

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: 07.02.2023

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)

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विषय- निवेशकों / विश्लेषकों के साथ दिनांक 02.02.2023 में आयोजित सम्मेलन कॉल की प्रतिलिपि।

**Sub: Transcript of the Conference Call with Investors/Analysts held on 02.02.2023.**

सेबी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, 31 दिसंबर, 2022 को समाप्त तिमाही और नौ महीनों के वित्तीय परिणामों पर चर्चा के लिए गुरुवार, 02 फरवरी, 2023 को सुबह 10.30 बजे 11.25 बजे (आईएसटी) तक एलारा सिक्यूरिटीस (इंडिया) प्राइवेट लिमिटेड द्वारा आयोजित सम्मेलन कॉल की प्रतिलिपि प्राप्त करें।

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 Thursday, 2<sup>nd</sup> February, 2023 from 10.30 Hrs to 11.25 Hrs. (IST) for discussion on Financial Results for the quarter and nine months ended 31<sup>st</sup> December, 2022

सादर सूचनार्थ उपर्युक्त प्रतिलिपि कंपनी की वेबसाइट [www.bel.india.in](http://www.bel.india.in) पर निवेशक-स्टॉक एक्सचेंज के प्रकटन 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  
Q3 FY2023 Earnings Conference Call”

February 02, 2023



**ANALYST: MR. HARSHIT KAPADIA - ELARA SECURITIES PRIVATE LIMITED**

**MANAGEMENT: SHRI. BHANU PRAKASH SRIVASTAVA – CHAIRMAN & MANAGING DIRECTOR - BHARAT ELECTRONICS LIMITED**

**SHRI. DAMODAR BHATTAD S - DIRECTOR (FINANCE) & CHIEF FINANCIAL OFFICER - BHARAT ELECTRONICS LIMITED**

**MR. SREENIVAS S - COMPANY SECRETARY - BHARAT ELECTRONICS LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Q3 FY2023 earnings conference call of Bharat Electronics Limited 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 “\*” then “0” on your touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities. Thank you and over to you Mr. Kapadia!

**Harshit Kapadia:** Thank you Michelle. Good morning everyone. On behalf of Elara Securities we welcome you all for the Q3 FY2023 and nine months FY2023 earnings 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 and Mr. Sreenivas S, Company Secretary along with their team. We will begin the call with a brief overview by the management followed by Q&A session. I will now hand over the call to Mr. Srivastava Sir for his opening remarks. Over to you Sir!

**Bhanu P Srivastava:** Good morning to all of you. On behalf of Bharat Electronics I welcome all investors on this conference. Brief highlights of Bharat Electronics for Q3 performances are that our turnover has increased to Rs.11005 Crores up to Q3 2022-2023 as compared to Rs.8842 Crores corresponding year last year with a growth of 24.46%, profit before tax increased to Rs.2203 Crores as compared to Rs.1631 Crores of corresponding Q3 figure up to Q3 last year with a growth of 35.07%. PAT increased to Rs.1641 Crores up to Q3 as compared to Rs.1207 Crores up to Q3 last year with a growth of 35.97%. EBITDA has increased to 20.20% up to Q3 as compared to 19.69% of corresponding figure last year and EPS has increased to Rs.2.25 up to Q3 as compared to Rs.1.65 corresponding figure last year. Our order book position stands at Rs.50116 Crores as on January 1, 2023, so these are in brief major achievements up to Q3. Over to you!

**Moderator:** Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Ankur from HDFC Life. Please go ahead.

**Ankur:** Good morning. Thanks for your time. I had a couple of questions. One you are starting with the order inflows and we have clearly seen very weak orders for the last three quarters typically at least base orders also come to about Rs.2500 Crores, but clearly this year even those have not fructified, so if you could help us, a) why have orders been so weak and b) what is your **(audio cut) 4:09?**

**Bhanu P Srivastava:** Normally defence order book slumped in Q4 because the process it goes through it is a lengthy process, so around 3600 Crores order was booked up to Q3. When we see the breakup around 12000 Crores worth orders where PNC is already concluded by our customers and they are under various stages of processing and another round 3500 where we have already submitted the bid and these are processed. So if you see that come together what guidance we were given at end of the financial year close to 20000 Crores, we are working on that and we are confident that we will be reaching close to our guidance of around 20000 Crores, it is iterative process where it goes through various levels and especially the value of the order is bigger. We are working on that and that is how that most of the defence procurement side goes through.

