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ಮುಖ್ಯಾಲಯ
HINDUSTAN AERONAUTICS LIMITED
CORPORATE OFFICE

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23rd May, 2024

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Dear Sir/ Madam,

Sub: Transcript of Q4FY24 Results Conference Call

Ref: BSE Scrip Code: 541154, NSE Symbol: HAL

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of Q4FY24 Results Conference Call held on Wednesday, the 17th May, 2024 hosted by Elara Securities (India) Pvt Ltd, is made available on Company's Website at <https://www.hal-india.co.in/investors/analyst-investors-meet>

2. This is for your information and record, please.

Thanking you,

Yours Faithfully
For Hindustan Aeronautics Ltd

(Shailesh Bansal)
Company Secretary & Compliance Officer

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CIN:L35301KA1963GOI001622



“Hindustan Aeronautics Limited Q4 FY-24 Earnings Conference Call”

May 17, 2024



**MANAGEMENT: MR. C.B. ANANTHAKRISHNAN – DIRECTOR (FINANCE)
& CFO, WITH ADDITIONAL CHARGE OF
CHAIRMAN AND MANAGING DIRECTOR,
HINDUSTAN AERONAUTICS LIMITED**

**MR. JAYADEVA – DIRECTOR (OPERATIONS),
HINDUSTAN AERONAUTICS LIMITED**

**MODERATOR: MR. HARSHIT KAPADIA – ELARA SECURITIES PRIVATE
LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Hindustan Aeronautics Limited Q4 FY24 earnings conference call hosted by Elara Securities Private Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you and over to you sir.

Harshit Kapadia: Thank you Manav. Good evening, everyone. On behalf of Elara Securities welcome you all for the Q4 FY24 and FY24 conference Call of Hindustan Aeronautics Limited.

I take this opportunity to welcome the management of Hindustan Aeronautics represented by, Shri. C.B. Ananthkrishnan – Director (Finance) & CFO, with additional charge of Chairman and Managing Director, Shri. Jayadeva – Director (Operations) along with their team. We will begin the call with a brief overview by management followed by Q&A session.

I will now hand over the call to Ananthkrishnan sir for his opening remarks. Over to you sir.

C.B. Ananthkrishnan: Thank you Harshit. Good evening and welcome to you all. Thank you all for joining us today for this Earnings Call. In fact, yesterday we declared our Financial Results for the 4th Quarter and the Financial Year 2023-24 which has been well received by the Investor Community. The same has also been uploaded in our company's website.

And today for this earning’s call I have with me Mr. Jayadeva – Director Operations and other Senior Management Team for the interactions.

It has been quite some time since our last interaction which was sometime in May, 2023 almost exactly a year back and we are eager to engage with you today, providing insights into our financial results, offering updates on the various physical advancement of our project and addressing any clarifications you may seek.

The FY23-24 has been an exceptional year for HAL and was a journey of resilience, innovation and unwavering commitment to meet the expectations of the various stakeholders. Despite the challenges we faced in the geopolitical landscape and supply chain disruptions, HAL has once again demonstrated the capability to strive through the adversity. You are aware that our revenues have surged new heights in FY23-24 marking a very significant increase compared to the preceding year. Revenue from operations almost stood at 30,381 crores as compared to 26,928 crores in the previous year, almost registering an increase of 13%. We have given our guidance last year for achieving a double-digit growth from FY24-25 onwards upon the

commencement of the delivery of LCA aircraft against the 83 LCA programs. However, we could achieve this target a year in advance in FY23-24 itself.

With our robust order book and a very strong pipeline we are confident of sustaining this growth momentum. Apart from focusing on revenue growth, we have also been focusing on cost optimization so as to offer these affordable platforms and services to our customers and also to improve the profitability margins. The manpower cost which used to be around 23% of the revenue during the year 2018-19, some 5 years back, has consistently been rationalized to almost 17% during the last financial year i.e. '23-24 and we expected to bring it down to further to 16% of revenue in the current financial year. Similarly, the overhead expenditure also has been rationalized so that we can eliminate certain avoidable expenditure. The overhead expenditure to revenue as a percentage which was standing at around some 8% during '18-19 has also been brought down to 4.66%, almost a 3% reduction over the last 3 to 4 years' time frame. Improvement is also being noticed in our inventory because we were also very conscious of our inventory holding when we had an inventory of almost 360 days, inventory in 2017-18 which we thought was quite high and today it stands somewhere around 159 days which we feel it's the most optimal level below which we would not intend to reduce further.

Another area where, there has been consistent improvement is on the debtors turnover. This also as you are aware from almost 227 days when we had bad times during 2018-19 when our receivables were quite high, it has now been brought down to 55 days which is again the optimal level. I think that will be maintained in the next few years as well. These improvements all have consistently resulted in cost optimization and improvement in the overall profitability of the company.

