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May 30, 2024

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 24th May, 2024.

The above information is also made available on the Company's website www.astramwp.com.

Thanking you,

Yours faithfully,
For Astra Microwave Products Ltd

THALLAPALLI ANJANEYULU

Digitally signed by THALLAPALLI ANJANEYULU
Date: 2024.05.30 15:26:20 +05'30'

T.Anjaneyulu
G.M - Company Secretary

“Astra Microwave Products Limited

Q4 FY '24 Earnings Conference Call”

May 24, 2024

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 24 2024, will prevail

MANAGEMENT: **MR. S. G. REDDY – MANAGING DIRECTOR – ASTRA MICROWAVE PRODUCTS LIMITED**
DR. M.V. REDDY – JOINT MANAGING DIRECTOR – ASTRA MICROWAVE PRODUCTS LIMITED
MR. ATIM KABRA – DIRECTOR-STRATEGY AND BUSINESS DEVELOPMENT – ASTRA MICROWAVE PRODUCTS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Astra Microwave Products Limited Q4 FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinion and expectation 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 participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your 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, and good evening, everyone. A warm welcome to all the participants to the post result earnings call of our company. I am with my colleagues, Mr. M.V. Reddy, and Mr. Atim Kabra, and SGA, our Investor Relations operators. The result and investor's presentation for Q4 and FY '24 are uploaded on our company website and stock exchanges. I hope you had a chance to look at it. I'm delighted to share with you that the FY '24 has been an excellent year for our company as we have grown exponentially in multiple parameters including financial performance, developing capabilities and improving quality of our product mix.

We have registered our highest ever financial performance across all metrics. Revenue, EBITDA, PAT. We have also witnessed good margin expansion driven by improvement in the product mix. This performance is in line with our expectations and guidance. Recently, we also entered into a collaborative agreement with Teledyne E2v Hirel, in order to provide semiconductor services to support the aerospace, defense and the reliability electronics market. This agreement will pave the way for numerous new possibilities for us in the future.

Coming to our order book, as on 31st March 2024 at a stand-alone level, we have about INR1,956 crores of orders in hand and our order win continues to be healthy. We have booked about INR472 crores of orders in Q4, out of which close to INR446 crores of orders are from defense. It's in the defense segment, a good number of orders are booked in Radars, EW segment, followed by metrology and hydrology and the little bit from exports.

Subsystems for Arudhra radar and homodyne receivers building significant products for which above different products are received. Overall, our order book capex of 88% of defense markets, which are largely BTS, which command higher margins and 12% of exports which is largely suppressed to Indian EOUs, which carry reasonably good margin, unlike our offset basic export orders.

In terms of various parameters, which are already shared through website and all, we have recorded a good improvement in percentage terms across all parameters. I request all of you to go through the website to know more details about that.

R&D is our cornerstone of our growth and this year, we have spent close to about INR38 crores in R&D which was focused mainly on radar systems, critical subsystems for radar, seekers, SSPAs and EW subsystems. As we are aware, Astra is incorporated a subsidiary company to undertake a sales-related business.

This company has started recruiting personnel and setting up basic infrastructure for satellite integration at its Bangalore facility. The objective is to get qualified for satellite integration and launch -- launching business. And this endeavor -- in this endeavor, it is preparing itself to launch its own basic satellite in the next two years to three years. It will be making use of SAR payload technology, which was taken under TOT.

For JV Company, ARC, it was a breakout year, which we have been waiting for a long time and its bottom line has improved in a big way. For the last year, it has bagged close to about INR386 crores of orders and has a healthy order book of about INR456 crores at end of the year. There is potential to bag big orders in the coming years to the extent of about INR900 crores and will record at least about 10% to 15% year-on-year growth in the next few years with a PBT of around 10% to 15%.

As you are aware, Astra owns 50% of this JV Company and has earned about INR12 crores of profit as its share from the JV company for the year gone by. LCR Mantech radio, which is under development at the JVC under NCNC basis is due for final technical trials in the next couple of months and the company's gearing up for the same.

