SEC/SE/103/2024-25
Chennai, February 12, 2025

To	To
National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra(E), Mumbai - 400051 NSE Symbol - DATAPATTNS	**BSE Limited** 25^{th} Floor, P.J. Towers, Dalal Street, Mumbai - 400001 Company Code: 543428

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 letter no. SEC/SE/093/2024-25 dated February 03, 2025 intimating the schedule of Earnings Conference Call on the financial results for the quarter ended December 31, 2024, please find enclosed herewith the transcript of the Earnings Conference Call held on Thursday, February 06, 2025 at 10.00 A.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**

R PRAKASH Digitally signed by R PRAKASH

Prakash R
Company Secretary and Compliance Officer
Membership No: A34652

Encl: As above

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"Data Patterns (India) Limited

Q3 FY '25 Earnings Conference Call"

February 06, 2025

MANAGEMENT: **MR. S. RANGARAJAN – CHAIRMAN AND MANAGING 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 the Data Patterns India Limited Q3 FY '25 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone 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: Yes. Thanks, Rico. Good morning, everyone, and welcome to Data Patterns India Limited Earnings Call to discuss the Q3 and 9 months FY '25 earnings. We have the senior management of the company on call, Mr. S. Rangarajan, Chairman and Managing Director; and Mr. Venkat 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 company faces. May I now request Mr. Rangarajan to take us through the company's business outlook and financial highlights, subsequent to which we'll open the floor for Q&A. Thank you, and over to you, sir.

S. Rangarajan: Thank you, Monali. Good morning, ladies and gentlemen. It is my pleasure to welcome you all to our Q3 FY '25 Earnings Call. I hope you had the opportunity to review our earnings presentation, which is available on both the Stock Exchanges and on our website.

Before Venkat presents the financial results, I would like to share some key updates and highlights for this quarter. While we faced certain delivery deferments from customers, our overall execution momentum remains strong. On the profitability front, we achieved better EBITDA margin standing at 40% for the 9-month period.

In Q3, as highlighted in our earnings release, we maintained an order book of INR1,184 crores, including orders worth INR89 crores in negotiated till date. This is driven by 2.5x growth in order inflows, which stood at INR240 crores for the quarter, bringing the quarter -- total of the first 9 months to INR324 crores. We remain optimistic about delivering strong growth and are firmly on track to achieve our full year revenue growth guidance.

We anticipate a major ramp-up in the quarter 4 and remain confident of achieving 20% to 25% revenue growth by FY '25 while maintaining strong EBITDA margins at 35% to 40%. In the third quarter, a substantial portion of our revenue and order inflow was driven by exports market.

From the outset, we are focused on developing and designing our products in India, and we are now intensifying efforts to introduce and expand the presence of our indigenous products in international markets. This shift towards export marks an exciting and positive development for the company. We remain dedicated to securing additional export orders and our current international order book is a testament to steady growth and successful diversification within our overall order pipeline. Our international order book stands at INR106 crores as on 31st December 2024.

With a robust bidding pipeline, we target INR20 billion to INR30 billion in new orders over the next 18 months. Our dedication to research and development has led to the creation of several new products, which we plan to showcase at the Defence Expo in February 2025 in Bengaluru. These innovations will enable us to participate in larger opportunities in the medium and long term.

We are strategically deploying funds to accelerate product development with a substantial portion allocated to expanding our R&D capabilities. This investment is driving the creation of next-generation products aligned with the emerging industry needs and technological trends. We have progressed in the value chain by developing integrated systems with reusable building blocks, drawing on our core strengths.

This has helped us expand into important global markets like Europe and East Asia, where we are now effectively competing with major OEMs. As we move forward, our focus is on growing our addressable market, where we would now shift our focus towards complete systems.

Our aim is to establish ourselves as a system supplier, addressing not only the needs of India, but also those of other countries. With a trained workforce and improving delivery capabilities, we are well positioned to meet the demands of international markets. As of December 31, our order book stands at INR1,095 crores, with growth observed across all verticals where development and production contribute 47% each.

In Q3, we secured a production order for EW worth INR80 crores, a production order for radar worth INR53 crores, a production order for avionics export worth INR53 crores. We recently saw Indian government allocated INR6.8 lakh crores for the defence budget in FY '25-'26, marking a 9.5 increase from the previous year.

A substantial INR1.8 lakh crores has been earmarked for upgrading military capabilities with 75% of the modernization budget dedicated to indigenous weapons and equipment. These create opportunities for defence sector as a whole. Overall, we are committed to sustaining growth rate of 20% to 25% while maintaining EBITDA margins between 35% to 40%.

With that, I'll now hand over the floor to Venkat for his remarks.

Venkata Subramanian: Thank you, sir. Good morning, ladies and gentlemen. We are pleased to share the highlights of our financial performance for quarter 3 and first 9 months of financial year '24-'25. Let's take a close look at the results. During the quarter 3, revenue came at INR117 crores, up by 29 percentage quarter-on-quarter. Development contracts contributed to 37 percentage, production contracts to 59 percentage and service contracts approximately 4 percentage of Q3 revenue.