Now let me also highlight certain initiatives which we have been taking for the future growth and expansions. We are focusing on two major strategy areas during the year 2023-24 and we wanted to continue with our efforts in similar lines in the years to come. One is on the capacity building as we have always been telling to increase the capacity to meet the commitments of our customers. And the second one is the capability building to see that the company is ready for the future requirements and future projects which are coming up. The focus today is on proactive procurement, strengthening the CAPEX and increasing the R&D investments. HAL has been continuously been taking several proactive initiatives in the last financial year towards capacity building for the quick execution and reduce the developmental timelines post the contract signature. Similarly pending finalization of contracts, HAL also has launched the procurement and manufacturing of our platforms. Various aircrafts like Dornier, Light Utility Helicopters, Advanced Light Helicopter then the AL-31 FP engines, required for Sukhoi's, RD-33 engines. All this has helped us to deliver the two Dorniers to Guyana which is there for exports within 10 days of the contract's execution. In fact, the contract got signed in the March '24 and we could deliver 2 aircraft to Guyana and similarly to Army when the contract got signed 25 ALH, we could deliver 6 ALH in FY23-24 itself before the 31st, March. Similarly in the case of RD-33

engines as well where 15 RD-33 engines have been delivered to Indian Air Force within the month of contract signature.

We are also investing in various greenfield projects and capacity augmentation of various programs. As you are aware the new helicopter factory had come over into Tumakuru, third line of LCA which is very critical for augmenting our capacity in respect of delivery of the LCA Tejas aircrafts is getting established in Nashik and we expect it to become operational sometime in the month of October 20-24. So that these infrastructure and facilities are readily available for launching the various manufacturing activities immediately on receipt of the customer orders. And meeting our customer requirements is of utmost priority to us and we understand, today there is a need for the services to expedite the delivery so that they can acquire the assets at a faster rate. To support this requirement as a proactive approach, HAL also has been investing towards capacities as we have already told to increase the deliveries of indigenous platforms like LCA, HTT-40 and the Helicopters. These enhanced capacities would not only enable HAL to speed up execution of the existing orders but would also help us to free up our capacities for additional orders from our customers and aggressively pursue the export markets.

We have also got a very robust CAPEX plan because we keep expanding and then we are getting newer projects. So, the CAPEX plan for the next 5 years is estimated to be somewhere between 14,000 to 15,000 crores which translates into an average CAPEX of almost 3,000 crores on annual basis. This CAPEX would also be utilized for augmenting the manufacturing facilities and establishment of ROH facilities for the various platforms. In addition, as you are aware since we are also embarking on new projects like LCA Mark 2 and then the TOT GE F414 engine manufacturing, then the IMRH engine manufacturing and the various infrastructure which is required for design and development of these newer projects of IMRH, AMCA and various other D&D projects we keep investing in our capacities and wanting to invest in capital expenditure for all of these projects.

We also wanted to create certain strategic assets which would enhance our capabilities in the field of forging presses. So, we plan to invest a 20,000 tons isothermal press and a 50,000 tons hydraulic press for manufacturing forging for engines and aerostructures and carbon fiber facility with an investment of almost 600 crores for our various platforms. All these are intended towards indigenization activities being picked up because we have realized now in the recent geopolitical situation, there is a larger need to become self-reliant and to keep indigenizing more so that in the years to come in the next 5-to-10-year timeframe, we will have all the strategic assets where we have dependability on the foreign sources will come down drastically. And as you are aware HAL has been developing more and more indigenous platforms in the last 10 years. Today we have got a range of indigenous designed and developed platforms and less of license production and we wanted to really maintain this trend. And with that view we are investing heavily on R&D as well. So, we have sanctioned almost 4,000 crores as part funding

for our IMRH product. The board has sanctioned that and we have started initiating the various activities on the R&D front as far as this IMRH program is concerned.

Similarly, we have also launched the utility helicopter Marine which is the naval requirement with internal funding of around 2,000 crores for the Indian Navy from our own internal resources. As I have told you in the current geopolitical situation and the need to be self-reliant our indigenously designed and developed platforms R&D efforts are of critical importance. We have indigenously designed and developed state of the art platforms like HTT-40, LUH, LCH, LCA Mark 1A, making India among the global players with tremendous opportunities for export. Our R&D expenditure is on an average around 7% to 8% which is among the best in the industry. As you are aware we are also earmarking 15% of our PAT towards creating an R&D corpus every year.

Apart from certifications from the Indian flight worthiness authorities since we are trying to embark on to the export, HAL is also focusing towards certification from the global agencies to enhance the outreach of our products. These efforts are helping us to progress as an end-to-end solution provider in aerospace domain.

Now most importantly I would like to update on the order book position. The order book of the company as on date is around 94,000 crores which is almost 12,000 crores more than the order book, which was there as on last year, that is on 1st April '23 of 82,000 crores, today it is 94,000 crores. I was talking on order book position when the call got disconnected. I mean this is something very important for us all of us. So, the outstanding order book as on date is almost 94,000 crores which is even after liquidation of almost 30,000 crores, it stands at 94,000 crores. So, the increase is on account of the conclusion of various contracts, almost close to 19,000 crores in the last financial years including RD-33 engines and then the ALH for Army, then ALH for Coast Guard. Then the various types of engines and then the Navy Dornier, 25 numbers of midlife upgrade and receipt of also the ROH, repair and overhaul orders and spares for the supply of almost 21,000 crores. We have also received an export order of almost 500 crores which I have been telling, 2 Dornier aircrafts to Guyana which included that almost 200 crores of Dornier aircrafts.

