

SEC/SE/052/2024-25  
Chennai, August 05, 2024

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| To<br><b>National Stock Exchange of India Limited</b><br>Exchange Plaza, Bandra Kurla Complex,<br>Bandra(E),<br>Mumbai - 400051<br>NSE Symbol - DATAPATTNS | To<br><b>BSE Limited</b><br>25 <sup>th</sup> Floor, P.J. Towers,<br>Dalal Street,<br>Mumbai - 400001<br>Company Code: 543428 |
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**Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Earnings Conference Call**

Dear Sir/Madam,

Further to our earlier letters no. SEC/SE/040/2024-25 dated July 23, 2024 intimating the schedule of Earnings Conference Call on the financial results for the quarter ended June 30, 2024, please find enclosed herewith the transcript of the Earnings Conference Call held on Tuesday, July 30, 2024 at 03.30 P.M. IST.

The transcript of the earnings call is also available on website of the Company.

We request you to take the above on record and oblige.

Thanking You.

For **Data Patterns (India) Limited**

Prakash R  
Company Secretary and Compliance Officer  
Membership No: A34652

Encl: As above

DATA PATTERNS (INDIA) LIMITED  
(Formerly known as Indus Teqsite Pvt. Ltd.)  
Plot H9, Fourth Main Road, SIPCOT IT Park, Siruseri  
Off Rajiv Gandhi Salai (OMR) Chennai - 603 103  
Tel: +91 44 4741 4000 | Fax: +91 44 4741 4444  
Website: www.datapatternsindia.com  
CIN: L72200TN1998PLC061236





**DATA PATTERNS**

“Data Patterns (India) Limited  
Q1 FY ‘25 Earnings Conference Call”  
July 30, 2024



**DATA PATTERNS**



**MANAGEMENT:** **MR. S. RANGARAJAN – CHAIRMAN AND MANAGING  
DIRECTOR – DATA PATTERNS (INDIA) LIMITED  
MS. REKHA MURTHY RANGARAJAN – WHOLE TIME  
DIRECTOR – DATA PATTERNS (INDIA) LIMITED  
MR. VENKATA SUBRAMANIAN – CHIEF FINANCIAL  
OFFICER – DATA PATTERNS (INDIA) LIMITED**

**MODERATOR:** **MS. MONALI JAIN – GO INDIA ADVISORS**

**Moderator:** Ladies and gentlemen, good day and welcome to Data Patterns India Limited Q1 FY25 Earnings Conference Call, hosted by Go India Advisors. As a reminder, all the participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Monali Jain from Go India Advisors. Thank you and over to you, ma'am.

**Monali Jain:** Good afternoon, everyone, and welcome to Data Patterns India Limited Earnings Call to discuss the Q1 FY25 earnings. We have on the call Mr. S. Rangarajan, Chairman and Managing Director, Ms. Rekha Murthy Rangarajan, Whole Time Director, and Mr. Venkata Subramanian, Chief Financial Officer. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Rangarajan to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for questions and answers. Thank you and over to you, sir.

**S. Rangarajan:** Thank you, Monali. Good afternoon, ladies and gentlemen. It is my pleasure to welcome you all to our Q1 FY25 earnings call. I hope you had the opportunity to review the earnings presentation available on both the stock exchanges and on our website. Before Venkat presents the financial results, I would like to provide a brief overview of some important updates and key highlights for this quarter. As we review our performance for the first quarter of FY25, I am pleased to report that our commitment to excellence and strategic focus has positioned us favourably and we started the year on a positive note.

During Q1, our revenues have shown a healthy growth trajectory driven by robust performance in our core segments and successful order deliveries. We are committed to in-house development of strategic products which will increase our TAM and allow growth in the coming years. We have strategically advanced up the value chain by developing comprehensive systems using reusable building blocks, leveraging our existing competencies.

We have spent 54 crores on new product development initiatives, out of the funds raised through QIP last year. Our financial performance reflects the strength of our business model and the effectiveness of our strategic initiatives. We have seen an increase in both our top-line and bottom-line in line with past years and as per our internal estimates.

In Q1, our revenue from operation witnessed a double-digit growth at 15%. EBITDA demonstrated commendable growth increasing by 33%. EBITDA margins during the quarter stood at 36%.

We have a robust order book as on date of 1,147 crores. The growth has been seen across all verticals, development orders contributing 53% of the top line and production orders at 43%. The broader context of our performance is shaped by the significant transformation underway in India's defence sector.

The government's initiatives such as Atmanirbhar Bharat and Make in India, coupled with increased capital outlay are driving this change. In the recent Union Budget presentation, our finance minister announced, an allocation of 6.21 lakh crores for the defence sector for FY25, which is the highest allocation at 12.9% of the total budget. The budget sets aside 1.72 lakh crores for capital outlay. To bolster the armed forces, ear marking off 1.06 lakh crores for domestic capital procurement, providing further impetus to Atmanirbhar Bharat. India expects to reach at least 3 lakh crores annual defence production and to reach 50,000 crores export by FY29. Keeping the sectoral trail wins in mind, we are committed to sustaining a revenue growth rate of 20% to 25% and maintaining margins between 35% to 40%.

We aim to capitalize on the following opportunities, focus on flight control radars, expand radars and smaller radars for UAVs, ensuring cost competitiveness with in-house IP in radars, develop electronic warfare products to meet the requirements of Army, Air Force, and Navy, provide military radios, radio relays, and other equipment required for our services. We'll continue to do product development to narrow the gap between what we import and indigenously what is available. At this point, I'll pass the floor to Venkat for his comments.

