



भारत इलेक्ट्रॉनिक्स लिमिटेड

(भारत सरकार का उद्यम, रक्षा मंत्रालय)

पंजीकृत कार्यालय :

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

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सं. No. 17565/6/SE/NSEC/SEC

दिनांक/ Date: 03.02.2025

महोदय / महोदया

Dear Sir/Madam,

विषय – दिनांक 30.01.2025 को निवेशकों /विश्लेषकों के साथ हुए कॉन्फ्रेंस कॉल की प्रतिलिपि।

Sub: Transcript of the Conference Call with Investors / Analysts held on 30.01.2025.

सेबी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, कृपया गुरुवार, 30 जनवरी, 2025 को शाम 04:00 बजे मेसर्स आईआईएफएल कैपिटल द्वारा आयोजित सम्मेलन कॉल की प्रतिलिपि 31 दिसंबर, 2024 को समाप्त तिमाही और नौ महीनों के लिए गैर-लेखा परीक्षित वित्तीय परिणामों पर चर्चा के लिए संलग्न पाएं।

Pursuant to Regulation 30 and 46 of SEBI (LODR) Regulations, 2015, please find enclosed herewith the transcript of the conference call hosted by M/s IIFL Capital on Thursday, 30th January, 2025 at 04:00 P.M. for discussion on Unaudited Financial Results for the quarter and Nine months ended 31st December, 2024.

आपके सूचनार्थ उपर्युक्त प्रतिलिपि कंपनी की वेबसाइट www.bel-india.in पर निवेशक-स्टॉक एक्सचेंज डिस्क्लोजर 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 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
3Q FY '25 Earnings Conference Call

January 30, 2025



**MANAGEMENT: MR. MANOJ JAIN – CHAIRMAN AND MANAGING
DIRECTOR**

**MR. DAMODAR BHATTAD S – DIRECTOR FINANCE AND
CHIEF FINANCIAL OFFICER**

MR. SREENIVAS S – COMPANY SECRETARY

MODERATOR: MS. RENU BAID PUGALIA – IIFL CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to the Bharat Electronics 3Q FY '25 Earnings Call hosted by IIFL Securities. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Ms. Renu Baid Pugalia from IIFL Securities. Thank you, and over to you.

Renu Baid Pugalia: Thank you. A very good evening to everyone. On behalf of IIFL Capital, I would like to thank the management of Bharat Electronics for giving us the opportunity to host the 3Q FY '25 earnings call. Today, from the management team, we have with us Mr. Manoj Jain, Chairman and Managing Director; Mr. Damodar Bhattad, Director Finance and CFO; and Mr. Sreenivas S, Company Secretary.

Without taking much time, I now hand over the call to Mr. Jain for his opening remarks. Thereafter, we can start the session for Q&A. Thank you, and over to you, sir.

Manoj Jain: Okay. Thank you, madam. Good afternoon, everybody. So I will just briefly summarize our financial highlights up to Q3 of financial year '24, '25. So the turnover increased to INR14,174 crores up to Q3 as compared to INR11,485 crores, with a growth of 23.41%. The profit before tax, that is also increased to INR4,242 crores up to Q3 as compared to INR2,949 crores last year up to Q3, with a growth of 43.86%.

And profit after tax, that is increased to INR3,183 crores up to Q3 as compared to last year figure of INR2,236 crores, with a growth of 42.34%. The EBITDA has increased to 28.07% up to Q3 as compared to last year's figure of 23.67%. That way earnings per share has increased to INR4.36 up to Q3 as compared to last year figure of INR3.06. And order book position as on 1st of January 2025 is INR71,100 crores. This is a brief financial highlight of Q3.

Management: Yes, we are open to question and answer the session, madam.

Renu Baid Pugalia: Sure.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Mohit Pandey from Macquarie Capital.

Mohit Pandey: Congratulations on the good set of P&L numbers. Sir, my first question is on order inflows. So are we sustaining a sharp pickup in 4Q because of your guidance earlier was INR25,000 crores. And -- what is the latest on the guidance on orders now, sir, for this year?

Manoj Jain: Okay. We have achieved, I think, around roughly INR11,000 crores order this year, as against the target of INR25,000 crores. Many projects are in the pipeline and which we are hopeful to get in the next 2 months. So we are confident to achieve this INR25,000 crores order inflow by the end of the financial year.