In addition, significant progress we have also made on the AL-31 FP program, 12 Light Utility Helicopters and 12 additional Sukhois towards conclusion of contracts. The proposals are at very final approval stages and we expect it to get the same finalized very soon. These orders will happen in a timeline of less than 6 months to 1 year and we expect almost 47,000 crores of orders to materialize in this 1-year timeframe. With these orders and the other ROH order book as on the 31st March '25, we expect the outstanding order book position to be somewhere around 1,20,000 crores even after liquidation of the certain portion of order as part of the revenues for the year '24-25. In addition, the order pipeline also looks very promising with anticipated contracts for LCA Mark 1A, the additional 97 numbers for which AoN has already been

approved and then the Light Combat Helicopters, Prachand for 156 numbers. Then similarly for the Advanced Light Helicopter, Dhruv for 43 numbers from IAF and Indian Army. Then similar Dornier aircrafts are also there in the offering and Indian Navy is also looking to buy some 60 numbers of Utility Helicopter Marine. The upgrade of Dornier aircrafts for which all of which all these programs the acceptance of necessity has already been approved. So, these are all to be converted into contracts and the initial process has also already been initiated towards that. The aggregate value of all these orders is expected to be somewhere around 1,60,000 to 1,70,000 crores and our expectation it will all materialize in the next 18 months to 3 years' time frame. These orders will keep our manufacturing lines occupied till 2032 and help HAL to propel itself into the next growth trajectory.

The outlook for the current year and the years ahead appears very promising. Each year from the current Financial Year '24-25, we will be adding new platforms, thereby expanding our product profile. During the FY24-25, we will be scaling up the deliveries of LCA Mark 1A in line with the contractual commitments and commencing deliveries of Light Utility Helicopters as well.

The next financial year '25-26, we will commence delivery of our HTT-40 basic trainer and Civil ALH which we have initiated the process and we expect the certifications to get over in the current financial year and the deliveries for the Civil ALH, we have got some interest being shown by some of the Indian customers which we will be able to deliver in the next financial year in addition to the delivery of these LCH Helicopters for which the new orders are expected. The year 2026-27 that is 2 years down the line we will see the addition of the Marine helicopters to the Navy, to our manufacturing line for the Indian Navy in addition to the commencement of delivery of prototypes of these LCA Mark 2 and also commenced manufacturing of prototypes of the Indian Medium Role Helicopter which is the 12 Ton category which is under the design and development. Therefore, the number of aircrafts which are going to get manufactured each year will see consistent improvement during the next 3 to 4 year timeframe. During the same period, we are also will be executing the various engine programs including AL-31 FP, RD-33 engines then the LM-2500 engine, Shakti engine variants of ALH, LCH and LUH. Besides the new engine program of GE-414 with the GE engines and Safran engine design and development, along with Safran for the IMRH program engine development also will materialize during this timeframe.

Looking ahead I envision, a very future filled with bright promises where the brand HAL will continue to build on a solid foundation of trust, teamwork and unwavering commitment to our stakeholders. We will continue to create value for our shareholders and drive our nation towards the vision of Atmanirbhar Bharat in Defence aerospace manufacturing. Thank you all. I think I had given a very concise brief. May be now that we can start discussions and initiate the queries. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Jonas Bhutta from Birla Mutual Funds.
- Jonas Bhutta:** Firstly, from a bookkeeping side, if you can help us understand what transpired in the 4th Quarter in terms of gross margins, basically material margins, given that they've come upwards of 60%, 63% to be more precise. What drove these margins because typically were more in the 58 kind of band, 57-58 kind of band, what transpired here if you can help us with that?
- C.B. Ananthkrishnan:** As far as the gross margins is concerned, as we have disclosed in our results as well, the Change Order 3 with respect to the pricing of IOC contract that is LCA initial operational clearance, we were to supply 20 numbers to the Indian Air Force which we have completed the supplies as well. So, there have been some contractual changes and scope changes have been made and the contract provided for certain elements of cost to be claimed at a later date as and when it materializes. So, we had gone that price fixation redone and because of which the IOC contract Change Order 3 which was pending for quite some time, it has been finalized in the last quarter of the last financial year '23-24. And that has resulted in almost 1,500 crores of additional revenue which is reflected in our last quarter results. And this has substantially increased the margin. And that is one major reason why the margins have gone up in the last quarter and which has also been reflected in the total full year as well.
- Jonas Bhutta:** Because if I remove as in if I adjust that from our top line, then also we are getting like a 63% gross margin. So, this 1,900 crores of change inventory that is, is that the pending deliveries of the two LCA Mark 1A prototypes or something that we....?
- C.B. Ananthkrishnan:** No, that has nothing to do with the change in deliveries, it's nothing to do. It is an accounting adjustment as far as the inventory which is being used, inventory which has been built in the last year. That is a WIP which is being utilized which is drawn now and which is getting included in the current year revenue. That has nothing to do with the pending deliveries. All the deliveries which have been delivered in the current financial year have already been recognized in the revenue and pending deliveries have not been recognized. Probably apart from this Change Order 3, the other area is that last year the depreciation and amortization, there is almost a reduction of 400 crores between last year and the current financial year. This reduction is an account of the HTT-40 which was there in the last year that amortization which is not there in the current year. So that is another reason. And of course, there is also an impairment loss which has happened in Sukhoi in the last financial year which is not there in the current financial year. These two expenditures add up to almost 900 crores which has also helped us to improve the margin in the current financial year as compared to the previous year.
- Jonas Bhutta:** The second data that I wanted, could you help us with the platform wise deliveries made in FY24 like the typical rotary aircrafts and fixed wing and the engines?

