



प्रतिष्ठा में/ To,  
नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड  
National Stock Exchange of India Ltd.,  
एक्सचेंज प्लाज़ा, प्लॉट नं. सी/1, जी ब्लॉक,  
Exchange Plaza, Plot No. C/1, G Block,  
बांद्रा-कुर्ला कॉम्प्लेक्स/Bandra-Kurla Complex,  
बांद्रा (पूर्व)मुंबई/Bandra (E) Mumbai – 400 051

सं.No. 17565/6/SE/NSEC/SEC  
दिनांक/ Date: 02.08.2023

महोदय / महोदया  
Dear Sir/Madam,

**भारत इलेक्ट्रॉनिक्स लिमिटेड**

(भारत सरकार का उद्यम, रक्षा मंत्रालय)

पंजीकृत कार्यालय :

आउटर रिंग रोड, नागवारा, बेंगलूर - 560 045, भारत

**Bharat Electronics Limited**

(Govt. of India Enterprise, Ministry of Defence)

Registered Office : Outer Ring Road,  
Nagavara, Bangalore - 560 045, INDIA.

CIN : L32309KA1954GOI000787

टेलीफैक्स/Telefax : +91 (80) 25039266

ई-मेल/E-mail : secretary@bel.co.in

वेब/Web : www.bel-india.in

विषय – दिनांक 28.07.2023 को निवेशकों /विश्लेषकों के साथ हुए कॉन्फ्रेंस कॉल की प्रतिलिपि।

**Sub: Transcript of the Conference Call with Investors/Analysts held on 28.07.2023.**

सेबी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, एलारा सेक्योरिटीज़ (इंडिया) प्राइवेट लिमिटेड द्वारा 30 जून, 2023 को समाप्त तिमाही के वित्तीय परिणामों पर चर्चा करने के लिए शुक्रवार, 28 जुलाई, 2023 को पूर्वाह्न 10.00 बजे तक हुए कॉन्फ्रेंस कॉल की प्रतिलिपि एतद्वारा 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 Elara Securities (India) Private Limited on Friday, 28<sup>th</sup> July, 2023 at 10.00 a.m for discussion on Financial Results for the quarter ended 30<sup>th</sup> June, 2023.

आपके सूचनार्थ उपर्युक्त प्रतिलिपि कंपनी की वेबसाइट [www.bel.india.in](http://www.bel.india.in) पर निवेशक-स्टॉक एक्सचेंज डिस्कलोज़र टैब के अंतर्गत भी 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.

सूचना व अभिलेख हेतु प्रस्तुत है।

Submitted for your information and record.

सधन्यवाद / 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.



“Bharat Electronics Limited  
Q1 FY’24 Earnings Conference Call”  
July 28, 2023



**MANAGEMENT:** **MR. BHANU PRAKASH SRIVASTAVA – CHAIRMAN AND  
MANAGING DIRECTOR (ADDITIONAL CHARGE) –  
BHARAT ELECTRONICS LIMITED  
MR. DAMODAR BHATTAD S – DIRECTOR FINANCE AND  
CHIEF FINANCIAL OFFICER – BHARAT ELECTRONICS  
LIMITED  
MR. 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 Q1 FY24 earnings conference call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. 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 sir.
- Harshit Kapadia:** Thank you Zico. Good morning, everyone. On behalf of Elara Securities, we welcome you all for the Q1 FY24 conference call of Bharat Electronics Limited. I take this opportunity to welcome the management of Bharat Electronics, represented by Shri Bhanu Prakash Srivastava, Chairman and Managing Director, Shri Damodar Bhattad, Director Finance and CFO, Mr. Sreenivas, Company Secretary, along with their team members. We will begin the call with a brief overview by the management, followed by Q&A session. I'll now hand the call to Sreenivas, sir, for his opening remarks. Over to you, sir.
- Management:** Thank you, Mr. Harish. I would request our CMD, sir to kindly make the opening remarks.
- Bhanu Srivastava:** Good morning to all of you. Bharat Electronics Board of Directors has approved the Q1 results yesterday evening. We have been – turnover has been increased to 3447 crores, which is 12.51% higher than previous quarter's figure of INR3,064. There has been significant increase in PBT, PAT, EBITDA, and earnings per share and other financial performance. Our order book position is INR65,356 crores. Now prospects are looking good, results are available on our site. So we welcome the questions.
- Moderator:** Thank you very much. Our first question is from the line of Amit Dixit from ICICI Securities. Please go ahead with your question.
- Amit Dixit:** Yes, hi. Good morning, everyone, and congratulations for a great set of numbers, sir. I have a couple of questions. The first one is essentially on the order in flow that we can expect during the year. Now the year started with a bank for you with the order in flow of roughly 8,090 crores in Q1 FY24. Going ahead I believe there are orders for you know a few bits for Indian Army 4,500 crores apart from some other platform. So if you can just highlight you know whether the number that you guided last time to 3,000 crores that is still remains or there is a chance that it will be exceeded?
- Management:** No, we hold by order in flow in this financial year around 20,000 crores and any significant change if it happens in future we'll let you know. But as of now we are confident that we will be able to receive 20,000 crores plus order.
- Amit Dixit:** Okay so any ideas of when we will be getting this long-term fuse order from Indian Army and some if you can just let us know that for apart from the fuse order, you know, other Swathi, Radar and all, when these orders will come.
- Management:** See, this is a fuse, PNC is concluded, and then the process under MOT. So it takes its own time. So we'll come to know when order is approved and we sign the contract.