And lastly, for the coming years, we are targeting order book in the range of INR1,200 crores to INR1,300 crores and the top line in the range of about INR1000 crores to INR1,100 crores, while maintaining the existing profit margins. We'll continue to grow our capabilities strategically and achieve our targets step by step. Major business updates, potential business opportunities and the strategies to be followed to achieve the same will be shared by my colleagues.

Now, I will hand over to Mr. M.V. Reddy, then later on to Mr. Atim Kabra. Thank you.

M. V. Reddy: Thank you. Good evening, everyone. As Mr. SG has mentioned, last quarter performance was remarkably well and surpass guidance given in both order book as well as sales. The overall performance in the year FY '24 was a par with the guidance given in the beginning of the year. We have booked INR472 crores in Q4, which constitutes almost 95% in the different sectors of the domestic market. We have had INR350 crores from the Radar segment, which is our prime focus area for the last few years, INR84 crores from the EW and INR18 crores from the Defense Communication segment.

We also booked INR26 crores from the space and metrology sector. In the last quarter, we have booked INR27 crores development orders from DRDO Labs and rest all from the production is in nature. Overall, we have booked INR1,325 crores in FY '24, resulting standalone order book of INR1,956 crores brought out for the financial year FY '25.

Ladies and gentlemen, it gives me immense pleasure to inform you all that with few orders which will be booked in April '24, that is in the current financial year, we have reached a landmark of INR2,000 crores order book for the first time and we have a bright visibility to book INR1,200 crores to INR1,300 crores for FY '25. Majority of them are production in nature from the domestic segment. In the first quarter itself, we have a plan to book INR300 crores.

With regard to sales, we have surpassed figures mentioned in the last quarter earnings call and we could successfully execute development contracts which we missed out in Q3. Going forward, we have geared up to reach INR1,000 crores plus milestone in FY'25. First quarter, we have planned to book sales of INR180 crores.

With strong R&D capabilities built over three decades, we have delivered products with cutting-edge technology and more in pipeline. To name a few, we are the first company to deliver AAAU for Uttam, AESA Seeker Head high-power SSB and high-frequency bands, Digital Active Phased Array subsystems, digital multichannel transmission for native applications, etcetera. We have also successfully executed AAA of SDR, which is one of the major orders which we booked last three, four years. And also DWS in various frequency band in FY'24.

And other development of critical new technologies like photonics radar subsystems and subsystems for submarine communication and systems like APS radar are in advance stage of completion. As Mr. S. G. Reddy has mentioned, our JV company ARC demonstrated splendid performance in FY'24. I'll not repeat with the figures what we did in the FY'24, but even FY'25 looks more promising. We have INR900 crores plus orders which are in pipeline. And hopefully, these all contracts gets materialized in the next two quarters of FY'25.

Now in terms of sales, we have a plan to book sales of $40 million, which is about INR330 crores in FY'25. Going forward, we have a very good visibility to maintain sustainable growth with the opportunities emerging in the domain of our operation.

With this brief note, now I hand over to Mr. Atim Kabra to share his thoughts. We would be happy to answer your questions. Thank you.

Atim Kabra: Good evening, and thanks everyone for the opportunity to speak to you again and convey and share with you our vision at Astra. But before I start, I wish to thank our entire team under the able guidance of S.G. Reddy and M.V. Reddy for their hard work. And yes, we are indeed excited by this set of opportunities that we see and excited to partner with the Defense Labs and the Defense PSUs under whose tutelage we have blossomed and have reached the stage where we are developing new exciting products and have emerged as a systems-level entity with systems integration capabilities.

And we just spoke about a few of our products which we have developed in-house, and they form the cornerstone around which we are delivering our margins and our growth story. Numbers are numbers, but I think what is being conveyed across is that the opportunity set is huge and companies like Astra and it's not limited to us, but the defense sector itself, are fairly well placed to capitalize on this extremely large opportunity.

I read a report recently, it speaks about the share of defense capital outlet is expected to increase to 37% of the total defense budget in FY'30 as compared to 26% in FY'24. And that is a cumulative capital outlay of $186 billion over FY'24 to '30. I'm saying this is a large opportunity space that we need to attack and are operating in.

