ASTRA MICROWAVE PRODUCTS LIMITED
Regd. Office: ASTRA Towers, Survey No. 12(P), Kothaguda Post,
Kondapur, HITEC City, Hyderabad - 500084, Telangana, INDIA
Tel:+91-40-46618000, 46618001. Fax:+91-40-46618048
Email:mktg@astramwp.com,website:www.astramwp.com
CIN: L29309TG1991PLC013203

February 11, 2025

To
The General Manager
Department of Corporate Relations
BSE Limited
Sir Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai -400 001

Scrip code: 532493

To
The Vice President,
Listing Department
The National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051

Scrip code: ASTRAMICRO

Dear Sir/Madam,

Sub: Conference call transcript.

We are sending herewith Conference call transcript held with analysts on 8th February, 2025.

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

Thanking you,

Yours faithfully,
For Astra Microwave Products Limited

THALLAPALLI ANJANEYULU
Digitally signed by THALLAPALLI ANJANEYULU
Date: 2025.02.11 18:23:40 +05'30'

T. Anjaneyulu
Company Secretary & Compliance Officer

"Astra Microwave Products Limited
Q3 FY '25 Earnings Conference Call"
February 08, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th February 2025 will prevail.

MANAGEMENT: **MR. S. G. REDDY – MANAGING DIRECTOR – ASTRA MICROWAVE PRODUCTS LIMITED**
DR. M.V. REDDY – JOINT MANAGING DIRECTOR – ASTRA MICROWAVE PRODUCTS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Astra Microwave Products Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participants' 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 and zero on your touch-down phone. Please note that this conference is being recorded.

Please note, this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

Now I would like to hand over the conference to Mr. S.G. Reddy, MD from Astra Microwave Products Limited. Thank you, and over to you, sir.

S. G. Reddy: Thank you, and good morning, everyone. A warm welcome to all the participants to the post results earnings call of our company. I'm with my colleague, Mr. M.V. Reddy, Joint Managing Director; and SGA, our Investor Relations Advisors. The results and investors presentation for Q3 FY '25 are uploaded on our company website and stock exchanges. I hope you had a chance to look at it.

To start with the Q3 results, I'm delighted to share with you that Astra has delivered a healthy performance with a 12% year-on-year growth in the top line, which stood at INR257 crores on a stand-alone basis. This performance is in line with our expectations. On the profitability front, we continue to maintain our EBITDA margins at a sustainable level of 29.1%, indicating stability in our margin profile of current order book and a better mix of products sold during the quarter.

We saw healthy order execution during the quarter, wherein domestic defense orders contributed to 85% of our revenue, followed by export business at 8.4%, space 3.4%, metrology 2.7% and balance coming from other businesses. Our consolidated order book as of December '24 stood at INR2,332.6 crores. The stand-alone order book as of December stood at INR1,960.2 crores with new orders of INR141 crores received during the quarter.

For 9 months, we booked about INR674 crores of new orders, gradually moving towards our annual order booking target. These new orders comprise of INR20 crores from radar, INR60 crores from EW segment, INR5 crores from telemetry, INR22 crores from space, INR14 crores from exports and the rest from metrology and hydrology sectors. In terms of product specific, major orders being for plank unit and Shakti subsystems.

Overall, our stand-alone order book comprised of 88% of domestic orders, which are largely BTS and 12% of export orders, which are a mix of BTP and BTS business. Our consolidated order book consists of INR135 crores worth of service orders, which are typically margin accretive.

In terms of major developments during the quarter, happy to share with you that the company has participated in the technical trials of anti-drone radar for Indian Army and passed the technical trials successfully, waiting for the final results of financial bids submitted by the company. This drone will be further enhanced with RF detector and jammer with scalable options in terms of both frequency and range.

Company was also able to come out with a handheld ground penetration radar during the year and has participated in a competitive tender and is in the evaluation stage. This radar will be made scalable and also made drone-based down the line. Some more developments will be shared by my colleague.

Our joint venture company has done well during the year and has already surpassed the year-end target. Handsome share of profit of INR7.5 crores is received from it during the quarter. Our subsidiaries have done well, though largely it is for the captive consumption.

In general, defense industry is advancing steadily towards self-reliance driven by government policies, DRDO innovations and global collaborations. The country is witnessing a rapid import substitution, increased domestic production and growing exports.

