



प्रतिष्ठा में/ To,  
नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड  
National Stock Exchange of India Ltd.  
एक्सचेंज प्लाज़ा , प्लॉट नं. सी/1, जी ब्लॉक  
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मुंबई/Mumbai – 400 051

सं .No. 17565/6/SE/NSEC/SEC  
दिनांक / Date: 01.08.2024

महोदय / महोदया,  
Dear Sir/Madam,

विषय- दिनांक 29.07.2024 को आयोजित निवेशकों/विश्लेषकों के साथ सम्मेलन कॉल की प्रतिलिपि।

**Sub: Transcript of the conference call with Investors / Analysts held on 29.07.2024**

सेबी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, कृपया 30 जून, 2024 को समाप्त तिमाही के लिए लेखा-परीक्षा रहित वित्तीय परिणामों पर चर्चा के लिए सोमवार, 29 जुलाई, 2024 को शाम 4:00 बजे मैसर्स इलारा सिक्योरिटीज प्राइवेट लिमिटेड द्वारा आयोजित सम्मेलन कॉल की प्रतिलिपि इसके साथ संलग्न पाएं। Pursuant to Regulation 30 and 46 of SEBI (LODR) Regulations, 2015, please find enclosed herewith the transcript of the conference call hosted by M/s Elara Securities Private Limited on Monday, 29<sup>th</sup> July, 2024 at 4:00 P.M for discussion on Unaudited Financial results for the quarter ended 30<sup>th</sup> June, 2024.

आपकी जानकारी के लिए, उपर्युक्त प्रतिलिपि कंपनी की वेबसाइट [www.bel-india.in](http://www.bel-india.in) पर निवेशकों-स्टॉक एक्सचेंज प्रकटीकरण टैब के तहत उपलब्ध है।

For your kind information, the aforementioned transcript is made available on the website of the company [www.bel-india.in](http://www.bel-india.in) under Investors – Stock Exchange Disclosure tab.

आपकी सूचना और अभिलेख के लिए प्रस्तुत।  
Submitted for your information and record.

आपका धन्यवाद। / Thanking You

भवदीय Yours faithfully,

कृते भारत इलेक्ट्रॉनिक्स लिमिटेड  
**For Bharat Electronics Limited**

एस श्रीनिवास /S Sreenivas  
कंपनी सचिव /Company Secretary

संलग्न- यथा उपरोक्त।  
Encls: As stated above.

**भारत इलेक्ट्रॉनिक्स लिमिटेड**

(भारत सरकार का उद्यम, रक्षा मंत्रालय)

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**Bharat Electronics Limited**

(Govt. of India Enterprise, Ministry of Defence)

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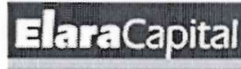
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“Bharat Electronics Limited Q1 FY'25 Earnings Conference  
Call”

**July 29, 2024**



**MANAGEMENT:** SHRI MANOJ JAIN – CHAIRMAN & MANAGING  
DIRECTOR, BHARAT ELECTRONICS LIMITED  
SHRI DAMODAR BHATTAD S – DIRECTOR (FINANCE)  
& CHIEF FINANCIAL OFFICER, BHARAT ELECTRONICS  
LIMITED  
SHRI S. SREENIVAS – COMPANY SECRETARY, BHARAT  
ELECTRONICS LIMITED

**MODERATOR:** MR. HARSHIT KAPADIA – ELARA SECURITIES PRIVATE  
LIMITED

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Bharat Electronics Limited Q1 FY'25 Earnings Call hosted by Elara Securities Private Limited.

As a reminder, all participants line 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 any assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you and over to you.

**Harshit Kapadia:** Thanks, Shubhangi. Good evening, everyone. On behalf of Elara Securities, we welcome you all for the Q1 FY'25 Conference Call of Bharat Electronics Limited.

I take this opportunity to welcome the management of Bharat Electronics represented by Shri Manoj Jain, Chairman and Managing Director, Shri Damodar Bhattad, Director, Finance and CFO, and Shri Sreenivas, Company Secretary, along with their team.

We will begin the call with a Brief Overview by the Management followed by Q&A Session. I'll now hand over the call to Manoj sir for his opening remarks. Over to you, sir.

**Manoj Jain:** Myself, Manoj Jain, CMD, BEL. I am pleased to announce the Financial Highlights of Q1 for Financial Year '24-25.

In this Q1, we have achieved a turnover of 4,400.27 crores, which is a increase of 19.1% from the previous year Q1 Results. The profit before tax increased to Rs.1,037 crores as compared to Rs.704 crores last year with a growth of 47.40%. The profit after tax has also increased to Rs.776.14 crores as compared to Rs.530.84 crores with a growth of 46.21%. The EBITDA also has increased to 22.82% as compared to 19.28% last year. The same thing is earning per share which has also increased to Rs.1.06 as compared to Rs.0.73 last year. The order book position as on 31.7.2024 is Rs.76,705 crores.