But suffice it to say that over the next two years, based on the orders in hand and the visibility thereof, we are fairly confident of delivering CAGR growth in sales of around 18% to 22%, with a better CAGR growth in our profitability numbers as higher sales slowdown disproportionately to the bottom line in face of limited increase in fixed cost base. So I'm fairly confident that S.G. and M.V. will meet these forecasts quite handily.

But I want to talk to you more about our broader vision which will position us firmly on a path towards sustainable and predictable growth over the next decade. And Astra will become a much, much larger entity than what it is today. So what we have tried to do is put a framework around our various growth initiatives, some of which I have touched upon in my earlier conversations with you and which encapsulate our various efforts which are targeted towards building a much larger and much more capable Astra. And the framework also puts our various initiatives in a structured format. We call this our LEAP strategy, L-E-A-P, Astra's LEAP strategy.

To reiterate, the LEAP framework is in addition to our 20% on an average targeted organic growth strategy. This is in addition to this. It seeks to capitalize on the significant IP, which has been created in the company over the last three decades. It acknowledges the tremendous contribution by various Defense Labs and Defense PSUs in helping us -- help create and imbibe various technologies and it seeks to build on our vision to create high-tech products, which are made in India, but for a global market, not only for the domestic market.

We seek to capitalize on the reusable building blocks and the library of products and technologies, which have been created over time in-house. The framework, if I may say, seeks to capitalize on our sustained investment in R&D over decades and products. And Astra if you see is in the IP enhancement and IP encashment business. With tailwinds in our favor, we have grappled with putting together various phases of growth for a sustainable growth path. And as and when these initiatives bear fruits, they will add to our organic growth, leading to enhanced sales and margins.

So in the LEAP framework, L stands for lean and learn. Lean and learn implies we are looking at Astra as a collaborative platform. We collaborate with Defense Labs, with Defense PSUs, start-ups, early-stage companies and various academic institutions to increase our IP base in the shortest possible time, while adding to our IP-driven product capabilities, acknowledging the fact that IP is built across companies, institutions, labs, educational institutions. And we seek to synthesize the various elements of these IPs and put them together for more relevant products in the shortest period of time.

It is tied around our capabilities to deliver, our proven capabilities to deliver. And our technological base, which can imbibe the new tech, provide them a framework to create newer sales products, newer sales and newer sales channels. E in the LEAP framework denotes our commitment to adjacencies and expansion, E is expansion, expansion into areas which can be significant in themselves and where the future lies in our assessment and where our current set of capabilities can be deployed to make a meaningful impact going forward.

Astra is already a significant player in the space sector and we see immense opportunities for expansion in the space sector. We will be one of the major companies major players out there ranging from space-grade components, subsystems to designing satellites, to satellite bus as well as payloads. I think we will be able to deliver our first satellite, sizable size satellite maybe in the next 12 months to 15 months.

This activity is being co-ordinated by both our Bangalore as well as Hyderabad facilities and a lot of folks with significant experience have been onboarded for this initiative. Similarly, we have spoken about our MMIC capabilities being one of our core strength. And after looking around we have zeroed in on MMIC expansion. S.G. Reddy just spoke to you about the Teledyne e2v HiRel collaboration wherein we are seeking to provide semiconductor services which will support various domains like aerospace, defense and high-reliability electronics markets over the next few years.

As a collaboration unfolds it will provide Astra a capability to market its product globally while developing its MMIC portfolio. Similar such initiatives are being thought about as we speak. Another pillar of our LEAP strategy A, revolves around accretiveness where we have a clear focus on ROE enhancement and sales profitability and margin enhancement.

You have already seen a very steady uptick in our return on equity and this is something which is one of the key parameters which we focus on. Working capital efficiency accretiveness is something on which S.G. Reddy spends a lot of his time on as ours is a receivables heavy business. We are well aware that the holy grail lies in free cash flow generation significantly and we are working towards that.

Lastly, the P in the LEAP strategy signifies our vision of delivering high tech products to the market which blend our core capabilities with a systems integration approach. These products will be IP-driven and provide solutions to address various market needs. I'm glad to report that we have recently bagged order for Precision Approach Radars also and we are super excited by our anti-drone capability set which is being introduced in our product format.