**Venkata Subramanian:**

Thank you, sir. Good afternoon, ladies and gentlemen. We are happy to present our strong performance highlights of Q1. Let's delve into the overview of our financial results.

In Q1 FY25, revenue was up by 16%, 1,404 crores, which was in line with our estimates. Development contracts contributed to 31% of the revenue, production contracts, 50%, and service contracts, approximately 11% of Q1 revenue, highlighting the diversity in our revenue stream. Similarly, our order book keeps growing and stood at 1,017 crores as on June 30, which is driven by growth both in development and production orders. The order book today is 1,147 crores, including the orders negotiated in July 2024. More development orders are generating and translating to higher production revenues.

Profit before tax stood at 43.5 crores, while profit after tax witnessed impressive 27% growth, reaching 32.8 crores. Our net debt-free balance sheet reflects prudent financial management. As of June 30, 2024, we hold over 670 crores in cash, cash equivalents, and investments in liquid funds, underscoring our financial strength and liquidity. Overall, we delivered a strong performance in Q1 and are confident of steady growth momentum for the full year.

With this, we will now proceed to the Q&A session.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dipen Vakil from Phillip Capital. Please go ahead.

- Dipen Vakil:** Thank you for the opportunity, sir, and congratulations on a steady execution. Sir, my first question is on the lines of, how do you see the new order win momentum going ahead for FY25. As to what kind of quantum of orders are you expecting going ahead and which will be the areas, you are seeing new orders to come from?
- S. Rangarajan:** As I mentioned in the last quarter call, this year we expect overall 1,000 crores order intake, new orders. We have, I think we have a couple of hundred crores already received. We expect the orders to start coming in the probably end of Q2, mostly in Q3 and Q4. That's the order intake we are expecting. And it is going to be based on, radars, electronic warfare, and these kinds of avionics where we have already delivered some products and repeat orders are expected in all these areas. And mostly it's out of what we delivered products earlier, products are expected to follow this year. Okay.
- Dipen Vakil:** So, you also mentioned about the trend that you have done towards new product development. So, any highlighting products that you'd like to mention about for the new product development and the kind of opportunity that can arise from that?
- S. Rangarajan:** It's a bit premature. I don't want to say an open call exactly what products are developing. That is why I've given a brief background on this. It includes a whole range of radars and electronic warfare equipment plus communication systems. This is in line with whatever we decided a couple of years back that we should start developing products. This is not available in the country, and we are importing these products. And so, that is why we raised money. We started spending the money building products. It's coming out quite well. So, maybe in the next few months, once the products are out, once we demonstrate, we start looking at how the revenue mix can happen after that. It's a bit premature to talk about it in an open forum.
- Dipen Vakil:** Got it, sir. Sir, I have a few more questions, but I'll join back the queue. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.
- Jyoti Gupta:** Good evening, sir, good set of numbers. Two questions, one is the emphasis of ELINT and the COMINT. What kind of market are we seeing in this COMINT and ELINT systems in electronic warfare? So, what kind of time do we expect in the next five years? Second is, on your slide six, I see that there's a certain trend which is given to us where usually the first quarter is weak, followed by improvements in the second and third quarter, and obviously fourth is the best. Do we expect the same kind of trend in FY25 as well?
- S. Rangarajan:** Okay. I can't be very specific on the time brought in by COMINT and ELINT. There are a number of programs with India we are developing with DRDO, and once it fructifies into a production contract, we expect back-to-back orders to come to us. I don't have an exact number, but the number of other inquiries and make one, make two programs are happening from Air Force for COMINT and ELINT. There are also airborne ELINT and COMINT requirements coming up. I've not summed the total value, but we are actually working on those areas along with DRDO.

With DRDO, over the last maybe more than a decade, we have developed a number of products which is world-class in both COMINT and ELINT areas. So we expect that to stand us in good stead and address the market against important systems as and when the inquiries come. We're already working with DRDO in some of the programs in these areas.

So, this is one of the important areas. And there are two other parts of COMINT and ELINT in EW, which is the radar warning receiver and the jammer, electronic countermeasures, we're also working on them. So, we're working on all of EW systems. We hope that this will all give us a substantial kind of revenue in years to come. But I can't comment on the exact number at the present moment because too many programs are there. We don't know which we will win and where we are going to go. But yes, we are committed to this area of operation. We are investing a lot in these areas.

Coming to the second question on how our revenue flow goes quarter to quarter. Traditionally, as a company, we have been quarter four heavy in all of our earlier pre-public IPO days. More than 80% is on quarter four. With the order book with us for one and a half years to a visibility of orders, we've been managing to make the order. It's not so much quarter four driven so that we are also profitable in the quarter one, two, three, four. But again, giving like what he said, quarter one will tend to be the lowest and as we go along, hopefully quarter two, quarter three should go up.

But this year, we're going to have probably a larger quarter three and quarter four rather than a quarter one, quarter two as we see it. Because the nature of orders we have received and also on the offtake from our customers based on their production requirements, they're dependent on both.

Not just the nature of orders, also on which the customer is willing to take at what point in time. So, looking at that, I think quarter one, quarter two will be a bit less. Quarter three, quarter four should be higher is what we see as of now.