- Amit Dixit:** So six months from now or I mean it would be like a
- Management:** Process is such that internal file movement we cannot track it. We cannot tell at present we can tell maximum it will be six months and what we anticipate is maximum is six months within which it should come. That is the maximum period we are expecting it.
- Amit Dixit:** Okay, okay sir. I have other questions, I'll come back in the queue. Thank you and all the best.
- Moderator:** Thank you. Our next question is from the line of Harshit Patel from Equirus Securities. Please go ahead with your questions.
- Harshit Patel:** Thank you very much for the opportunity, sir. My first question is on our content that we provide in light utility helicopter and light combat helicopters, because I think these two platforms are going to be produced in bulk, and therefore will be a recurring revenue stream for us. So what are the systems that we provide to HAL for these platforms, and what would we share in the overall value of a helicopter?
- Management:** See we are still in discussion with HAL so at this point of time it is premature to give you figures but once we move ahead we'll let you know.
- Harshit Patel:** Sure sir but then in ALH group I think we would be supplying quite a lot of avionics products. So if you can elaborate, so we can take a cue from that as to what we will be providing.
- Management:** I told you at this point, I think, see, all discussions happens unless we move ahead and then travel some distance, it's premature at this stage.
- Harshit Patel:** No problem, sir. So my second question is just from the question of the earlier participant. If you can highlight four or five large orders, those are in the pipeline where the CNC process is going on, where the EON process is going on, and these orders will be realized probably next one year's time. So if you can give that pipeline it will be very helpful.
- Management:** Yes, as I told one is that fuses, then orders in pipeline are that electronic warfare for ship based system around 1,000 crores plus, roughly 1,000 to 500. Then around 6,000 crores plus are bare-nominated equipment, which we will get from various NGOPV and other vessels, where that MOD has placed the order at March end to GRSC, GSL, then Larson and Toubro, then Fleet Supporter, which is also likely, this HSL is also likely to get. So around 6,000 crores are, will come from that. So 8,100 plus we have already got. So major if you see 6,000, 1,500, and then 4,500 in print. So it reaches near 20,000. Then the small, small order, some spare order, small equipment, something, it keeps on coming.
- Moderator:** Thank you. Our next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Can you give us a sense on what are the... what is the status on big ticket prospects like QRSAM and MRSAM, which you mentioned could get awarded over a FY '25 time frame. What is the progress around these two large contracts?

- Management:** See QRSAM's trial reports and all has been submitted by two armed forces and we have given some rough order of magnitude pricing also. What will be the likely pricing based on the likely configuration which on which they are working. So post that now they will be working on that AON pricing and AON proposal statement of case and also that will go through.
- Sumit Kishore:** Okay. So is it reasonable to expect that this can come over a FY '25 time frame.
- Management:** Yes it is reasonable as of now.
- Sumit Kishore:** And this will be like a INR15,000 crores kind of a contract in terms of ticket size?
- Management:** It's difficult to say exact value. Yes, it depends upon how many regiments army takes. But yes, let us see. But what you say that in public domain and I can say reasonable, because these are the figures is exactly depends upon what configuration, what item, what they want to take. So it keeps on changing.
- Sumit Kishore:** Yes and anything separately on MRSAM?
- Management:** MRSAM also some discussions are there, but it's initial discussion stays only.
- Sumit Kishore:** Okay, so QRSAM is much ahead of MRSAM in terms of progress?
- Management:** It looks like.
- Sumit Kishore:** Okay, and then the second question is on the receivable position and cash and cash equivalents as of June 2023, if you could give us an update?
- Management:** Receivables position is around INR7000 crores. It remains around the same levels as of March year and cash position is also reasonably good. As you know, half-yearly we do not disclose the balance sheet asset, but cash position is also reasonably good. There are good inflows, there are no budgetary constraints. So we are maintaining the same receivables and cash position is also good.
- Sumit Kishore:** Okay, finally, sir, last year you had mentioned that there was some spill over of revenue from fourth quarter of FY '22 to first quarter of FY '23, because of some semiconductor shortage related issues, which had impeded revenue booking in fourth quarter of FY '22. Despite that, we see that there has been a 13% top-line growth on the Q1 base of last year. So that's a very strong execution, I would think. So you would say you are well on track to achieve your 17% growth guidance for the year?
- Management:** Yes. We are well on track.
- Moderator:** Sorry to interrupt. Mr. Sumit Kishore, may we request you to rejoin the question queue for follow-up questions, as there are several participants waiting for their turn. Thank you. Our next question is from the line of Charanjit Singh from DSP. Please go ahead.
- Charanjit Singh:** Hello, sir. Thanks for the opportunity and congratulations on good set of numbers. So, sir, my first question is regarding the non-defense sector or the, civilian sector. So, what are the kind

of opportunities you are seeing there? And we had done a lot of work in terms of airport security control and metro-related work. When can we see the ordering starting from that particular segment? That's my first question.

**Management:** Last time also I told that this takes time. So metro segments like IATS, we have already delivered one system, it is in operations. So now when future metros and wherever they are going to upgrade, there is an opportunity. Similarly, on other products of metro where we are working like developing CBTC and Super SCADA and simulators in all it will come in phased manner and related business opportunities are also coming.