We are working on multiple other products which will be addressed towards the global market, and I refer to a few of them in our earlier conversations. So as mentioned earlier, these initiatives are centered around the framework which will add about 20% odd average organic growth rate and we put them separately. As the framework spells the vision that we stand for for an overarching umbrella that we operate in.

Lastly, I need to emphasize that we are constantly re-evaluating and reassessing our various initiatives and trying propel them in a direction which make us cost competitive and gear towards timely delivery of products. We will not hesitate to add projects or products or put them on a back bench if they are not delivering or where we'll not be cost competitive with finished products.

On a positive note as shareholders of Astra we not only have ownership interest in Astra, but also another profitable company with a marquee partner namely ARC where Astra owns 50% equity interest and it's sitting on a nice significant order book which M.V. Reddy alluded to. It's profitable and has the product range which has the potential to even hopefully over shadow Astra over a period of time.

So we will have ownership interest in Astra and owner interest in ARC combined, it's a well interesting combination. We are very thankful for our JV partners for imposing faith in us. Our shareholders are already seeing a positive impact on the consolidated bottom line through this initiative. We'll touch upon the order books which MV has already mentioned earlier.

So a lot to do and a lot of exploratory initiatives are underway in multiple areas ranging from AI, machine learning, GPS capability enhancements, etc to better our products and meet the requirements clearly brought out between the conflict -- because of the conflicts which are raising around the world.

I can go on, but I have already taken a lot of your time. And if you have questions, let's address them in the Q&A session to the best of our abilities. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have a couple of questions. The first one is actually around working capital. So this year, if you see there is a significant buildup of receivables as well as inventory. So is it a one-off factor or is it due to some development work that we are taking for and what will be the guidance for working capital days going ahead?

Management: Yes, Amit complete your questions. You said a couple of questions.

Amit Dixit: Yes. The second question is on this Teledyne collaboration if it is possible to provide some more details at this stage while you have mentioned it will provide semiconductor services and I hope it will dovetail into MMIC, but for which platform specifically and how much incremental revenue and strong profitability it can generate?

Management : Okay. I'll take the first question. Probably second question Mr. Atim can take it. Regarding the receivables are shooting up it is largely because of the bunching of the sales towards end of the year. Q4 we did close to about INR270 crores of business are in excess of that I think INR300 crores. So the entire sale of Q4 essentially will be sitting in the balance sheet which is close to about INR354 crores. That is one of the big factors for the higher receivables appearing in the balance sheet. Working capital days you know very well we keep discussing about this almost every day. We are trying our best. We would like to bring it down to around 240 days kind of things. But unfortunately, as of today, it is slightly on a higher side.

In addition to that, as the nature of industries is such that the company will be forced to maintain inventories for the project duration cycle and not only because of a niche nature of the semiconductor devices, which are required and also because of the project duration itself, which runs close to about 2 to 3 years kind of thing. So these are the cumulative factors, which are making us to have higher inventories and the receivables I already explained to you why it is that.

Management: Yes. I'll take the Teledyne part. So Amit, Teledyne is more a testament to our MMIC capabilities, which you are very well aware, is one of the cornerstone pillars around which Astra has developed it's capability set. We started our MMIC initiative in 2005, 2006 and various developments and abilities which we have generated through that, have brought us on to a very strong platform.

We are actually governed by a fairly tight confidentiality agreement. So we will not be able to talk specifics about the Teledyne deal. But I can tell you that from our MMIC division's perspective, the whole idea of entering into such a collaboration is to scale up our business in a meaningful manner over the next 2 to 3 years, so that it moves the needle for everybody, for us also and for Teledyne also. I don't think a large company such as Teledyne would enter into a formal agreement unless they can see that there is potential to move the medium dramatically.

We are undertaking specific initiatives to get this going, which have already started. But I think we would like to let the numbers speak to themselves over a period of time on how the collaboration pans out. So it's going to be -- if it's -- I hope that it would be a really long-term collaboration, which will put us on a global map.

Amit Dixit: Okay. That is helpful. One more last question, if I can squeeze one. Is that we have kept our guidance for cumulative revenue at INR7,000-odd crores not till FY '28 impact despite a good performance this year and the next year guidance is also quite good. And we expect growth in revenue. And of course, with Tejas Mk 1A project gathering momentum beyond 40th,41st we will have Uttam radar also coming in. So don't you think the INR7,000 crores is a tad conservative at this stage?