**Ankur:** You are still retaining that 20000 Crores number can be achieved?

**Bhanu P Srivastava:** Close to that it should happen we are working on that.

**Ankur:** For 2024 also you would expect a similar number because the QRSAM has progressed well right?

**Bhanu P Srivastava:** QRSAM has progressed well, trials have been completed and we expect QRSAM to fructify maybe next financial year.

**Ankur:** So one package there and the second package in FY2025?

**Bhanu P Srivastava:** Yes.

**Ankur:** Second on the working capital looking at your interest cost this quarter it seems to have gone up, so if you could help me that the absolute numbers of debtor inventory and payables and also the cash balance if possible as of December?

**Damodar Bhattad S:** I will just tell you the working capital position. The inventory is around Rs.6500 Crores, receivables are around Rs.7500 Crores and cash and bank balance is around Rs.3000 Crores.

**Ankur:** So, there is some uptake on the debtor side right?

**Damodar Bhattad S:** Working capital ratio, current ratio is of course around 1.5. As far as working capital is concerned, receivables are concerned, there is no **(audio cut) 6:42** on the government side on the budget front, so **(audio cut) 6:46** the receivables to be converted to cash in the fourth quarter most of the receivables. Of course the fourth quarter receivables will not get

converted because of the timeframe, (audio cut) 6:56 should get converted to cash by this quarter.

**Ankur:** Just last one before I handed back we have seen quite a few changes in the top management over the last few quarters on the KMP side, so if you could just help me I am assuming the new KMPs are here for some time to come, so could you just help me the remaining tenure, so for example both for the MD, the CFO, the Director Marketing Operations, there is some sense on can we expect some stability there for the remaining tenure of the KMPs in the company?

**Bhanu P Srivastava:** There are two aspects in that. As far as Board of Directors it is appointed by government of India in the selection process by Public Enterprises Selection Board. There were few shortfalls we are supposed to have six directors and one CMD we are four as of now. As far as other KMP they are all within Board's power and there is no vacancy other senior management position as far as Bharat Electronics is concerned. If you see our succession planning we are very strong top level management where all our senior officers they have worked in Bharat Electronics for more than 32, 34, 35 years, so whoever is holding the position of director or whoever is likely to come whether it is a short period or long period he comes with a wide and long range of experience and there is always continuity, so even if you see that there have been some changes in top in the last two years there has been no impact on the performance or operations of the company, so you need not worry about that KMP.

**Ankur:** Great Sir. Thanks for the answers.

**Moderator:** Thank you. The next question is from the line of Deepesh Agarwal from UTI AMC. Please go ahead.

**Deepesh Agarwal:** Good morning Sir. My first question is if we see your order book in the last four years it has remained flattish at around Rs.50000 Crores whereas revenue base has gone up, so now going ahead what gives us confidence of achieving a double digit growth for next year and FY2025?

**Bhanu P Srivastava:** There are two aspects since we are targeting double digit growth one is that growth in defence market and another is our diversification, our expansion in other areas, civilian market as well as exports, so we are working in all three aspects. We are leveraging our knowledge and expertise in defence field to further enhance and diversify in civilian field. So I will mention few important things. We have tied up with Airport Authority of India for development of air traffic management system and Airport Surveillance Radar and related

equipment for civilian applications we have already signed a MoU and one system we have already installed at Bhubaneswar airport for testing and evaluation. So we are on the way, similarly we have signed a MoU with Delhi metro for indigenizing that imported equipments which are used in metro business. So, there are many other businesses where we are working cyber security field, we are working whether as a business module we can supply the cyber security and networking solution to various service provider. We have already worked on perimeter security system for defence applications like Air Force Perimeter Security System, all IAF airports we have done, all newer airports we are doing then ONGC we have done one part for their inland assets security system, now we got the order for their offshore assets. Now we are diversifying it to many other areas, so apart from that we are leveraging whatever export in friendly countries we can do, recently you see that President of Egypt was there, we are working with Egyptian government, Malaysian government and their offset agreements tell us we have got an order, in C295 programs we have got good order from airbus for supplying that Missile Approach Warning System and related item, so these are the area where we are expanding, so we are totally in line with achieving double digit growth.