But in my opinion significant business it may take one to two years minimum, where it will be impactful what you say that revenue opportunity will be there in this segment. Similarly in civil aviation also we are working with AI. So there also development and trial stage. So there also after maybe one or two years you will see significant.

**Management:** All these things say it is still the initial stages. So definitely it is -- it may take at least a couple of years to get some materialization on this. But we are right on track.

**Charanjit Singh:** Okay. Sir, in terms of the exports, are we seeing any further incremental opportunities coming for us? And we understand that there have been targets given for the defense PSUs to scale up exports in next two years significantly. If you can touch upon that part and how is this pipeline building up?

**Management:** So you are absolutely right. Government is very aggressive on export and we are working closely with the MoD to increase our export and that's why a lot of interaction, discussions are going on with our friendly countries and target markets. We are in touch with our defense attaches, our foreign offices are also working. We are giving them details, we are meeting them. So process is on and that's why if you see in this year we are targeting a much better export value than what we targeted last year around USD90 million.

Last year we did around USD46.8 million. So this year USD90 million and then significant increase keep on, we will keep on achieving.

**Charanjit Singh:** Okay but what sort of opportunities are we are seeing? If you can you know give any further details

**Management:** In these defense contracts, opportunities, you know our product range, so it will be in the same range also, but once it is finalized, because there are other global players also who are targeting the same market. So it is not proper for me to divulge that. Product details are on areas where we are working with them. Once we get the order, we'll share with you.

**Charanjit Singh:** Okay. And so just lastly, in the past, you also shared about our area of focus in terms of SAS, and we're trying to scale up in that segment. So any further update?

**Management:** Yes, software. Yes.

**Charanjit Singh:** Software service, so any update on that?

**Management:** Software service we are scaling up, as you are aware we have opened a software center in Vishakhapatnam also. But our, as of now our major software contribution is towards our own offering to defense forces. So that we can add value which can improve our profitability. Outside also we are leveraging, but outside other area, unless we are very strong on our own core competency and for services, other area will wait for some time.

Internal development is also helping us a lot because our internal software group does the thing for the equipments group. That helps us a lot in maintaining our margins also.

**Charanjit Singh:** All right, sir. So thanks a lot for taking our questions. All the best for the future. Thank you.

**Management:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Sarjeet Yadav from Mount Intra Finance. Please go ahead with your question.

**Sarjeet Yadav:** Good morning, sir. Congratulations for the good numbers. I want to know about the execution which you're looking at for during this financial year. We had an order book of INR60,690 crores as on 31, March, and about INR20,000 crores orders are expected during -- how much of these orders will we be able to execute? This is first question.

And second question is, we signed a large number of MOUs during last one year. Any of these MOUs you see converting into orders or any opportunity size?

**Management:** We are right on track as we have given a guidance of around 17% revenue growth, which translates to sales turnover of around INR20,000 crores-plus in this financial year. So we are on track because that is based on what order book we had in on 1, of April. As of now, you are aware, INR65,356 crores as on 30, June we had ordered. So execution right on track based on the requirement of our customers. Because it's not like all orders can be executed at the same time. It depends upon the terms and conditions of the contract, when it is required by customer, what are the conditions.

Many new contracts, they involve first proving first production model and then after only bulk supply. So taking care or taking into consideration all these requirements of contracts what we get 17% growth that's what we projected amounting to INR20,000 crores-plus revenue this year and we are right on track as far as execution is concerned. What was your second question?

**Sarjeet Yadav:** My second question was that we signed a number of MOUs last year....

**Management:** So MOU, we have signed, see, but it takes time to convert MOU into revenue generation. So we are working these, these most of the MOUs are in the base of co-development working on different solutions. So it's a time-taking process. We are working on that. Impact of that will be really visible in next couple of years.

**Sarjeet Yadav:** Okay, sir. Thank you very much.

- Moderator:** Thank you. Our next question is from the line of Dipen Vakil from InCred Equities Please go ahead.
- Dipen Vakil:** Thank you so much for the opportunity and congratulations on a great set up number. So my first question is on the non-defense segment of our revenue. So how much is the contribution from the non-defense and specifically from the EVM and VVPAT machines that are expected this year? And what kind of margin do we have in a non-defend segment?
- Management:** See, non-defense sector EVMs will be around INR800 crores to INR900 crores this year. I think,
- Management:** For the current quarter per se, the EVM, VVPAT and defense, non-defense was in the ratio of 75%, 25% for the current quarter because we have sold more EVM, VVPATs for the forthcoming elections. But for the year as a whole, the ratio would be around 80%, 85% in Defence and around 15% to 20% in Non-Defence. It's around that range. 15% to 20% will be, 15% could be because of the EVM VVPAT, 15% will be in Non-Defence. 15% and 85% in Defence.
- Dipen Vakil:** Okay, so from EVM and...
- Management:** Margins are concerned as you know, we don't disclose the segment-wise margins.
- Moderator:** Mr. Dipen, may we request you to use your handset? Thank you.
- Dipen Vakil:** So, and the second thing is on the, we ended FY '23 on a strong cash balance. So, any capex or any capex guidance for this year?
- Management:** Capex guidance remains at around INR700 crores to INR800 crores for the current year.
- Dipen Vakil:** So, that is mainly maintenance capex or any growth capex?
- Management:** No, growth capex is also there in that. Maintenance of course will be there, some of the maintenance will also be there and there are some growth capex, there are large infrastructures coming up. So it is a long-term growth, not that it will give growth in one or two years because there are some buildings which are coming up, infrastructure development, all this will take some time to fructify. But obviously it's a mix of both, maintenance also and augmentation as well as the fresh additions, both are there.
- Dipen Vakil:** Okay. Thank you so much, sir, for answering our questions and all the best for FY '24.
- Moderator:** Thank you. Our next question is from the line of Jonas Bhutta from Birla Mutual Funds. Please go ahead.
- Jonas Bhutta:** Good morning, sir. Thank you for the opportunity. A couple of questions. Firstly, can you talk about the employee cost? Yes, so on the employee cost, even on a Q-on-Q basis, there's some jump in the employee cost. So, if you can explain that?