- Mohit Pandey:** Sir, maybe for the 3 or 4 large orders that I think you had mentioned last time that you were expecting. If you can give an update such as for Ashwini Radar Electronic Warfare for MI-17 as well HimShakti Phase 4, you're still expecting them in this quarter? Where are the delays exactly if you could give some color, if possible?
- Manoj Jain:** So all these orders, most of the orders already PNC, CNC is concluded and it is in the contract finalization stage. So that's why we are confident that in the next 2 months, we will get the confirmed order also from ministry for these projects. All the 6, 7 projects, which last time we told, including the 2 you have mentioned, also Ashwini also MI-17 and V5, these all are in a stage of contract English finalization, you can say. The basic PNC for many of them are already concluded. So that's why we are confident we will achieve INR25,000 plus crores order inflow this year.
- Mohit Pandey:** And sir, with regards to QRSAM, if there is any update if you can provide that the pipeline order for next year?
- Manoj Jain:** Yes. There's a project. It's going on well. So many queries, configuration changes and other things were there between Army and Air Force. And it is going in the right direction. Hopefully, next 6 to 8 months or maybe within a year, we will get this order in our hand. So we have planned also that this order to be in the next financial year only in our end. So we are confident it is -- we will get it before March '26, this prestigious order.
- Mohit Pandey:** And sir, last question would be after QRSAM, which would be the large pipeline orders that you will be looking at in the next 2, 3 years?
- Manoj Jain:** Actually the second largest order will be this MRSAM & MFSTAR related variants for next-generation corvettes and other ships. That will be the second largest order, which we are expecting in next year mostly. That also we will finalize by next year. And then there are some sub 5,000, 5, 6 more orders, which we are really working for next year.
- So next year, again, anyway, we will tell you in the month of April when we assess the actual situation of how many we can finalize our contract in the next financial year. We will let you know April or May timeframe.
- Moderator:** The next question is from the line of Amit from PL Capital.
- Amit:** Congratulations for the strong numbers. My first question is on pretty strong performance this quarter, if possible for you to highlight on which orders contributed in execution in Q3? And which were the orders which were kind of margin accretive? And second part is the 9 months growth is already 25% plus on top line and margins are also more than 27%. Would you be revising guidance for FY '25?
- Manoj Jain:** Okay. Firstly, the major order executed until third quarter, LRSAM was the number one in the lead, followed by WLR, the weapon-locating radar, the IACCS system, the Shakti EW System, the ADC&RS the Akash speed program, we started supplying of the subsystems there. And one civilian project, CBIC, we call it, this is for a land-based infrastructure across pan India. So major orders, which we executed till quarter 3 are these 6 projects.

And your second question was related to change of our plan for this financial year. That we will anyway let you know at the end of today's session. Because by that time, we will summarize anything else, and then we will definitely tell you about our future outlook.

Amit: My next question is on the delays which are happening with HAL and would like to understand, is there any portion of order which you have, which is for supply to LCAs? Or are you seeing any impact on your order execution order book or order intake related to LCAs?

Manoj Jain: So for us, there is no problem. What was -- because we are supplying electronic modules to LCA program. These electronic modules are as per the planned targets based on our way of assembly, testing and evaluation and a requirement of HAL, which was agreed between both our organization long back. So we are on track with that.

So whatever they want, we are definitely meeting and executing their requirement of all the -- I think it is around 11 to 15 electronic modules, which we are making for LCA programs. So these all we are supplying as per their requirement. So we are not foreseeing any challenge from electronic modules per se now.

We had some initial problem last year, but that's all initial teething problem, we have solved. And now we are -- the way they want that rate only, we are now totally streamlined our production rate. So we are not foreseeing any problem for LCA-related electronic module supply from BEL.

Amit: Sure, sir. Lastly, on non-defense, what was the contribution? And second thing, many players want the Kavach orders in the past 1 months, 1.5 months. Any outlook you would like to give on non-defense especially on Kavach orders in subsequent years? And also orders -- any orders related to semiconductor electronics sectors, if you're focusing there at all? So are they going to enhance your order intake pipeline, if you could throw some light on this aspect as well?

Manoj Jain: Okay. Till quarter 3, we have -- our nondefense, we have achieved around 11%. Nondefense and export put together. Nondefense per se calculation is around 8%, 3% export, because export is a mix of defense and nondefense. So overall, you can say around -- tentatively around 10% was nondefense and 90% was defense in our execution.

And your point about Kavach. So Kavach, we have got the initial executional order, which we call it technically an R&D or a prototype order for proving our indigenous solution, which we are developing ourselves. Developing, installing and then getting the certification/testing by the railway authority.

So that once that execution order is successfully done by us, then only railway will qualify us for the bigger tender. And then only we can participate in those tenders. So that is again next year, maybe by June, July, hopefully, we may go through this process of installing and testing in an executional factor.

After that, only we will come back to you about what is the order book impact based on Kavach successful completion. So let me firstly successfully complete this execution order,

prove my designs, and then only we will know also our even cost, what cost we have made the final solution. And based on that only we will have the correct assessment of how much business share we can get in subsequent years to come. So today, it is a bit early to do. Today, we are technical in the R&D phase of Kavach program.

Moderator: The next question is from the line of Umesh Raut from Nomura India.

Umesh Raut: Congratulations for the very good set of numbers. Sir, my first question is pertaining to gross margin. If I look at gross margin for first 9 months, I think it is around 49%. And we have always guided gross margins in the range of 42% to 44%. But if I look at, I think, the last few quarters and the kind of orders we have received, those are more or less repeat orders of existing programs, AMC contracts and service portion of these earlier programs. So is it fair to assume that going forward, gross margin profile for us will structurally improve from guided range of 42% to 44% to about closer to 50%?

Manoj Jain: Yes. See currently, the gross margin is not 49% as you said, it is around the range of 44.5% only, for up to December, the gross margin is 44.5% only, and we have guided for 42% to 44%. So as of now, we maintain that range of gross margin.

Umesh Raut: Okay. Sir, one clarification here, while calculating gross margin, are you only assuming raw material and credit goods cost and excluding the portion of purchase of stock in trade and trade in stock?

Manoj Jain: No, no, these are also taken into account. Purchase of stock in trade, raw materials all are taken and even the portion of WIP, which is there at the end of the December quarter is also taken into account. Separately as to who it is really then, but the gross margin is only 44.5%, as of now.

Umesh Raut: My second question is pertaining to the deal, which is right now going on between India and Russia for acquisition of long-range radar, which can detect missile and aircraft up to about 6,000 kilometers to 8,000 kilometers. So I think this is very big about closer to \$4 billion. And any idea over here, what kind of role Bharat Electronics can play?