C.B. Ananthkrishnan: Broadly I can tell, these aircraft deliveries it is all on LCA and ALH and Dornier. We have already indicated that LCA we have delivered close to some 5 aircrafts of LCA and 6 numbers of ALH. Apart from that engine, RD-33 engines some 15 numbers we have delivered. Now then the two export of Dorniers. This is also added to the revenue. These are the platform deliveries which has happened. But the major portion is on the repair and overhaul, which is almost 20,000 crores which forms a bulk of almost 68% of our total revenue has emanated from repair and overhaul.

Jonas Bhutta: Lastly, while you have said when you expect the NUH to come through but just a slightly more granular understanding on the status of the program. Because if you are going to start doing R&D today with a 2,000 crores investment, do you think that it will sort of show up in terms of commercial order by FY27? And the second project on which I wanted clarity was the Su-30 engine AL-31 FP. That order has been pending for quite some time. Any particular update on that? Those are my questions.

C.B. Ananthkrishnan: As far as the Su-30 engines are concerned, it has already been from our side the CNC has been over. We expect the order to materialize because it is in advanced stages of finalization. We expect the orders to get materialized in the next 1 to 2 months timeframe it should happen and there is nothing which is left from our side. So, it is the process which is happening. So, we will be able to get it done. And the UHM program is in the developmental stage. We are confident that in the next 2 years we will be able to convert it into a commercial contract and start executing the deliveries. Director, Operations can add to that.

Jayadeva E P: UHM program is for the Navy. It's a naval maritime version of the ALH. So, in addition to existing ALH features, we are also bringing in new features like blade folding and assisted track and landing onto the ships. So, these are the major things which UHM will support now. So, we are in advanced stage of proving all these new features on the helicopter and we are on track for this also to be flight tested and completed during the next 2 years. So, we are good to go by production runs from 26 onwards. In fact, we would also like to start this in advance like we did in other programs. But we can expect deliveries from '26-27 onwards.

Moderator: We have our next question from the line of Abhishek Poddar from HDFC Mutual fund.

Abhishek Poddar: First regarding the LCA Mark 1, if you could give some understanding that we currently have 83 number of orders and there is an expectation of 97 orders more, how will the production ramp up happen here in next 3-4 years including both the orders?

C.B. Ananthkrishnan: We have got 83 numbers. The delivery timeline, peak delivery rate at which we will have to deliver for this 83 contract is 16 aircrafts. So, at present in our LCA division and the aircraft division at Bangalore, we have got the capacity to produce 16 numbers. We wanted to augment the capacity to 24 numbers because we want to expedite the delivery of this 83 Mark 1A and

anticipating further orders which is also I think you are aware that another 97 also is likely to come. So, for the 16 aircrafts is not sufficient. We want to augment the capacity to 24. That is the reason why we have started establishing the third line in Nashik. The activity has started last year sometime in September, and the jigs are all getting installed today and the third line is likely to become operational from October of the current financial year. So, this year probably we wanted to have at least one aircraft rolled out from our Nashik division to start with. And from next year onwards Nashik division also will be equipped to produce another 8 aircraft. So, depending on the requirement we will be able to expedite the delivery beyond 16. But 16 will be the minimum as per the contracted delivery schedule. But we would like to expand our capacity to see that this 83 Mark 1A contract is getting liquidated a year in advance of the contracted delivery schedule, so that we can take up the subsequent 97 at a much faster rate. And we will be able to complete the entire 97+83 latest by 2032-33.

Abhishek Poddar: How much will be in '25, this year?

C.B. Ananthkrishnan: In the current year as per the contract, we are supposed to deliver 16 numbers and this is what we plan. Even though some challenges are there, we are trying all our efforts to see that the 16 numbers are getting delivered.

Abhishek Poddar: 16+1 at Nashik, so 17 maybe this year?

C.B. Ananthkrishnan: No, we would keep it at the 16 numbers is what we have. Nashik, we are making efforts to see that it happens.

Abhishek Poddar: The second question if I look at the order pipeline and the current order book and we have LCA and there is LCH and there is a RD engine and then there is AL-31 and Sukhoi and HTT-40. So, all these 5-6 are very large programs. Would you expect the bunching of these manufacturing to start in '26 or '27? How do we see that ramp up happening? My question was that we have 6-7 large programs, so LCA, LCH, ALH, HTT-40, probably LUH and there are two engine programs RD-33 and AL-31 FP engines. So, this 7-8 programs, would we start seeing a bunching above the manufacturing happening in '26 or '27 Because all the programs will be in the manufacturing stage by that time.