**Deepesh Agarwal:** Can you quantify the revenue growth expectation for 2024 and 2025?

**Bhanu P Srivastava:** This year we have given a guidance of 15% plus and next two years definitely it will be much better than 15% plus, our target is somewhere closer to 20%. We will give exact figure once we get the results of this financial year.

**Deepesh Agarwal:** Sure, can you highlight the key orders expected in fourth quarter and next year?

**Bhanu P Srivastava:** This quarter anyway we have shown the key order, but many orders we are working on Electronic Warfare System, many CPR orders are there which will come that electronic equipment which goes on ships that will come whether it is a sonar system, communication system, fire control system then electronic warfare on ground equipments it will come then submarine related activity we are doing, so it is not proper for me to name specific program in common forum, but these are the broad areas where we are working.

**Deepesh Agarwal:** Related question next year do you expect one regiment of QRSAM will come or two regiments because one regiment itself be Rs.12000 Crores?

**Bhanu P Srivastava:** Let us see because trials are all completed and it depends upon the budgets of the defence forces whether they target one or two regiments defence allocation and also we will see our expectation is based on the budget availability of defence forces and how they progress.

- Deepesh Agarwal:** Last question from my side, last year you got a large order from Hyperion Global and it was supposed to be a long term relationship, there was supposed to be a large fall on orders any status on this?
- Bhanu P Srivastava:** I think there is some issue in that, so it is not progressing well we can say that it is probably on hold.
- Deepesh Agarwal:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.
- Amit Dixit:** Good morning everyone. Thanks for taking my question Sir. I had couple of questions. The first one is on essentially if you could quantify some of the order booking that we expect in the rest of FY2023 because last time we indicated that we will get Himshakti programme of around Rs.3300 Crores, Atulya medium power radar, so where we are on these, also if you can mention the status of Akash Prime which was around Rs.3000 to 4000 Crores that would be helpful?
- Bhanu P Srivastava:** Himshakti CNC is already over a month back and it is under process, so it should come Arudhra radar CNC is already over. As far as Akash Prime is concerned it is a BDL order and it is there with CCS the moment CCS concludes. We are ready with negotiating with BDL. So whatever you are mentioning links you to FCS CNC is complete. EW suite for Mi-17 upgrade CNC is complete, so that is what I was mentioning that most of the big orders where we were discussing we are already crossed over the CNC stage and it is only government to process internal process and approval.
- Amit Dixit:** The second question is essentially on the gross margins, this quarter we saw the gross margin came down, also EBITDA margins came down, so other expenses of course went up, so what were the key reasons for the same and whether we expect gross margin to revert back to the Q1 level let us see in next quarter just wanted some insights on that?
- Damodar Bhattad S:** If you see for the nine months period April to December last year and current year the gross margins are remaining around the same level it has not come down. It was compared April to December period, so we expect the gross margins to be at on the same level in the year end.
- Amit Dixit:** Okay, you expect things to normalize essentially in Q4?

- Damodar Bhattad S:** No, gross margins should be around the same level that is now whatever nine months ended we have shown that 40% around gross margins it should be around the same level by the year end.
- Amit Dixit:** Thanks Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.
- Renu Baid:** Thank you for the opportunity. My first question is on the services. Can you share inputs in terms of how has been the growth of services in third quarter and for the nine months and given that more AMC contracts are coming now from air force and probably even possible from army what is the kind of growth that we are expecting for this line of revenue?
- Damodar Bhattad S:** Can you just repeat it?
- Renu Baid:** I just wanted to understand what is the share of service revenues in nine month period?
- Damodar Bhattad S:** Around 10%, out of 11000 around Rs.1000 Crores is service revenue.
- Renu Baid:** Are we expecting slightly better growth in this revenue stream with more AMC contracts on books or should be broadly in this range only?
- Damodar Bhattad S:** Current year it will be broadly in this range only 90:10 ratio will be there for the current year.
- Renu Baid:** Secondly if I come back to gross margins now since you are sharing that we expect the RMP sales will be broadly flattish just like nine months for the full year I want to understand when we see incremental revenues coming in from Akash where we have almost 90% plus localization and even on LRSAM further execution localization towards the end of the year and next will be much higher, so any reason why we are not expecting an improvement in this ratio and expecting only flattish are there any cost overruns in certain projects due to which margins are not expected to improve in the fourth quarter for the full year?
- Damodar Bhattad S:** In the current year there are so many different projects we are doing whether it is Akash, LRSAM and there are many other projects done by different units of the company so considering all the mixture of all total composition we expect the gross margins to be around 40% range only.