The second question was on, we made some large provisions in the last two quarters of FY '23, is there an element of write-back that is expected in the current year?

And or do we expect further more provisions, pertaining to that one or two projects that sort of like that? And the last question was on other income, again that's seen a spike so does this also quarter include dividend from subsidiary, if you can quantify that.

**Management:**

On the first question the employee benefit expense increased from INR576 crores to INR623 crores it's a normal increase of DNS, allowance and some contract labor -- some extra contract labors have been put, so those that sort of things. Nothing much on actuarial impact is there on this. So it's just normal increase of around 8% in salaries. It's normal increments, dearness, allowance, and other contract people joining. So it is on those things. As far as salary is concerned, not much actuarial impact is there in the first quarter.

And as far as your second question was on provisions? Provisions write back on the provisions made during the last two quarters of 2022/2023, there is not much right back as of now. We are taking up the cases, but the success will depend on in only the time to come we will be knowing how much success we are able to achieve in that manner, but we are as of now there is no right back out of that. As the further income is concerned...

**Jonas Bhutta:**

Further creation of provisions is required for those projects that led to that project?

**Management:**

Yes, definitely because as I was telling earlier also once that things enter into a LD zone then obviously it continues to be in the LD zone and we will be incurring LDs on those projects which have already entered into LD zone, even if the execution is in the current financial year. Attempts are being made wherever possible that where we feel that we would be able to get it, but that takes some time. As of now, definitely there will be further provisions on that account, there is no doubt on that.

And as far as other income is concerned, it is mainly, there's no interest in the income from the subsidy this time dividend income except for some INR2 crores last year it was INR78 crores and it is mainly because of interest income has increased. Interest income last time, this time it was INR78 crores now it is INR132 crores so because of the interest income increase other income has increased.

**Jonas Bhutta:**

Got it, thank you sir and all the best.

**Moderator:**

Our next question is from the line of Amit Mahawar from UBS, please go ahead.

**Amit Mahawar:**

First is on the expansion that we are doing on six to seven locations across Pune, Mangalore, Nagpur, etcetera, if you see the capacity expansion, also we are maybe adding a lot of tests in a line so it has been a restraint for us in revenue building, etcetera. And do you think FY25, next two, three years, the revenue run rate can increase because of this? Because I think this year you're going to execute LRSAM completely and voting machines, etcetera. So does that call for much better revenue building in the next two, three years? That's my first question.

**Management:** See, as you are aware, new electro-optics company is coming, building is coming in Nimaluru. EW systems for land-based, that EW equipment is coming in Ibrahimpatnam, Nagpur for a huge complex. So major expansion in Hyderabad unit for microwave component. So yes, definitely this will help in execution of the project.

As of now, what we see is, revenue growth in the region of around 15%, 17% in next two years, depending upon what is the order in pipeline because all these orders are not executable in one year even as per contract, so even if whether it is QRSAM or any other big ticket programs also come their execution time is normally three to four years.

LRSAM will be tapering off then QRSAM will come. ACARS will take off, that's what we got from VDL. So revenue growth will be in the same 15%, 20%, somewhere 17%, 18%, that's what we, it will be in that range, that will be.

**Amit Mahawar:** Fair, fair. And second and last question is on the prospect pipeline and the impact on order book. The last two, three years, we're building visibly the orders that we're getting. Do you think in next two years, it is possible for us to reach an order, closing order book position of 780 billion, 800 billion? And you can tell us on the conservative estimate of QINRI know it's too early, immature to understand how, what value will come for QRSAM next year. But in a fair conservative assessment, do you think in March 26, you can be 800 billion order book? That's my final question, sir. Thank you.

**Management:** Today we are in 650 billion, INR65,000 crores. And as you have told, we are planning for a growth of around 15%, 17% this year and maybe around same 15% in the coming years. And much will depend on that 700 billion or 800 billion much will depend on any large ticket orders coming.

In the normal course of orders coming, the order range is likely to be in this range only. If any large ticket order comes, then definitely that could make a slight jump in the order position. We've made it materialize before that time.

**Amit Mahawar:** Okay. Okay. Thank you, sir. And good luck.

**Moderator:** Thank you. Our next question is from the line of Mr. Ankur from HDFC Life. Please go ahead with the question.

**Ankur:** Yes. Hi, sir, good morning. Thanks for your time as always. And just continuing with Amit's question, when I look at our order book between '20 to '23, you know, so we were at about INR52,000 crores in '20, went up to about INR60,000 crores in '23. This year also assuming we do INR20,000 crores of orders and other revenues, we'd probably be flat, right, in terms of the order book on a YoY basis around that INR60,000 crores number. Plus, you know, even the orders we get this year, for example, if fuses is more like a 10 year order, the [inaudible 0:28:15] is more like a four, five year order.