This push towards indigenization is expected to boost the earnings of both public and private defense companies as many defense PSUs are witnessing good order inflows with higher indigenous percentages. Also, the Union Budget FY '25 has allocated handsome money for the defense budget. Against this backdrop, Astra is strategically positioned to leverage emerging opportunities in this expanding market.

Before I hand it over to my colleague, I would like to inform you that we are on the way to achieve our year target, both in terms of top line and bottom line and aiming for about 15% to 20% top line growth for the coming year, which may translate to about INR1,200 crores to INR1,300 crores of sales.

With this, I request Mr. M.V. Reddy to take it over.

M. V. Reddy: Thank you, S.G. Good morning, ladies and gentlemen. We had quite satisfactory third quarter, and we are almost on track towards reaching our FY '25 target of both in terms of orders inflow and sales.

We have order book of INR1,960 crores as on Q3, including inflow of INR140 crores, which was booked in Q3. We have concluded negotiations of INR150 crores more worth of orders, which we have been expecting in this current month.

And also in addition to that, INR200 crores more worth of orders are in pipeline and majority of them are expected to be received in the current quarter itself. In the last quarter, majority of orders which we have booked are production in nature from domestic market in radar and EW domain, carrying decent margins and 30% of them are in development contracts.

We have bagged a few important strategic projects, including development of critical technology project for futuristic radar and also onboard digital signal processing system for the satellite payloads, which will help us to move up in the value chain and also will enable us to build the satellite payloads in near future.

With regard to sales, execution momentum has picked up as compared to the previous quarter and further ramping up in Q4. We are confident of meeting the projected numbers and will achieve 4-digit mark revenue for the first time in the current financial year itself.

I'm happy to share a few other key achievements in the last quarter, which includes successful completion of site acceptance test of multifunction pulse compression radar for ISRO and pulse-based tracking radar of -- for DRDO, doppler weather radar for IMD. All of them have been accepted by the customers and handed over to them.

Our JVC, as Mr. S.G. has mentioned, ARC outperforming in FY '25 and bagged a decent and strategically important contract worth of INR255 crores in last quarter to deliver software-defined radios kit for the Indian Air Force.

With the order book of INR475 crores, ARC is expected to surpass initial guidance numbers of revenue of the current year and expected to book sales of INR275 crores in this year. ARC is actively pursuing more opportunities in the domain of tactical communication and electro-optics and expect it to grow in a rapid pace with the initiatives being taken to strengthen it in all aspects.

Before I conclude, I'm pleased to inform you that we are unveiling new products and systems at aero show which is going to be held next week in Bengaluru. We are demonstrating the ground penetrating radar and also the complete weather solution in this particular aero show.

That's all from my side. The other colleague, Mr. Atim Kabra, actually is from an emergent situation, he could not attend this call. I just wanted to inform, and we would be happy to answer your questions. Thank you.

Moderator: Thank you very much. We'll take our first question from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: First of all, congratulations for a good performance in this quarter. I had couple of questions. The first one is essentially on EBITDA margin. So if I look at this quarter, the EBITDA margin is touching almost 30%.

As you indicated in your prepared remarks that the orders inflow that we are seeing in the current order book is primarily oriented towards defense and there are service orders as well. So is it fair to assume that now going forward, somewhere upwards of 25% EBITDA margin would be a norm for Astra?

Management: Yes, yes, we can achieve it.

Amit Dixit: Okay, sir. That's very helpful. The second question is on interest cost. Now if I see that has increased sharply both on Q-o-Q as well as Y-o-Y basis. So was there a working capital buildup that we expect to be unlocked during Q4? And what was the nature? Why was this interest cost very high?

Management: Yes. I think it needs to be clarified to the -- in general also. This question keep coming up very regularly. No doubt, the working capital borrowings have slightly gone up. But I would say, to a large extent, the increase in interest cost is pertaining to one adjustment of pertaining to the Indian accounting standards on the advances received from the customers.

It is not an actual outgo, but accounting standard needs us to provide interest on the outstanding advance amount accounts irrespective of the terms of the contract we have to provide. The share of such provision is close to about 40% of whatever the amount we are showing in the financial statements.