Management: But will we rather not be conservative. Well you know us, we like to be conservative. Actually, I can put it this way, that the opportunity set is really huge, right? But we are comfortable giving you guidance for a year or 2 as the story unfolds, right? In the long term, we have already mentioned the multiple initiatives which we are working on, which hopefully will lead to an expansion in the TAM itself and TAM, SAM everything should increase significantly. But as and when visibility comes in very clearly, we will love to increase the numbers. Our idea is what we tell you, we'd like to achieve that.

Moderator: Next question is from the line of Bhavik Shah from MK Ventures.

Bhavik Shah: So first, can you just reiterate the guidance which you gave because there were some disturbance. What kind -- what is the revenue PBT order book and order inflow guidance we are seeing for FY '25?

Management: No, you mean you miss it our interact everything?

Bhavik Shah: I was there. Did I hear NR1,000 to INR1,100 crores revenue? I'm just curious, there was some disturbance.

Management: In terms of the order book, our guidance is INR1,200 crores, INR1,300 crores. That is a stand-alone order book. In terms of revenue…

Bhavik Shah: inflow guidance? Is the INR1,200 crores to INR1,300 crores is the inflow guidance?

Management: Sorry

Bhavik Shah: Is the order inflow expecting in FY '25?

Management: Yes. Order inflow. In terms of the revenue guidance, it is INR1,000 crores to INR1,100 crores.

Bhavik Shah: And so in terms of PBT margin?

Management: We should be able to maintain the current PBT levels with a slight on the positive side.

Bhavik Shah: Okay. So current PBT level. When we say we are seeing about 18% to 22% CAGR growth in revenue over next years. So sir, if I calculate like my revenue guidance is on -- it should be around INR1,100 crores only. Like are we seeing any one-offs happening so that we are giving the INR1,000 crores range also?

Management: Sometimes numbers don't turn out the -- your -- the other products -- product delivery gets delayed, client picks up the products a little bit later. So we want to make sure that there is enough flexibility in the system. But as I said, 18% to 22%, growth rate is the targeted number.

Bhavik Shah: Okay. Astra Rafael JV was supposed to turn positive by this year, if I recall that. Actually in the cash flow statement, I can see a INR12 crores loss? So what is that? So it's the operating loss or is the one-off loss ?

Management: S G. can you please take this

Management: Again, Bhavesh, I didn't get your question.

Bhavik Shah: Astra Rafael JV. In the tax flow statement, we can see a INR12 crores share of loss from there. Is it a normal operational loss or have we written off something, so that's a one-off loss?

Management: INR12 crores loss?

Bhavik Shah: In the cash flow statement, you can see share from -- loss from joint ventures.

Management: No it is share of profit from the joint venture, we got INR12 crores of share of profit from the joint venture.

Bhavik Shah: Profit, and stronger to expend from this -- so the JV has turned profitable, right?

Management: It is a share of profit.

Bhavik Shah: Yes, so it's sort of a one-off, right? It's profitable because Aelius turned profitable right?

Management: Yes, please.

Management: It turn profitable. It has delivered a pretax profit of about close to INR30 crores and the post-tax profit of about INR24 crores.

Bhavik Shah: Okay, sir. We did see some borrowings have shot up during the long-term and short-term borrowing, and short-term during the March balance sheet. Similar side, we can see capex, some kind see with there in the balance sheet. But can you throw some light what capex are we doing in that capex and for that capex, are we taking loan?

Management: The capex, it is a normal testing equipment and other things which are required to support our existing activities. Basically about close to about INR40 crores is the capex incurred by the company in terms of these test equipment's. Short-term borrowings are largely for the working capital instead of awarding our cash credit, we go for a working cap on demand loan, which is gratified as the short-term borrowings in the balance sheet.

Management: Our term loan just to clarify is less than INR15 crores, if I'm not wrong.

Bhavik Shah: Right, sir.

Management: Yes, long-term loan is about INR15 crores.

Bhavik Shah: Right. Okay, sir. Thank you so much and congratulations.