- Renu Baid:** Okay.
- Damodar Bhattad S:** LRSAM and Akash are two of these, but total turnover put together we are expecting around 17000 plus these two constitute may be around 4000 plus, so overall the gross margins should be around the same level.
- Renu Baid:** Got it. Then if we look in terms of today the order backlog is close to now Rs.50000 Crores plus can you share the broad mix of this order flow, order backlog in terms of difference in civilian and within the sense for radar communication system can we have a broad breakdown of the order backlog?
- Bhanu P Srivastava:** It is around 80% if you see that defence and around 20% civil market and it is a mix of if you see that we are very broad spectrum if you see that technology and equipments are concerned. We have 24 strategic units working on various product ranges, so except few which is very clearly visible all others are very, very wide range, so if you want to name a few for bigger then apart from LRSAM and Akash missile system there is avionics package for NCMR 2 or advanced avionic warfare suite for fighter aircraft, **(inaudible) 20:40** programs, software defined radio then fire control system for various ships, sonar system for various ships, some whatever remaining is integrated Air Command and Control System, anti-submarine warfare systems, so it is a very, very broad variety, not one project or program which is constituting the total 50000, it is very, very broad mix.
- Renu Baid:** If you look at EVM and VVPAT projects how is the progress on your execution and are we expecting an add-on order in the fourth quarter or the next year?
- Bhanu P Srivastava:** One add-on order we received yesterday apart from what we had earlier for some M2 M3 VVPAT it is around Rs.150 Crores and then whatever we have order as of now we will be executing it by August next financial year for EVMs both CU BU and VVPAT, over and above based on the new voters getting added in the voter list and all these things. ECI they keep on planning and giving the orders, so major order which are as of now planned for 2024 elections they have already placed the order on BEL and ECIL, remaining that inflow continues every year some quantities so that will continue, there are so many state polls are there, so state governments they need EVMs, government also will need EVMs because some of the old EVMs they get destroyed or destructed when they outlive their life, so this is a continuous process.
- Renu Baid:** Including Rs.150 Crores?
- Bhanu P Srivastava:** If you see the total EVM...

- Company Speaker:** EVM and VVPAT put together 1400 is existing, another 150 what we received yesterday...
- Bhanu P Srivastava:** It is around Rs.1400 Crores.
- Renu Baid:** Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.
- Sandeep Tulsian:** Very good morning gentlemen. The first question is on the Triton electric vehicle order that we supposed to get there were some pilot matches that we were expected to supply in the December quarter based on this there were negotiations that were supposed to happen for larger order over there if you could update us on the status of that as well as what is the expected size of the order that you are likely to get some timelines that would help?
- Bhanu P Srivastava:** That was one indication but for systems we are still to get so may be another one or two months will get, but it will take time so we have not factored what Triton the projection was there in our revenue stream as of now. Let us see how it moves ahead, how Triton itself move ahead in their business and how it is going to be linked with us. So as of now that is going a bit slow.
- Sandeep Tulsian:** Understood and second question again just reiterating on the order inflow part we used to share some sense on the larger orders if not all given the tentative size what they have given indication that in Shakti and Arudhra in your finalization it would not contribute more than Rs.5500 Crores given by the numbers you have shared, but you are guiding for somewhere close to almost Rs.15000 Crores kind of inflows in the fourth quarter FY2023, so if you could also share which are the other large orders besides Shakti and Arudhra?
- Bhanu P Srivastava:** In Shakti and Arudhra I told that Air Defence Control & Reporting System then links you to fire control system it is around 1600, EW suite for Mi-17 upgrade around Rs.800 Crores and there are many, many orders when we say that in the range of 200 Crores, 300 Crores either it will go up to Rs.3000 Crores, so all three services, so they are under various stages.
- Company Speaker:** We reiterate what we told in the beginning around Rs.10000 Crores to Rs.12000 Crores PMCs are always finalized and contracts are going to come before March most likely and some more quotes have also been submitted, so with that only we are retaining our guidance closer to Rs.20000.

- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** My question is regarding civil part of the business, where do you see five years from now it is contributing you said around 20% now and what are the margins for that business as compared to defence?
- Damodar Bhattad S:** We feel that ratio of defence to civil in the next four, five years continued to be in the range of 75:25 or 80:20 like that defence would be always in the main sum and 20 to 25 maximum will be civil not more than that in the coming four, five years and as far as margins are concerned basically we do not give segment wise information as we are exempted from the same, so we would like to refrain from that for defence and civil separately we would not like to tell those because we are exempted from the segment wise.
- Vipul Shah:** Lastly many MoUs at the defence expo, so any progress on those MoUs?
- Bhanu P Srivastava:** These are MoUs for long term progress, so we are working on those, these are all simply development related, business development, product development, technology development, future related things, so last defence expo it is only four, five months left, so these are all have a long term impact.
- Vipul Shah:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** The first question is on the future margins you indicated sales growth could be in the corridor of 15% to 20% possible bias towards 20% would we be in a position to maintain our current margin profile going ahead as well despite of any mix change in sales?
- Damodar Bhattad S:** Yes, we will be able to maintain these margins whatever we are stating now.
- Gagan Thareja:** Any headroom to further increase them with some sort of cost efficiencies or increase localization?
- Damodar Bhattad S:** Our guidance will remain the same range what we are giving, so till that we will be increasing our margins just now as it is, but guidance remains in the same range as of now.

**Gagan Thareja:** Last one, this Swathi Radar which was sold to the Armenian armed forces, there is news that there was some leakage on specific details and specifications by some Armenian army personnel for that specific radar would that therefore make the government a little more sort of reluctant in trying to build export base because these are strategic assets while export potential is there these sort of events might be difficult to digest for the armed forces in India?

**Bhanu P Srivastava:** I am not aware what type of leakage you are referring to?

**Gagan Thareja:** There are media articles that the specifications for the Swathi Weapon Locating Radar which was sold to the Armenian armed forces and some army person in the armed forces of Armenia leaked out the specification details and he has been arrested by the Armenian government under the Revelation of State Secrets Act and so on, but in any case that means that some data are critical or critical data pertaining to the radar's performance would have been leaked out in which case....

**Bhanu P Srivastava:** One thing is that specification of radar, the take of radar like Weapon Locating Radar, these are all broader specifications are already in public domain, you go and see defence journal and all they give the broad specification of all types of military equipments. If some specific detail is leaked out I do not think it will have any impact on that because the technology behind the radar which is more important and what is the software, how you have addressed that, what is that, that I do not think anybody will be able to give or that information we provide to anybody, design parameters or design details based on which this radar is manufactured it is never shared to anybody outside, so even Armenia they will not have design parameters or design detail, they will have only operating detail and anyway broad operating detail across the world it is available for all type of radars on public domain.

**Gagan Thareja:** Thank you Sir and on the missile programs MRSAM and QRSAM are the big ones that are in the pipeline, there is also I think Very Short Range Air Defence, VSHORADS program which is in the work plus Man Portable ATG and so on, so what is the scope for Bharat Electronics in VSHORADS and MP ATG and if at all any and what is the timeline for MRSAM and QRSAM?

**Company Speaker:** MRSAM AND QRSAM definitely government is working on and maybe next year or next to next year because these are all big programmes they take time for induction and any way in these programmes wherever electronic portion is there that is already there in that.