So we have to discount that 40% to arrive at the actual finance cost incurred by the company. The provision is getting adjusted as and when we gradually execute the contracts. So indirectly, that is how it happens.

Amit Dixit: Okay. And this change in accounting policy happened from this quarter only?

Management: No, no, it is there for the last 2 years.

Amit Dixit: Okay. Because the costs have gone up, even if it was there in last 2 years, then even if I compare it with last year, it has gone up by...

Management: I understand. I understand that during the quarter, or I would say, in the last 6 months period, the actual working capital borrowings have gone up compared to the corresponding period of previous year. So because of that, even there is an increase in the actual finance cost also. But my answer is more in terms of the overall finance cost that is appearing in the books of accounts.

Amit Dixit: Sure, sir. One last question, if I may. You also spoke on the anti-drone radar in your prepared remarks. So can you just highlight the kind of -- what potential do we see in this? How is it different from our peers who are in this space?

Management: Probably M.V. Reddy will take that.

Management: Yes. Amit, so this is -- as we mentioned in our previous calls also, this ToT, we got it from DRDO, but we optimized the design. And today, we are competing with a couple of companies in this particular domain. So initially, we developed the total radar solution and then we have demonstrated. And as Mr. S.G. has mentioned in the opening remarks, we are now integrating with the radar jammer and other sensors to provide the overall soft kill and as well as hard kill options.

Moderator: Next question is from the line of Yug Modi from AP Capital.

Yug Modi: Sir, I just had one question. Sir, for the 9 months, our revenue stands at INR640 crores. So do you see any potential challenge for achieving our full year target of INR1,000 crores, if you could throw some light on that?

Management: Yes, challenges are there. But as of today, we are confident to reach the milestone.

Moderator: Yug, does that answer your question?

Yug Modi: Yes, sure.

Moderator: Next question is from the line of Raj Mehta from Mehta Advisory Firm.

Raj Mehta: Congratulations on a good set of numbers for this quarter. My question is what is the current debt-to-equity level? And what is the comfortable range that you are looking into?

Management: So both long term and short term. Short-term debt as of today is about INR400 crores. Long-term debt is about INR30 crores.

Moderator: Raj, sorry to interrupt, Raj, can you please self-mute yourself. There's a lot of disturbance.

Management: So both long term and short term is close to about INR430 crores as of today.

Raj Mehta: Okay. What was the revenue achieved by our company, JV company, Astra Rafael? And what is the potential that we see here?

Management: Revenues achieved by the company is close to INR200-plus crores for 9 months period. Probably it may achieve another anywhere between INR50 crores to INR70 crores it will be in the balance 3 months of this financial year. And order book and all, we have already shared with you. We have INR475 crores order book as on 30th December.

Moderator: Next question is from the line of Jyoti Gupta from Nirmal Bang.

Jyoti Gupta: A decent set of numbers. My first question is on the order book. At 9 months '25, we are at INR1,960 crores. What we've received is only INR141 crores of order and we closed at INR1,960 crores, which is lower than INR2,097 crores as at September 2024. What's the visibility for the next 2 years in terms of order book?

And the other thing is I can see that there is potential for -- export potential in terms of order book. There is INR7,000 crores of total potential -- business potential till 2028. So what's the kind of -- how much are we going to -- do we expect us to be benefited from this business potential? One.

Second is, what is our estimate for '26 and '27 revenue growth as well as -- I believe with the kind of platform that we're doing, our margins are not going to be dipping or impacted, either they're going to remain stable or there might be a slight blip. But I think the next 2 years, the margin is going to be healthy only at the same levels. So any guidance on that, please?

Management: In terms of the margins, yes, as you said, probably there won't be any downward trend going forward. Either we should be able to maintain or we should be able to slightly improve from the existing margins. In terms of the order book and all probably you have asked too many questions about the order book. I'll ask Mr. M.V. Reddy to answer.

Management: First of all, whatever the guidance we have given for the current financial year, around INR1,100 crores to INR1,200 crores, we are almost there. And though we booked up to INR640 crores till December, and I think we are comfortable, like as I mentioned in my opening remarks, we have a pipeline INR350 crores more orders are likely to come in this current quarter. So this is the one.