**Jyoti Gupta:** Okay. Thank you. Well, actually, I had a few more questions on the ELINT and COMINT part only because I know these are very important and critical platforms that you've been developing and working on. To seek clarity call from you. That will be all on my side. Okay.

**Moderator:** Thank you very much. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

**Harshit Kapadia:** Thanks for the opportunity, sir. Just wanted to get a sense on the order inflow which you mentioned of 1,000 crores. Would it be largely driven by product, or would it be driven by the developmental part for this year?

**S. Rangarajan:** I think this year it will be driven by earlier products which were delivered. Repeat orders are expected now. Maybe some of the development which we're doing now can also pan out to become orders. We'll know this towards the end of third quarter or fourth quarter. But what we have in mind is mostly towards already designed products and repeat orders have to come.

**Harshit Kapadia:** And when you say repeat orders, would you be able to give a sense of the system? On the radar side, are we talking about the Ashwini, Rudra radars, all those systems?

**S. Rangarajan:** See Ashwini it's a competitive bid. So, we do not know which version we'll get. That is why we don't want to go contract specific because we don't have control on the market. So, we have a bunch of contracts which we expect. We expect that some of them or most of them should come our way. There are some specific contracts which we have developed as a unique vendor. Hopefully when that happens as a repeat contract, we should get back-to-back single vendor contracts.

So, we have a bunch of them. I don't want to get into exactly which contracts because I'm not in a position to exactly say when what will happen because this is government-driven orders. So I don't have absolute control on the timing nor on the contract. But we have a bunch of contracts and we expect that we should get 1000 crores kind of new orders this year going ahead.

**Harshit Kapadia:** And the contract size, would you be able to give us a sense? Will it be like sub-500? Any one which could be, let's say, 500 crores plus? Any one big order?

**S. Rangarajan:** No, that all depends on the competitive bid we win. It can be a sizable order. But we're not looking at that because when a tender comes, you can't predict the outcome of an open tender. So we don't consider. And I make a commitment on behalf of the company on order expected. If we normally go, not covering the tender contracts where we have a probability, but we're not sure whether we'll get it. So when we give an estimate, it is more on what we already developed and what we expect as single vendor contracts. The other things may happen. If it happens, it becomes additional on top of this, whatever we projected to you.

**Harshit Kapadia:** Okay. And given the current visibility you have, even for FY26, would that 1,000 crores run rate continue or do you think any spurt can happen? Because we were also looking at integration in a bigger way, rather than just being a component supplier or a subsystem supplier. So anything on FY26 which can come to us?

**S. Rangarajan:** See, one thing which we're doing is slightly different from others, is that we're developing products for the future. That is why we've raised money, and also we're retaining money instead of giving every year dividends. Retaining money because we're going to do a lot of product development going ahead. And also infrastructure development to address future manufacturing requirements.

So we'll be spending on capex both on development as well as on actual infrastructure. So, the idea is to scale the company substantively from what prior course we've been doing.

See, the market size is very, very large. And we're used to importing these systems from various countries. Government is very clear that this cannot go on. We are putting a lot of policy in place to see that it is truly made and designed in India. It's an Indian content year and year the Indian content percentage as a mandatory requirement.

With all this, our idea is since we have specialized for many years in building component subsystems or large part of the systems all these years, we decided that we'll build the complete system ourselves. So that is why we have committed ourselves to raise money. And we are in the process of development.

Development is started. We are building the products. So as soon as the products become available and certified and flight tested and things like that, the expectation is that it will also substantially increase our order intake.

Idea is to increase the TAM very large to 10,000, 15,000 crores of 20,000 crores of TAM. So, a percentage of that we should be able to get an order. We also look at very, very high-speed growth coming in the coming years. That's the reason we're looking at it. So, I can't specifically talk about 25, 26, or 26, 27. There's a series of products we're doing. It's not one product. It's a bucket of products, a bunch of products we're designing. And all of them will look at the address of the 20,000 crores market.

So that is what other than the competitive bids which we participate in, these are all. What we're doing in development is uniquely different from what is already available in India. So, we hope that it will pan out properly. That is a commitment to developing products.

**Harshit Kapadia:**

Fair enough, sir. And another question is on, we have been probably one of the companies who have developed seekers for the BrahMos missile. So I have the final selection done between you and the other PSU company who have also developed the products, or is it still some final conclusion is there, and when the results are expected to come out?

**S. Rangarajan:**

The seeker, I think government is talking about it now. But we don't have an active inquiry at the present moment. We expect that considering that they've got a lot of orders now and looking at not importing seeker and making India. We believe that we'll get an opportunity shortly to address that requirement. As of now, I can't comment on it because we don't have contracts at hand. But we expect that going ahead, our belief is that we should be also having contracts going ahead.

**Harshit Kapadia:**

So, the contract will get split between you and the PSU, or there's only like one take all?

**S. Rangarajan:**

It's expected. Obviously, we are two vendors, so both the vendors should be considered is what we expect. But, you know, I can't talk for the government. We are talking future, and I really can't talk for the government. But we are hopeful. Let me say that we're really hopeful. We have a good product, so we are hopeful that they should procure from us also. So as soon as it happens, we'll announce it once it happens.

**Harshit Kapadia:**

And this last question on RADAR. There's been a development on the Uttam RADAR, and there's one private company already there. They're also looking at more companies. Would Data Pattern be participating in that, or would it be staying out?