**Gagan Thareja:** In the other two programmes there is no involvement for BEL?

- Company Speaker:** Which programme?
- Gagan Thareja:** Very short range air defense systems.
- Company Speaker:** I will check. As of now I do not have details.
- Gagan Thareja:** Okay thank you Sir I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.
- Abhijit Mitra:** Yes thanks for taking my question. Just to understand your thoughts as to the reasons why the other equipment budget of the air force was not utilized this year what are the drivers that led to this unutilization of the budgets that were allocated to them and whether this had any bearing on BEL?
- Company Speaker:** Air force has not utilized it has got a broad area BEL is one part of that so they have to answer that because lot of big ticket procurement also they have so where they have used where they have not used but as far as our supplies are concerned we are on track and wherever payment is due they are paying.
- Abhijit Mitra:** Right and Y-o-Y barring air force there is no other growth areas that we see within the other equipment domain be it for army or be it for navy?
- Company Speaker:** See we are very closely working with navy and we are there in all level programmes. If you see any new ship or submarine they are getting inducted whether it is a cadet training ship or whether it is offshore patrol vessel, whether it is a new generation missile vessels or new generation corvettes whatever is coming almost 20% to 25% of weapon and sensor is from BEL. See naval ships you have to take care that these are all small numbers so each equipment may not be big but if you had around 10 to 12 equipment in a ship where BEL equipments are there be it if you see any frigates, if you see the communication system, sonar system, fire control system, torpedo defence system then radar system, all these things add together 8 to 900 Crores equipment in a ship which is there and if you add to that same system if they go for either LRSAM or something so it adds further. BEL is very closely associated with naval programmes and navy also is a major chunk in our business so you cannot say that only air force.
- Abhijit Mitra:** What I am trying to understand is that there is no growth in the other equipment budget be it for army or be it for navy the only growth is coming through air force the question which I

was trying to understand is whether QRSAM has been allocated within the other equipment budget for FY2024?

**Company Speaker:** That air force has to tell. See government has allocated now air force has to prioritize what equipment as per their strategic priority they would like to take.

**Abhijit Mitra:** Okay got it. That is all from my side, thanks.

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

**Amit Mahawar:** Hi Sir thank you. Sir I had two specific questions first on capex I think last year we incurred around 5 to 6 billion plus on expanding LRSAM and Akash facilities so how do we see that maybe in this and next year where will that go?

**Company Speaker:** The capex is expected to be around 600 Crores in the current year and as far as building facility in capex is concerned we are very aggressive and if you see we are building quite few infrastructure or factories, new factories to take care of our growth. One of them we are building advanced night vision factory at Nimmaluru which is 15 km from Machilipatnam where we are spending close to around 340 Crores it will be state-of-art night vision equipment factory then we are establishing D29 manufacturing facility in Bengaluru then we are establishing electronic warfare for ground-based equipment in Ibrahimpatnam in Hyderabad then Anantapur where we were having that defence system integration complex there also we have started the work. We have taken land in Nagpur to expand into arms and ammunition around 200 acres of land. Then super component facility we are building in Hyderabad with investment of around 100 Crores so quite a lot of investments we are doing which will come in next two to three years which will start giving results and in fact Nimmaluru factory will start working from next year May, June it will come in stream so what Director Finance was telling that around 600 Crores this year and in the same range 600 to 800 Crores every year we will be spending in capex to build our infrastructure to take care of growth.

**Amit Mahawar:** Very helpful Sir and second and last question is what is the share of nomination contracts in our revenues this year and how will this change in the next maybe two years broadly you can mention us and the share of outsourcing to private sector this year versus last year?

**Company Speaker:** Nomination basis the share remains around 75% to 80%, 75% to 80% of our revenues what we are doing in the current year is on nominated basis.

**Amit Mahawar:** The share of outsourcing to private sector this year and revenue within the last year that is it? Thank you.

**Company Speaker:** Share of outsourcing to private sector?

**Amit Mahawar:** Yes Sir the procurement FY2022 it was around 31%, the domestic procurement that we did through largely private sector how has it changed this year.

**Company Speaker:** It is almost around the same level.

**Amit Mahawar:** Okay thank you Sir and good luck.

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

**Aditya Mongia:** Good morning everyone and thanks for the opportunity. The first question that I had was on I think there was a question recently last speaker had asked on a nomination based share of a backlog which is 75% to 80% wanted to get a sense of how much of this share is coming under the new pricing regime and just wanted to get some sense because I understand LRSAM is there but it will be good to know how much of the 75% to 80% is coming from the new pricing regime?

**Company Speaker:** Whatever orders we get will be under the pricing regime what is prevalent as of date last three to four years. Whatever government has formulated the guidelines no one orders will be falling with that guideline only but at the same time as we have told earlier and we repeated the cost efficiency is built in to this margins.

**Aditya Mongia:** Understood so one should assume that the new pricing regime would have no impact on margins incrementally?

**Company Speaker:** This has come around 3 to 4 years back and 3 to 4 years performance is there in front of you so you can just guess by that.

**Aditya Mongia:** Understood and the second question that I had was on your existing backlog which was 50000 Crores could you give us a sense of how much execution can happen in FY2024?