Radar and ATE were highest contributors to the revenue at 62 percentage and 18 percentage, respectively. Our order book remains strong at INR1,184 crore as on date, including the orders negotiated, driven by growth in both development and production contracts.

We achieved an improvement in gross margin to 80 percentage, up by 1,260 bps, driven by a favorable product mix. For 9 months, revenue stood at INR312 crore, down by 7.5 percentage year-on-year, but with a strong gross margin at 76 percentage and EBITDA margin at 40 percentage.

Our net debt-free balance sheet reflects our prudential financial management. As of December end, we hold over INR575 crores in cash and cash equivalents, underscoring our financial strength and liquidity. As mentioned by our CMD, we are on track to meet our stated guidance of '24-'25 with 20 percentage to 25 percentage growth in the revenue.

With this, I open the floor for Q&A. Thank you.

Moderator: The first question comes from the line of Dipen Vakil from Phillip Capital.

Dipen Vakil: Congratulations on great margins, sir. Sir, my first question is on -- so over the years, we have moved from a revenue guidance of close to around 30% to now to 20% to 25%. Sir, so I want to know what are the challenges that we are currently facing so that -- because of which we are not able to target high growth? And what kind of triggers are expected or what kind of triggers are we looking for in such a way that we can expect a growth of close to around 30% going ahead, sir?

S. Rangarajan: See, in the capital equipment market, the market order book doesn't happen on a year-on-year, effort goes many years behind because the order happens. It takes sometimes 3 years, 5 years or 8 years, depending on what we did some years back, the contract starts happening now. Of course, the conversion rate to contract can be much quicker in the coming days. But having been where we are as defence industry in India, that is how the actual contract happens over a period of time.

Today, Board is increasing it. So whatever we did many years back, the contracts are coming as the repeat contracts now and some new orders and development contracts are happening, which is what we have driven today in the revenue growth you've seen today.

Going ahead to say what triggers are necessary to increase the scaling or increase in revenue growth faster, we need to have an addressable market, which is larger and build products that further addressable market and see that those initial entry orders have received which are tested based on which repeat orders, production orders start happening.

That could be the trigger point. So what we have done actually is raised money to build products to increase the addressable market of INR10,000 crores to INR20,000 crores. Once we increase the addressable market, develop the products, position it, go through the process of acceptance and then the contract should happen, which will scale growth substantively. There are two things which has to happen.

One, the growth is just to grow faster. Second, we need to have an order book for a few years, not 1, 1.5, 2 years order book. We need to have order book 3 to 5 years on hand. We expect to do this over a period of time.

And that is the reason we are doing very internal R&D, tremendous product development we're doing. So this company can propel to higher growth and also have a stable order book, which is at least 4, 5 years, 3, 4 years at least, so that we can have predictable growth patterns in the coming years.

Dipen Vakil: Got it, sir. Sir, my next question is that -- so recently, so Defence Secretary as well as -- has mentioned that there are some heavy ordering expected in the next couple of months. Sir, so -- and this quarter, somehow I was not able to see the order inflow guidance for full year. Sir, so what is the order inflow guidance that you are expecting for FY '25?

And while I understand that you have guided for INR20 billion to INR30 billion in the next 18 months, so can you highlight two to three major orders which are expected -- which are there in that INR20 million to INR30 million guidance?

S. Rangarajan: I wouldn't want to get into very specific programs because see, bidding happens in these programs. It will be not correct to in the open forum to discuss which order I'm expecting which contracts. So I would rather not get into -- that is why we're giving overall guidance.

But I'll tell you this, we have another couple of months to a year end. There have been a shift in the order intake and the shift in certain amount of products, decision-making has taken some time, but we have not lost those contracts. The contracts are still firmly in our hand in the sense that the bidding will happen and we should get those contracts.

So during the next 1-year time frame, I think we should be able to build the orders keeping in line with our next year guidance, which we'll talk about in the next session. After year-end closing, we talk about it. We'll have far more greater numbers in our hand in the next 3 to 4 months' time, and we'll be able to give you some guidance to take this forward. I can give you overall general is that there are major programs have participated.

Our products have been accepted and those bids are about to happen in the process of happening. Some we already quoted. So the decisions have to happen. I'm not in control of when the decision happen, but I think in the next few months, those decisions will happen. The order will come.

We projected some of those orders even for next year deliverables and taken advanced action on that. That is an internal decision we've taken. But at this point in time, I don't want to give you exact details of the order book in open forum. Maybe another 3, 4 months from now, we'll give you better guidance on that.

Dipen Vakil: Got it, sir. Sir, and last one, sir, on the execution side of it, sir, we have seen a degrowth of 16% this year, largely attributable to the delay in deliveries because of the clients' request. Sir, so that has impacted us for the second or third quarter in a row. Sir, when do you expect this to turn around in terms of delivery starting to happen or maybe offset from -- by execution of some other projects because that is leading to degrowth in our overall numbers now, sir?

