SEC/SE/078/2024-25
Chennai, November 15, 2024

To **National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra(E), Mumbai - 400051 NSE Symbol - DATAPATTNS	To **BSE Limited** 25th 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 letters no. SEC/SE/069/2024-25 dated November 05, 2024 and SEC/SE/071/2024-25 dated November 06, 2024 intimating the schedule of Earnings Conference Call on the financial results for the quarter and half year ended September 30, 2024, please find enclosed herewith the transcript of the Earnings Conference Call held on Monday, November 11, 2024 at 05.30 P.M. IST.

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

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

Thanking You.

For **Data Patterns (India) Limited**

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

Q2 FY '25 Earnings Conference Call”

November 11, 2024

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 Patents Q2 FY '25 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to your host, Ms. Monali Jain from Go India Advisors. Thank you and over to you.

Monali Jain: Thanks, Ryan. Good evening everyone and welcome to Data Patents India Limited Earnings Call to discuss the Q2 and H1 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 our discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

May I now request Mr. Rangarajan to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for questions and answers. Thank you and over to you, sir.

S. Rangarajan: Thank you, Monali. Good evening, ladies and gentlemen. It is my pleasure to welcome you all to our Q2 FY '25 Earnings Call. I hope you had the opportunity to review the earnings presentation available on both the stock exchanges and our website. Before Venkat presents the financial results, I would like to provide a brief overview of some important updates and key highlights for this quarter.

In Q2, as you have seen from our results, our revenue growth in the second quarter has been weaker than expected, primarily due to a deferment of a scheduled delivery from one customer worth INR27 crores. Take off of this will happen in H2 and we are confident of meeting our FY '25 revenue growth guidance of 20%, 25%.

We are expecting order inflow of around INR700 crores to INR800 crores in FY '25. We've received orders of INR83.5 crores till H1. We have further received orders of INR82.7 crores in October. We are L1 for INR227 crores, which we expect delivery within 12 months. We have a very strong bidding pipeline and we're targeting for another INR2,000 crores to INR3,000 crores orders in the next 18 to 24 months.

Despite the challenges in revenue, our team has been focused on driving operational efficiencies and improving the overall profitability of the business. This has resulted in improvement in margins. We are hopeful to achieve our stated guidance of EBITDA margin at 35% to 40% for the full-year.

Our order book at the end of Q2 stood at INR971 crores. The order book as on date stands at INR1,281 crores, including orders negotiated. Our dedication to research and development has resulted in the development of several new products, which have been planned to demonstrate to be able to participate in larger tenders and thus increase the TAM for Data Patterns.

Data Patterns is strategically utilizing the proceeds from QIP to advance the product development initiatives. A significant portion of QIP funds have been allocated to expanding research and development capabilities. We are leveraging that to drive the development of next-generation products that align with emerging industry requirements and technological advancements.

We've been continuously recruiting talent to enable us to address the new product developments and ensure sufficient training resources are available for the planned growth. For total headcount was 1,504 with 1020 engineers at the end of Q2. We advanced up the value chain by developing comprehensive systems using reusable building blocks and leveraging our existing competencies.

This strategy has facilitated our expansion into new geographic markets, including Europe and East Asia, where we have successfully competed with foreign OEMs. Our sustained investment in products and technology, totaling INR124 crores in capital expenditure over the last 5 years and an anticipated capex of about INR150 crores in the next 2 years to meet the anticipated growth.

Our financial performance over the years reflects a strength of our business model and EBIT effectiveness of our strategic initiatives. Despite decline in revenue, our gross margins reported, our import improved and are at 76%, up 700 basis points from same quarter last year. EBITDA was down 16% year-on-year at INR34.3 crores.

However, we were able to maintain the margins at 38%. Profits were at INR30.3 crores, down 10% year-on-year, while margins are better at 33%. Our in house designing and development are yielding better margins given the operating leverage and prudent financial management. We have robust order book as on-date of INR1,281 crores, where growth has been as seen across all verticals, development orders contributing 18% to the top line and production at 73%.