On all the parameters we have shown an upward increased trend. This is a brief financial highlight of Q1 this year.

**Moderator:** 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 on revenue guidance. If we look at the revenue, it has grown by almost 20% in this quarter YoY. Now, what kind of guidance would you like to give for the full year given that 1st Quarter have been quite strong?

**Management:** We would like to maintain the guidance we have given already in our previous con call, which will be 15%. So, revenue growth will be around 15% compared to last year for the full year.

**Amit Dixit:** The second question is on the order flow guidance. So, despite it being accentuated by elections, we saw a pretty healthy order flow for the company. In the last con call, you again gave a guidance for the order flow to be around 25,000-odd crores. Do you see some reasons for upward revision to guidance? And if it is possible to mention, can you just let us know the key contracts that were executed this quarter?

**Management:** This guidance for this year what we had promised 25,000 crores, we will definitely retain that and we will meet this expectation and we will get this orders of 25,000 crores. In that the major order which we have received in the last quarter are BMP-2 Upgrade, the TR Modules for Thales and MPR Radar for ITR Chandipur, some spares for our P15 Bravo Ship for Communication System, Akash AMC, T90 Stabilizer Spare and CMS System. So, around 4,800 crores plus orders we have received in the last quarter.

**Amit Dixit:** I was talking more about the execution. So, can you highlight the major platforms that we have executed in this quarter?

**Management:** So, in the last quarter, we have executed some six, seven main orders. One of them is LRSAM, which we are anyway executing year-by-year. But this quarter we have achieved around 842 crores through this particular project. Then this CBIT project which is our Civilian Sector-I project which we are doing for Central Board of Indirect Taxes, etc., For them around 300 crores worth of order we executed. One Hammer Missile System we had executed around 235 crores. Then some Set Pump Terminals around 143 crores we had executed the order. IACCS is a big project which we are executing for the last 3-4 years. So, there are also around 132 crores. The EW Systems, we are supplying so many, but noteworthy is one Shakti EW System which we have supplied around 127 crores worth of equipments and Lynx-U2 that system also for naval requirements for 95 crores. So, these are in brief about the major projects which we have executed in this Q1.

**Moderator:** The next question is from the line of Umesh Raut from Nomura India. Please go ahead.

**Umesh Raut:** My first question is basically on the AoN approval that today accorded by the Defense Ministry with respect to advanced land navigation system. So, could you please throw some light how big this opportunity for us in terms of orders in the future?

**Management:** Which one? Can you please repeat? Advanced land -?

**Umesh Raut:** Advanced Land Navigation System, (ALNS), I think we have already delivered Version-I to the Indian Armed Forces previously. I think they are now seeking the proposal for MK-II which is compatible with Indian Regional Navigation Satellite.

**Management:** Correct. That is handled by our Chennai unit, and this is totally homegrown indigenous development by us. And this Mark-II... we can call it as a Mark-II also, here it is having capability of NavIC support also. So, IRNSS we call it, IRNSS restricted service support also will be there in that. So, we are confident we will supply in time this equipment because all the basic technology is already in our control.

**Umesh Raut:** How big this quantum of opportunity could be in terms of order inflow?

**Management:** That I can't tell you at this moment of time till MoD gives us the real value, because it depends on the quantity and other configuration-related details. So, based on that, once we freeze everything with them, we will definitely come back to you.

**Umesh Raut:** My second question pertains to quick reaction surface to air missile where we are seeking final approval from the MoD. So, what exactly currently the status regarding that program and how soon we can expect that order to come?

**Management:** All the trials and everything has been completed successfully. So, many other lab reports and other things also were given to them to the user, and it is satisfactory on all the things. So, all the paperwork is done for this and they have asked some budgetary quotes from us. I hope by the beginning of next year means April to June sometimes we may get this order because there is a long process, still AO and then they will get financial sanctions and then ask the formal RFP and then negotiation and then placing order to us. So, we are expecting maybe April to June timeframe next year we may get this order.

**Umesh Raut:** Sir, my next question is more of strategic in nature. If I look at your gross margin over the course of last five years, I think we made more of a bottom closer to 42% in FY'22 and now we are consistently reporting gross margins above 45%. And if I look at I think in last two years especially, whatever orders we have received, those are largely from base products or largely from a substitute for imported products. So, I think we are certainly now moving towards better gross margin trajectory. Is it fair to assume that (+45%) gross margin level is more possible to sustain for the company in the future?