Management: Thank you.

Moderator: Thank you. Next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Hi. Congratulations, team Astra. I think you achieved what you said in the past. Hearty congratulations. I have just one question on upgrade of Sukhoi radar, supposed to be GAN based. Recently, some article says they have floated a tender for EW for the Sukhoi. Are we taking any role there? And if yes, can you share some update on that?

Management: Yes. Ketan, the first thing is on the radar front, the DRDO is yet to come out with the final configuration of the radar for the Sukhoi upgrade. And as far as EW, you are right. There was EOA that was floated by DRDO for BCPP. And we are examining that and we will take a decision very soon as it just floated only a couple of days back.

Ketan Gandhi: So, do you find any competition there? I mean is there any player other than us for EW?

Management: Yes, why not. I mean, there are a few companies who are working in the EW. So obviously, we will have competition there.

Ketan Gandhi: Okay. And any feeler from the DRDO or government side regarding GAN based radar for Sukhoi, whether they are going for it or it will take some time?

Management: No, they are discussing, I think, as I said, the final configuration is -- had to be decided. Once we finalize that, I think probably we will come to know about it.

Moderator: Next question is from the line of Col Sarjeet Yadav from Mount Intra Finance Private Limited.

Col Sarjeet Yadav: Congratulations on a very good set of numbers, sir. Sir, I just want to know in the guidance you have given. Can you just give us some colour on what are the products we are looking for this number of 1,200 revenue, order books are you expecting?

Management: In terms of order book, we have many production orders like in Radar segment, the Arudra a major contract we have received in last year. But some leftover contracts we just received only last month. And then we are also expecting orders for [inaudible 35:41]. That is the advanced version of controlled acquisition product for Airforce, this is, again, we are expecting from BEL. Then we have the program, DR-118, in which we have -- we took L1 in that EW receiver. So there that also we are expecting.

And Mr. Atim had mentioned, we have just received one contract for the application of radar. Apart from that, we are expecting a few orders from production nature. That is ACRNM that is from [inaudible] AWC Mark I and also DWS from IMD and other users. And we have orders, which are in pipeline for EW production from BEL that is for the programs called Nayan, Shakti and Imeshakti.

Yes, these are a few orders which we are in -- they are in the pipeline. And there are many other tenders, which, in fact, are coming out, which we'll be competing with others. Whatever the programs I mentioned that these are all actually with the single tender and one or two are which we won in mix tender. In all this, I think we are confident of booking orders of close to INR1,200 crores to INR1,300 crores.

Col Sarjeet Yadav: Okay. Sir, one more question. In Space segment, I saw revenue of about INR15 crores. So can you tell me what kind of product are you supplying in the space segment?

Management: Yes. We have orders from ISRO for subsystems of Radar Imaging Satellite. Some of them have been supplied last year and left over, we are going to complete it in the next two quarters.

Moderator: Next question is from the line of Meena Bansal who is an Individual Investor. Please go ahead.

Meena Bansal: Thank you. And congratulations on good set of numbers. I have one question that your raw material cost in Q3 was 53.48%. which has now increased to 62.6%. So any particular reason for that. And if I go back to September quarter and December quarter there, it was 57% and 53%.

Management: So the raw material cost for this quarter is about..

Management: 62.60%.

Management: I cannot get into the specifics. But in general, the raw material consumption depending on the product mix. It is quite possible that some of the products that we have executed in Q4 has higher raw material costs, and that is the only reason why it would have gone up. Beyond that, there is no specific reason.

Moderator: Next question is from the line of Yogh Modi from AP Capital. Please go ahead.

Yogh Modi: I just have one question. My question was on the export side. Can you please elaborate on what are we doing on export side that will improve our margins on orders?

Management: So on the export front, we have been discussing with a couple of OEMs, for supplying with BTS products and a few products which we have taken up development, which are in almost advanced stage of completion. I think in next two quarters, probably we will be in a position to demonstrate these prototypes to those OEMs. Once we have access in this than I think probably we can expect a good number of orders. I do not want to reveal more details about that as this is in a very initial stage.