**Company Speaker:** As we started in the beginning current year we have given a guidance of 15% growth and the next year our guidance remains again around 15% to 20% growth so this is a broad

range we can give maybe we can give you a more precise guidelines once the results of the current year are out.

**Aditya Mongia:** Am I to assume that most part of FY2024 the execution can happen from the current backlog itself without new orders coming out meaningfully.

**Company Speaker:** The revenues what we are forecasting is based on the current order backlog and of course this two, three or four, five major orders what we are expecting before March also.

**Aditya Mongia:** Sure just a last question from my side. It has been interesting to see the company kind of announce several MOUs over let us say September to October to November last three months could you give a sense of how to kind of think through the business opportunity or how to think about financials of this company, context of these new endeavors?

**Company Speaker:** If you see the broader MOU in different technology. Noteworthy is our MOU with Delhi Metro where we are working to indigenize that whatever systems they are imported in current there is opportunity for expansion of metro similarly our MOU with Airport Authority of India where we are working on indigenizing that air traffic management system and all related services and radar system for this there are expansion programmes and there are many other MOUs if you see including Munitions India Limited we will be working with arms and ammunition. Then Yantra India Limited where we will work in the product range so what I want to say that every product which is there in all our parties there is a certain element of electronics involved, certain element of software involved, certain elements of AI related things are involved where we have expertise so when we complement with our expertise then it is a better value proposition and it will give growth in business. How we complemented even in Delhi metro or AAI is their domain knowledge added with our expertise in their software solution and our expertise in radar system and electronic system added to whether it will give complement and give value same time many companies at broader levels where we collaborate and sign MOUs for business development and we also sign MOU at submodule technology level where there is a complementary strength that is mostly in like IIT or IISc (inaudible) 43:08 technology in their domain where we can find then leverage their knowledge to build it in our main products and offerings so we are leveraging both ways. MOUs at bigger companies where we complement their strength and MOU at start-up level or academic institutions or research labs where we leverage their technology or their expertise in building our solution and offerings.

**Aditya Mongia:** Great Sir and all the very best and thank you Sir. Those were my questions.



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

**Prabir:** Thank you for the opportunity Sir. Sir I have couple of questions. First I would like to know as you said that non-defence is rightly contributor of 20% so your non-defence has several fields from fiber security to semiconductors to anything so what is the gross margin for these overall so we can understand as you said that going forward it will be 75:25 so we can understand whether it is margin activity or margin entirety?

**Company Speaker:** As we are mentioning earlier in the non-defence also there are so many different segments where we are operating and it could be homeland security, it could be EVM VVPAT, it is healthcare segment, it is for metro solutions, so each one has got different margins. What guidance we are giving is for the overall margins for the revenue what we are projecting so we stand by the guidance what we have given so individual margins will be different and it will be varying so we cannot tell that it will be this much in metro, this much in homeland security that we would not like to talk on that.

**Prabir:** My next question is related to your projects called HPR high power radar you are developing the system so what is the status of this HPR as well as the Uttam radar?

**Company Speaker:** See HPR radar the technical evaluation happened and we fielded with LRDE but I think HPR delta now MOD is considering so that is not there as of now HPR. Uttam I will come back I have not gone through that.

**Prabir:** Sir I could not understand.

**Company Speaker:** Uttam status has just not checked up so I will not be able to answer you as of now. As far as HPR radar is concerned our competitor their radar as we understand it has been selected and MOD is processing.

**Prabir:** Okay Sir thank you.

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

**Viraj:** Yes good morning Sir. My question is our employee benefit expense has gone up by 70 Crores is it some addition or some more items and with the increase in this fashion?

**Company Speaker:** No employee benefit expenditure has gone up due to reasons like DNS increase and recruitment of some contract it is from labor and actuarial valuation so it is normal increases only.

**Viraj:** In one of the last con calls we have mentioned about the US order and you are pretty optimistic about it how is it going now?

**Company Speaker:** Which particular one you are talking of?

**Viraj:** There was one US order from US company the trial order was to be done then the size of the order could..

**Company Speaker:** It is going slow we have not factored in our projections.

**Viraj:** So any scope of increase there?

**Company Speaker:** As of now we are working on only first system and we are not very sure that is why we have not factored this value in any of our projections and guidance.