Manoj Jain: No. The thing is we are very good or a leader in the radar domain, no doubt on that. But this particular deal is a G2G level. So direct role of BEL is not frozen as on date. But as these things progresses, based on that only role of BEL will be decided. And whatever role Ministry gives to BEL, BEL is definitely be able to take that role. But today, it is not finalized. It is an exploration from BEL point of view, it is an exploration or watching mode.

Umesh Raut: Okay. But as media suggests 60% of value addition would be done in India only. So is it fair to assume that BEL being a leader in radar manufacturing, they'll have a larger portion of it?

Manoj Jain: Definitely, BEL should have and BEL will have. But as of now, it is too premature to tell about the exact figures, what we will have because let government level negotiation and talks happen and conclude. Based on that outcome only, we will have a concrete idea about these figures.

Umesh Raut: So sir, next question is pertaining to employee cost. As we understand now there is 8th pay commission, which is now getting set up, and I think it is getting effective from next year onwards. So any approximate idea for employee cost increase you will have probably in FY '27?

Damodar Bhattad: See, this for us, public sector, the next wage revision is due only from January '27. It's not -- it's the Pay Revision Commissions for central government. I think the year is different. And for us, it is from January '27. So for '26, '27 per se only 3 months effect will be there on the employee cost. And even going overall employee wage revision happens, the projected turnover increase what we are expecting, we'll ensure that the employee cost to turnover percentage doesn't vary much.

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

Amit Dixit: Congratulations for a good performance in this quarter. I have 2 questions. The first one is on MRSAM. Again, there was some delays from BDL side earlier because of the component being sourced from outside. But there were -- there was news that it is getting indigenized. So just wanted to understand our role over there? And how much will that account for us as revenue and when it can be recorded? That is first one.

And there's the second -- then the Part B of this question that recently BDL also got MRSAM order from Indian Navy. So what could be our portion in this? And when we expect to get this order?

Manoj Jain: No, let me tell you, firstly, this is a BDL-related question. So BDL is in the right position to answer that. Our direct contribution in the missiles of this MRSAM order, because BDL gets missile in these orders. So our portion is nil as on today for the missile portion. But of course, there is a lot of electronics in that.

And as you have rightly told, there were some issues in electronic module supply from outside to BDL that we are having constant interaction with BDL to see can we leverage our in-house R&D strengths to indigenize a few more components of this.

And definitely, once we indigenize means that order will come to us only. So right now, we are in the process of finalizing the indigenization plan for these missiles. And final answer, you can get only from BDL. But definitely, there is a good scope of BEL manufactured or designed modules to be added in these programs.

Amit Dixit: The second one is that you indicated that the next big order that will come would next generation corvette, but also, we expect that P-75 and P-75I could also be ordered in due course. So just a ballpark, what kind of share we expect, at least from electronic component and all from these orders?

Manoj Jain: Anyway, as you told that NGC, so definitely, we are going to get this MRSAM & MFSTAR-related orders, which we are expecting definitely next year, it may conclude for us. But P-75 and P-75I, good progress is there, good discussions are there. And a lot of electronic components in both the programs will be from BEL that much only I can tell you. But right

now until that contract is finalized or at least CNC stage is cleared, we can't give you the exact numbers.

But this also will be a very good number. It will be definitely 4-digits, but exact number today, I don't want to tell you, but maybe by April, May timeframe, we will exactly tell you what type of number we are expecting because definitely, these will be now we are expecting in next year itself. Earlier, we were thinking it may slip further, but good progress has happened on both the programs. BEL is deeply involved in these both program, 75AS and 75I. And the exact numbers, we'll let you know by April, May timeframe.

Amit Dixit: Sir, just a follow-up for NGC for which substantial progress has been made, is it possible to quantify -- you can give a range also that what kind of orders we can get over there?

Manoj Jain: We are expecting around INR14,000 crores to INR15,000 crores worth of orders for NGC.

Moderator: The next question is from the line of Sumit Kishore from Axis Capital.

Sumit Kishore: Congratulations on a very good set of numbers. In addition -- in continuation of the last question, could you also spell out the ballpark range of size for the 2 large orders that you expect next fiscal QRSAM and the MRSAM that you mentioned, given that NGC is almost INR140 billion, INR150 billion will you give us a better sense?

Manoj Jain: Yes. QRSAM, we have told, also, it is between INR25,000 crores to INR30,000 crores. And we are expecting definitely next year only based on the progress which has happened this financial year. So we are definitely going to get -- before next financial year end, this order should be in our kitty. And the other one, NGC, I already indicated, it is around INR14,000 crores to INR15,000 crores.

Sumit Kishore: And MRSAM?

Manoj Jain: NGC means that MRSAM & MFSTAR and the package, the total package put together is around this.

Sumit Kishore: Okay. And this INR250 billion to INR300 billion packages that you get next year and the year after that, everything is expected in FY '26 itself?

Manoj Jain: Which one? Both these programs, we are expecting in '25, '26 -- before March '26, we should get both the orders.

Sumit Kishore: Excellent. And both these contracts would have what sort of execution schedule in terms of time line for booking revenues?

Manoj Jain: Typically for the QRSAM program 18 months to 24 months as the first half production. First of production may be some 5% to 10% of the order value, which we can execute in 18 months to 24 months. And then followed by another 2 years plus the remaining order will be executed.