And going forward, we have been seeing good visibility. Next for the FY '26, we have a clear visibility of INR1,300 crores to INR1,500 crores worth of orders which we are likely to book and which includes the domestic and as well as the export market. Then FY '27 also, we have a clear visibility of at least 20% growth in the order book. Similarly, on the revenues front also, we have clarity for the next year, that is in FY '26 of a minimum of 15% to the 20% growth we can comfortably achieve. This as of order book.

As far as the export potential is concerned, we have been addressing both build-to-spec as well as build-to-print, but our main focus has shifted towards build-to-spec. We have slowed down the offset opportunities as the margins are very low. So we are going towards the build-to-spec where with our IP, we are turning out products.

We have been discussing with global OEMs. A couple of products have been -- we are developing based on the specifications given by them. It is too premature to inform you about the contract size and also the programs and all. Probably in next few months, I think we should be in a position to come out with the figures.

But yes, we have been addressing globally, and we are, I think, confident of achieving at least 10% to -- minimum 10% to 15% of our revenue should come from the exports, especially on the build-to-spec. So this is what the figures probably we can achieve.

Jyoti Gupta: Okay. Sir, one more question with the war between Israel and Gaza coming to this thing and even Ukraine, Russia somewhat mellowing down, how do you see things going forward for you, except that, yes, for some companies' supplies, there's going to be a seamless supply and situations look better. But how are you placed in that case?

Management: Actually, this ongoing situation has not affected much, except there was a few supply chain issues what we have faced in the previous quarter. But otherwise, the overall situation is okay with us. And then there is no impact as such in our business in terms of order book, whatever we are getting and also in terms of sales, what we have been doing it for the Israel. So I don't see any major challenge even going forward also.

Moderator: Next question is from the line of Sakshi from Pratap Securities.

Sakshi: Sir, I had questions on the order book, which you already answered. So thanks for that. Just a follow-up on that. So for our upcoming orders, if you could provide a breakup in terms of what we are targeting, defense, space, export, etcetera. Can we consider it to be the same as our current order book in hand? Or can we expect some variation?

Management: Yes. The current quarter, which -- the Q4, which I mentioned around INR350 crores we are likely to book, that majority of orders we are trying to get again from the radar area about INR66 crores and then EW around INR45 crores, missile and telemetry around INR50 crores.

Then there are a few upgradation programs again in the radar domain, which is about INR120 crores, then in space is about INR15 crores and exports around INR50 crores. So all put together is around INR350 crores we are likely to book in this current quarter.

And for the next year, whatever we mentioned around INR1,300 crores to INR1,500 crores is the margin, which we are likely to book in the next year. In that, majority of radar orders are likely to come from the radar segment is around INR900 crores to INR1,000 crores.

EW is around INR100 crores to INR150 crores, missile telemetry around INR100 crores to INR120 crores, space domain INR70 crores to INR80 crores, metrology around INR100 crores to INR150 crores, exports around INR100 crores to INR120 crores. So these are the broad breakup of the next year FY '26 order book.

Moderator: Next question is from the line of Prisha Rathi from NM Securities.

Prisha Rathi: I have a couple of questions. As we see a good jump in our share of profit from JVs, is this contributed by our new JV with Manjeera? And can you give me some update on this new JV in terms of what the kind of orders you have and how it is expected to ramp up? There is a lot of talk about high-quality export order received by OEMs. Do we expect significant business for us as well?

Management: Yes. In terms of the JV, what we have with Rafael -- yes, Manjeera. The other one is what we have with Manjeera, it has just been incorporated, okay? You know very well that we and Manjeera are working on developing a chip for NavIC applications. So idea is that once this chip is in place, we would like to take the further development and marketing of that particular product through the joint venture company.

With that idea, just the JV got incorporated. I would say there is still a long way to really talk about the business potential, what kind of numbers it can achieve. Probably as the things progress, we should be able to share with you. But as of today, this is the status of the JV.

Moderator: We'll take our next question from the line of Jyoti Gupta from Nirmal Bang.

Jyoti Gupta: Sir, one, what is our arrangement with Sematron Italia? What are we doing for them, if you could share? The other is URSC, which is we're saying these are clients. And with Thales and Raytheon, these four companies, are we still in the fledging stage of working out some arrangement? Or are we already currently we have orders for them and we are working on delivering some orders? And what kind of orders would that be?