**Management:** Current quarter, the gross margin is around 41%, 42% only, not 45, and going forward as we have already guided the EBITDA margin, I mean effectively will be around 23% to 25% is the guidance which we maintain for the current year. The gross margin of 40% to 42% will be the range, so 45-

plus will certainly not be there. 40% to 42% is the range and EBITDA margin of 23% to 25% guidance what we have given we maintain that guidance.

**Umesh Raut:** Is it fair to assume that in phase wise execution for programs like LRSAM, you are getting incremental learning curve in terms of better cost saving and that's how you are also reporting better profitability on same program in the last say four years?

**Manoj Jain:** See, the number of products composition is too large. We have 29 (SBU) Strategic Business Units. There are a number of products which coverage is very, very large. So, when we are giving the guidance of 40% to 42%, it is covering all, it covers LRSAM and all others. So, there will be some minor variations up and down between the products. But overall, the gross margin is expected to be in the range of 40-42%.

**Umesh Raut:** Last question is with respect to other expenses for the quarter. Those grew by about 30% year-on-year basis. Is there any major provisioning during the quarter?

**Management:** Yes, provisions have been there. Of course one is due to the scale of operations, obviously some expenditures go up. That was one reason. The other thing is that provision for LD has slightly gone up. So, these are the two major reasons.

**Umesh Raut:** Sir, can you please quantify the LD amount?

**Manoj Jain:** Provision for LD and doubtful debts was more by 78 crores during the current quarter as compared to the last quarter.

**Umesh Raut:** And what it was in the 1st Quarter of FY'24?

**Management:** It was 54 crores last year and now it is 132 crores.

**Moderator:** The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:** Sir, can you throw some light in terms of few orders which you expect over the next one or two years? You always highlight that in every call. So, I just thought just on the updated part any orders which are going back more getting elongated, any orders which you feel more confident that would come first, just first on that?

**Management:** So, what we are going to get this year some major order, one is ADFT or Apulia. We are expecting that order very soon, then EW suite for our Mi-17 V5 for which the trial has been almost at the last stage we are going to get RFP soon, then security and surveillance system for army that is for their army depots, etc., we are expecting a good order from that, mountain radar also, a good order is

expected in this year, MFRX band radar for ships GMV ships that also is a good order and EW system for ground based, so that also is a good order we are expecting. These orders are of the order of 1,000 crores to 2,500 crores each order. So, these are some of the big orders we are expecting this year itself. And next year, definitely, as I told the QRSAM is the biggest order we are expecting. But in addition, we are having a very good leads right now and good progress has been done on MRSAM for Shivali can take Salwar class of ships, LORA Weapons System, and same thing MRSAM and MFSTAR for NGC vehicle, Next Generation Corvette Combat Weapons Systems and Sonar for P-75, etc., So, some 5-6 big, big programs of 5,000 to 8,000, 10,000 crores worth of value we are expecting in next two to three years.

**Nitin Arora:** So, in that case, when you started this year order which you're telling us where you are confident that you will do 25,000 crores of order inflow and you're also highlighting the next year as well. So, in that case even next year, do you expect a growth on such 25,000 crores order intake, because QRSAM itself will be a very big order. So, -

**Management:** What we are doing is excluding QRSAM, the base order of current year is expected to be 25,000 crores and next year also 25,000 crores expected excluding QRSAM. So, both the year it will be 50,000 crores.

**Management:** And if QRSAM comes, definitely it will be additional around 20,000 to 25,000 crores.

**Nitin Arora:** So, you don't see any slowness that is happening from the government side, which is the fear of a lot of investors, right now that things will slow down and bid pipeline will get elongated, you don't see that happening from the government side?

**Management:** For the current year the capital is in the range of 1.72 lakh crores, out of which 1,05,000 crores is earmarked for the domestic procurement itself, means that we do not see any such thing, the budget also says the same thing, so we do not see any, we do not have any such fears.

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

**Harshit Patel:** My first question is with respect to the Sukhoi-30 upgrades. It seems that this program will pick up the pace very soon. Hindustan Aeronautics also expects this order to come in FY'25 or at least by FY'26. So, what will be the different subsystems that we will supply over here and what could be our work share out of the total order which will be placed on HAL?.

**Management:** Actually we don't have exact figures of what HAL may get order. We only know our electronics components which are going to be there in 230 upgrade. So, there are various subsystems which we are planning for 230 upgrade including radar because in 230 upgrade this time radar also is planned to be inducted, Indian origin. So, that and EW System, then some Radios and other Communication

Systems, so that way we are expecting in the 230 upgrade around 4,000 to 5,000 crores worth of different type of equipments definitely we will have order.

**Harshit Patel:** So, this 4,000 to 5,000 crores you are talking about the first set of fighter jets, which will be I think 84 in the numbers, or you are talking about the entire 260 units?

**Management:** If I am not wrong 230 upgrade right now is planned for first 84 or 100 numbers only. And after that only they will go to the next batch. So, this first one itself, we are expecting this much order quantity to us.