C.B. Ananthkrishnan: But not bunching really because we have got the facilities created for each of these platforms separately. So, we will be in a position to independently manufacture all of those. So, it will all happen between this next 2-to-3-year timeframe. But since we have got independent capacities available at different locations, it will not really be bunching. They will be able to independently handle and start manufacturing and delivering the product. Like for instance, helicopter complex is capable of producing up to 30 helicopters in Bangalore only, then the Tumakuru facility is also ready for manufacture of another 30. As far as the LCA is concerned, the two facilities at Bangalore is capable of producing 16, third line is getting created at Nashik. And in Nashik we

are also creating a line for HTT-40 apart from the LCA and the Sukhoi line. So HTT-40 also will get produced from Nashik and the engine programs already we have got the capacities at our Koraput division for AL-31 FP engine. So, we will be able to fully utilize that capacity. So, all in all of these programs we are having independent facilities where they can generate these products and the quantities which are required.

Abhishek Poddar: All these facilities by '27 should start producing all these platforms together?

C.B. Ananthkrishnan: Yes. Like for instance AL-31 FP engines already we are producing and supplying to the Indian Air Force. Then as far as ALH is concerned, again helicopters we have been continuously producing and we are supplying it to the Air Force to the various Defence customers. LCA, we have started supplying to the Indian Air Force. So HTT-40 will start commencement of deliveries from September '25 onward. From next year that is FY25-26 HTT-40 should start getting delivered. So, we will all be delivering. It will all be in phases. It is as per the contracted delivery schedules. We keep delivering those things.

Abhishek Poddar: One last question. If I look at the EBITDA margins, in '22, it was 23% and last year it was 27% in '23. And this year if I take off the one-off item for LCA, then it is about 28%-29%. How should we think about these EBITDA margins for next 2-3 years?

C.B. Ananthkrishnan: Broadly what we expect the EBITDA margins should on the most optimistic note it could be somewhere—around 32% to 33%. And at the minimum level it should be not less than 29% because broadly our operating profit ranges between 18% to 20%. The depreciation and amortization is approximately around the 5% to 7% range and the interest income may add up to another 6%. So, this would mean that it should be somewhere around 30%-31% should be our EBITDA margin.

Abhishek Poddar: So, after adding 6% interest income it will be 32%-33%, excluding that will be 26%-27%?

C.B. Ananthkrishnan: Yes, without interest income it should be somewhere around 26%-27% and with interest income it should be around 33%.

Moderator: We have our next question from the line of Deepesh Agarwal from UTI AMC.

Deepesh Agarwal: My first question is with this 97 Mk-1 order possibly by end of FY25, would there be any change in the requirement of Tejas Mk-2 in the future? Would there be any cannibalization?

Jayadeva E P: This 97 is being procured in the Mark 1A configuration. So, this will not have any impact on Mark 2. Mark 2 is under development now. So IAF has got the range to accommodate more aircraft. That's what we feel. And we don't see this Mark 1A cutting into Mark 2 or vice versa. So, it will not happen that way because the Mark-2, it's a different weight category aircraft and

the roles are slightly different. So IAF can accommodate both. We don't see each other cutting into other prospects.

Deepesh Agarwal: So, is it fair to understand, it would be in view of MMRCAs not going through the ramping upon the Mark 1A?

C.B. Ananthkrishnan: As far as HAL is concerned, we are getting these orders and our sort of views ends with that. Whether MMRCAs will be there or not it is for IAF to answer.

Deepesh Agarwal: On the Super Sukhoi program when do you expect the order inflow for the Super Sukhoi and how would be the execution timelines on this?

C.B. Ananthkrishnan: Sukhoi upgrade, now the case has been initiated and we will be also participating in the program. In fact, HAL will be the lead agency to integrate the Sukhoi upgrade program with the indigenized Indian industry. So, the program will now pick up speed and then we have already started the discussions with the various stakeholders. And probably in the next 6 months timeframe we should be able to have some contractual clarity on this thing. AON has already been approved for that. That is that acceptance of necessity has already been approved. So, it should get converted into the contract shortly, once we get more clarity and more discussions happen. And the contract negotiations will commence thereafter once we submit the quote and then we will be able to finalize it. But this is going on in the right way and we expect things to materialize within the next 1-year timeframe.

Deepesh Agarwal: On the ROH front, what kind of growth should we expect going ahead?

C.B. Ananthkrishnan: ROH, we expect the growth to be consistent in line with the past and it should be somewhere between 8% to 9% growth should be there in ROH activities.

Moderator: We have our next question from the line of Gagan Thareja from ASK Investment Managers.

Gagan Thareja: My first question is around the potential for sales growth available given that you have almost 90,000 crores of order book which you think next year starting with more like 1,20,000 crores of order book. Given the delivery schedules of various platforms, is it reasonable to assume that an early double-digit sort of revenue growth is consistently possible for the next 3-4 years?

