of these factors, our working capital days are fairly high compared to the normal industry. And currently, it is around 300 plus number of days is the working capital days.

**Vignesh Iyer:** So, I think, if I am not wrong, our peak quarters as it comes to is around quarter three and quarter four, and with how things are spanning out, are we still looking to front load the inventory going ahead? Or we might see some inventory days coming down?

**S. G. Reddy:** No, I don't see in terms of inventory management, I don't see any major changes happening. As it is now, we are struggling for availability of the semiconductor devices. Therefore, as and when they are available, we have to buy and stock it. Therefore, at least in the near future, I don't see any major changes coming in.

**Vignesh Iyer:** And sir, at the start of the call, you said that current quarter margins of like 23% is you are comfortable, and you feel like this could be sustainable. So, when you say that, I mean, EBITDA margins for the entire FY '23 you see it is more or less at the same level, right?

**S. G. Reddy:** No, I am only talking at PBT level. The current year, we are likely to end about 13% to 13.5% of PBT. On a top line of about 825 crores, we are projecting we have a PBT of about 110 crores. I said that these margins are sustainable, and there is a fairly good chance of improvement over this.

**Moderator:** Thank you. Your next question from the line of Abhishek Dave from Bright Securities. Please go ahead.

**Abhishek Dave:** I had one question. Sir, based on your current order book, can you give some guidance for the next year?

**S. G. Reddy:** It's already done. At the top line, we will do about 950 crores, and bottom line will be close to about 135 crores at PBT level.

**Moderator:** Thank you. We take next question from the line of Ashit Koti, an investor. Please go ahead.

**Ashit Koti:** My question is, sir, with drone technologies getting commercialized, is our Company planning to get into providing sensors or any products or subsystems to this particular category?

- M. V. Reddy:** You mean to say sensors for drone?
- Ashit Koti:** Yes. I mean, sensors also would be required there also, right?
- M. V. Reddy:** But we are not addressing drone market. We are only addressing drone detection, like, you know, on the drone system, but not in the drones. We are not operating in drones.
- Ashit Koti:** No, I got your point. My question was basically, since you are already anti-drone devices kind of thing, so, alternately, when the drone technology being exploited commercially for commercial applications, not the defense part of it. So, over there, there could be a need for so many other things apart from, I mean, one of the major things would be sensors.
- M. V. Reddy:** No, we may not enter into that market as of now.
- Ashit Koti:** So, not so lucrative enough for us to look into it?
- M. V. Reddy:** No.
- Moderator:** Thank you. We take next question from the line of Simardeep from Negen Capital Services. Please go ahead.
- Simardeep:** Just a little bit more strategic. Sir, could you just highlight some risks going forward in the business? Like chip shortages, which was happening through Taiwan and some other ones, if you can highlight some?
- M. V. Reddy:** See, the major risks are like timing of the orders. Based on the visibility what we have and the information what we gather from our customers, we have been projecting, yes, there could be delays here and there based on the PRTs and based on the delays on overall projects from OEM and also from the user end. So, those kind of delays are always there in the defense market. As you know, it is not something new.
- And apart from that, on the execution front, yes, see, though the situation of the components, especially in the semiconductor and power supplies, you know, we have been facing severe shortage, that I think probably is slightly improved compared to the last two quarters, but still lot more improvement is required in that particular domain. And because of that, probably, on the execution front, like this current year also, we will be short of 20 crores as compared to the original guidance. But we have factored all these points, but we will hope for the better situation in the components industry going forward in the next year.
- Simardeep:** Sir, one last question. Sir, could you help me with some sort of more from the same clients, can you get some more work? Or are you diversifying into more geographies as well?
- S. G. Reddy:** We are already there in the international market, apart from service in domestic industry.

**M. V. Reddy:** See, one is that, like, you know, in fact, Mr. Atim Kabra is looking after this particular area. Like, we are trying to develop solutions for the countries by using our particular systems, what we have today. And we are trying to sell the complete solution. It's too early to disclose about these solutions. I think probably in maybe after, I think next investor call, probably we can share in a detailed this thing road map for this. But otherwise, yes, we are trying to explore exports, like international business, with a different concept.

Apart from that, from the existing product line, as I mentioned, my customers who are giving us BTP business already started giving us BTS orders. We have initiated a couple of good inquiries, which are trying to be materialized in the first quarter of next year. And we are discussing with many companies for this BTS business as they are planning to develop systems for the Indian market.

**Atim Kabra:** I was just adding that there, once you get into systems, there is an international market, which is there for us to compete in. But it works not on a tender basis, but on a slightly different sales process. It will take time. You should be aware that we have products which are identified. And strategies are being put in place as we speak to explore those markets. And these are fairly big, sizable numbers. But it might take time. So, we would rather come across to you and share the good news to you when we have clear orders in sight on these markets from these markets. So, this is a sizable opportunity where we can make a big difference to our client and to our bottom line also.