**Harshit Patel:** My second question is with respect to the Netra airborne warning systems. So, has there been any progress on that in terms of DRDO finalizing, who will be the production partners for various systems and subsystems in that? Given that air force has projected a requirement of around 12 more such platforms along with the six that they are already operating at the moment, this could be a potentially very large opportunity for us?

**Management:** Yes, definitely, AEW&CS is a large opportunity and strategic importance for us. So, this Netra you maybe knowing we are supporting them, we are maintaining those aircrafts as well as a lead agency and we have the right expertise for this segment. Various subsystems which are planned now in the next order are already in the pipeline. We are having discussions including some radar which is required for this. This time we are going to indigenize some of the radars driven by DRDO, but BEL is one of the potential partners for them for these radars. So, radar, EW and communications, again, all the three subsets in this AEW&CS there is a large opportunity for us. Right now, confirmed order point of view, we don't have, except maintaining AEW&CS for these three platforms. That itself is a very good opportunity for us to understand all other subsystems, and we are in the process of indigenizing many more subsystems in that.

**Management:** Just a small question is on LCA Mark 1A and eventually Mark 2. Has there been any decision on who will be the production partner for the Uttam radar? So, will this be on a single vendor basis or the order will be divided in a certain ratio between two companies?

**Management:** As of now, Uttam radar for first batch for LCA Mark 1A is given to HAL. HAL is the lead agency and they will take the radar-related modules from one oblique two companies. That decision is not yet taken but lead integration for this radar will be done by HAL for the first batch. Next batch, they may review based on the performance and other parameters. They may select well also. But as of now it is HAL who is leading all the integration activities.

**Moderator:** The next question is from the line of Mohit Pandey from Macquarie Capital. Please go ahead.



- Mohit Pandey:** First question is on the QRSAM order next year. So, how big could that regiment be, the one possible in April to June next year?
- Management:** No, we are expecting more than 25,000 crores order for QRSAM, but the value may change based on the final configuration, number of regiments, number of missiles to be added as per regiment, etc., that is a strategic call which our Indian Air Force and Indian Army are taking. The final configuration will we come to know only when AOM is awarded. So, that we are expecting very soon. So, once that is there, we will get the final figure, but definitely it will be 25,000 crores and above.
- Mohit Pandey:** What would be the proportion of space and services now in the business mix?
- Manoj Jain:** Presently, during the 1st Quarter, the services are around 11% and goods were around 89%.
- Mohit Pandey:** So, that's the proportion of the defense business, this excludes the -?
- Manoj Jain:** No, no, I am telling overall.
- Mohit Pandey:** Within the current order book, what would be the proportion of repeat orders for example orders that you've executed previously and getting repeat for broadly?
- Management:** We don't have the exact quantification of what are repeat orders, but we can always tell, it is there, like for example Akash Squadron we had got earlier 6 Squadrons, later on we got 7 Squadrons and the LRSAM we had got earlier for four states and again we got for seven states. But the exact quantum of the repeat orders at this position, we do not have the information.
- Mohit Pandey:** Sir, lastly is on export. So, as of now, which would be the top two or three countries where we are exporting products to?
- Management:** Major exports right now is the medical electronics related TR modules and some parts for AE17, etc., **(Inaudible) 23:20** and other things for LV Design. So, these are the major projects which we have executed in this quarter. Overall, we received major orders recently, that is for onboard naval equipments from L&T or SEZ export, then something for Airbus, we have got big order for T295, solar power plants for Guatemala we have got very good order now and TR modules, six and eight channel TR module for (TRDS) Thales Reliance Defense System that we have got good order now and a Compass also is a good export order from Israel and bid we have received. Recently, we have received an export order of €25.75 million, that was from TRDS. So, that is for supply of TR modules for various airborne platforms for them.

- Mohit Pandey:** Last question is on the other income. So, is there any one-off in the other income or is it largely interest income on the term deposit?
- Management:** The other income increase is due to the interest income.
- Moderator:** The next question is from the line of Dipen Vakil from PhillipCapital. Please go ahead.
- Dipen Vakil:** Can you give a similar break up for defense and non-defense?
- Manoj Jain:** This defense is 84% during the current quarter, non-defense is 14% and exports is 2%.
- Dipen Vakil:** Going ahead for FY'25, do we expect that to maintain like 80%-20% or how do we expect our defense and non-defense it will be?
- Management:** 85% is defense, 15% is non-defense typically.
- Dipen Vakil:** This year, as you mentioned that we have a 25 different line units working simultaneously. So, any CAPEX plans that are there for FY'25 and any capacity augmentation plans?
- Management:** Can you repeat once more?
- Dipen Vakil:** So, I am asking about your CAPEX plan for FY'25.
- Management:** The CAPEX is around 800 crores is planned during the current year.
- Dipen Vakil:** On what areas, are we planning to do this CAPEX on?
- Management:** There are quite a few factories coming up as you may be knowing already; one is coming up in Palasamudram, one is already almost completed in Nimmakuru, one more is coming up in Hyderabad, Ibrahimpatnam, so 3-4 factories are coming up, one more is coming up in Nagpur. In addition to this, there are some capital equipments required for the production purpose. So, those are also there. All this put together is worth 800 crores I am talking about.
- Dipen Vakil:** And how many of them will be operational, say, in FY'25?
- Management:** In FY'25 the Machilipatnam unit will be operational, Nimmakuru what we are talking, all others will be in the next year only.
- Dipen Vakil:** Last question is a little bit on the strategic part of it, Sir, the government has announced the positive indigenization list and there have been like four lists where the BEL has been given a certain