**S. Rangarajan:** I don't know whether they're really looking at another vendor and all that. I don't know where you heard this, but I'm not aware of such a requirement. Essentially, there is one vendor, and also there's an important vendor equivalent for this. But the opportunities are very large. There are other platforms, and also if better products are available, maybe somebody will consider that. We are addressing these areas in new products, but the outcome is not very sure.

But, yes, we are seizing the requirement and trying to see what we can do, whether we can do a world-class product with those requirements. We're working on this. Broad development is on, but I'm not very sure what you're saying. I can answer that question. But, yes, in a general category, we're addressing that and looking at products which can be world-class in this category.

**Harshit Kapadia:** Fair enough, sir. No issues. All the best for future, sir.

**Moderator:** Thank you very much. The next question is from the line of Koundinya from Jefferies. Please go ahead.

**Koundinya:** Hi, sir. Thanks for the opportunity. A couple of questions. The first one, continuing from the previous participant's question, just on the Sukhoi upgrade program, we understand there is also a plan to upgrade the radars as well as the Virupaksha radars, which are also kind of an extension of the Uttam radars and all. So just trying to understand, if there's an opportunity for data patterns to participate in this, if not just specific to radars, what is the total opportunity size that we can address in this total upgrade program, if you can provide some color on that, please?

**S. Rangarajan:** Yes. We are interested in this Sukhoi upgrade program. We're trying to develop products in these programs. We don't have an order on inquiry. We are trying to develop products in this program because the program requirements are very large. I don't know how this election process will be going ahead, but we want to be one of the participants in this program. So towards this, we are doing a lot of investments and building products.

**Koundinya:** Sir, we understand that the radar for Sukhoi upgrade program is an extension of Uttam radar, kind of modification of Uttam radar, correct us if that's wrong. So just trying to understand, if that were the case, will that be an open tender basis or will it again go to your peers on a nomination basis? How does it work in general?

**S. Rangarajan:** You're talking about a future program. How can I comment on it? These are all government initiatives. I can't talk for them. That is why I said we know about the requirements. We understand the requirements are large. We are committed to working to providing solutions and products in this category. How government will react? What will they do? I really don't know. Obviously, we will try our best to see that part of it or all of it comes to us. This is our interest because these are all the areas where we have very strong competencies.

So obviously, we will try to do our best to see we get something in this. The future will say what really happens. We are investing ahead of these areas. That's all I can say now. I won't be able to talk on behalf of the government of India.

- Koundinya:** Okay.
- S. Rangarajan:** You understand that, obviously, right?
- Koundinya:** Yes, yes, I get it.
- S. Rangarajan:** The Air Force and the DRDO Division or HAL Division. So the three large players in the division and definitely I'm not a player in this division. I can be a contributor to our decision-making based on the product capabilities.
- Koundinya:** Fine, sir. That's understood. So my second question is on the order of flows. I'm not sure if you already answered this question. But this quarter, we saw a dip, per se, on the order flow front. So just trying to understand, is it something to do with the timing mismatch? Or how should we look at it? If you can help us understand that, please.
- S. Rangarajan:** The order flow is a bit delayed. We expect the orders to happen in the third quarter, fourth quarter now. We would rather have it in the first two quarters, obviously. But that has not happened because there are certain trials being undertaken. And the decision-making is a bit delayed. We hope that we come properly in trials and we get the orders in the third or fourth quarter.
- So there is a delay, but we don't believe that we will get the orders as we committed earlier to you. But it will happen. Maybe towards the second quarter, something should start coming in. Third and fourth quarter, we should get a larger order book is what we think.
- Koundinya:** Okay, fair enough, sir. Yes, sir, if I may ask one last question on the margins in this quarter. I mean, we saw a good jump in margins. Is it something to do with, a greater share of your service orders and production orders in the execution mix and therefore the margins? How should we look at it? If you can help us provide some color on that, please.
- S. Rangarajan:** The margins are as per internal estimates, the margins vary with the contracts we execute. We have been repeatedly saying this. It depends on the contract. Some contracts where IP is very high, where we don't import anything, we design everything from scratch. Then what happens is our margins are higher. Sometimes we have to integrate, then the margins become lower. Sometimes we've got a competition in an area, then margins tend to become lower. So it's a mix of programs. So we believe that these are sustainable going ahead, depending on the contracts we execute.
- The idea is that since we do all the IP development in India and we import very little. Actually we don't import except components. We don't import at all any systems and subsystems or even building blocks made in India. The margins look to be better for you.
- But more importantly, what none of us are looking at is that these have been developed a couple of years back, three years back. Every year we invest in product development, and we write off the product development as part of the revenue expenses. We don't capitalize it, so you don't see

all of them. But this is a longer-term play in developing products. So when the production order starts coming in, you see the bottom line is picking up. That's what you see what's happening.

But this has been the way we've been building products all through our life. It's nothing new here. Going ahead, we do large systems where some systems have to be procured and integrated. Obviously, the margin profile will come down, but the size of business will be higher. So we need to look at how to scale the companies substantively. But we don't want to look at the low margin in a normal-run business. We want to be an IP-driven business. And towards this, we are spending a lot of money in product development. That's why we went for QIP also.

You see that we build the products, which is 100% designed in-house. And we build not just the electronics, we build the mechanicals. We build all of those things, design all of them, so that the complete control of the entire equipment is with us.