So, you know, I'm just struggling to understand, you know, how do we really, I mean, with our order books kind of flattening out, top line obviously between 20 to 23 – FY23 when he went up from INR22,000 crores to now we are at INR20,000 crores top line. So you know, with

more growth in order book, I'm just struggling, how do we kind of get that confidence of 15% growth?

**Management:**

No, growth will be there. See, this year we are projecting an order inflow of around INR20,000 crores. Definitely next year it will be more. Because many platforms are coming P75I, that P76 programs are coming where we have indigenous content, where we are bar nominated equipments we are having so and with country's Atamnirbhar program, any big platform government is working on that, there will be electronic equipment and we have got a very good opportunity to chip in that. So it will continue government defense spending will increase our order book. Definitely it will not be flattening at INR20,000 crores per year.

We are projecting INR20,000 crores plus this year. Definitely with QRSAM coming and maintenance order coming, it will be much more in the next financial year than what we are projecting in this financial year. With the QRSAM, what value is there in the market or what you say then in public domain, definitely with QRSAM rectifying, our order inflow is much, much more than what you see in this financial year.

**Ankur:**

You know, fair, okay. But let's assume even if you get that INR12,000 crores, INR15,000 crores order for a QRSAM, maybe your order inflows go to about INR30,000 crores odd for '25. But anyway, I'll take this offline, because your base, the revenue base itself has become so big, right? At INR20,000 crores plus, you need a couple of these larger orders to come through and I guess you know even execution for these would be spread over five year, seven years, right?

**Management:**

Sure, we are talking of the order book though we are talking of this QRSAM and other bigger orders, there are also many last chunk of smaller orders, which keep coming, which have a shorter execution time. So what you are telling QRSAM, which will get executed in three years- four years and so your revenue definitely it will be revenue will be spread for QRSAM and other large orders in three years- four years but there are many other small orders which also constitute more than 50% of the orders in flow, which are having only a cycle time of only one years or two years of delivery, So it's a mix of both, that is point one.

Point number two regarding your order book growth, We hope to continue to maintain a two and a half years to three years of order, revenues in the order book. Two and a half years to three years, even in the coming years. Around two and a half to three years will be in the pipeline as far as the order book is concerned. This is what we expect to maintain at the end of March '24, '25. It continues to be like that. Because it's a mix of orders both.

We are only talking of QRSAM, but there has to be again and again tell for any ship building, we have got our share of orders. Any HAL gets such as submarines, we get orders. HAL aircrafts, we get orders. So with all this, it's a combination and of course there are spares, services, maintenance, all with a combination of all this, it's a mix, though two large orders we talk, many small orders also make the same numbers.

**Ankur:**

Okay, sir. Got it, thanks.

- Moderator:** Thank you. Our next question is from the line of Renu Baid from IIFL Securities. Please go ahead with your question.
- Renu Baid:** Good morning and thank you for the opportunity, sir. My first question is, can you update on what was the mix of exports during the current quarter?
- Management:** Current quarter, the exports was around INR87 crores in numbers. Of course, it's about USD10 million we can take it. So please.
- Renu Baid:** Sure. Secondly...
- Management:** Rather INR87 crores, approximately.
- Renu Baid:** Sure. Secondly, can you also share some update on the large projects, which we are executing, LR-SAM, completion of IACCS project, and Akash missiles. Where are we in terms of the execution timeline? As in execution in terms of percentage of the order, which has been completed. And update on the level of indigenization, which you have broadly achieved, or which is targeting to achieve this year for LR-SAM. Because we are expecting a higher share of localization to come through from fiscal '24 for this project?
- Management:** LR-SAM, we are right on track. If you see as per customer ship building program and if you see a plan for 2023, roughly around INR3000 crores order execution will come from '23- '24 this financial year. A localization or indigenization continues overall will be around but it's all, there are various subsystems of LR-SAM. So some portion there will be a higher level of indigenization, some there will be less, but in the range, what we committed in the contract, we are meeting.
- Renu Baid:** On IACCS and Akash?
- Management:** IACCS also, we are right on the track because most of the delivery portion, it has been completed. Now it's going through that installation, commissioning, our ground nodes which are already operational. AMC is coming So this is a, what you can say that, major supplies and deliveries have been completed. Out of INR8,000 crores of the contract value in IACCS, the pending order as on date is only INR2,000 crores, Which will be executed over a period of time.
- Renu Baid:** Okay and Akash?
- Management:** Akash, missile systems, the pending order is very less. We got the order of INR5,300 crores. It's almost, it will be getting completed in the current year.
- Renu Baid:** Got it. Sure, and lastly, can you share some updates on the developmental project, which you're working with DRDO for drones? By when do we expect the project to be broadly there and developmental or commercial orders coming to us?
- Management:** Which one your...
- Renu Baid:** The drone project for which you are working with DRDO?

**Management:** Okay. Yes, see, this is under trial and it is not fair from my side to comment at this because the trial is led by DRDO and we are a developmental partner along with the HAL. So it's better that, their specific details are shared by DRDO.

**Renu Baid:** Sure, but if we look from a two years- four years perspective, what could be the size of these orders that could come commercially to us? Overall for combining...

**Management:** At this point of time, it is premature to tell because company government is already working with the USA for the MQ-9B program, which is high-altitude long range, that platforms, then these will be medium altitude and long range, that equipment. So let us see, what mix defence services they want for this product. So value and all will be known only when we know the strategic plan or that of services.