Our diversified order book with significant contribution of Radar at 67% and Avionics at 21% highlights our strategic positioning. Our order inflows during the quarter was lower than expected. On that note, in Q2, we secured the following orders, including production orders for export Avionics worth INR15.7 crores, production order from DRDO for Avionics worth INR6 crores.

Keeping the secular tailwinds in mind, we are committed to sustaining a revenue growth of 20% to 25% and maintaining high margins between 35% to 40%. We aim to capitalize on the following opportunities, focus on fire-control radars, expand radars and smaller radars for UAVs, ensuring cost competitiveness with in-house IP in radars. Develop electronic warfare products, meet the requirements of Army, Air Force and Navy, provide military radars, video relays and other equipment.

At this point, I pass the floor to Venkata for his comments. Thank you.

Venkata Subramanian: Thank you, sir. Good evening, ladies and gentlemen. We are happy to present our financial performance highlights for Q2 of FY '25. Let's delve into the overview of our financial highlights. In Q2 FY '25, revenues were down by 16% to INR910 million due to delay in delivery of order worth INR207 million.

Development contracts contributed to 18%, while production contracts 73% and service contracts approximately 9% in Q2 FY '25, highlighting the diversity in our revenue streams. Electronic Warfare and avionics contributed highest to the revenue at 48% and 19% respectively.

Similarly, our order book stands at around INR971 crores as on 30th September, with a good mix of both development and product -- production contracts. We were able to improve our gross margin at 76% led by better product mix. In H1 FY '25, we maintained the revenues at INR1,951 million with gross margin at 74% and EBITDA margins at 37%.

Our net debt-free balance sheet reflects prudent financial management. As of 30th September 2024, we hold over INR557 crores in cash and cash equivalents, underscoring our financial strength and liquidity. Overall, we delivered a decent performance in H1 and are confident of a better second half and a steady growth momentum in the years ahead.

With this, we will now proceed to the question-and-answer session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question comes from the line of Dipen Vakil from Phillip Capital. Please go ahead.

Dipen Vakil: Thank you for the opportunity, sir. Sir, my first question is relating to your order inflow. So you have posted that this year we'll be getting somewhere close to around INR700 crores worth of orders in FY '25 and in next 2 to 3 years, we'll be getting somewhere close to around INR2,000 crores or INR3,000 crores worth of order.

Sir, is it possible for you to tell us the kind of order pipeline which is there, which gives you confidence for such a such great order inflow. So I don't want the numbers, I understand for the competition, you may not be comfortable with numbers, but at least the areas where such tenders are out and bidding is going on?

S. Rangarajan: Okay. See, as you are aware, our strength is in radars and electronic warfare as a percent plus any avionics. And since we have done a fair amount of development across the radar platform or airborne radars, we expect some additional contracts enabled us to happen. Similarly, in electronic warfare, we have done some developments and these are all critically required for our services and our development organizations.

So we believe that these orders also will come our way. So these are two areas of the contracts we're expecting and regarding the other INR700 crores expected, these are all -- some of the orders already been executed. We expect repeat orders to happen and some are new orders which discussions are on order -- in order with the customers and the orders are expected in the next two to three months' time to see that we execute all these orders probably in 6 to 12 months. So they are in advanced stage of discussion. I can't give you the exact order retail, but that is how the numbers have been made up.

Point three is, we are also using the QIP funds. We are actually developing very large products. These are coming into some maturity now. The next three to four months' time, the first of the products will get announced and we believe this will also find a fair amount of interest in the services in Air Force, Navy, etcetera. So we expect -- maybe based on our demonstrations, we expect some initial development contracts to happen to then go through various levels of times.

So we are very positive on the order intake going ahead, though there has been a delay in the first quarter, this has been pushed for reasons beyond our control. But these are all happening. It is being pushed but not lost, so it will -- orders will happen. And on the other area where we are doing development, we are very, very confident or aggressive to see that this is coming out very well, products coming out very well. So we expect that this will really give the phillip for a substantial growth in the company there in next few years.