That's what we're trying to do. It's tough, but we've been working on it for many years to build a capability like that, and we want to strive to build more capability to see that we build that on the entire systems in India and not look at buy and make. Other than that, we want design and make. That's what we're trying to do.

**Koundinya:** Sure. And just last question. So this kind of sub-test was already considered when you gave 45% margin guidance for the year, right?

**S. Rangarajan:** I didn't give 45%. See, every one of you are talking on behalf of me, putting more words in your mouth, and I'm very worried when you say those things. I didn't give 45%. I said 35 to 40% is what I told in the first call in, I think, May. I would rather say something and beat my estimates rather than say something and fall back. So I've been saying 35% to 40%. I never said 45. I don't know who said it.

But I would love to do 45%. but let's hope it happens. Today, we need to look at what kind of mix of orders we're going to contract. And we made a budget for the board, and we will be looking seriously how to build as we go along. But, yes, we're looking at 35% to 40%.

**Koundinya:** Sure, understood. Thank you very much and all the best. Thank you.

**Moderator:** Thank you very much. The next question is from the line of Pawankumar Gajwani from Citi. Please go ahead.

**Pawankumar Gajwani:** On slide number 28, there has been an increase of around \$400 million in intangible assets. Can you help us understand this increment about?

**S. Rangarajan:** See, what we are doing this time, unlike earlier days, is that we're doing substantive product development. So, we have taken about trying to close the market. We're trying to build products, not against contracts. And that is how we tell that, how do I increase the total addressable market from 2,000, 3,000 crores to what we're addressing now, to 15,000 to 20,000 crores? You have

to scale the company to a core company or a micro-core company. I need to be able to have products to address the market.

The other way is we tie up foreign OEMs, bring the products to the work chair, and look at the lowest core kind of thing, which everybody else is doing. Against doing that, we decided, let us build IP and build the product here, but then have the products. These products have to be demonstrated, flight tested, go through certifications, participate then in tenders, and then try to win contracts. We do that. Our cost is much lower than a competitor who imports and integrates. So we have a flexible margin. So we'll be able to address the market. Maybe more competitive is what we thought. And since we have done a lot of product development earlier, we used the building blocks to try to reduce the risk of development and also time frame to develop the products.

Accordingly, we got clearance the load and what the QIP done. So, once we started doing this, product conceptualization took some time, how to do this, the design fundamentals, principles. Now we have started building the products. So, these are all now shown as intangible assets. Most of the intangible assets will be 80% or 85%, will be in terms of inventory materials, which is bought against these programs and products, and which is getting converted into actual products. These are all at the present moment shown as intangible assets.

**Pawankumar Gajwani:** Thank you for this.

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

**Amit Mahawar:** So, I just want to understand in FY25 and FY26, it seems your business with HAL and BEL is still very significant. Do you have any impact of any potential delays, especially to HAL when you supply machine, computer, and avionics for Tejas and other platforms?

**S. Rangarajan:** There are delays. We hope the delays don't continue and they pick up. We have orders on hand. There are some delays in accepting deliveries. And so since there are some delays, we are trying to, deliver some of the products so that our commitment to our board and what we've done is actually being delivered. So we are, mixing products and delivering. But I don't know in the future how long the delay will be. I don't have an idea on this. We hope that the delays won't continue and we will deliver.

**Amit Mahawar:** My question is more to understand for you in case there's a potential LD on HAL. For potential delays, how does it impact you back-to-back?

**S. Rangarajan:** LD on HAL has no impact on me. If we deliver delay to HAL, then there is an LD with HAL, charges on us. Then there is an issue. But here we are ready. The delay may be an acceptance or order work from BEL based on their manufacturing needs. We will not have any LD on those things. So I expect that if it happens, I'll be very surprised.

**Amit Mahawar:** Very clear. Second and last question is more on your revenue, particularly from these two PSUs plus your exports in 2025 and 2026. You've been a large one of the decent component exporters to the Western world, both Israel and potentially, if I'm not wrong, some other European buyers. How do you think your exports will move in 2025 and 2026?

**S. Rangarajan:** Firstly, the market which has opened up, a huge market opened up, is in India. So, our focus is on the Indian market. From earlier, we are using with DRDO building blocks and subsystems and selling to DRDO and then developing with DRDO rather. Then when the production order happens in PSU, we get a part of the production order, then basically what we have designed. This is the model. This continues to be a model.

Only thing we try to do a larger portion of that with DRDO. But we're also now scaling to directly address MOD requirements. There you cannot do part of the system. You have to build the full system because tender requires you to show the full system. So towards that, we're developing products and the various category of make one, make two kind of things and participating in tenders and trying to win tenders. So that work is on.

These are typically larger orders because the requirement directly to the users of the full system. So we're trying to do that. This is mainly the focus area of what we're doing. And what we're doing now is developing products against this OEM requirements, direct requirements from Army, Navy, Air Force. And also where some upgrade programs are happening, whether we can do part of the upgrade by building our own products instead of relying on imported technology. So these are two areas we're trying to really funnel, develop products and get our growth.

That's the main area. But yes, we've got some contracts from abroad. We've not got much product orders from Israel. Earlier we used to develop products for a UK company. It's a worldwide defence OEM. So we continue to build that. In 2013, we've been delivering our design products there. And that is a found favor, and they're getting a lot more orders. Back-to-back, the orders are increasing to the UK company, and we do monthly delivery to this company. Even during COVID, we were delivering monthly, they're very happy. So we continue to get some contracts.