C.B. Ananthkrishnan: Yes, that is what we are confident of. With the current order book positions and with orders in the pipeline and with new orders likely to materialize in the 2 to 3 years' timeframe, we will be able to show a consistent double-digit growth. In fact, all these orders we will be in a position to execute up to 2032. With the current visibility of orders, we will have our workload full for 2032 and we can consistently maintain this double-digit growth without any problem.

- Gagan Thareja:** Also, while in the last 2-3 years the share of ROH in your total revenues has kept on going up. I think last year it was more than 70% while now it stands at 68%. Now from here on the share of platform-based revenue will increase and does this change therefore in sales mix? First of all, how much will this sales mix change by and secondly consequently what sort of margin implications does that have?
- C.B. Ananthkrishnan:** It's like a cycle. Always in this industry certain contracts will get signed for the platform deliveries in a particular period and then subsequently once the delivery happens the ROH activity will pick up. Again, the manufacturing contracts will keep coming and it will be going on like that. Today with the sort of contracts what the deliveries of platforms which we have got, we will start executing those from the current financial year. For instance, this 83 Mark 1A will get major portion of it will start getting executed from the current financial year. And this along with the other helicopters and then the trainer aircraft the manufacturing proportion of sales will keep increasing and the proportion of ROH sales will keep coming down. But not in absolute terms. Absolute terms ROH also will keep growing at 8% to 9% growth and manufacturing will grow at a much faster rate basically because of the execution of the contracts which has all been signed in the past.
- Gagan Thareja:** Perhaps in 3 years' time, what could be revenue mix look like?
- C.B. Ananthkrishnan:** Mix will be probably in the ratio of 60 to 40. 60 will be the ROH activity, 40 should be the manufacturing activity.
- Gagan Thareja:** The media articles have stated that LCA Mark 2 prototypes are supposed to come on stream by FY25. Actually, according to ADA it supposed to have started coming in FY22 itself. But now the timeline seems to keep on getting postponed. You have indicated it is going to FY27 when you supply the prototypes. Can you clarify, is it going to be prototype supplied by FY27 or by FY25?
- Jayadeva E.P.:** At HAL we have started the manufacture of prototype now. So, the initial structural assembly has already commenced at HAL. So, we are planning to get the full aircraft ready by around later part of '25, so aircraft will be rolled out sometime or will be ready for flight sometime in '26, around March '26.
- Gagan Thareja:** What is the dry empty weight of LCA Mark 1A? Is it 6,500 kgs or less than 6,500 kgs?
- Jayadeva E.P.:** It is around 7 tons approximately.
- Gagan Thareja:** 7 tons?
- Jayadeva E.P.:** Approximately, exact figure I won't have.

- Gagan Thareja:** That is higher than perhaps a Gripen which is a bigger aircraft. So, I was wondering with so much composites why is the weight you claimed is larger than that.
- C.B. Ananthkrishnan:** I am sorry to interrupt but this is certain technical specification which we can discuss not on this forum, we will discuss separately.
- Moderator:** We have our next question from the line of Amit Dixit from ICICI Securities.
- Amit Dixit:** I have two questions. The first one is, you indicated a short while back that the target for us to deliver 16 LCA Mark 1A in this financial year. Now given that we have not delivered such a quantity in the past. So, is there any critical equipment/system-subsystem on which this delivery is contingent or we have everything lined up for these 16 aircrafts?
- C.B. Ananthkrishnan:** Yes, there are certain supply side challenges are there as far as this 16 numbers delivery is concerned but we are working on that. Some of the major LRUs we have to get that because of the geopolitical situation there have been some concerns, but we are working on that. We are confident that we will be able to get the LRUs well in time for the deliveries which we are planning for the current financial year in respect of LCA Mark 1A.
- Amit Dixit:** The second question is essentially on progressive indigenization. So, as we move from initial 83 numbers to 97 numbers possibly later on, what is the kind of indigenization that we are going to see? It is reported in media articles that from 42nd aircraft maybe we will be fitting the Uttam AESA radar. And so, if you could just highlight what would be the major milestones for indigenization and in the end what kind of indigenous percentage you would see?
- Jayadeva E.P.:** Yeah. As you rightly said after the first 41st aircraft we are planning to integrate our indigenous Uttam radar onto the LCA Mark 1A program and also the Rakshak Kavach that is EW electronic warfare suite. So, with that considerably our indigenous content in LCA Mark 1A will go up. And in addition to that there are other so many LRUs also which compared to Mark 1 we are also indigenous, a number of them like the actuators like side controls actuators and other actuators. So definitely the indigenous content what you can see in Mark 1A will be higher than Mark 1.
- Amit Dixit:** Any idea what we will end up with, at the end of let us say 180th aircrafts? Just number would do.
- C.B. Ananthkrishnan:** I'll just quickly answer that. It should be in the range of around 65%, should be above 65%.
- Moderator:** We have our next question from the line of Aadesh Mehta from Motilal Oswal Financial Services.

Aadesh Mehta: There was a news flow that HAL would be working with Airbus in commercial MRO opportunity. If you are in a position to give some more details in terms of timeline, scope, addressable market size, margins that would be great.

Jayadeva E.P.: We are trying to enter into civil MRO business at our Nashik facility. We already started this activity at Nashik and we also entered into some sort of a working arrangement with Airbus for the Airbus 320 aircraft. So, it will take shape in a bigger way in years to come. We have started now and it's going to take off and we are going to augment this in the coming years.