S. Rangarajan: Yes. We are working on both strategies, as you said. We are engaging with the customer. We expect that we would be able to get some kind of clearance to go ahead in the next few weeks' time. Products are ready. So once that is -- acceptance testing is done, we will ship it hopefully this quarter, Q4, we expect to ship those products.

But like you're saying, eventually, that is not happening. We are also working on some products we have planned for Q1 of '25-'26. We also planned that we expect to keep the delivery ahead of schedule. So working on both strategies so that our guidance remains, we're able to continue to deliver on our guidance.

Dipen Vakil: Got it, sir. Sir, and export, sir, on the export, so this time, we have seen a huge growth in our export revenue. So can you tell us from which area have we got this export orders? And what kind of execution are we looking at going ahead in exports?

S. Rangarajan: See, these are all very preliminary export contracts we've got. So it's a welcome thing for us. The only thing which I would like to say here is, see, we've been a product development company. It's very nice to know that our products are going to European markets, very advanced Western countries and where our IP is being accepted. So we started quoting in a few places.

We were successful in last year, we got these orders 14, 15 months back. We developed the entire product, radar contract, of course, modified existing radar, but it's a completely new design. This has been delivered and our customers have accepted it. So going ahead, we want to see that more products we develop in India, we want to see that this is showcased abroad.

So we are planning to set up a proper marketing organization in the coming year to see that we will start looking at export. It will take time to graduate large orders in export and get a substantive business there because -- we need to have a field product, most of the products have quoting, maybe the quoting to building orders can be faster in the Western countries than it is in India today because of the process which is more cumbersome here, but we have to go through the processes.

So we are in the process of building an organized structure to address this. But before we do that, we need to have products which we can be marketed. See till now, what happens is in India, we've been only subsystem supplier. We need to graduate the system supplier, then those products are exportable. So we are working internally to build the products, which are export worthy, then take it back to export.

So this is going to be a slightly medium and long-term kind of an approach. But yes, we are starting on it. To come back to your answer, what areas, here, we have worked in one area which has given us success in radars. Initial orders have been in radars. But over a period of last 7, 8 years, we've been developing some avionics for European customer. And that we continue to deliver on a month and month earlier, so a quarter-to-quarter basis, not on a month and month basis.

Their orders have gone up. Consequently, they're subcontracting our orders also has come up. And here, we have designed the product. It is not a build-to-print production contract with low margin. That is not the way we have done it. It's all our IP, developed products have gone ahead. That is accepted, customers happy. So increased the volume of business here.

Now we're producing multiple systems per year -- month, and they're very happy with our performance. Even during COVID, there was not 1 month delay in our product. They're very happy with this. They're considering other programs for this. There have been a lot of visits from foreign large OEMs to our factory.

We are quite impressed with what has been achieved here. So in the months ahead, I think we need to engage with them to carry through this process to see that we start getting initial trial orders with them, new customers. But these will be perpetual orders. If we get the first orders and successfully implemented, then they're not really depending one customer here, but their own marketing capabilities and their order book, part of it will come to us, maybe a small part, but it will give you sustained revenue.

So we're going to start building that capability going ahead. And we think Aero India also is going to expose us to a number of foreign OEMs, who visited us are going to come there, and we've had some time slot appointments made there. So this is a process. But I think they like what we're doing. They like the engineering.

So I believe that we are in the right path to see that we increase our revenue in exports. Second thing also we are doing is not only building the products, but also building a lot of people with capability. You can't take an order and not deliver. And then we want to surprise them with delivery ahead of schedule, faster than what they would imagine, for which we need to create infrastructure in India, to see that the development delivery and manufacturing is in place, the expectations, very fast delivery which we can do.

So we've now crossed more than 1,000-odd engineers in the workforce in 1,500 people we have and recruiting more engineers. They are getting trained in our existing development, whatever we're doing for DRDO and others.

We're doing the odd development getting trained. So a lot of trained manpower is also getting done and use this as a foundation and then start exporting is what we're thinking because it has to be go global as you go out. Yes, the large market is India. This is the only time when India has opened out to Indians and on defense aerospace, the excitement is very much here. We have to address this market. But this is capital equipment market.

It is tender-driven market. There is zero or one market. So we need to also buttress it with export orders with IP from India so that the bottom line also is also taken care of, build that and then take it to export. In which case, we have steady revenue month-on-month, quarter-to-quarter revenue also will come in there.

So this kind of balances the kind of capital equipment market, tender market which we are addressing in India. So we need to have a mix of both. And we're building an organization to do that. We want to invest in infrastructure, equipment and development to see that we are gearing ourselves to see that delivery models can happen along with the marketing infrastructure we want to set it up.

Dipen Vakil: Got it, sir. That's really encouraging. Just one suggestion on your PPT, sir. Some of the disclosures have been reduced, especially on the new order wins, maybe on the client side of it. Request you not to decrease the disclosures because that really helps us to see the trajectory of the company.