We also participated in some requirements in Europe as well as in South Korea. We received some radar orders from them. This is designed by us in India, and we'll be exporting it. Exports start in three, four months. We are just getting export clearance from government. So we should start doing that. So we will do this. Probably about 100-plus crores of orders we have, which we'll execute. Of course, most of them will go to this year.

Expect more orders to happen from UK. As more orders will happen. But at the moment, this is not a very large percentage of our order book. It's probably 10% to 15% of our order book at the present moment. But going ahead, we would like to do more exports. But presently the focus is India because opportunity is very large and real here.

Going ahead three years, five years from now, I think we will focus on outside India opportunities and once the full product starts coming out, there will be opportunities what we

design and do here. The same thing is usable across the world. So we will start diversifying outside India as we go along.

**Amit Mahawar:** In terms of thousand crores this year and whatever we expect next year, in 2025 and 2026, any specific developmental significant orders that we should think in mind for data patterns?

**S. Rangarajan:** Let's see what happens, you're looking at a thousand, two thousand, five hundred thousand crores order. You hope that thousand crores will happen. Which of them happens this year, which happens next year, I'm not very sure. So we have an idea, but there's no control over delays. So that's why I said. But largely, these orders, as I see it, is all already developed orders. Of course, see what happens in all of them, though it is developed, the entire repeat exactly is not zero-one repeat. Some customization also happens.

So some development takes place. These are large contract orders, large-size orders for us and very important to us. So we classify in production orders because the development content is very limited. But mostly, it's a repeat contract is what we're expecting and what we've already delivered.

**Amit Mahawar:** Thank you very much and good luck, sir.

**Moderator:** Thank you very much. The next question is from the line of Gaurav Uttrani from IIFL Securities. Please go ahead.

**Gaurav Uttrani:** Thank you for the opportunity, sir. Sorry if I missed the question, sir. We've seen a material decline in order inflows for FY24 and Q1 as well. So going forward, in which segment, we are expecting a major inflow and how our order inflows look like for FY25 and similarly for FY26?

**S. Rangarajan:** I thought this question was asked earlier. We're expecting probably an order intake of 800 to 1,000 crores this year. This is FY25-26 is what we expect. We've got some orders in the first quarter. The order intake has been a bit delayed than what we would like. But I think towards Q3, Q4, we should start getting the orders is what we think.

**Gaurav Uttrani:** So, would it be more towards the development or production orders?

**S. Rangarajan:** This will mostly be repeat orders of what we've delivered earlier.

**Gaurav Uttrani:** Sir, in the order book, we have mentioned there is a break-up of underwater and tanks, contributing around 3% and 2%, respectively. So which are the products and who are the customers in this segment?

**S. Rangarajan:** See, tanks mean it will be DRD or CVRD. We're doing some work for them on some missile loading systems. We've got an order that is under design, and hopefully we should deliver this year. And for underwater, we work with a lab called NPOIL and NSTIL. There are two labs in DRDO who do underwater, sonar, and torpedoes and things like that. We worked with these labs for quite a few years, and we have some orders from NPOIL, which we're executing. Again,

fully designed solutions for NPOIL. So I don't want to get into which exact product because of the NDAs we signed with them, and they may not like us to disclose in open public what we developed with them. But underwater, we work with two labs.

**Gaurav Uttrani:** That's all from my side. Thank you.

**Moderator:** Thank you very much. The next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

**CA Garvit Goyal:** Good evening, sir. Congrats for a good set of numbers. My first question is I was checking your previous earning presentations where you used to guide for 25% to 30% top-line growth. Then it got reduced to 25%, and in recent PPTs, it is 20% to 25%. So further, if I look at YoY growth last year and this quarter too, we are showing only 15% growth in our top line. And same numbers are there for bottom line if I exclude the interest income, which we are getting on the QIP money, right? So my question is what is wrong in the terms of executing the order book? Are we facing any challenges because of which we are not able to meet our own guidance? Kindly put some color on this.

And secondly, like a previous participant also mentioned about delays in supplying to the HAL due to some engine supply falling short from GE. So how do you see this is going to impact for our next nine months?

**S. Rangarajan:** I don't remember saying 25% to 30% in the previous quarter. I've always said it's 20%-25%. I don't know how it became 25% to 30%. So I'm not changing my guidance. What I did say last quarter, if I remember, the top line was at 20%-25%, but we'll maintain a 30% growth in the bottom line is what we said. And somebody was asking that it doesn't work out and all that.

I also answered that question. So we expect a larger bottom line growth than top line growth is what we said. Top line may grow, but even if top line growth is 20%-25%, we'll have a 30% bottom line growth is what we mentioned, as I remember last time.

Anyway, coming back to this on the flatness of quarter one, quarter two kind of thing and why the revenues are not growing. See, this depends on the contracts which you have and which is executable for the quarter. Sometimes what happens, the customer doesn't want to deliver it. There are two parts to it. One, whether we can deliver it within the time frame of quarter one, quarter two, or second is the customer wants it to be delivered. So in these cases, there are large contracts which we can't develop and deliver in one quarter, two quarters, it takes a year, year and a half.