Dipen Vakil: Got it, sir. Sir, and on similar lines, you mentioned that capex also, you are going to do a capex of close to INR150 crores in next two years. So everything will be largely on the product development side or there's something which will be there also from the interest side or maybe some other acquisition side of it. So how do you see your capex stabilization in next few years?

S. Rangarajan: No, no, you're talking about asset INR150 crores, right?

Dipen Vakil: Capex?

S. Rangarajan: Capex right?

Dipen Vakil: Yes.

S. Rangarajan: Yeah. Basically, we are planning infrastructure because in keeping with the product development, we've already got additional land, some building construction we are going to do, plus also all the test equipment and production infrastructure which has to get generated. So this will take over the next one to two years, because once the large orders start happening, we need to have a streamlined production infrastructure to deliver on those requirements. See, these are all very complex systems and these are not -- it's not like a normal commercial system where quantities are there.

Quantities may be large, but the value is very high. So there's lot of tests and integration which has to happen. We need to have some infrastructure to do all of that. So we're planning ahead to see that these are all in place by then large contracts happen, we will have the infrastructure to start deliveries. So this we'll be phasing it out in the next two years and we have an idea what to do. We have the land already available with us.

So plans around to see how we can build on it and all the other test infrastructure which we need to produce. So more capex mostly is in that area. Yeah, we are thinking about the other merger or acquisition, but we have not really taken a stand on this as of present moment.

Dipen Vakil: Got it, sir. Sir, last question, you have mentioned that this year's growth guidance is close to around 20% to 25% growth and next year you are confident that you will be looking at an order inflow of close to around INR2,000 crores in FY '26. Sir, so is it -- and with the delivery timeline of close to around 6 to 12 months for the orders which are coming in, do we see it -- is it like can we presume that this we will be doing better than 25% growth in coming years, say, two years down the line versus the 25% growth that we are doing right now?

S. Rangarajan: Your intentions is grow fast, but I can't comment on that particular growth line now. I think we will probably wait for another one quarter before we see which orders are going to come and what timelines this can get delivered, because the clutch of orders which we're expecting, some will be delivered over many years, few years, some has to be delivered in 12 months and 18 months.

So we need to see which orders happen in the next few months' time by which time then we can give you a proper guidance on next year deliverables and how the growth is. But our interest is to grow fast. That is why we have raised money to build products because though the initial growth is 20%, 25%, we would like to grow at a faster rate in the coming years. But how it's going to happen, I'm not at liberty today because we need to see the mix of orders happening.

We will be able to guide closer to year end, we'll be able to give a guidance next year. But they are thinking a lot ahead on four, five years of delivery and contracts for four, five years and that is why enormous amount of infrastructure and development we are doing today. Imagine 70%, 65%, 70% of the organization are development engineers. So you can imagine the amount of development which we're doing in products.

And so our focus is build in India, design in India end to end so that we can compete with international companies in large format contracts. So towards that, we've been putting efforts. I'm sure it will fructify you in the coming years.

But we will tell you more and more as and when things start happening. There will be a lot of things in mind, but it actually all become real. So we will wait a few months to see how the reality happens.

Moderator: The next question comes from the line of Nemish Sundar from Elara Capital.

Nemish Sundar: Just wanted to check on something. So, sir, HAL has recently received order for the Dornier 228 upgrade. So will Data Patterns be playing any role for avionics in that?

S. Rangarajan: Yeah, co-ordinate Dornier 228 upgrade program depends on how HAL takes this further. At the point, I can't comment because the tender is in technical evaluation now, but we have quoted. So we'll have to wait and watch how HAL decides and how competition is there and what is their present level of thinking. We want to do this, but we'll have to wait and watch the next few months what really happens.

Nemish Sundar: Okay. So estimated timeline, we would expect something around in the next six to 12 months some update on...

S. Rangarajan: Yes, six to 12 months, definitely we expect division because they need to deliver maybe in the year 2026. So they should finalize it. If I were HAL, I'll finalize it faster. So really I don't know what happens. But yes, I think we should get some idea in the next six months next time.