S. Rangarajan: Yes. Purposely, we did it, Vakil, because I don't know when -- see, it is going to open market. I'm very -- as you ask me a question, I give you a direct answer. I don't know the impact of all these answers to the open market. So that's the reason we are trying to not to give specific on every order who gave the order kind of thing. So we will internally discuss with our management and Board to find out what line to draw where and then come back to you.

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

Jyoti Gupta: Good set of numbers I anticipated, I mean, our numbers are in line. Two questions I have. One, while moving to exports is actually fared well for the company because of the kind of products that you're making. My first question would be, will the margins be better than what -- because last year, the entire story was about indigenization because of better margins and not looking at exports. But now everybody is moving to exports, is it because the margins look better compared to what we are anticipated going forward?

Second thing is, while I understand that two things that there have been delays, but the numbers, which is inventory days, which has increased from 187 from 155 and your cash conversion cycle. Do you anticipate in FY '25, this to be elevated? Or is this going to come down from 187 in FY '25 and cash conversion to actually improve by the exit of FY '25?

S. Rangarajan: Okay. I'll take your question 2 first and 1 later. While details will -- Venkat can give you. I'll just immediately react on your inventory days. See what's happened is we -- I've been informing this, we went ahead with 2 large contracts for radars, where we said margins may not be very high, but it is necessary to build capability to build complete systems.

And it's a very large space radar kind of thing. So we have in the last 1.5 years, designed the radars, a whole lot of material is blocked in manufacturing. It's a large radars. It's a very, very large radars. So a lot of material is blocked in terms of manufacturing, and it's a long gestation in terms of development and manufacturing gestation and test gestation.

So a lot of our money on inventory is actually more than 60% -- 50%, 60% of the inventory is actually only on these 2 projects. We expect to deliver one project by end of this March and probably Q1, Q2 next year, we expect to deliver the rest of the product. So once we do this, the inventory will come down substantially because this is driven by 2 main orders, which is going to go out and delivery is happening.

So that is on one hand. And taking as a trailer to this, we expect inventory days to come down and going ahead whatever next year because this kind of inventory-oriented contracts may not -- normally, we don't take. But because the complexity of the product is so, so high, we said it is necessary that this kind of complexity, we need to design from scratch and build a competency which is unmatched in India.

So we took up this contract at very low margins, but we have taken that because it is -- we need to do 2 things. Capability building has to happen and that has to be demonstrated capability. It is not that I say I have capability. The capability comes in product demonstrations. That has to happen to build confidence to larger customers to look at us going along to how to build scale, a few thousand crore company, you need to have big, big contracts. So for that, we said this will be a baseline. So we took the contracts.

And based on which we have learned a lot from these contracts. So there is addition in capability. So that has happened. But normally, our product mix is very different and it's all IP-driven and not material-driven. And that is what you witnessed in the last 9 months also, our EBITDA margins and gross margin the same. It's all IP-driven.

We -- as against other companies, we buy and integrate, we design everything in-house. Of course, it takes enormous amount of effort in predevelopment and a whole lot of revenue expense and things happen in the previous years, but we tend to write off all those things on the year of realization of product.

We don't capitalize it, except for the large products where we've taken money from the market, we're building capital. Otherwise, on the normal products, we do market where we get an order and we build development, we do not capitalize those revenues. We write it off. So that's what's happening. So the second question is, yes, it is going to come down. The reason for this is only 2 contracts.

Coming to your first question, why are we going global? Why some emphasis on export? Is it because we get higher margins there? No, that's definitely not the reason. We have made a new system in India, we would expect to get a higher margin in India. There we are doing part of a system because when you export complete systems, it's a different product game.

Again, we are getting it into all the OEMs on to subcontract development and testing and equipment here because they also look at a cost multiple, which is lower here in India than in U.S. or Europe. So they're looking at it a slightly lower price. So really, we do not go for export just for the margin. Margin, I think we should drive it out of Indian business.

If foreigners compete in Indian business, their margins on a system level, I think we are comparatively -- we have a lot of advantage in doing in India, especially IPs India. Without sacrificing large margins, we still be able to compete effectively with the foreigners. And since everything is foreign in India today, I think it gives a ground playing field to see that why don't we build those products and compete with the foreigners in India.

So that is the business we are in. And we continue to put a lot of effort in this. To follow this, once you build the product, there are a lot of other areas, countries in India who are used to buying some products, we will start exporting to those countries first. That is the product mix which we are doing.

The other portion of exports we're doing subsystems on development delivery for the foreign OEMs is they get a number of years of business ahead, they plan ahead. And so it allows us to give you quarterly revenue, monthly revenue stabilize revenue process, which can mix both capex tender business and a revenue business which goes month-on-month. So it is a good mix to have, and this has been discussed internally.

We said we need to -- since we have a capability to build world-class products, we should expand our shores, get more marketing because we have been very engineer-driven inward-looking company all along. Now we want to say that now we are public limited company. We should not prevent ourselves only to look inwards. We should go out, start looking export seriously.