So we've also projected it to be end of this year or next year, some deliveries, large contracts happening, development is happening there. We're going as per schedule. But, yes, we could have delivered a few products, but there was a customer acceptance delays out there, so we could not deliver those even though the products were ready because there were acceptance issues in terms of customer requirements.

So this is what I was telling the last participant, I think he asked me this question. So this is something which we can't control. What we need to have is a larger order book and more product to be, manufactured.

So if some of the product won't go, we kick in with some other products, which is also ready. This is what we're trying to do. We have an order book, and we expect some contracts to happen. Sometimes you take advance action on products you expected, which can be quickly delivered to the customer also within a week. We try to push it through. So we have to do all this to see that the revenue model and the delivery model is happening properly.

But our model, if you take Data Patterns, traditionally we've been a Q4-focused organization in delivery. We managed to make it Q1, Q2, Q3, Q4. We see Q1 will be smaller, Q2 will go gradually up, and Q3 and Q4 will be the largest kind of delivery that will happen in Q4. But that is in line with the government procurements. Normally it's Q4-centric. In production order, we're able to actually send something in Q1 and Q2 in line with what they expect.

But this is largely what it is. And I did tell somebody, one of the other callers, I said that this year Q1 and Q2 will be slightly more – it will not be growing very fast. But Q3, Q4 is going to be our partners this year. That's what I said. But even if some delays happen with the customers, I don't think it should affect us because it should ship some of the products the customer wants. There are other requirements which can get shipped.

So we'll focus on areas where customer wants deliveries and put our effort there is what we're thinking. But I don't think all contracts are like this. One or two may happen, especially with some government customers, some delays may happen. But that should not affect us largely is what we're thinking. Our internal plan is to see that that doesn't affect us.

**CA Garvit Goyal:** Secondly, sir, you mentioned 1,000 crores order inflow this year. So, is it for FY25 or FY25 and FY26 aggregate basis?

**S. Rangarajan:** It is FY24, FY25. Current financial year. The next 10 months is what we're expecting. Some orders have already come in. Some orders were quoted which should come in. Some are yet to quote. Inquiry should start happening. So we have a list of orders which we expect to happen. So that is why it's 800 to 1,000 crores we should have an order influx here.

**CA Garvit Goyal:** Understood. All of my questions are answered. Thank you very much and all the best for the future.

**Moderator:** Thank you very much. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the conference, please limit your questions to two per participant. The next question is from the line of Abhishek Singhal from Naredi Investments. Please go ahead.



- Abhishek Singhal:** Good afternoon, sir. Thanks for the opportunity. Sir, my first question. In Q4, our two contracts delayed due to inspection not done by our customers. So what is the current status? And out of this, how much did we book the revenue in Q1?
- S. Rangarajan:** I don't want to get into those specifics, Abhishek, if you don't mind. It's an open conversation. I don't want to be so specific in each contract, which customer. That will not be taken in good spirits or good by the customer or the market. So I won't answer that specifically. Yes, those are all happening. Whatever we told you issues were there. That's all getting addressed. And one by one, things are getting shipped.
- And we are in touch with the customer and things are getting shipped. We're trying to see that it doesn't affect our delivery mechanisms by having other contracts, other products delivered. We're trying to mix. And so we're also internally discussing how our manufacturing has to be done, rather produce more and dispatch lesser if required. That is the strategy we're following, so this should not happen as a regular feature. So we understand, but it's not correct to get into any specifics on these areas. I hope you appreciate it.
- Abhishek Singhal:** Okay, and second question. In Q1, our revenue from service segment is 11%. So going forward, what is revenue split for FY25?
- V. Subramanian:** Overall, for the full year, it will be around 10% to 11%. But Q2, Q3 will be slightly lesser. But overall year, it will be 10% to 11%.
- Abhishek Singhal:** Okay, thank you so much, sir. That's all from my side.
- Moderator:** Thank you very much. The next question is from the line of Manan Vandur from Wallfort PMS. Please go ahead.
- Manan Vandur:** Thank you for the opportunity. I just wanted to clarify one thing. In the opening remarks, you said something about exports to be 50, 50% by FY29. Did I hear that correctly?
- S. Rangarajan:** Okay, I was talking about Government of India made notifications. They said we need to export 50,000 crores by 29. These are all statements made by our government representatives, not mine. I'm just repeating that the opportunity is large. Government is thinking of large opportunities to be created in manufacturing and defence requirement which can either be exports or consumption in India. There are large requirements. I'll be only talking about that. Not my export.
- Manan Vandur:** Yes, and in the presentation, the capex is mentioned as around 150 crores over two years. Would you be able to specify what are you spending it on?
- V. Subramanian:** That was actually the past few years of capex is what it is written. But we plan to augment our capex to the need of contract specific requirements whenever we get a contract. Probably we'll be spending another about 150 crores plus over the next two years. That is the plan.

**Manan Vandur:** Okay, okay. And in the opening remarks, sorry, I missed one more thing. What is the total addressable market for the current product portfolio that we have?

**S. Rangarajan:** Actually, you know, we don't look at it like that. This is a very difficult question to answer. See, you know, traditionally, we have been building subsystems with DRDO. And there are specific opportunities to address. And those opportunities can get converted from production orders based on BEL and HAL's production back-to-back we get. Then we look at the opportunity in the future. But again, there will be delays with that. And this is how we've been doing. We continue to do that work.