confidence that they can only procure from Indian players. So, how does BEL view this move and is there any issue with scaling up or supply chain issues that BEL faces in procuring any components or how has been the BEL experience with the entire PIL?

**Management:** Our experience of the entire PIL is very, very good, because these PILs are at system and subsystem level. So, these system and subsystems which were earlier imported, now we have indigenous capability to develop them either our own or with the help of DRDO. So, that confidence we have given to our defense users and that's why they have come out with these PIL based on our capabilities. So, system and subsystem level, we are not finding any issue, but of course at component and material level indigenization is going at very slow pace. That will take its own time because that requires different type of infrastructure beyond our control like digital fabs and other things and real material processing related things, that will take five to 10 years to become really most of those component level indigenization. There also we are attempting to develop some of the technologies including some of the chipsets ourselves, fabless design we have already started, but once the fab comes in India, we wanted to be the first user of those fabs for strategic importance IC for which we have already started developing fabless design. Over a period of five to 10 years, it will take to a reasonable indigenized on component level, but at system and subsystem level whatever PIL dates are committed, we are confident we will achieve that indigenization definitely much earlier than the committed days.

**Moderator:** The next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

**Deepak Krishnan:** Sir, just wanted to sort of understand, last year we had some issues with Israel-based supply chain. Is there any sort of revenue that we got this quarter which was a sort of issue that in 2H FY'24 we couldn't execute that and that is out in execution in 1Q or could help us in 1H?

**Management:** Yes, Israel war had impacted us little bit in last year. This year, our indication for the 1st Quarter shows that it has eased up. Like I said around 800 crores plus execution we have done for our LRSM program. That itself shows that the overall situation is in the right direction for us.

**Deepak Krishnan:** Maybe just two follow-ups. One wanted to sort of understand our contribution to the PINAKA system. And second, just wanted to understand the fifth indigenization list. What could be the quantum of value of products that BEL would have to indigenize over a period of time?

**Management:** PINAKA per se we are not having direct contribution. We are only supplying some subsystems related to communication interface and other things to other companies. Because PINAKA order is received by other companies not by BEL, but we are supplying to those companies some subsystems. Right now we don't have any plans to manufacture PINAKA because that is a long-term process and we are just developing our capabilities for manufacturing PINAKA, but it will

take some time. But of course we are supplying some subsystems which are required by these agencies. And your second question was regarding PIL. So, PIL as such we don't quantify how much business we are going to get, because PIL only gives the direction that these items in future, before the cutoff date will be procured from Indian companies only. But the future quantities is not committed right now. So, as and when that that cutoff timeline happen, after that only Government of India comes out based on AOL and others. So, then only we can quantify the exact business volume, but definitely there is a requirement that we know that's why we are indigenizing, that's why we are putting efforts to develop those technologies, but exact quantification of business, it is too early to tell that.

**Moderator:** The next question is from the line of Amit Mahawar. Please go ahead sir.

**Amit Mahawar:** I just have one question on FY'25 and '26 the recurring base order rate of 250 billion ex of say next year QRSAM. What percentage of this is where we are going to have repeat orders or upgrade orders and what percentage is the first-time supply of any subsystems?

**Management:** So, I think QRSAM is first time for us, MRSAM and MFSTAR, the second biggest order which we are going to expect that may be partially repeat only, third biggest order again LORA is a new order, so fourth again is repeat. So, I can tell you around 50% you can assume as repeat and 50% as new as of now what look to us the order, DDAC, so many other programs are there which are first time for us. so more or less it is around 50:50 we can say, 50% maybe repeat orders and 50% are new orders based on the efforts which we have put over the last three to four years.

**Amit Mahawar:** Maybe I was more asking about ex of MFSTAR, MR and QRSAM, I was more asking about this year and next year we have 50,000 crores worth of orders which are excluding these large programs. I was asking in that number, sir, if 50%, 60% is a repeat order or more than that?