**Moderator:** Thank you. We take the next question from the line of Pulkit Jhunjunwala, an investor. Please go ahead.

**Pulkit Jhunjunwala:** I was just wondering as an investor when we see our peers were in this space, we find ourselves in a situation where our top line is maybe twice theirs, and maybe they trade at a sales to market cap of maybe 20x, and whereas we are less than 1. And we feel that although the management has done some great work, the operating margins are increasing. But when we do a brief comparison, the operating margins that they are trading at, I mean, they are having about 14% (45.30) kind of operating profit margin.

So, I am sure we heard so many things about what is in the pipeline from this call. I was just wondering, is there anything that you can share now, where we can understand that our top line is bigger, our technical skills is better from what I am understanding? So, where are we lacking? Like do you think something is some, I mean, the opportunities are there for the taking? So, could you just elaborate on that please?

**M. V. Reddy:** The opportunity set is there. We are now more proactive in communicating our story. You have seen how we have been, you know, how forthcoming we have been in the last few investor calls. And as the story gets out, I am sure there will be a set of investors, incremental set of investors who would be interested in us to invest.



Why somebody, you know, this is a big market. So, we don't want to comment on why somebody is being valued slightly higher. Okay? Maybe they have communicated the story better. Maybe they are better in the perception of the folks.

We are fairly confident about our story. We are confident, as we have very clearly mentioned to you and committed, that this is a rising, sustainable margin story. We are RF guys. Our BOM is already there. As we increase in size, maybe there will be efficiencies, which will be coming in.

So, you know, suffice to say that we can only communicate to you that this is increasing sales, significantly increasing sales story with sustainable increasing margin story. The return ratios will obviously look better. So, where you value somebody in the food chain is not for us to comment, you know. But it's a big market for everybody to operate. And I am sure everybody is equally competent.

**Moderator:** Thank you. We take next question from the line of Ashit Koti, an investor. Please go ahead.

**Ashit Koti:** Sir, just continuing with the earlier questions where the explanation was given with regards to the export market, that the process is a bit different. It is not a tender system. If you could throw some more light, is it more on joint venture? Is it more on tie-ups? How exactly we are exploring the market, export market?

**M. V. Reddy:** Export markets don't work on tenders typically. If you are looking at the civilian industry, right, you are looking at ROI-based kind of an approach, which is where you define what the investments are for others, and you are trying to capture the enhanced returns of the savings which they make. And therefore, explaining to the buyer what exactly is this ROI, right? So, that's one thing.

In a G2G tender, there is a very different dynamic, which is at work, right? So, depending on where exactly we see maximum sales impact and sales effort impact coming in, we would be employing a variety of strategies.

It's too early to say whether we would be partnering in any joint venture format with somebody else or not. But definitely, we will require partners across the globe as, you know, for local implementation. What form it will take? We don't know. It's very early days right now. Am I answering your question?

**Ashit Koti:** To an extent, yes. It would have been better. I mean, if you would have thrown some more detail, but maybe it's not possible.

**M. V. Reddy:** We can't. Let's save something for some surprise, right? Positive surprise. It's very early days. It's very early.

**Moderator:** Thank you. We have got last question from line of Ashit Koti. Sir, please go ahead.

**Ashit Koti:** Sir, as far as we have come a long way from OTCI lifting in '90s to where it is today. So, if we have to look at Astra microwave as from year onwards through next decade?

**S. G. Reddy:** Yeh, I think we have already gave a picture for the half decade. Probably now looking at one decade, it is too early now. So, we will take it forward from that.

**M. V. Reddy:** I would say, defense industry as a sector has established itself. You are aware of Aatma Nirbhar Bharat. That is becoming a reality. You are aware of BEL, HAL making great strides.

You are aware that they are tracking or they are beginning to track the export market. There are multiple defense sector industries itself, which are coming of age and with increasing visibility and increasing certainty about business. The earnings stream in itself is becoming more predictable and sustainable.

I think these are the ingredients for an industry which is becoming mature, will become more mature as we go further. And I think it's such a sizable industry in terms of micro numbers that there is going to be a huge amount of business, which should be coming across all participants. We have to make sure we are conservative enough in terms of our balance sheet management and be prepared for the long haul. That's our vision. That's what we are playing at.

So, thank you for highlighting our journey from when we started. And I think as an analogy, which I like to say, is that we have lifted off the runway. We are gaining altitude. And I think we will be at a cruise stage very soon. And that will be a very nice moment for all of us who have believed in the story.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. S. G. Reddy, Managing Director, for closing comments. Over to you, sir.

**S. G. Reddy:** Thank you for being there with us for one hour. I hope to see you at the end of Q4. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Astra Microwave Products Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.