Apart from that, the offset business, we are likely to get couple of more contracts but not in the same scale like we used to get, maybe in a small point. But otherwise, small value. Rest are like we are trying to participate in few tenders for the systems, what we develop like Doppler weather radar and all. We have participated in some expression of interest as well as in RFIs. So probably in one year or two, I think we will be in a position to supply these systems to the global market.

Yogh Modi: Thank you. That's all from my side.

Management: Thank you.

Moderator: Thank you. Next question is from the line of Manoj from KY Advisors. Please go ahead.

Manoj: Hi sir. Thanks for the chance. Just a qualitative question. There was one of the companies in defense was saying that the government is taking a lot of interest for exports and one of the government called one of the company saying that do you need any help from us or you down the numbers in exports is x, y, z. Do you -- can you grow faster or you need help form or something. Can you share any kind of change in government interaction ceiling in the last one or two years?

Management: Yes. You are right. government is encouraging companies to export. But as you know, I mean, you basically -- systems that end up, which can meet end applications, we have a lot of potential to export to begin with. And just companies who have built the systems, they will have opportunity to export to the -- to this nation as well as the Africa market. We also gone through -- we have seen a good number of opportunities that are coming for us also.

But it takes time. Export market is not so easy to tap it and we need to establish ourselves and then we need to sell. So it may take a few year's time. But yes, this is a good beginning. And government, they are encouraging in the sense participating. They are taking industry together to the many forums and all like being introduced by the government, all industries. And then I think indirectly, is supporting companies like us to get to directly to the OEMs.

Manoj: Right. Sir, for the Indian procurement, have things substantially changed in the last year or so, like the speed of approvals, etc.?

Management: Sorry, we didn't hear your question. Can you repeat, please?

Manoj: Asking for the Indian defense procurement, have things changed substantially in the last six months or year or so from the government?

Management: Yes. See, as you know, like we have been seeing many opportunities for the companies like us to participate directly in the MoD business. If you look at the history of our company many years, we have been supplying subsystems to DRDO and ISRO. And then we were getting these production orders from the PSU center. MoD has given opportunity for companies like us to build the system and to participate directly. The category of Make-1 and Make-2. And we can build a system and then we can supply to directly to the arm process. So this is what the change happened in the last two years. And that is really giving us the motivation and also to the strength of the companies who have the core technology that can build a complete instrument be in the market.

Manoj: Okay. Versus, we had to go via the DRDO, etc., all of the government companies now we can do it on our own faster?

Management: Yes, towards that, we are building few systems and we are supplying -- we are planning to supply directly to the services. Like I stated in last earning call, we received PFO for couple of Radar Systems, which are in development phase. And so once we complete, we can be in competition with the other major players.

Manoj: So versus earlier it seemed to take a few years now that will be -- that will be shorter and faster?

Management: To some extent. Yes. But this is a development of system takes time. But today, having got the technology available in the companies, we can build up in a much faster pace.

Manoj: All right, sir. Thank you so much. All the best.

Management: Thank you.

Moderator: Thank you. Next question is from the line of Jasmeen Kaur from Fortuna Investment Advisors. Please go ahead.

Jasmeen Kaur: Yes. Sir, my question is actually on the receivables, again, there was an earlier participant who did ask, but I want to understand this a little better. Even if you are saying that because of Q4, I mean, probably that entire additional would probably be sitting in receivables. But still, despite that, the receivables increase seems to be quite high. So sir, if you can just give us a little bit more detail on the nature of these receivables. And when do you expect them to be realized and whether this is a sustained kind of a thing or we will see better receivable days going forward?

And also, if you can also tell us a little bit on the aging of these receivables? How old are -- what percentage of it are like in the 30-day bucket or 30 to 50-day bucket? So in that manner, we will be able to understand better.

Management: Yes. Aging may be a problem. I don't have the data, but I will throw some more light on why the receivables are fairly high. Apart from whatever I said earlier, the other reason could be like we have delivered two major projects in the last year. Cumulatively, those two orders will come to close to about INR170 crores, INR180 crores. Both these programs are under the final approval. It is called SAT approval. So this is sitting there in the balance sheet for the last eight months or so.