**Renu Baid:** Done but largely we are into the BEL category and not the HAL categories, so far?

**Management:** I just know, yes. As of now, yes.

**Renu Baid:** Thanks much and all the best, sir.

**Management:** Right.

**Moderator:** Thank you. Our next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

**Aditya Mongia:** Hello everyone and thank you for the opportunity. My first question was on gross margins, which for this quarter have been higher than the 40% to 42% range that you've guided for the full year. I wanted to check, whether the stance on the full year guidance has in any manner changed and if not, so is it more linked to this quarter having a higher EVM and VVPAT kind of contribution that gross margins are higher?

**Management:** We would not like to comment on whether it is an EVM and VVPAT or what, but overall the guidance remains the same that 40% to 42% gross margin for the current year and EBITDA of 21% to 23%. It is only the composition of various orders, which have been executed in the first quarter, which has given a higher margin.

Going ahead, during the year, we expect to maintain the guidance, which has been given earlier.

**Aditya Mongia:** The second question that I had was more on the aspect of indigenization. From your last con call, I understand that, it may more be a volume impact rather than a margin impact. I wanted to check with you, how to kind of think through the growth impact and volumes that can happen for you over time.

For instance, when you are planning your next two years, three years of capex, how much proportion of that may be going towards products that will get indigenized over time? Just some sense from the growth perspective would be useful over here. Thank you.

- Management:** I think you're talking of capex. Capex, as we told, we are going to keep it around, it will be around INR700 crores to INR800 crores gross. Indigenization is linked to more R&D expenditure, what you are talking of. Capex is linked to more infrastructure building, whereas we have told for Capex for indigenization.
- So there is a Capex of INR700 crores to INR800 crores, which you are expecting to incur in the current year. And R&D expenditure will continue to be around 6% to 7% in the current year of the revenues. So R&D expenditure will lead to the indigenization, which will continue to give us the benefits in the coming years.
- Aditya Mongia:** Could this be a meaningful growth boost on an annual basis for you next three years- four years, if you could give us some more colour?
- Management:** Growth on in terms of revenues, you are talking?
- Aditya Mongia:** Absolutely sir.
- Management:** Revenues, we have already told, we are giving a guidance of 17%, we have an order book of INR65,000 crores and in the coming years also, we expect to maintain this order in take position and it may further improve with last ticket orders. And with indigenization, we hope to continue to maintain the margins that we have guided for earlier.
- Aditya Mongia:** Sure, sir. Just a last question from my side. The other income boost you kind of clarified for the quarter. So, would it be fair to kind of analyse the 1Q number for now?
- Management:** Other income for the current full year?
- Aditya Mongia:** Yes.
- Management:** Full year, I am not able to tell you at this point, what will be the full year number. Current quarter, yes, we have to have, we had some interest income increase. So, over the time, we'll not be able to tell you exactly what will be the figure for the full year as a whole.
- Aditya Mongia:** Got that. Those are my questions. Thanks a lot for your response.
- Moderator:** Thank you. Our next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** Good morning, sir. My question is on the fuse complex, the Nagpur fuse complex, which we are setting up. If you can talk about the timelines and the capacities, what will be the capacities for the year, after this expansion? What is it currently?
- Management:** Fuse complex already first phase, we have done that is building the boundary and levelling and all these things. Now we are going for building construction, So tender and all are going. So another two years, it should come. So it will address long-term fuse contact requirement and any additional fuse business, which will be there apart from this long term.

- Aman Vij:** I'm sorry, what will be the capacity like? Will it be like 2 lakhs, 5 lakhs fuses per year, after this capacity?
- Management:** We cannot specify that exact capacity because capacity depends upon whether you can work in two shift, three shift, one shift depending upon how much. Those are one thing. It also depends on the requirement of the customer in that year. So if they require that much number, so we have to work on only that many numbers only. It is that way also. It's not that we can produce maximum in one year and try to deliver. It's a delivery period is also stated. So we'll have to go in accordance with the delivery schedule also.
- Aman Vij:** No, sir, that is understood but we have talked about we are increasing from say INR100 crores a year to INR500 crores a year. So will that capacity be enough in one shift, two shift or three shift at that new Nagpur facility?
- Management:** What we have envisage is that, the way we are building complex, there will be other products also, which can be built, which are by product are related with a similar type of item like fuse. So and then construction, hangers and all will be built based on current requirements, which can be scaled up further, if requirement increases.
- Aman Vij:** But sir, for the next two years, how will we supply the extra requirements, which we now have compared to what we used to supply?
- Management:** We have enough capacity to meet current requirement of the customer in our Pune unit. There also, we have added lines for fuse and we will be able to meet current requirement. Once this comes up, we will shift that operations to Nagpur because Pune unit we are making some many other products also. So, our objective is to once it comes up start manufacturing here and utilize that space and this for other products in our Pune unit.
- Aman Vij:** What is the amount you are spending on this Nagpur facility, sir?
- Management:** Nagpur around, overall it's around INR200 crores plus.
- Aman Vij:** Over the two years combined?
- Management:** Yes.
- Aman Vij:** Okay, and you also talked about that.,,
- Management:** Land and compound wall is already spent there. So another maybe INR100 crores could come up in the coming this year and next year.
- Aman Vij:** Okay, sure, sir. Last time you talked about that...
- Moderator:** Mr. Aman, may we request you to rejoin the question queue for follow up questions.
- Aman Vij:** I had only one question. Let me complete the second question and then I will come back in the queue, if that's okay.