Sumit Kishore: Okay. And MRSAM, the NGC?

Manoj Jain: MRSAM, it will be a bit more faster because that -- but that is over a period of 4 years to 5 years again. So per year, we may expect in that around INR2,000 crores or to INR3,000 crores worth of execution we can -- we are planning.

Sumit Kishore: Okay. My second question is given such strong revenue growth and margin performance in the first 9 months, how would you revisit your guidance on both revenue and EBITDA margin? And given that -- how would you look at maybe given your order book right now is down 6%, 7%, I know fourth quarter. [inaudible 24:00] Also revenue growth and margin outlook would you leave us with for FY '26?

Manoj Jain: In between there was a blank. Can you please repeat your second question?

Sumit Kishore: Sir, I was saying that in the first 9 months, your revenue growth and margins have been well ahead of your full year guidance. Would you like to revisit your full year guidance? And b, your order backlog is down about 6.7% year-on-year as of 9 months, even with the pickup in inflows in fourth quarter and with the revenue growth acceleration, your order book may be flattish at the end of FY '25. So what kind of revenue generation can happen in FY '26, given that QRSAM, etc., are expected only towards by the end of the fiscal?

Manoj Jain: Okay. Regarding guidance, anyway, in the end, we will tell all of you because there are multiple questions from multiple follow, where we are looking at our guidance, whether it is a revised figure or not, we will definitely tell you at the end of this session. And regarding order book, as I already told, although we have achieved only around INR11,000 crores order book till now.

But next 2 months, we are going to achieve another INR14,000 crores, which is a gap. We are confident about that 5, 6 programs are in the final stage of contract finalization. So we are definitely confident to achieve that. And for next year, once we have this order book, which is presently INR71,000 crores plus, around INR14,000 crores more work we will get also.

So next year start will be better than this year start. So we will expect a good growth and other margins and other targets that we will anyway let you know by April. We do not have much concern on the order book because as of now, even though this year remains flat, there's always a base orders of around INR15,000 crores, which is always there.

And this orders of QRSAM and MFSTAR for NGV, this when they come next year, the order book will automatically grow next year by 1st April '26, the order book will be much more healthier, if these orders are expected, in addition to the base orders of INR15,000 crores. So this year, maybe it is just flat but current next year growth will take care of the order book once again.

Sumit Kishore: And we hope that the margin improvements are sticky, and you'll cover that all subsequently. Thank you.

Moderator: The next question is from the line of Atul Tiwari from J.P.Morgan.

- Atul Tiwari:** Sir, just one clarification. So this MRSAM orders, they are for NGC. So this is the entire package, right? INR140 billion, INR150 billion in MRSAM/NGC?
- Manoj Jain:** Yes, yes, yes. It is a package. It is the total package from us type of electronics for NGC program. You're right.
- Atul Tiwari:** So INR250 billion to INR300 billion for QRSAM and for this NGC/MRSAM package INR150 billion. Is there any other large orders that you have in the pipeline over the next 3 years?
- Manoj Jain:** Definitely, yes. Next year itself, we have done 3, 4 major projects in pipeline, which we are hoping to get order.
- Damodar Bhattad:** We have told for major orders are INR14,000 crores, INR25,000 crores, but INR2,000 crores, INR3,000 crores, and there another from 5, 6 orders which are expected in next year. And 3 years range, definitely, it will be much more. But presently, we are talking of '25, '26.
- Atul Tiwari:** And sir, for the submarine program, could the size be similar like INR150 billion, INR200 billion for all the P-75 and P-75I, is roughly the quantum will be in the same ballpark or can it be substantially more or substantially less?
- Manoj Jain:** Right now, I don't want to give the exact figure, but it will be a bit less than these 2. It will be lesser than these 2, that much only I can tell you. But because the exact quantification will be done in the next 1 or 2 months because that only discussions are going on between us and MDL. And maybe by April, we will give you a more quantified figures. But as on today, I can tell you, it will be lesser than this because it will not be in the 5-digit, it will be 4-digits only, that much I can tell you.
- Moderator:** The next question is from the line of Harshit Patel from Equirus Securities.
- Harshit Patel:** So my first question is on the electronic warfare systems for our airborne platforms. So at present, which are the platforms for which we supply these EW systems, such as D-29? Also on top of that, which are the future platforms, maybe LUH, LCH, IMRH, LCA Mk-2, etc., for which we are the development and production partner?
- Manoj Jain:** Okay. Firstly, any aircraft or helicopter, which is there with Air Force or Army Aviation or Navy Aviation. They have one or the other EW system of BEL. Minimum one EW system of BEL is mandatory because it is a strategic requirement. So that will be always be there. So in all flowing air platforms, we have EW system.
- But now we are from the basic EW system, we are migrating to EW Suites with a complex EW system having multiple components. So D-29 is one such EW Suite program, and as the name indicates, it is for MiG-29 aircraft. That's why the 29 stands for MiG-29. So it is for MiG-29 program, the total EW Suite that we are executing right now.
- And for all future programs, as you have mentioned, various helicopter programs, where other programs, EW Suite of different, different configurations are worked out, and many of those

programs are in very advanced stage. As we told MI-17 and V-5 we are just going to get the contract any day

We have already concluded PNC, etc. Jaguar Aircraft, LUH, LCH, ALH also next version. So those type of various EW Suites and different configurations are in the pipeline and in the advanced stage of finalizing the configuration/trials.