Aadesh Mehta: So, anything definitely happening in FY25 or 26 on this arrangement?

Jayadeva E.P.: Yes, it will happen. Already we entered into a contract with them. It will happen.

Moderator: We have our next question from the line of Lavina Quadros from Jefferies.

Lavina Quadros: Just two questions. One is on Defence. Firstly, how much was exports as a percentage of your sales in FY24? And any color you can share on the Defence exports the government is planning to take it from 20,000 crores to 60,000? I would believe that HAL would have a very big role to play in this. So, any comments you would like to give there?

C.B. Ananthkrishnan: Exports as of date the numbers are not so great. We are there in export of close to 311 crores, which is approximately very negligible percentage 1% or around 1%-1.5%. But this initiative of export has gone in, we have really taken it up only in the last 2 to 3 years. Before that we were contented with the Defence requirements were there. We are trying to focus on the Defence requirement. Now that we have taken it on a full-scale basis with various aggressively in the export market and with the range of indigenous product profile which we have got today because earlier were in licensed production, not much of indigenous products were available today. Today we have got a range of platforms where we will be able to offer to the various countries. So, the leads which we are getting today is quite impressive. So, there have been lot of interest being shown by various countries, especially on the helicopter side ALH and on the LCH. So, we are in discussions with various countries. As you are aware we are in the discussions with Philippines, we are in discussions with Argentina, we are in discussions with Nigeria, we are in discussions with Egypt. So, there are quite a few countries which have expressed and we are confident that we will be able to get through some order in the current financial year. This has been something which we are also very eagerly waiting and we expect that we will get at least one breakthrough order with the current financial year. We expect that this sector to grow, we will be able to globally become competitive in the next 2-to-3-year timeframe and offer our products successfully to the various countries.

Moderator: We have our next question from the line of Umesh Raut from Nomura.

- Umesh Raut:** My first question is pertaining to the deal that got signed between HAL and GE regarding F414 engine. I just wanted to understand, what kind of technology transfer that GE is kind of coming along with HAL and how can it help in terms of indigenously developing our fighter jet own version in future?
- C.B. Ananthkrishnan:** This MoU which has been signed and the contract which will get signed between HAL and GE is with respect to the transfer of technology to the extent of 80% of the GE 414 engine. So, under TOT we will be manufacturing the engines in India 80% and 20% will be sourced directly from GE. At this point of time, we will be able to share this much of information and onto the specific technologies which we are still working out with GE and we will probably be able to get it cleared and more clarity will emerge when we sign the contract. And moreover, it is also a classified information which we are not able to publicly share.
- Umesh Raut:** Regarding engines, do we see any major export opportunity, whether it is related to fighter jet engine or helicopter engine as we have also got signed MoU with Safran as well?
- C.B. Ananthkrishnan:** At present, what we have signed the MoU with Safran for the IMRH project and with the GE for the GE 414 for LCA Mark 2, it is basically for our own consumption. But as and when the export opportunity arises, we will be in a position to make those exports as well. Our Safran especially the engines, it is jointly developed along with HAL. So, we will be able to do the export because IPR will remain within the country and as far as GE engines are concerned, we will have to get the case-to-case basis. We will have to get the permission from GE and then we will be able to export if there is a need. But at present we are working out for our domestic requirements only.
- Moderator:** We have our next question from the line of Harshit Patel from Equirus Securities.
- Harshit Patel:** My first question is on the Light Utility Helicopters. Could you share an update on the limited series units that were manufacturing against the Letter of Intent? Have we already started booking the revenues on this? Also, when do you see the bulk order materializing and how would the execution schedule look like?
- C.B. Ananthkrishnan:** The LUH facility has been created and we are the process of manufacturing. We have almost eight aircrafts have already been manufactured. We are expecting the first 12 numbers of limited series to be received from the Defence, Army and IAF. CNC and all the other activities are over. It is under process of getting the contract getting concluded for the initial 12 numbers for which we expect the deliveries also to happen in the current financial year. As far as the bigger orders are concerned, once and as and when these executions happen for this limited series production of 12 number and subsequently based on the expectation, they will come out with the changes or further scope change if anything is required or further as an improvement and then we will be

able to get the bigger order size. But that will also happen. We expect it to happen in the next 2-year timeframe. It should be with the AON and the activity should get initiated.

Harshit Patel: Secondly on the Sukhoi-30 engines, you mentioned that we will very soon receive the final order. So, will the production start as soon as we will receive the order or there will be some gestation as to T+12, T+18 something like that?

C.B. Ananthkrishnan: No. In fact, since this AON has already been approved and RFP and other things have been initiated a year back, we have taken certain proactive action of placing the order with the Russians, not waiting for the contract to be signed. So, contract signing, once it happens we will be in a position to by then we will get the supply of these engines and we will be able to deliver it in the current financial year, that is FY24-25, we should be in a position to deliver. We are not waiting for the supply order to be placed with the Russians for the manufacture of this kit, for the contract with the customers to be signed. We have already placed the kit order and once we get that we will start manufacturing and start delivering it to the Indian customers.