Management: Most of the entities, what we have shared with us, we have only just working level MOUs with them. We don't have any significant -- in fact, we have not started any business activity as such with these entities. But Sematron, I think you have mentioned the name Sematron, right?

Jyoti Gupta: Yes.

Management: Yes. With Sematron, there are some supplies of RF modules, et cetera, supplied to them. It is more like a BTS contract. It is a one-off kind of business what we have executed with them.

Management: And we do have some contracts for the MMIC components. And also, we have some agreement with them to supply once our products gets qualified as far as the Raytheon and then Thales is concerned.

Jyoti Gupta: So not very clear. What did you say? What kind of contract?

Management: For the MMIC supplies, we have a few agreements in place. Once our products gets qualified, then we'll go for production for their subsystems.

Moderator: Next question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: A couple of questions again. The first one is on essentially we indicated that we expect around INR900 crores to INR1,000 crores of orders from radar in FY '26. Now in its con call, BEL indicated that they might get QRSAM order also in FY '26. So does this include some portion of QRSAM that you are expecting? Or QRSAM, if any, would be apart from this order?

Management: Yes, Amit, actually, we have taken only first half production module -- model. Actually, BEL is what we -- with the discussions what we had, I think they are planning to initiate total unit for the first half production model. So for that, the subsystems, whatever we are going to supply, that value only being considered in the order book. We have not taken up the total -- the order size.

Amit Dixit: Sir, so the total order size, as mentioned by BEL is INR25,000 crores. Hypothetically, if it is INR25,000 crores, then how much could be our opportunity?

Management: Our opportunity will be around INR1,700 crores to INR1,900 crores.

Amit Dixit: Okay. Got it, sir. And for the naval platforms that are coming up, NGC and P75, et cetera, what kind of roughly opportunity we can see over there?

Management: In that, actually, we have a few modules being supplied to them, to OEMs, but the value and all probably in the next couple of months, I think, we'll be in a position to inform you.

Amit Dixit: But we'll be participating in all these 3 programs, P75, P75I and NGC?

Management: No. I think in only one program we'll participate.

Moderator: Next question is from the line of Karthi from Suyash Advisors.

Karthi: Just wanted to confirm the margin guidance for next year, I'm slightly confused. Are you saying you'll maintain the 29%, 30% range for the whole of next year on a stand-alone basis?

Management: Yes, that is what I said.

Karthi: Yes. Sure, sure. And you said roughly INR1,200 crores to INR1,300 crores revenue base, right, sir?

Management: Yes, that is the guidance, yes.

Moderator: Next question is from the line of Santanu Chatterjee from Mount Intra Finance.

Santanu Chatterjee: My question is on Uttam AESA radar. Sir, from when we can expect that revenue -- significant revenue contribution will happen from this segment? As we have already experienced some delay in the Tejas Mk1A program, is there any actually problem for this program? That I want to clarify. And another one is -- second question is on your capex plan for FY '26?

Management: Yes. First question, I'll answer to you. As far as the Uttam for LCA Mark 1 is concerned, we have RFP on hand. We have participated, submitted our bid. Currently, the technical evaluation is going on. Yes, there was a delay in procurement of this Uttam.

We could have got some order by March as we indicated previously, but now it's getting shifted to the -- mostly by first quarter of the next year. So we get definitely some quantity by June '25. And yes, as far as the revenue from that, probably we may be in a position to roll out a couple of numbers by March '26. And majority of them will go for FY '27.

The next question, I think S.G. can answer.

Management: Yes, there will be some capex. As of today, it is not really estimated. It is mostly for augmenting the existing activities of the company. Probably when we talk to you at the year-end call, we should be able to give a number to you.

Santanu Chatterjee: Any ballpark figure, sir?

Management: Generally, the minimum will be about INR30 crores to INR35 crores.

Santanu Chatterjee: That is for maintenance capex, right?

Management: Yes, it is maintenance capex.

Moderator: Ladies and gentlemen, due to time constraints, we'll take that as the last question for today. I now hand the conference over to management for their closing comments. Over to you, sir.

Management: Thank you. And thank you, everyone, for attending this call and sharing your ideas, questions. I hope you are happy with the answers given by the management, and we'll be happy to connect with you again for the year-end results. Thank you.

Management: Thank you, all.

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