Harshit Patel: Sir, my second question is I wanted to relate our future margin trajectory with the localization levels. So what share of this localization benefits will be retained by us? And what we have to pass on to the Ministry of Defence in terms of maybe lower nominated contract prices. I'm asking this because our current level of margins are substantially higher than what we used to report in the past?

Manoj Jain: See, on the margin front, as we told, we'll give the guidance at the end. We take a contract from the customer at the -- what's reported and negotiated prices, as you know. There are some localizations going on. All these are also factored in. And then only the negotiation takes place if the customer is also aware, and we negotiate with the customer.

And as far as the margin guidance is concerned, your precise question comes to the margin guidance only at the end of it all. So as we told, we'll be telling at the end, what is our revenue growth and the margin guidance.

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

Jyoti Gupta: So I will begin with a very basic question, sir. So this INR25,000 crores, which we will log in for this year, execution will start in FY '26 or maybe starting from the end of this year. But we have a backlog of FY '25 from previous years, which I believe is somewhere around INR70,000-odd crores of this thing?

Now the thing is, one, this current revenue, which is coming, is it coming -- should be coming from the older orders book and there will be a combination of margins. So the backlog of the margin -- of the order, is that the margin rate is coming from? And therefore, going forward, the new contracts that we are getting, our margin may decline, maybe slightly or maybe marginally or could be higher?

Other thing is what is the bill-to-book ratio? So if I take a look -- if I look at this number, we have done almost like in 9 months, roughly around a revenue of -- good revenue numbers of around INR14,000 crores, 9 months. So this is still around 30% of the book that we have or it is higher?

And do we expect that our execution pace will increase, and therefore, this 30% will go to 35%, 40% because I know you'll have a decent order book for the next 5 years. There's no doubt. My question is on the execution part. Are we stepping it up?

Second is, how are the margins being evaluated based on the past orders and the current orders? And going forward, how much would be new orders be contributing to our margins going forward?

Manoj Jain: See on the execution front, you are asking us, whether we'll step it up. It is not only dependent on our stepping it up only, it is also dependent on the customer contract delivery schedules. So any large orders, if you take in defense orders, generally, the range is there for any large are INR20,000 crores, INR25,000 crores, say, the general delivery supply range is 3 to 5 years.

For any order is just not dependent that if you want to do INR70,000 crores, we can do it this year, next year. Even if we want to do, we cannot do it just because the customers' delivery schedule will not call for that. That is one.

Second thing is on the margins trend, you are telling old orders, new orders. We have a variety of orders, say around more than 300 products are there, different products and with 29 SKUs covering it. So define the margins in the old order, new order and coming orders and what will be the combination and all those things is precisely we'll not be able to tell that. All we can tell you is the overall guidance, which we'll be giving at the end of the session, we'll be giving the overall revenue and EBITDA guidance growth.

Jyoti Gupta: Then the other thing is I wanted to ask that while you're saying that you are on track in terms of timelines for the LCA Mk-1, but the LCA Mk-1s are already delayed by a year. However, your timelines are very well matching with the -- I don't know when the LCAs would come out. So -- which means your revenues are not impacted in any way in terms of the delivery for LCA, right? So is that LCA Mk-1 you're saying, so in LCA Mk-2 also, you would have got orders.

Have you got orders or likely to come for LCA Mk-2 as well because that will give us a guidance LCA Mk-1, I don't know how many because anyways the squadrons have reduced the number of -- what we understand? And we do not know what is the kind of numbers we would likely to deliver for LCA Mk-2, as well in terms of the number of jets?

Manoj Jain: Actually, your question is mainly relevant directly to be answered by HAL. We, based on our interaction and discussions with HAL, I will just try to reply to you. Our supplies are always electronic modules, as I already told. These electronic modules can be separately tested also by HAL because the HAL is making all the basic frame and other things, basic systems.

And at subsystem level, when we supply to them, they can test it. So there is no problem of taking these modules, I can supply these modules to HAL, HAL use it and test the system as much as he can with this. You are indirectly referring to the engine-related delays.

But definitely, HAL is the best one to answer. So engine-related delay are not going to affect our delivery between BEL to HAL that much I can assure you. The second thing is you told LCA Mk-2. Mk-2 is still going through prototype phase only, I should say. So from prototype phase to come to the real production phase, it will take a few more years. Till that time, we are supplying LCA Mk-1 83-number order we got.

And second was we are going to get, for which advanced level discussions and activities are going on, this 97 number LCA Mk-1A order. So these 2 orders, what we are executing and what we are going to get very soon are LCA Mk-1A only. Mk-2 is still going through the certification phase only. So it will take some more time to come to production phase.

Moderator: The next question is from the line of Deepesh Agarwal from UTI Asset Management Company.

Deepesh Agarwal: My first question is, so you have been looking to scale up the nondefense revenue share over the past couple of years. However, if we see the nondefense revenue shares has been more around 8% to 10% kind of from mark. So when do you expect that to scale up?

Manoj Jain: Good question. Actually, this nondefense, as I told, 8% to 10% is for last so many years. But now we want to make it double digit. And double digit will be between first level 10 to 15 range we want to increase. Finally, as a healthy sign, nondefense should be around 20% to 25% of our turnover as a logical mix.

So we are aiming for that. We have lot many diversification plans related to nondefense. We have come out with the network and cybersecurity-related business. We have come out with 1 or 2 more areas, especially like homeland security area. Data center area is anyway growing. So we want to go in that segment.