**Moderator:** Please go ahead.

**Aman Vij:** Yes. My second and final question is, last time you talked about that PMC was almost over and we had one small issue, which needs to be resolved and it will be resolved in the next one month related to fuse? So is that

**Management:** Related to?

**Aman Vij:** Fuse only. Trials may.

**Management:** You are talking about fuse [SMO 0:43:52], okay. There is no issue now. This order is in pipeline. It is under process in MOD. It should come. There is no issue. As of now, there no issue in fuse business.

**Aman Vij:** Sorry, when should it come sir?

**Management:** It's only MOD knows. If you were in the beginning, we are told that it is, they're asking one month, two months, we told maximum today's at this point of time or anticipation is maximum. It should come within six months.

**Aman Vij:** From today?

**Management:** From today. It is our anticipation today. Okay.

**Aman Vij:** Sure, sir. Thank you for answering.

**Moderator:** Thank you. Our next question is from the line of Amit Anwani from Prabhudha Lilladher. Please go ahead.

**Amit Anwani:** Hi, sir. Thanks for taking my question. My question pertains to export. you highlighted that, this year, we are targeting USD19 billion export. So that roughly comes about 3% to 4% of the guidance, which you are giving for the full year. Just wanted to understand, earlier we used to talk about, raising exports to some 10% odd. So what are our targets for upcoming years on export and what exactly, we are exporting, which geographies, we are exporting, if you could highlight that and are we targeting any non-defense export also? Yes, that is my first question?

**Management:** See, currently we have an order for TR modules from Thales France, some electro-optics equipments from Israel. We are also giving to Airbus Japan something to allot of them also. So, these are equipments which are part of [inaudible 0:45:46] where we have, we are manufacturing them, some of the items and supplying them. Apart from that, we are also -- we have supplied to Maldives also, we have AMC from Maldives. We are also working with some companies in USA for manufacturing their products in India.

Friendly countries we are working, we are offering like Vietnam also. Our teams are visiting, they have visited in Nigeria, Brazil. So, we are exploring, government is actively encouraging. So, we will be able to scale up, but export business in defense it takes time. We are on track, but more visibility come with passage of time.



- Amit Anwani:** Sir, any target in next three four years?
- Management:** Reaching 10% will take quite some time which is not so that we'll be able to reach immediately, it's only a what to say long way ahead I can tell as far as exports is concerned. Overall revenue growth we are maintaining at 17%, but exports has becoming 10% of the revenues it will take some more time. It will take quite some time.
- Amit Anwani:** All right, sir. And for one JV which we used to talk about with Triton for a battery for I think MHCV or some I think for buses. So, I think that was about 8000 crores order, any update on that?
- Management:** There was no JV, we signed an MoU and then we are supposed to give one set of battery. We have already supplied to Triton. Triton is evaluating that. Let them come back and then based on their business opportunity, we will see that what can be done because we have to see what [inaudible 0:47:45]. As we had indicated earlier, we have not factored much of that order book from that, whatever comes out, we have not factored in any of our this one, because we do not know, still it is under evaluation, and they need to come back, and with exact more quantity and values what they want. So, presently we have not factored that particular order in our order book.
- Moderator:** Sorry to interrupt Mr.Amit Anwani, may we request you to rejoin the question queue for follow-up questions. Ladies and gentlemen, in the interest of time and fairness to all participants, may we request you to limit your questions to one or two per participant. Should we have a follow-up question, we would request you to rejoin the queue. Thank you. Our next question is from the line of Vijay Goel from ICICI Securities. Please go ahead with your question, sir.
- Vijay Goel:** Yes, sir, I have a couple of questions. The first is on Uttam AESA radar. So, can you highlight the status of these radars because we understand that these radars will be installed on Tejas MK1A or upgraded Sukhoi. And since Tejas MK1A deliveries will start from this year end, so just wanted to understand by when we are expecting orders for Uttam radar and what could be the size of this order?
- Management:** Uttam, I think there are two players in that one private player and we are there. So, we are working on at this time I would not like to dwell on much details once we move ahead in some visibility is there we'll let you know.
- Vijay Goel:** And sir regarding this order book of 65,356 crores out of this how much it is for non-defense?
- Management:** Non-defense constitutes around 6% as of now.
- Vijay Goel:** Okay, and what is the average execution period of this non-defense part?
- Management:** Non-defense normally we are able to execute in one or two years. Non-defense they don't go beyond that.
- Vijay Goel:** Understood. Okay, sir. Thank you.

**Moderator:** Thank you. Our next question is from the line of Prabir from Ratnabali. Please go ahead.

**Prabir:** Thank you sir for the opportunity. I have two questions. First of all, I would like you to help us understanding the AEW and AWACS opportunity.

**Management:** Not clear. Your voice is not clear.

**Prabir:** Sir, am I audible right now?

**Moderator:** Yes sir, please go ahead.

**Prabir:** Yes, I'm asking about the AEW and AWACS opportunity, as there's a significant gap between India and its advisories. The government has been planning for upgrading the AEW and AWACS program. But then around 5,000 crores, 6,000 crores of program, which is still pending for, I think, five, six platform based on A330 aircraft. So, I just want to understand what is the status and if I consider per aircraft thousand crores orders, then what is our contribution?