**Management:** No, excluding this also, the equation will be more or less similar only. Around 50% you can assume as a repeat order, 50% is the new order.

**Amit Mahawar:** What percentage of these would be nomination in terms of again this year, next year broadly?

**Management:** Nomination as of now because we only have put all the efforts, and these are the strategic programs where we had put for last six to eight years R&D efforts. So, many of these programs are single tender for us, because we only have done all the investments in that. So, as of now I think out of what we have or what is the future projection, around 70% to 80% we are expecting to be single tender.

- Amit Mahawar:** Any change in terms from MoD in terms of the working capital requirements or the criteria of when you submit the cost sheets and get the approval, any important changes have happened which you want to highlight sir?
- Manoj Jain:** Nothing. They are going in right direction, and this is the right combination right now itself. So, no major changes in expected.
- Moderator:** The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** My first question pertains to the operating margins which have been on the higher side so far at least in the last financial year and the start of this year with reference to your past guidances. So, can you just help us understand are these improvements sustainable and what is a sustainable gross margin and operating margin we should look for?
- Management:** So, we had already guided for a gross margin of around 40% to 42% for the current year and an EBITDA margin of 23% to 25%, so we maintain this guidance even now.
- Gagan Thareja:** And I think at the close of FY'24, you had indicated that mid teen sort of growth is sustainable going ahead. Do you maintain that that sort of a growth guidance as possible for this year and the coming two, three years given your order book?
- Management:** Current year revenue guidance we have already given a growth of 15% as of now. We have got a 76,000-order book and 15% growth guidance is what we have given. Current quarter as you know, we have already grown by 19%. So, we maintain this revenue growth guidance of 15%. As far as the next year is concerned, I think it's a little early to comment on that.
- Management:** Based on the QRSAM and other bigger programs development, we may see before end of this year, we will definitely revise our estimates in case we get this order in time.
- Gagan Thareja:** For the Kavach system, when will you be able to come out with your prototype and perhaps also when will you be able to do commercial supplies?
- Management:** Right now, this Kavach system, railway has told us to develop based on our capabilities and based on our some proto development, a test bed we have created, based on that, we have given confidence. They have given us around 18 months' timeline for developing the proto. We are confident definitely we will achieve it before then only. And after that only the commercial business-related orders can come. So, orders are expected after 18 months to 24 months timeline only, not before.

**Gagan Thareja:** Is there any interoperability-related issue or challenge that needs to be resolved for Kavach before you can have software interoperability or issue which can lead to maybe some delay in commercialization?

**Management:** I don't foresee because right now also I think there are three companies where the order is coming, and they are reasonably interoperable. Of course, interoperability as the technology moves forward and some obsolescence issue comes, etc., sometime some batch, or some other hardware may have interoperability issues. I think for that Railways have come out with some software test lab where again BEL also wants to contribute for establishing that. So, that lab once it is in place, it will solve this interoperability issue to a large extent. But as on today it is not present, but we may foresee some time na because of technological obsolescence and other things. So, for that they are going in right direction and we also have studied that requirement and we are developing our system keeping that requirement in mind.

**Gagan Thareja:** On supply chain perspective, I think at least for the missile programs, there has been some issue in getting some subsystem supplies from either the Israeli or the Russian companies. Is that now completely resolved, or do you see some of this especially pertaining to MRSAM perhaps creeping up and coming back in the future as well?

**Management:** No, it is not resolved directly, although these components have not directly affected BEL, it has affected BDL a bit more. So, this question you should actually ask BDL team, but I know based on our technical interaction with them because for this program they are my partner. So, we are having a lot of queries and other concerns we are sharing mutually. The situation was a problem but we are in the right direction and it is under control now. There were some challenges because of some supplies of subsystems from Israel as you have rightly told. But that challenge is now overcome, now it is the volume game to catch up again for this. So, that is happening. And exact quantification, I think BDL team only can tell you better.

**Moderator:** The next question is from the line of Vipul Kumar Anupchand Shah from Sumangal Investment. Please go ahead.

**Vipul K A Shah:** Any progress on MoU we have signed for battery management system and any progress on SaaS initiatives?