The border security related projects that type of a project. So we are a very, very advanced stage of many of those programs. We thought of entering through BSNL programs also. We have partially succeeded in that, but there were some minor issues in getting some big orders there. But we are definitely in the next again big opportunity.

We will bid because we are technically capable in this telecom domain of civilian. So telecom civilian domain we are looking as a great prospectus for us and network and cybersecurity-related domain, and of course our e-governance-related activities or digitization-related activities, related software solutions.

So these 3, 4 areas, we have done reasonably good work now. So we are hoping that very soon, maybe next year or next to next year, we will be in 10% plus, definitely 10% to 15% margins for this segment. And over a period of time, maybe up to next 5 years, we may get between 20% to 25% region for the turnover mix between defense and non-defense.

See, we should also understand that while non-defense numbers will continue to increase, the defense order size are much more feasible. For example, what you are telling about QRSAM and this NGC order, they are much more feasible. So even though the increase in numbers happen, the percentage in non-defense cannot increase to that extent.

So that being the case, the non-defense percentage increase will be on a little slower scale and it will take a little longer time. But overall what we are looking at is a business increase which will definitely happen.

Moderator: Sir, the participant has moved out of the queue. We will move on to our next question. The next question is from the line of Dipen Vakil from PhillipCapital.

Dipen Vakil: My question is regarding the order book. So we have an order book of close to around INR711 billion. So, first, can you give us a breakup as to what is the defense order book and the

nondefense order book? And the second part of it, what will be the main items in the existing order book, which is about INR10 billion?

Manoj Jain: Again, that defense and non-defense typically in the order book also something similar to our 88%, 89% defense, 10%, 11% nondefense. That ratio is in the order book also. And some of the major order book what we have is related to electronic fuses, the LRSAM project, Akash Prime, BMP-2 upgrade, HimShakti and Arudhra Radar. So these are the top 6, 7 projects, which constitute this order book what is their INR71,000 crores work with us. This is around INR20,000 crores to INR25,000 crores is among these 6 projects.

Dipen Vakil: Sir, can you help us with the quantum of top 5 projects if possible?

Manoj Jain: The top 5 projects are electronic fuse, LRSAM, Akash Prime, BMP-2 upgrade and HimShakti. And they are ranging between the INR2,500 crores to INR4,500 crores.

Damodar Bhattad: These 5 orders put together around INR18,000 crores.

Moderator: The next question is from the line of Aman Vij from Astute Investment Management.

Aman Vij: My first question is on Kavach. So when you talk about today we are at R&D stage, and by June, July, you expect this R&D stage to be over. So is my understanding correct that, normally, a company needs to supply the hardware and software prototypes. So that you will supply by the June, July 2025?

Manoj Jain: Yes. We will put this hardware and software both in a test line, which will be given by railways to us. We'll put it and start the integration and testing phase. So by June time frame, our development of hardware and software will be over.

Aman Vij: And sir, normally, after that, there is normally a field trial of like 5,000, 10,000 hours. So we'll be starting that field trials by June, July?

Manoj Jain: No. The thing is after the development phase, this is -- one is called integration and testing phase at the actual line. And after that only, the certification related or the reliability related testing starts by railways. So I don't know how much time they will take during the testing phase. It may take 1 months to 2 months typically, but sometimes it takes a bit more also. So depending upon that time only -- and then the certification-related reliability testing.

So based on that only, it will take -- wild guess is 4 months to 6 months it should take for those type of testing. So maybe by December, January timeframe, we may get the clearance. But it may vary by a few months here and there.

Aman Vij: Okay. And directly, will we get...

Moderator: Sorry to interrupt, to restrict your question to one, because there are other participants who are waiting in queue.

Aman Vij: Yes, just finishing this on one question I have. Is it correct to assume that after all this clearance, say it happens next year? So do you directly get 4.0 approval, Kavach 4.0 approval?

Manoj Jain: Look, once we clear that, then only we will be qualifying for next bid -- next big order which will come because recently, I think they had issued some RFP where we are not qualifying right now. So next big order after we are qualified. In that order, definitely, we will bid. And based on our cost trend, L1 discovery and the order will be splitted across multiple vendors. That is -- railway has to decide that what will be the terms and condition in that RFP.

But typically, in their RFP, they split the order across top 2 or top 3 vendor. So we are confident we will get a sizable portion at that point of time. But today, it is a bit early to tell and quantify the business volume for that until we clear the testing and certification phase.

Aman Vij: Just one small question on fuses. So how are the delivery going about? We had to supply like INR500 crores per year for the next 10 years. So have you supplied in 9 months, whatever quantity, say, INR350 crores, INR375 crores already? And you have talked about this Rosoboronexport MOU, which had signed 6, 7 months back and you were told in the next 6 months, we'll be able to talk more about it in terms of export opportunity. And the indigenization portion also, you had talked about we are 50%. By next year, what it can be? So these 2, 3 small questions on fuses, if you can answer?

Manoj Jain: No, we have ramped up our fuse production as part of this order, what we have got. And I think in last 9 months, we have got reasonably good progress. And whatever was committed to Army, we are going to meet by March. We have an MOU with them for yearly quantities. So first 2 years, the quantities are slightly less than only ramping up. So as per the contract, I think we are on target for that, barring some initial teething problem, which was there for first 6 months.