Harshit Patel: Just last one bookkeeping question on the developmental front. So, could you tell us the quantum of revenues and the orders which we have done in Financial Year '24 on the developmental programs? That will be my last question.

C.B. Ananthkrishnan: Development sales for the last financial year, it was somewhere around 1,500 crores. Out of 30,000 crores it was somewhere around 1,500 crores. which would come to roughly around the 5% of the total revenue.

Harshit Patel: And developmental orders, what was the quantum last year?

C.B. Ananthkrishnan: Developmental orders. We need to check that. Outstanding developmental orders is somewhere around 900 crores.

Moderator: We have our next question from the line of Girish from MS.

Girish: Just one request, we don't hear from you often, so if you could spare more time, we respect your time. But if you could do at least 6 monthly calls. I had two questions. Firstly, on the manufacturing side, I know it is going to be lumpy because different platforms get into execution at different points of time. Can you help us with what could be the revenue growth that we should expect for this year? And then maybe, is it like 15% and then it steps up to 20%-25%? If you could help us because ROH as you rightly said, will be lower than double digits, so just wanted to understand that one? And secondly on the GE platform bit, just wanted to understand that whether there will be a onetime payment that HAL will make it will be capitalized or it will be something like expensed out as you pay some royalty for this TOT arrangement if you can help with that?

C.B. Ananthkrishnan: As far as your second question is concerned, it is little premature at this point of time since we haven't started our commercial discussions as yet with GE. So, we would like get to know what is the sort of compensation which they will be looking for, only when we start discussing with them the commercial offer. So that will be there happening in the next 6 months timeframe and after that we'll get more clarity on that. So as of now we will not be able to tell much on that. As far as the manufacturing growth is concerned, now that with the orders getting executed, the manufacturing growth definitely it has to be around 15% to 18% growth has to be there every year. And the repair and overall growth of around 9% to 10% growth, we will be able to sustain our growth what we have shown in the current financial year of 13% on an average, both manufacturing and repair and overhaul put together, we will be able to sustain that growth.

Moderator: We have our next question from the line of Amit Mahavir from UBS.

Amit Mahavir: The 470-480 billion orderly intake guidance does not include the MRO orders, right? My understanding is correct.

C.B. Ananthkrishnan: Yes. The MRO orders, can you just clarify what is it?

Amit Mahavir: The 470,00 crores orders guidance for FY25 is only for those 3-4 platforms that you mentioned that does not include the MRO orders?

C.B. Ananthkrishnan: Yes, you're right. Absolutely right. The repair and overhaul order accretion will be on an average 20,000 crores per annum.

Amit Mahavir: And the second part is sir do you think Mark 1A 97 is possible by the 4th Quarter of fiscal '25 or you think the paperwork and the process will basically take it only to '26 first half something like that?

C.B. Ananthkrishnan: The way things are moving, I think we should be in a position to conclude the contract by the current financial year that is before the 31st March '25.

Amit Mahavir: The EBITDA margin guidance of 26%-27% that you have issued does not include any provision reversals or provision change if any? That's the only understanding.

C.B. Ananthkrishnan: We are only talking about the operating margin plus depreciation and amortization. And of course, interest income

Amit Mahavir: Because going by last 2 years it has been reversing. I would assume FY25 will be the same reversal process.

C.B. Ananthkrishnan: No, there will not be any substantial reversals which will have a major impact on the EBITDA margin. There will be normal reversal which are happening year-on-year and that will only be continuing but no major reversal will be there.

Moderator: Thank you, sir. That would be the last question for today. I would now like to hand the conference over to Mr. Harshit Kapadia for closing comments. Over to you sir.

Harshit Kapadia: Thank you Manav. We would like to thank the management Shri. C.B. Ananthkrishnan; Director (Finance) CFO with additional in charge Chairman, Managing Director, Shri. Jayadeva; Director (Operation) for giving us an opportunity to host this call. We also like to thank all investors and analysts for joining this call. Any closing remark Anantha sir that you would want to share?

C.B. Ananthkrishnan: Thank you for this opportunity. In fact, as somebody was pointing out we would also be happy to have this analyst call at least once in a quarter. We will see how to figure out that and we will try to have the discussion and keep all the investors updated of what is happening in the company. One thing which I can tell you is that HAL is today a very consistent growth profile. With the sort of policies which have been initiated by the government and with Atmanirbhar and the need for becoming self-reliant, I feel the question is that there is not going to be any dearth of orders. And we are also conscious of the fact that we also need to execute those orders and we are taking all round initiatives to see that these orders are also getting executed within the given timeline. So, which would mean that the growth and the performance with the company has been reflecting in the last 2 to 3 years, will keep continuing and keep improving year-on-year. I am confident that the sort of all the stakeholders, we will be able to satisfy, whether it be the shareholders, investors of the company or whether it be the customers or whether it be our partners in the programs, we will be able to really keep all the stakeholders in a very happy frame of mind. I wish you all happy investing in HAL and the company will always keep up to your trust and confidence which you have on us. Thank you.

Moderator: Thank you, sir. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.