**Management:** This battery management system you're referring to that Radar-1 which we had told one or two years back?

**Vipul K A Shah:** Yes, sir.

- Management:** So, as we already told, we are not factoring this and there is no progress on that, we are not factoring that into our order intake also and there is not much progress into that. So, we are not counting on that.
- Vipul K A Shah:** Sir, one small suggestion. If you can put a presentation on your slide where all the orders are pertaining to which programs are there, that will be really helpful and the orders executable over what timeframe, it will really help us to understand the company better. This is a small suggestion sir.
- Management:** Please understand one thing that we are in a zone where we have got our other players also into this. So, listing out all the programs, telling about all the programs is a bit of an issue. So, whenever you're asking anything, we will be able to tell what are the programs going on whichever can be told, but there could be certain other programs which we would not like to tell at this point of time. So, it is like that.
- Moderator:** The next question is from the line of Satya Shridhar from Satya Shridhar Stock Research. Please go ahead.
- Satya Shridhar:** Sir, your order book is showing 76,705 crores. This is a much bigger number compared to our annual turnover. How many years would this be executed in, and do you need any new capacity expansion to execute this?
- Management:** See, our CAPEX plans are already in place to facilitate the growth what we are talking of 15% growth, what we are planning this year and of course for next year, it is early to tell. But some of the factories are coming up. This all will facilitate the growth of 15% what we are envisaging during the current year. And 70,000 order book generally we are expecting to have a order book to revenue ratio of two to three times.
- Moderator:** The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** My question is around the fuses segment. So, we were supposed to supply around 500 crores worth of fuses every year. So, how much have we supplied in Q1?
- Management:** We may not have that much detail, but we are continuously supplying fuses now since I think last one year and production is going on and this fuses are not like a pulse, they are a continuous supply. Although I don't have the exact data, you can assume it was a fair assessment, 500 crores, this year also we have planned roughly. So, divide by 12 into 3, roughly that much value will be there but the exact value I don't have, because this production is a continuous production type of

thing. So, exact data I can share with you later on, but you can roughly assume this is the figure, around 100 crores you can assume was there from fuses.

**Aman Vij:** So, just wanted to check, do we have any capacity constraint in this or do we have enough capacity to supply this 500 crores worth of fuses every year?

**Management:** Definitely, there is a small capacity limitation because it is indirectly not a capacity limitation, but the Pune unit we are doing so many other products also. So, that's why this fuses we wanted to open up a new line at Nagpur over a period of time. So, next one or two years we can sustain this type of a production here without compromising on our other products which are being manufactured at Pune. But over a period of time, we wanted to do all the manufacturing of fuses in our Nagpur plant.

**Aman Vij:** And what is the current indigenization of this fuses?

**Management:** More than 50% already is there, but we are targeting 80% to 90% in another two, two and a half years.

**Aman Vij:** Sir, last part question was we had done an MoU with Rosoboronexport for an export to Russia for various kind of ammunition. If you can talk about the same, will this help in increasing the indigenization of the current supply which we need to do or this is a very separate product, and if it is a separate product, what kind of opportunity can we look at from these products?

**Management:** Firstly, this is a totally different product than whatever products we have handled till date. But it is a similar product like you can say it is an upgraded version of the fuses what we are supplying and it is for the different type of ammunition. We have just signed an MoU right now. The details of the business volume, work share, keeping the indigenization content more than 50% those detailed discussions are on the way. It will take another six months to nine months to settle. Then only we can come back to you with the exact quantification of the total business opportunity. But business is huge in this segment and it is strategic in nature in our line of business only. That's why we have signed this MoU with them.

**Moderator:** The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

**Gagan Thareja:** My first one is I think you are in the process of building up four or five new facilities. Can you share, are they targeted at increasing in-house content or are they targeted at increasing revenue and what sort of impact they can have on top line and costs for you?



- Management:** See, based on today's order book and revenue guidance what we have given, it is 76,000 crores and a 15% growth target in revenues. As we go forward, obviously, we will be planning for more growth. So, as the volumes go up to facilitate the expansion, we require new factories. So, that is how Hyderabad factory we are building one more factory for Machilipatnam, we are doing one more factory because Machilipatnam factory was of a small size. So, we are going for a slightly larger factory. One more is coming up in Palasamudram also in Andhra Pradesh. So, these are the facilities to facilitate the growth what we are planning for the coming years.
- Management:** So, in-house development means indigenization definitely is there at all the factories all the time. So, it is not that because of in-house activities we are developing the factory, but every factory wherever we are investing further or where we are producing right now in-house development indigenization is the main key today.
- Gagan Thareja:** Bharat Electronics has always stated that a lot of work related to combat helicopters and aircraft and naval frigates and destroyers comes to BEL. I think a lot of orders have been placed for naval platforms, a lot are there in the pipeline likewise for LCA and LCH. What is your scope of work and what potential order pipeline do you see from this?
- Management:** Definitely, the big platforms of naval variety or airborne variety, majority of the electronics comes from BEL. So, huge business opportunity is there for us for all these programs either directly from users or through HAL or MDL GRSE, etc., So, huge opportunities, that's why we have anticipated more than definitely 25,000 crores plus per year order acquisition. Right now, this year we have planned 25,000 crores. Definitely next year we will come out with a more revised figure keeping these business leads in mind. So, these all business leads we have captured and based on that only we are having our future projections we are making.
- Gagan Thareja:** But is it possible to separately quantify what could be the pipeline from these platforms, even a ballpark approximate quantification would help?
- Management:** That only happens when the AoN is granted, because with AoN, the tentative budgets also are there for the quantities. So, right now we have quality means we know these type of products, we are either BNE or we have the right products, but the exact quantities of each one of the platform varies just before AoN. After AoN only this will be better quantified for the thing. Till now we have our own market leads. Leads we can't share at this moment to you because this is a strategic marketing confidential data for us. So, as soon as it becomes public domain as AoN, that time we will definitely come back to you.
- Moderator:** The next question is from the line of Hardik Raut from IIFL Securities. Please go ahead.