But now it is totally stabilized, and we are not foreseeing any problem on that. Regarding ROE, it is -- it was for some 2 programs of Indian requirement only right now, not for export. And those programs are right now internal processing of the case is going on. Then there will be technical evaluation, then some other activities and then only discovery of L1 will be there.

So it will take some more time at the ministry level. And regarding indigenization, yes, we have done good progress on indigenization front also. Within 2 years, we have to do indigenization complete for this program. And we are confident that in 2 years' time frame, we will do the indigenization as agreed to ministry.

Aman Vij: Which part is left, sir? So we are 50% indigenized. So which part is remaining?

Manoj Jain: No, total, all critical component of this fuse will be indigenized. Although we have made our own totally indigenous version also, home grown for some other application, not for this Army program, but for some other naval program, we have made totally home grown fuse. But for this Army program, it was based on transfer of technology.

So in that transfer of technology, indigenization content was to be increased to 100%. So that activity is going on. In 2 years, we will indigenize it, but it is not based on the in-house design. The design was not from us for this program. But once it is manufactured in India, it is technically we are totally independent of manufacturing each and every part.

So that activity only was the commitment between us as part of that contract. But parallelly, as I told, we have put our R&D team to make totally indigenous version of fuse, which we have successfully made for one naval program. And then we will subsequently make it for Army different programs.

- Moderator:** The next question is from the line of Deepak Krishnan from Kotak Institutional Equities.
- Deepak Krishnan:** I just wanted to understand, so next year, we're looking at INR25,000 crores QRSAM, INR15,000 crores from corvettes and then INR15,000 crores base orders? We are targeting all these 3, is that understanding, correct?
- Manoj Jain:** What we told last year that beyond QRSAM, minimum INR25,000 crores more we will get. So QRSAM, which we are now progressing very well. Hopefully, it will be between INR2,500 crores to INR50,000 crores will be the order book inflow next year, but that exact value, we will tell you in the month of April.
- Deepak Krishnan:** Maybe just wanted to check if there was any provision reversal or any sort of FX loss or gain in other expense this quarter, which was sizable?
- Manoj Jain:** Which one?
- Deepak Krishnan:** Any provisions for FX in other expenses this particular quarter?
- Manoj Jain:** See, you are talking of -- precisely which line you're talking of, other expenses or other operating revenue or?
- Deepak Krishnan:** Other expenses, any large provision creation or any FX gain or loss in other expenses in this particular quarter?
- Manoj Jain:** A large provision was towards there, it was provisioned towards -- liquidated damages was there on account of some certain delay in supplies. That was a large provision in other expenses.
- Deepak Krishnan:** Sir, any quantification that you want to share?
- Manoj Jain:** Quantification, yes, the total quantification in the provisions was around INR600 crores for provision towards doubtful debts and penalties.
- Moderator:** The next question is from the line of Amit from PL Capital.
- Amit:** My question was on the Defence Ministry announcing this year as a year of reform, and we saw talking about AI, robotics and machine learning. Any reading you have for Bharat Electronics? Will there be advancements of electronics or value of defense electronic components being higher compared to the previous years? And any read-through you have from this document or any discussion with Ministry with Bharat Electronics perspective?
- Manoj Jain:** Definitely, once Ministry has announced year of reforms, we also had geared up for that. So we have given our targets for reforms, different, different targets for reforms and different

projects-processes where these reforms will be reflected. One such reform was recently flagged off. You might have noticed this, battlefield surveillance system, Sanjay.

That was also one of the important reform we wanted to flag off in this year itself, in the January itself, although there were a lot of challenges, but we told we will finish this product because this is going to change the battlefield surveillance in a bigger way. So reforms mainly in the form of new technology infusion, infused products to be launched this year.

So this year, you will see many number of reformed projects, the projects which are going to change the battlefield landscape. So those type of projects we have lined up. One by one, we will announce them. This BSF was one such project which we have announced. So many more are there. That is the commitment between us and our ministry. So we have already given our commitment about a series of reforms, which we are going to do in this year.

Amit: Lastly, on a clarification on order book breakup, which you shared top 4 to 5 orders are about INR30,000 crores, INR35,000 crores and I think Fusion order is to be delivered in phases over 7, 8 years. Any thought on other large orders? What is the delivery time line for the LRSAM, Akash Prime, BMP-2 and HimShakti?

Manoj Jain: No. HimShakti, I think is for -- next year itself, we will liquidate it. So it is only for this year and next year. This year, we are going to supply some portion and because it's still one quarter is left. But majority of the supplies will be in the next year. So HimShakti is only for next year, not beyond. MPR Arudhra is, I think, for 4 years plus. BMP-2 also is 4-year plus. So these are 4-year plus program.

In general range, you can tell any of these orders, they have a minimum time frame of around 2 years and it goes up to 5 years, such type of orders because they are different, different orders, exact delivery schedule of each one, we do not have right now. But general thing is, it will be a minimum 2 years period for such orders and generally, it goes up to 5 years depending on the order size and delivery schedule.

Only fuse is an exception because we have got a long-term order that is for total 10 years, in which first year we are concluding this year, then 9 more years, it will be there because that is a yearly target we have told.

Moderator: The next question is from the line of Harshit Kapadia from Elara Securities.

Harshit Kapadia: Congrats for a good set of numbers. Just wanted to check with you on -- one is on the Uttam Radar side. What we have heard is that probably you will be manufacturing Uttam Radar. Now is that the correct statement to make? Or Israel radar will be used in the Tejas Mk1A, if you can give a clarification? And in the 97 number of Tejas, which is going to come in subsequent FY '26, that's what expected. Would you be participating in those as well? A clarification would be helpful here.