**Viraj:** Okay Sir that is all from my side and all the best to you Sir.

**Moderator:** Thank you. The next question is from the line of Abhineet Anand from Emkay Global Financial Services. Please go ahead.

**Abhineet Anand:** Yes thanks for the opportunity. I just wanted to know slightly medium term view. This year we hit 70000 odd Crores on sales on 15% guidance the next year you have indicated around 15 to 20% so we will meet that 20000 Crores which is our current inflow run rate and for 2024 is also similar guidance I just wanted to know beyond 2024 in the next two to three years say 25 to 27 odd what type of annual inflow are you currently envisaging I know it is difficult but if you can give some subjective equity to that it will be very helpful for us? Thank you.

**Company Speaker:** See we are working on many technology and many programmes for defence services and others and the way services projections, long-term projections are there we envisage the same 15 to 20% growth in long term.

**Company Speaker:** Our programmes will be linked to the defence budget and defence budget will be definitely on increasing trend only as we can foresee that from last year it was 1.52 lakh Crores it has been increased to 1.62 lakh Crores so consequently as the budget increases our minimum

share will remain and with the fair growth whatever technology programmes we are doing maybe improvement also could be there. One of other aspects like what earlier question was asked about service business so more things are going on defence our share of service business will increase in the term of supporting these equipments which are installed in defence services in the form of supplying various type of spares, tech equipments, repair support, some of the critical areas where services will play, AMC, so more and more systems are going and physical terms and absolute terms revenue operations also will give us growth because these all equipments which we are supplying they have to be maintained for another 15 years by defence forces.

**Abhineet Anand:** Just to clarify you if we get 15 to 20% growth on the inflow side on an annual basis can be seen beyond 2024 right?

**Company Speaker:** Yes.

**Abhineet Anand:** On the services side while it is 10% now say next 3 to 5 years where can that grow?

**Company Speaker:** Because base will be increasing you have to understand that absolute terms it will grow but base also will grow so 10% to 12% that will remain but on a wider base bigger base.

**Abhineet Anand:** Thank you Sir. Those were my questions. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Khadija Mantri from Sharekhan. Please go ahead.

**Khadija Mantri:** Sir I would like to know how much is the exports order book currently?

**Company Speaker:** Exports order book is around 2000 Crores as of now.

**Khadija Mantri:** What are our expectations for the next couple of years in terms of exports?

**Company Speaker:** We are working with many countries but normally if you see that exports is more towards G2G also because guidelines of government of India where there are strategic interest and what guidance are there and where we can put it our services so we are working like a question was there we have supplied something to Armenia, then Mauritius we are working on some projects, Malaysia we had discussion, then President of Egypt was there for some of the products so we are working very aggressively on export front also but normally what happens is if you see BEL products mostly our products are of defensive nature, surveillance type of equipment, communication type of equipment so it takes time it does

not become absolute necessary for any defence person to have it immediately because these are all defensive applications, you have or you do not have you can continue with that so we are working with the government also, government of India also for pushing export. We have opened the offices also. Our business delegations are going with government of India delegations to make sure that our export increases.

**Khadija Mantri:** Okay Sir thank you for the explanation.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference to Mr. Harshit Kapadia for closing comments. Over to you Mr. Kapadia.

**Harshit Kapadia:** Thank you Michelle. We would like to thank Shri. Bhanu Prakash Srivastava, our Chairman and Managing Director, Shri. Damodar Bhattad – Director Finance and CFO and Shri. Sreenivas – Company Secretary for giving us an opportunity to host this call. We would also like to thank all investors and analysts for joining this call. Any closing remarks you want to highlight the investor Sir.

**Bhanu P Srivastava:** Thank you very much for coming together and having a broad idea. I can only say that BEL is a technology driven company and we are very few company in the country where we invest heavily on research and development. If you see our results 7% plus of our turnover we spend on R&D. We have a very strong R&D base and that is how we are able to maintain our growth and profitability and all these things because of our strong R&D base. Close to 2700 engineers and scientists are working in R&D with us so that is the key strength of Bharat Electronics and that is how we are able to sustain and grow. So thank you very much for having confidence in Bharat Electronics and coming together for having interaction.

**Moderator:** Thank you Sir! On behalf of Elara Securities Private Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.