So we have just started doing this. It's only beginnings in our life. I think next 3 to 5 years, we should really go into it because we need to have both the mix, not only into India. We also have to get export and be well-rounded company. So that is the reason why we're doing it.

Jyoti Gupta: Okay. Sir, one last question on the avionics part. Now when I -- when we heard the BEL saying that they'll be delivering a lot of EWs for the LCA Mark-1, while the LCA Mark-1 platform itself is delayed. Should that -- should avionics -- so -- and your -- even you have one of the products, which is your Intermediate Jet Trainers. Is there any way you are not -- is the delivery for LCA for you also happening? Or is it somewhat a bit staggered because how come the BEL is making deliveries for LCA Mark-1? And is it the same case for you or is it not?

S. Rangarajan: Every problem is industry problem. So we are not alone and nobody is alone. We're all together in this. If a big program gets delayed, then there is an impact to all of us. Maybe the impact for BEL will be more because they are larger suppliers and nominated basis, they get lot more orders. We get smaller orders, so the impact will be less.

But on a balance sheet, on a P&L of ours, the impact matters. So what we need to do is to not allow this impact, we must have an order book, 3- to 4-year order book, mix of contracts, mix of programs so that we can mix and match and deliver and take care of the shareholder interest and revenue projections you make, we need to do that. This is what actively the company is doing in terms of strategy, product development and marketing.

We need to scale up all of that to see that these small things should not affect the company performance. One or 2 things should not affect. It is affecting today, which is not good. So we have to strengthen areas where it will not have an impact on us. We're working on a strategy to see how to do this.

Moderator: May we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. The next question comes from the line of Lavina Quadros from Jefferies.

Lavina Quadros: Yes. Sir, I just wanted to understand a flavor from you on -- there are a lot of concerns that whether in India, defence indigenization is going to get slowed down, defence spend is going to get slowed down, ordering activity will slow down. I wanted to understand from you, are you seeing any changes on the ground particularly?

So this budget commentary has clearly not been for capex anymore. But just wanted a sense -- but defence spend has been good. So I wanted a sense from you on what is the kind of movement you're actually seeing in terms of ordering activity, tendering? If you could just give your thoughts? Thanks.

S. Rangarajan: Actually, our interaction with MoD senior IAS officers and MoD people, my personal interaction has been very positive. They are looking at modernizing processes, looking at lacunas in process, delaying procurement activities, also providing a level playing field to industry vis-a-vis DPSU alone. They're looking at all of these things.

And I think MoD is concerned that there are delays and the delays are not acceptable. So, they're looking at process to see how we can quickly do things. The activity is on. It's promising to see that major changes in processes will happen to allow more industry participants and faster ordering is going to happen. Matter of fact, I think Defence Secretary has recently joined online to say that we're going to see that industry is going to give a lot of orders.

So, I think they are serious, and they are -- they do know that the bureaucratic issues should not slow down this process. Second, you are looking at the international context now. The necessity that India has to defend itself very strongly. And we need to -- and our PM and the government is very clear that indigenous defence is a mandatory requirement to make it a strong country.

No country with zero defence or limited defence capabilities can be strong. All of us understand that and more so our Prime Minister. So he is very clear that it has to be indigenous and PM is very clear. So there is not going to be any letup in my mind. I think if at all, you see with the international outlook, what is happening in the international world, we should rededicate ourselves to do much more in India and faster in India and believe in ourselves, give opportunities to see that we can go through the opportunities, maybe fail a bit, but we'll get up and run.

But the opportunity has to come from government because they are the users. We would strive and we will also emphasize that they should do more to do more in India and enhance capabilities in India and development delivery in India and also go global from India. I don't think any one of us are thinking second or thinking that this is not happening. We are very, very bullish about India and the process.

There are changes, delays, but we are bringing up notes to ministries to say that we need to look at it. We need to look at it slightly differently. We have done this five, six years one way. But yes, we have built up capabilities, but that is not adequate in Indian context. We need to do more. So all of us are striving to do more, and I'm sure the government is behind us, and they're going to encourage us to do more. I have no second thoughts on this.

Lavina Quadros: All right. And sir, lastly, one more just aspect. I know everyone's asked about exports already. But let's say, between a lot of commentary on government-to-government discussions on exports of products, be it to Southeast Asia, like, for example, orders were expected for HAL, BEL, there have clearly been quite a few delays.

Now just generally, again, are you seeing scope on pickup on that side or any commentary that, let's say, the larger companies start getting orders sooner because eventually, it will flow down to you all apart from your own individual efforts in those countries. Any thoughts over there?

S. Rangarajan: Okay. See, I'm not too prudent nor we are not part of that kind of nominated export contracts, which DPSUs get because of government-to-government contracts, unless some part of the small part gets from us. Clearly, we are not looking at this and planning ahead based on this. And I don't want any more government delays or product delays to affect us. So we need to go outside the system.