Manoj Jain: Okay. Firstly, again, Uttam Radar, which configuration, which Uttam Radar will go or the foreign made, that is a decision between user and HAL. We don't have any role to play for that.

So configuration in any aircraft is decided between user, with Air Force and HAL. We are not a party to that. Our job is only to supply them electronic module.

Uttam Radar per se, the decision was taken and through a process, it was decided. HAL is the integrator for Uttam Radar. And some modules level only, they will decide whom to place order. BEL also is in the race of getting some sub modules order from HAL. But that will be the call by HAL, how much he will do in-house and how much of the modules, which he will get partners and those partners have to fight for the L1.

So there is no confirmed BNE type of things in Uttam Radar for BEL as of now. So let us see when the numbers, RFP will be issued by HAL at that time, but HAL is a system integrator for Uttam Radar, not BEL. So that was a calculated decision taken, informed decision taken by all stakeholders. So today, when the RFP is issued by HAL for subsystems, that time only we can quantify how many subsystems BEL may get ordered and what is our aggressive marketing plan of getting that because it will be through multi-vendor situation.

So multiple vendors are there for some module level, although BEL has definitely a strategic advantage. But today, I can't tell how much of that I will grab at the sub-module level for Uttam Radar. And about this 97 number, Tejas, again, all the electronic modules, already inquiry has come to BEL, and we are in the process of finalizing and some contract-related discussions and other things activity already started. Regarding Radar 197, again, it will be called by HAL, not by BEL.

Harshit Kapadia:

And can you share some update on the anti-drone system, sir, because that's where some competition is seen rising and orders also getting into traction mode. So where is BEL positioned? What's an order pipeline there, if you can share some insight?

Manoj Jain:

We are the leader in a complex high-end, high energy hard-kill and soft-kill-based solution, which was originally designed by DRDO. So that we have supplied, these complex solutions, we have supplied to Army, Navy and Air Force. All the 3 supplies are over. Now we are getting an order from BSF. That is the one big order in pipeline, which I think we are already declared L1. So we are hoping in this year order to come, and then we will start supplying that.

Very good leads are there from various foreign countries for this particular complex anti-drone system, which we call D4 system. So -- many countries, 8 to 10 countries have shown good interest in that. We have given demos to them. And we hope some contract may be finalized or good lead will be there during the next Aero India with these foreign countries because we are anyway demonstrating this system again there.

And a lot of technical and other discussions will be there with many countries related to this anti-drone system. The smaller anti-drone system, there are multiple vendors, including BEL also. So that is a different, different order keeps coming, and there is a role for everybody. There are some start-ups. There are some other MSMEs, and there is BEL, of course, also, but they are not that complex like this D4 system.

So this D4 system right now, we are the only supplier, although the technology was given by DRDO to 4, 5 bidders. But till date, nobody has totally acquired the technology and made the

prototype as per our knowledge. So we are only supplying this, and we are going to supply this number. We are in constant touch with Army, Navy and Air Force also for repeat orders. So that we will see when it will mature.

Harshit Kapadia: Sir, last final question. Sir, in one of the committee reports by defense, there was an order inflow number mentioned over the next 3 years of close to more than INR1.2 lakh crores for Bharat Electronics. Now given that FY '26 number was close to INR45,000 crores. Now you recently just mentioned you are looking somewhere around INR25,000 crores to INR50,000 crores of order inflow.

And earlier, you had guided of INR36,000 crores, INR38,000 crores order. So is it right to estimate that you will see an order inflow of INR45,000 crores for FY '26, considering what you had mentioned earlier in terms of orders coming from QRSAM, MRSAM and other programs. Would that be a right understanding?

Manoj Jain: It is a right understanding, but exact figures, we will tell you in the month of April. But yes, QRSAM, there is a very, very good progress. So we are hoping next financial year, QRSAM will come. We are more than 90% sure as on today to get that deal in next financial year itself. That's why we are hoping our order book inflow next year will be between INR25,000 crores to INR50,000 crores. Let us watch for next 2 months. In April, we will have much more quantified figures about our target for next year.

Moderator: Thank you. As there are no further questions in the queue, I would now like to hand the call back to Renu Baid Pugalía from IIFL Capital. Please go ahead, ma'am.

Renu Baid Pugalía: Yes. Thank you, team. I would now request management to make comments on the guidance for which everybody has been waiting for if there is any change or revision to that. So over to you, sir, for your closing comments and remarks.

Manoj Jain: No, our closing comments are, again, the same. We have analysed our 3 quarters. Third quarter was really very good for us. But seeing overall complex projects, mix of solutions, mix of challenges, what we have for future. So still we want to retain with 100% confidence, our revenue growth of more than 15%, which we told at the start of the year.

We are confident we are going to cross 15%. So we are telling our revenue growth will be 15% and more. EBITDA margin definitely will be between 23% to 25%, may touch around 25% based on the Q3 performance. And order inflow, although as I told, it was INR11,000 crores till now, but we are confident to cross INR25,000 crores. So these three parameters, definitely, we are going to achieve. That is our final guidance.

Renu Baid Pugalía: Thank you, so much, and best wishes, sir. Thank you for giving us the opportunity to host the call and thank the audience for being very patient. Thank you, everyone.

Manoj Jain: Thank you, all.

Moderator: Thank you so much. On behalf of IIFL Capital and Bharat Electronics, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.