**Hardik Raut:** I wanted to ask you with regards to the recently concluded different acquisition of Council, wherein when the Council has decided to pass event for advanced land navigation system for Army, what scope does this entail for us as a company in terms of order pipeline and when should this turn into order for us?

**Management:** We have already supplied ALNS for the army, but that was not having this capability of IRNSS, navy, you call it now in the civilian domain. So, in the defense domain, we call it IRNSS RH capability. So, now they have come out that they want newer tanks with this ALNS having capability of IRNSS. So, that proto we have already developed for that and demonstrated as a technology. Now, after AoN, there is again a long-drawn process of issuing RFP and then sometimes they ask for MCMC trials once more, although we have given them some proto demo. So, after that only the real order comes to us. We expect the order to the tune of 500 to 1,000 crores in this lead itself.

**Hardik Raut:** So, the 500 to 1000 crores in total under ALNS or 500 to 1,000 crores for this year?

**Management:** No, not for this year, ALNS. It may not come this year because it's still that RFP, then BMC, then placing order. Maybe we are lucky this year-end, otherwise next year only. So, not this year and execution will be around three to four years because this is also for various platforms, so it takes its own time, logistics and other issues are there for users also. So, generally based on our previous experience, it will be spread out over three to four years.

**Moderator:** The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

**Viraj Mithani:** Sir, can you give me a breakup of your order book in terms of commercial, defense, rail and others?

**Management:** Order book of the 76,000 crores, you wanted roughly in different heads?

**Viraj Mithani:** Yes.

**Management:** Percentage wise defense is around 85.8% and non-defense is around 11.3% and around 2.9% is export. So, that is the breakup between the defense, non-defense and export for this order book which we have currently.

**Viraj Mithani:** In the years to come, would the same mix be there, or the mix would be changing in terms of defense and non-defence?

**Management:** So, typically we are earning average is 85%-15%, 85% is defense, 15% is non-defense, minor 1% or 2% variations are there between these combinations because of the different type of product mix sometimes it happens but on an average it is 85%-15%.

- Viraj Mithani:** With Kavach coming with, the non-defense value goes up in terms of percentage. What is the size of the opportunity for Kavach?
- Management:** Kavach is actually a very big program. And right now, I believe railways is struggling with the supplies, means, the vendors are not able to supply the quantities. Knowing BEL infrastructure and capability to invest further by BEL, that's why railways has come forward to us for this development. But it will take, as I said earlier also some 18 to 24 months to start generating business or revenues from that business opportunity for BEL because anyway order will be splitted across all the qualified vendors. So, of the order of 20,000 to 30,000 crores business opportunities there for BEL, spread it across five to six years. Maybe 4,000 to 5,000 crores per year is the business potential for BEL, if we successfully complete that, but that will be after two years from today. Tentatively this is the figure which we are looking at.
- Moderator:** The next question is from the line of Himanshu Mandal, an individual investor. Please go ahead.
- Himanshu Mandal:** See, the technical questions and the financial questions, as I am an individual investor, answers I am hearing, and I am so positive by holding my stack with BEL. I have only one... maybe a question in others mind that as well is BEL also planning to give some bonus to their investors or something like this because other questions technically people are asking and I am totally happy with those answers?
- Management:** So, we would not like to comment on such things at this point.
- Management:** We can't tell that until we have a board approval
- Moderator:** Ladies and gentlemen, we are taking this as a last question. I now hand the conference over to Mr. Harshit Kapadia for closing comments. Please go ahead, sir.
- Harshit Kapadia:** Thanks, Shubhangi. We would like to thank the management of Bharat Electronics Limited, Shri Manoj Jain – Chairman and Managing Director, Damodar Bhattad as Director – Finance and CFO, Sreenivas as Company Secretary for giving us an opportunity and to all analysts for asking all the questions. Any closing remarks do you want to share with the investors, sir?
- Manoj Jain:** Yes. So, future outlook as was told earlier, we are committed to that, that revenue growth of 15%, the EBITDA margin of 23% to 25% and order inflow of minimum 25,000 crores. So, these three definitely we are giving further guidance or reassuring that we are going to achieve this target in this year.
- Moderator:** On behalf of Elara Securities Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.