We want to be on our own. Go contract the end user, the OEM, B2B customers, not B2C, probably. Some B2C we have done, but through B2B. So big OEMs, we need to contract, get contracts from them on an individual basis, not because of it going through a DPSU, that may or may not happen. We are not really focusing on that. It happens, it happens, it happens in spite of me. I've not done anything for that. So I'm not really going to focus on it.

We're going to do our own bit homework, our own effort, our own products, our own marketing reach, outreach and then give very competitive, high-value products to our customers. So this is what our effort should be and the direction should be. We have to work on that. I don't think we should work on these areas because the market is so big and opportunities are there.

If we are able to gear ourselves up, build products and give a reasonable pricing, and quality products, I think we should get this. But it's going to take time. It is -- see, because nobody trusts an Indian developed product overnight in the Western world. They are not used to it.

So it's going to take time to break the barrier, get the first initial contracts, prove that it's working, get the buy-in and say that they are happy, then they'll find the advantages because there are a lot of advantages when people like us get to give products in OEMs because they are also plagued with the same problems for 20 years, suppose 25 years, suppose obsolescence of electronics.

And the larger OEMs in the U.S., European market, they keep on doing new products based on new components coming in the market. They keep doing and they start obsoleting their older products. But these older products are still in line, in life with the products delivered to end customers. So they have a lot of problems, how to maintain those. Company like us will go the extra mile and maintain products for 20 years, stock components for 20 years, maintain there because we need it.

We are hungry. We are hard working. So we will ensure that our customer is happy. We will not let go our customer. So it's a good thing for both organizations to work like this together because we have a need to do such things. So I'm thinking that we should expand the marketing organization and also the infrastructure to deliver quality products much ahead of time. That's what we want to do in the next 3 years.

Moderator: The next question comes from the line of Renu Baid from IIFL.

Renu Baid: Yes. Sorry if I missed this in the start of the call. If I look at the YTD inflows, it's been quite weak, and we have reiterated INR7 billion to INR8 billion of annual guidance. So if you can help us with where are we placed with respect to L1 orders and orders where we expect closure in the next 3 to 4 months, that would be helpful?

Also for next year, what sort of large orders do we have certainty, which are a part of the INR20 billion to INR30 billion order inflow guidance that we have given?

S. Rangarajan: I don't know about L1 contracts. We can't -- only if tenders open, we can do this. Yes, even yesterday, we have L1 in some contract for INR13 crores. But we're not -- we are going to bid more of those contracts, but where -- IP belongs to us and so we become L1. So we're going to do that. We are going to participate in a number of MoD contract directly.

So we are in the process of doing it. But we can't give you a projection on all of them because only when the tender bid is open, we know whether we are L1 or not. But on the guidance itself, while, yes, there is a lot of slippage in the programs which we actually planned for this year and next year, the contracts have not happened because of some events delaying the closure of these contracts.

But we have not lost the contract. Contracts are still live. We expect that this is activities happening in the customer end, see that we quickly release tenders and close those contracts. I think in the next 5, 6, 8 months' time, those contracts should start coming in. That is why we say the INR2 billion to INR3 billion you're talking will be there. There are major programs.

Again, basis for disclosure, what we want to do, we don't want to specify the programs because I don't know how this is read in the open market. That's why we're keeping quite earlier, I was telling everything, when Renu ask, I did tell everything. Today, story, you have to excuse me to say I'll be a bit more circumspect in what I say. And I'll give you general guidance. There are big programs offing. They've got delayed because of monetary reasons, clearances in the government. So that is all it is happening, we'll do.

And a lot of new programs, DRDO has got a number of new programs sanctioned and that levels of sanction. Money sanction has happened. So they're all in the development stage now. And I think we are very advantageous position in those programs, having developed the EW capabilities where all of them are required and the complete system capability we have achieved in this, we believe we are very well positioned to take a portion of those contracts.

But again, I don't want to name the contracts. But yes, we have done that. We have also done a lot of products is already approved. We're hoping that those products will be approved by the users. If we approve those products, back-to-back contracts will be a few hundred crores in each of them.

So we are working -- both DRDO and us are working together to see that the approvals are acceptable to the users and users back us rather than importing the products from abroad. So we are working actively. I've also made representation to MoD to do this.

So I hope all this will pan out, but the path, direction is right. What we're doing is we are convinced the direction is right. There has been delays, but I think we will get compensated in the next few months. I will be more specific, Renu, after about 3, 4 months. Once more clarity comes on the product, when exactly quotations happen, then timelines are very clearly visible. But I will tell you, post contract, I tell you which contract I got.

Moderator: The next question comes from the line of Arafat Saiyed from InCred Research.

Arafat Saiyed: Yes. Sir, my first question is on your deferment of contract. So can you quantify the number in this quarter, which got deferred for the next quarter? Or how is that things will pan out?