Probably these are the two factors, which is delivering up the receivables. We assume that and the third factor is deferred receivables. There are two categories of deferred receivables, one, what we have supplied to the Indian Technology Department as a part of the tender terms, so market sales upfront. Remaining 60% is received over the period of five years, which covers the warranty period. So these are the other two elements which we have to consider for a proper analysis of the receivables.

Jasmeen Kaur: Sir, do you see your short-term borrowings increasing further in the current quarter, if these are probably the receivables have still not realized. And can we see an increase in the borrowings in this quarter?

Management: Yes, I think so. Maybe up to INR40 crores to INR50 crores, we may have to go for an additional borrowing. But as of today, it is around just around INR200 crores, whatever you are seeing in the balance sheet. The same number is there but maybe in the next one months or two months, it may slightly go up.

Jasmeen Kaur: Okay, sure. Thank you.

Management: Thank you.

Moderator: Thank you. Next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.

Jyoti Gupta: Good evening, sir. Great set of numbers. I have two, three questions. One is, what is the variation in margins in the products sold in the export market versus domestic? Of course, the contribution of domestic market, which would almost be twice in what will be exported to other countries. Second is the key projects, which is outlined on your presentation on Page 15.

One is the Line-replaceable unit we supplied to CAR, Ashlesha and Arudra Radar, are these recurring which means you would there will be some projects which will be on a recurring basis and some which would be come after a certain gestation. So one, is the LRUs which are there, is this a recurring would be recurring in nature?

Second is we -- the array antenna, the AAAU for Uttam AESA and LCA Mk1A for aircraft. Will the revenue stream start coming from FY'26 because that's what HAL said that they will be the first lot of, I think, 8 units would be commissioned or would be out for delivery in FY'26. So how should we look at these orders in terms of -- because, let's say, you're making 10 projects, not all 10 projects will start giving you revenue. They will all have certain time lines. How should we look at these projects over a period of time?

Management: Yes. Ms. Jyoti Gupta The second part of the question I'll answer regarding this recurring business. Yes, the programs, what are being given in that sheet, like CAR systems and as well as the Ashlesha, we do get repeat orders but it takes some time, gestation period is a bit longer, maybe after a few years we will get repeat orders. And as far as the Uttam AAAU for LCA Mk1A is concerned, yes, we are expecting linker series stages production in next two quarters. And probably the revenues start flowing from FY'26 onwards.

Jyoti Gupta: And what about the other one, the sub-modules for Nayan and Shakti project?

Management: Yes. These are all production orders. And we have already supplied. We have been supplying rather for the last few years. And we're likely to get more orders in future based on the orders which BEL receives.

Jyoti Gupta: My next -- the first question was in terms of the margins. Of course, I think it will be difficult to answer, but could you see some sort of a percentage variation in the from domestic? Because my understanding is your margins from domestic sales would be higher than what you would be actually getting from supplying abroad?

Management: Yes. Definitely, the margins for the products which we have been supplying to the foreign OEMs, all these years were basically -- we were focusing on offsite business where margins were very low. As compared to the domestic, which we supply against the build to spec, which where we build our own IP in those products.

The margins are significantly high as compared to the exports. But as just now I mentioned that we are focusing to develop a few products and as well as systems for the global market will be our own IP so which definitely will have a better margin as compared to what we got in recent times.

Jyoti Gupta: And currently, how many IPs do we have? Because last time when I visited your Hyderabad plant, I like two products eventually because it had a lot of meaning in terms of civil infrastructure. One was the -- one was a product which was replaceable to a bird hit and the other one was a clutter in the orbit. What is the progress in those two projects?

Management: You are talking about the wind profile radar?

Jyoti Gupta: Yes.

Management: Yes. So that is in development. As I said, we are developing that radar. We have already supplied a few wind profile radars to various users like IITM and also to universities. And from the services, we got PSO for development of this. And we are in competition and we are actively developing this particular radar.

Jyoti Gupta: That will be all. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we'll take this as a last question for the day. I would now like to hand the conference over to the management for the closing comments.

S. G. Reddy: Yes. Thank you very much for your time and speaking to us. I look forward to -- meet you, talk to you again at the end of Q1. Thank you very much.

Moderator: Thank you. On behalf of Astra Microwave Products Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.