**Management:** See our team -- this is in preliminary discussions and there are other players also involved. So, our team also is working on that. So, since other players are also involved, I would not like to give comments on this.

**Prabir:** Okay, so my next question is, if you can break it up your current order book of around 65,000 crores into defense and in defense how much is the EW and what is the portion of the space?

**Management:** See, if you see around 6% is non-defense and if EW segment is around 15,000 crores.

**Prabir:** And what about space, sir?

**Management:** Space, we have not specified separately.

**Prabir:** So, is the scenario of space, orders is well intact like are they coming because we have been hearing like there is some -- there is some upgradation if the changes is happening from ISRO point of view and that is why the order inflow is not coming?

**Management:** See, ISRO our order from ISRO is not very significant as of now let me say that which have any impact on this high value.

**Prabir:** Okay sir. Thank you.

**Moderator:** Thank you. Our next question is from the line of Amit Bhide from Morgan Stanley. Please go ahead.

**Amit Bhide:** Hello, sir. Hello, can you hear me?

**Moderator:** Yes sir please go ahead.

**Management:** Yes, please tell.

- Amit Bhide:** So, Yes, sir, I wanted to understand what is the split of products and services in our order book one, and within that, if you can also tell us how are we based on nomination-based contract, I mean, the share of nomination-based contract in the order book?
- Management:** Order book as on today the nomination base is around 95%.
- Amit Bhide:** Okay and going forward as well this new order that we are expecting most of them would be in the same category?
- Management:** Most of them are nomination basis, but some orders we are winning on competitive tenders also, but value is not that.
- Amit Bhide:** And how about the split of production services?
- Management:** Product and services is around 90-10%.
- Amit Bhide:** 90-10. Sure. Thanks. That was helpful. Those were my questions. Thanks.
- Moderator:** Thank you. Going forward, we would request participants that we are restricting to one question per participant. Thank you. Our next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.
- Amit Dixit:** Yes, hi. Thanks for the opportunity again. I have, my question is actually around Tejas program. So, Tejas Mark 1A, Mark II, etcetera. Now this goes beyond your range that you have mentioned. So, I just wanted to understand what kind of value of production we can expect from these programs, our share. Just a ballpark number would do, sir, at this stage?
- Management:** Tejas we supply Avionic package, Mark A1, but exact value at this point of time I do not have with me.
- Amit Dixit:** No, sir, I was asking what's on the potential Mark 1A, Mark 2, AMCA, where the requirement would be [inaudible 0:54:58]?
- Management:** Sorry, as of now, I don't have that exact value, because there are thousands of products where quotations are submitted. So, offhand, I don't have I can share it later.
- Amit Dixit:** Okay, sir that's helpful. Thanks and all the best.
- Moderator:** Thank you. Our next question is from the line of Amit Mahawar from UBS. Please go ahead, sir.
- Amit Mahawar:** Yes, sir. Thank you again. Just two quick questions. In the fuse manufacturing facility, will we do the course correction fuses?
- Management:** Which one?
- Amit Mahawar:** I'm saying in the fuse manufacturing facility, will we also do the course correction fuses?
- Management:** In fuses. I am not able to understand your question. Please elaborate that.

- Amit Mahawar:** I am saying in the new facility, will we also do manufacturing of course correction fuses, which basically enhance the capability of the equipment itself, on which we use the fuse?
- Management:** I do not have that detail, but yes, any products related with fuses on this line of business, we will be able to do [inaudible 0:56:12].
- Amit Mahawar:** Sure, and thank you. And second and last is, to your response to Jonas's question on provisions, will that in any way impact FY'24, EBITDA margin guidance that you've given or there is no major impact?
- Management:** No, we expect to maintain the guidance given 21% to 23% EBITDA.
- Amit Mahawar:** Thank you, sir, and good luck.
- Moderator:** Thank you. Our next question is from the line of Aman Vij from Astute Investment Management. Please go ahead, sir.
- Aman Vij:** Thank you for the opportunity again sir. My question is regarding our recent tie-up with the HFCL and you have earlier alluded that currently the requirement for indigenization of fuses is like 20%, which we have to take to maybe 50%, 60% over the years and I believe they are also into the same category. So, will there be a contract manufacturer for us? Can we take the supplies for them to help in indigenization? Your thoughts regarding that JV as well as specific to this fuse portion which I believe is common between the two companies?
- Management:** See, HFCL, we have just entered into MoU, not JV. So, we are working on area of common interest and detail will be known later on.
- Aman Vij:** And on the common portion of fuses, sir, you both have the same products?
- Management:** Let us go into detail. As of now, it's a broad MoU. So, we'll work together and once things are finalized, we'll let you know.
- Aman Vij:** Okay. Thank you.
- Management:** We can take the last question with us.
- Moderator:** That was the last question of our question-and-answer session. I now hand the conference over to Mr. Harshit Kapadia for closing comments.
- Harshit Kapadia:** Thank you. We would like to thank Mr. Bhanu Prakash Srivastava, Chairman and Managing Director, Shri. Damodar Bhattad, Director of Finance and CFO, S Sreenivas sir, Company Secretary for giving us an opportunity to host this call. We would like to thank all investors and analysts for joining us on this call. Any closing remarks, sir?
- Management:** No, thank you very much.
- Moderator:** Thank you. Thank you. On behalf of Elara Securities Private Limited that concludes the conference call. Thank you for joining us and you may now disconnect your lines.