S. Rangarajan: Okay, no, no, no problem. It is about -- totally deferment contracts is about INR70 crores. One is actual product available should have gone last quarter in the previous quarter, got deferred again. So that is about INR20-odd crores. And the other product is mainly ready, the experience contract to happen. So the contract happened very last minute. And what happened is the inspection process has initiated.

The product is ready for dispatch. But based on the customer need, we got the product up, but there is an MoD requirement. The contract got delayed with three months. We received the contract, it is ready, we expect they have to come for inspection soon and ship it. These are two. There are other program -- products which orders are expected and somehow the development has happened but the order has got deferred. So there are a mix of these kind of things.

Arafat Saiyed: Got it. And second, sir, can you just please guide on the order pipeline for the next couple of years, if you can share some quantum, how much amount you're looking to bid over the next couple of years?

S. Rangarajan: I will give you this, another few months after because we have now -- some of the programs which we thought will happen last year have got postponed. So I don't want to talk out of turn and take ownership for something which I cannot take ownership. So let me wait for -- I think the clarity will come in the next 2, 3 months, these contracts will start moving ahead, and I'll be able to tell you properly. So that is one.

Second point is we have done a lot of development in the last 15 months. We've done some world-class products. The complete products have been designed. We want to showcase them in Aero India. This is the next week. We expect that the users -- very senior users, senior people will visit us and have one-on-one dialogue with them that how we use these products. and which is urgently required by the services.

So we expect that some kind of a positive reaction has to happen. We worked very hard in the last 15 months to make this possible. And it's really truly world-class products we have done. We all required a few thousand crores of each is required by the users. So we hope some breakthrough happens and they take seriously.

They take it seriously. We need to work for the next few months to convert them into initial contracts. And after flight testing and other things, we get into larger contracts. So that is the path.

We are well -- from our side, we have done whatever we can in terms of capability demonstration and product demonstration. Now we need to wait for users to do the policy framework and see what to do and take interest in it. So I'm just saying early for a few months, we will have some more clarity how it turns out, and then I'll be able to tell you a bit more to the investors that this is the direction that is happening.

Moderator: The next question comes from the line of Abhishek Singhal from Naredi Investments.

Abhishek Singhal: Sir, my question is relating to we had raised INR500 crores for product development. When will that development be completed? And when will the revenue start coming from the development? And how much revenue will come from this INR500 crores QIP? And second question, what kind of order book are you expecting end of this financial year? Thank you sir.

S. Rangarajan: Yes. See, this end of financial year, we're not very clear because only 50 days is available in the financial year. Maybe some contracts will happen. We are working towards some contracts, maybe INR100 crores, INR150 crores something like that. We are working on contract conversion. But it may have in this way or that way. It may take a bit longer. We do not know.

But the larger contracts which we are quoting for is going to be all a few hundred crores. So this will happen over the next year or so. A number of those requirements for products for the contract will happen. A lot of development will happen ahead of time. So we have been in a position to deliver much ahead of time, much higher requirement compared to normal organization to start from scratch. So that is how we are developing products.

Coming to your first question on QIP implementation. We've maybe spent about INR100 crores already, about INR80-odd crores on product development, mainly in 5, 6 categories. I think that is also I think announced, not announced, exactly what we've done. Okay. So we have done that

INR84 crores or something we have capitalized on this. This is basically on radars. One is the radars.

Second, EW suite. Third is in software defined radius. Fourth is some make-to programs we are participating in and 5, 6 and a few smaller items which we are participating in putting products together. The good -- the important thing with all this product development is we made this building block so that even in the existing new contracts, which we are going to bid with DRDO or wherever, the building blocks we have developed for specific products can be reused in these programs.

And all of them require what is called as a no cost, no commitment trial. You need to trial, give a demonstration to the customer before they short selected to commercial bid opening. So to allow that to happen, people import and then integrate or represent somebody and do. They're saying they build the building blocks, they reuse the building blocks and go for participation in the trials, so which allows us to also look at a bigger portion of the addressable market with our products.

So that is how we have done. So there are a two-pronged attack in how we're building these products. So it's all come now. Some of the products which I talked about development, a portion of the development which we have done and products have been finished or almost finished, we're going to showcase in Aero India.

So that is what we do. We put a large money in this development of satellite. We have slightly deferred the satellite development initiatives because I'm not very confident how the business model works out. Initially, we were thinking that it will be a large business model.

But with all the start-ups and a whole lot of iDEX and things like that and pricing and small company start-ups being preferred for certain things, I do not want to take a step by investing INR200 crores, INR300 crores on product development which will actually take about 2 years of satellite development to launch and maybe third year to start getting a contract or so.

And how the government changes their mindset are not very clear. So we'll not -- though we have a full competency to build satellites and we launched the satellite, it's all working for 24 months now, every part of it designed in-house and also the sensor itself is designed in-house now.

But because lack of clarity, we'll not put that extra. With more clarity coming from Ministry of Space, maybe we will also attempt doing that as going ahead next year or so. But today, we restrict ourselves to areas where we see low-lying opportunities, low-hanging fruits where we can be first come kind of opportunity advantage.