But off late, what has happened is, because of the, imports being not preferred by our MOD and services, PMO has stopped that. There's a number of urgent requirements coming up with the services. And those back-to-back, such kind of urgent requirements, DRDO has to deliver quickly. So we are able to actually deliver some systems quickly to DRDO to address this requirement. Those few things have come up very handy for us because we can do all of those systems in-house. So that has been happening.

So I can't give you just a touch on the exact time, what is it presently, and what we're addressing percentage. It doesn't work like that. But what we have started doing is to address questions like this, and also build strategy in the company.

We're looking at specific visible opportunities coming from MOD now. And we've got to build those visible opportunities where the players are not very many, and they need to be designed in India opportunities. So towards addressing those opportunities, we raised money to build products, which is what we're doing now, present engagement. You look at those opportunities, it will be about 15,000 to 20,000 crores kind of addressable market total use of market. We hope that we're able to participate in those markets, address those opportunities, and convert them into revenues. This is the intent. We're working towards the intent and developing products in those areas.

**Manan Vandur:** Thank you. Thank you so much. That's it for me.

**Moderator:** Thank you. The next question is from the line of Aditya from Sowilo Investment Managers. Please go ahead.

**Aditya:** Hi, thank you for the opportunity. My question is more on the lines of the subsystems. I understand that your intent is to have IP and develop the products in-house but when it comes to subsystems of your system, how much of it is, say, locally procured and how much of it you're dependent on imports and your resilience to, say, global supply chain shocks?

**S. Rangarajan:** We import all the electronic components. We design the printed circuit boards. We design the mechanical parts. Some mechanical, some drives or some sensors in the mechanics room may have to be imported because it's not made in India. Largely, we try to do Indian systems. So other than some electronic components and very complex printed circuit boards, which we need to get it done from abroad, design being done by us, the rest are largely Indian. Very few

components, really. Some encoders and things like promotion systems may come from abroad. We don't make the encoders in India.

So whatever is made in India, we try to maximize Indian content. Import is a low-cost portion of our overall cost structure. And, of course, electronic components are the major import components, which we do. The rest is all done in India.

**Aditya:** Okay, and in your opinion, is there room for sabotage in terms of if somebody is able to track your supply chain, is there a means where there is room for some kind of a backdoor entry.

**S. Rangarajan:** Sabotage, I understand. Backdoor entry means?

**Aditya:** Backdoor entry as in access to your system, access to data, which is, I mean, passing through the system.

**S. Rangarajan:** The one thing we have is very strong. Before we even, when we were 10, 15 years back, everything was rented in our company. The table was rented, furniture was rented, computers rented, air conditioners rented. The only thing we had is IP. So there we had firewalls. The one thing we protect is firewalls, extensive amount of firewalls, and mirrored servers, offset servers. We do a whole lot of stuff.

And we also signed with IB. IB does an audit with us. This is defence. We're really high up in the audit as well as the IP protection. We don't host our servers in cloud. We host it ourselves. We don't have anything to do with the outside world. We try to have everything inside. So, we manage our IP fairly well in our office also. So that is one that we don't expect much of a tax. Whatever we do, we immediately take care of it. And second, it is limited to the front line and it doesn't go into our backup servers. Access is very limited, even to our own people. We have access rights and who can access.

We have a lot of systems to do that. And we also have third party coming in, hacking our systems to find out, are you okay, not okay. So we do this consistently, see that there is resilient network in our office and firewalls. Having said that, the other thing is, what we import, etc., component visibility, I think there are sites which, government publishes that import is happening here. That kind of information is public. What is public is public.

But not out of us, it will not go to public. And anyway, we buy components from registered suppliers. We don't go through traders as part of our defence requirements, we cannot. And because certification of components is necessary, conformance certification is necessary, we need to ensure that every batch, for the last 15 years, which components come from which batch, which Intel component, we store all of them. Because if any failure happens, we need to know which batch has failed and what is the defect in this procedure.

So it's a fairly deep process in all these things. So I think we're not complacent. We understand this is happening, but we are also addressing those requirements. Thank you.

**Moderator:** Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.

**S. Rangarajan:** Thank you for joining me on this earnings call. As I said during the opening remarks, we want to build an organization built out of IP. And we're going ahead to build large products, very, very complex products in radars and EW and in communication systems. We're looking at what is being exported, imported into the country. And it's time to say, can we build this in India?

We've been doing this for many years. So, we have a competency model, which we are improving and building products here. We also have a number of engineers from 400-500 people. Now we have more than 900 engineers working in the office. We're taking fresh engineers and training them. We are also creating infrastructure to see whatever development is done, the production also will follow quickly, if the order comes next year, we are in a position to deliver on those things. So this is a defence and aerospace systems. These big systems is a long-term play. We need to have an order book of three, four years to see that we scale the company. Today we're talking about one and a half, two years of order book.

We're trying to see that we build products and get an order book, which is at least three years so that it can scale the company. We hope that we'll do this in the next two years to three years' time. But we want to substantially scale the capability. The opportunities are large. We have built up competencies. We want to address the opportunities. We're very bullish about this. We hope we're able to achieve what we want to do. But the effort is on to build a fairly large organization going ahead.

Thank you very much. Thanks for your patience in listening. If there's anything further you want to ask, please address it to Go India. They are our partners here. They will get all the answers to you in time. Thank you very much for this.

**Moderator:** Thank you very much. On behalf of Go India advisors, that concludes this conference. Thank you for joining us and you may now disconnect your line.