So we're trying to put that in this area. We spent about INR85 crores, INR88 crores now, and we have money in the kitty to spend more. So we are being -- we are cautious about spending the money. We have cash on hand, but we are very cautious about spending the money because we've been very clear, return investment is going to happen. So that's where we are today.

Moderator: Our next question comes from the line of Garvit Goyal from Nvest Analytics Advisory LLP.

Garvit Goyal: All of my questions are answered. Just one question. Like you mentioned to some previous participants like you expect getting clearance from customers in upcoming weeks. But let's say, we don't get that. So then also, do you still believe like we will be able to do INR320 crores, INR350 crores kind of top line in Q4 via a different product mix and delivering to different customers? So that's my question, sir.

S. Rangarajan: Yes, that's what we're working on. We are trying to prepone some of the contracts in the case this doesn't happen. But we are very positive indicating the customer that it likely will take place in the next week, 2 weeks or so. They will come for inspection and go ahead, in which case we can deliver it in March. So we're hoping that we are continuously engaged with the customer. But nevertheless, we're also taking some alternate action to prepone some of the contracts for next quarter. We're doing both, Garvit.

Moderator: The next question comes from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: Just wanted to understand that since we were mentioning that some of the development contracts that we've taken, which will be executed over the next few quarters with slightly lower margin, exports also is not delivering -- is not offering margins superior than the domestic business. So can we expect the margins to now start gliding lower and probably end at the lower end of our expected margin band?

S. Rangarajan: What we're doing is we are trying to build a product mix that some with lower margin, some with higher margins. We're focusing such a way that our bottom line business, whatever we are talking growth rate to you and to our investors, it's not marginalized. We don't want to reduce that. So we believe we should keep the lower margin.

EBITDA or whatever may come down. But the bottom line PAT, revenue will go up because margins are lower and the PAT percentage may go down. But the PAT, as overall PAT compared to last year to this year, we will retain gross margins as predicted to you as committed. So that is what we're doing. So we'll have a mix. I don't think we should get into really a situation where I'm going to give you less margin, lower PAT kind of numbers in the coming quarters.

We will try to mix delivery such a way that, that doesn't happen is what we're aiming to do. A number of our own IP products, so we expect that, that will compensate for the loss on margin in some quarters.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to the management for closing comments.

S. Rangarajan: Thank you, everyone, for joining us on the Q3 Investor Call. Yes, I understand that there are various questions and concerns which have been brought out by you. We are also well aware of that. We are taking remedial actions to see how to do this. We are on the right path. We are doing product development, a host of IP is being generated and large products required by India, where we're looking towards India to develop where we're uniquely positioned.

We're positioning ourselves very well there. Products are coming out actually very well. A couple of European customers have come, head of the institutions have come and seen the products, and we're very happy with the engineering. So all of them have given us good that we will have to work with you going ahead. If this is being done by you and such a large team, we will be very happy to work with you. So I expect things to happen.

I think the path is very clear. We're also investing ahead to see that once we get a contract, we're able to execute contracts in time and ahead of time. We're also putting infrastructure not only in terms of test facilities and manufacturing infrastructure, we're also putting trained manpower and building capability across the board. We are also spending money, going to spend money in the coming year, a lot of IT infrastructure in terms of PLM, licenses and this and that, which will become a backbone to become a large company.

We need to scale to a large company. And whatever is necessary to scale to a large company, they are doing on capability, on infrastructure, on IT and backbone and also on people, training, scaling up people capabilities, all of them are doing. I think we are going in the right direction. Enormous amount of money is getting spent in product development. You will see it coming more.

Hopefully, some contracts will happen in the next 2 quarters to say that, yes, we've gone in the right direction and we've got orders which will scale. So that also will happen. And the third initiative we are taking now is try to slowly start moving up the export chain. So we are going in that direction. Again, it is all coming out of capability and product capability driven.

From a competency model, we are trying to build products. A lot of people worried whether we go export, the margins have come down. I don't think so. What we were trying to do is not a scheme, not services model, we are doing a product model. With the product model, yes, it has -- we have to be competitive with respect to certain countries from their OEMs or subcontractors.

But that does not mean less margin in my mind. I think we will do this properly is my belief. More and more orders we start getting, I'll be able to say what is the calibration we do, how do we want to do this further? We'll understand from our experiences. But we -- I think we are in the right direction. And we are very, very bullish about growth going ahead.

Orders have got delayed, but I think we'll continue to get the contracts, large contracts, and we're very well positioned in all those large contracts because the products approval and it is all flying very reliable and it is advanced. And we built an organization. There are actually people who have come there.

We're very happy to see the engineering capabilities which have built over the last 2 to 3 years' time. So I think the direction is right. So we will continue to press on the direction what we're doing and look towards how to scale markets.

Thank you very much for listening to me. Any other questions you have, kindly mark it to Go India, and we will see that every question of you is answered. Thank you very much. Have a good day.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.