Nemish Sundar: And just one more question I had. On the BrahMos missile, the seekers, is there any update on the seekers between you and the other PSU player who was involved? So any updates on that?

S. Rangarajan: We are yet to carry out the live test. Every month they're saying this month. So I hope this month the live test happens. Once the test happens, we expect contracts to happen from seekers because India wants to do Indian seekers. We expect that to happen. But I can't comment let the live test happen, missile tests are happening, it is yet to happen.

Moderator: The next question comes from the line of Aman Soni from Nvest Analytics Advisory.

Aman Soni: Yes, sir. Hi. Sir, in last con-call when -- when we asked about the effect of delayed Indian supplies to HAL from General Electric, you indicated that the company will be able to manage by supplying other products and there will be slight growth in Q2. But if you look at the current numbers, it seems we were not able to do that compensation.

So can you please throw some light on what went wrong for us in this quarter? And secondly, we are maintaining our guidance on top line basis for full-year. So is it same for bottom line as well like 30% growth we were targeting?

S. Rangarajan: See, normally we try to keep some other contracts in case that doesn't grow, we do this. But in this case is not only one contract group we delivered, there is a series of other things also. There were some delays on acceptance or valued delays are happening. So we are not able to compensate whatever we could not do. So this is probably next quarter or next half year, we should be able to deliver it.

That is why we are maintaining guidance of 20%, 25% as we predicted last time. That will go because this contract -- all the products are ready. So as and when it is cleared for delivery, we will be able to deliver it. So we're waiting for that to happen. So if these costs have shifted, we didn't plan to shift firstly when it happened nevertheless. As regards the guidance, idea is to increase bottom line more.

But the contracts which you are expecting still not happened. So there is a shift in the contracts. So I'm hoping that the contracts will come. We are taking some advance action. I will be able to talk about it probably end of next quarter better than what I can do, but we'll definitely maintain our -- whatever guidance we gave you last year.

Aman Soni: Like profitability guidance for 30% is maintained right now, right?

S. Rangarajan: This is what we would like to do. As of now it stands, we'll have to see whether the mix changes as we go along. Whatever mix we are having should give us better bottom line. That is why we said the 30% guidance. So, we will see how the mix goes. At the end of probably next quarter, we will know.

Aman Soni: Got it. Thank you very much and all the best.

Moderator: Thank you. The next question comes from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Hi, sir. Our order inflow for the past 6 months is just INR83 crores. So, why is it so less? Any particular reason for that? Are we facing any competition or something like that?

S. Rangarajan: No. These orders have got delayed. This is not competition. We have not lost. Whatever we planned, we have never lost the order. We only get the shifting of the order book, in the sense that inquiries have not come and they got postponed, for reasons which we can't control. So, which you all expected to happen in the first 6 months. They got postponed to the second 6 months now. So, we expect that.

Also, we negotiated INR220 crores as L1. That also should come probably in the next 1 month to 2 month's time. Because the authorization order taking also takes time. But generally, there has been a general delay in inquiries and contracts. Nothing to do with competition. We have not lost the orders.

Saumil Shah: Okay. So, basically, what we have guided for INR700 crores to INR800 crores for this year extends, I mean, we can get to that order book.

S. Rangarajan: Yes. Already it is INR80 crores plus INR80 crores, INR160 crores, INR170 crores received by October. Plus, another INR200 crores already we have L1. So, it makes about INR400 crores. Another INR300 crores-INR400 crores are in the pipeline. There are lot of inquiries coming now. These are all single tender contracts. Whatever I am projecting to you are all orders where we know for sure it will come to us. Whatever we project to you is not based on tender orders.

Tender orders, we don't know which way it will go. So, we are only projecting whatever which has to be ours. But unfortunately, some of them, inquiries are getting shifted for some reason from decision at the customer end. And it is not beyond our control. But it will all happen. What will happen is they won't accelerate delivery. They will shift the order. But delivery, they will want it urgently. So, we are trying to take advanced action on those components so that when the order happens, we don't delay deliveries.

Saumil Shah: Okay. And for FY26, as we are expecting orders of INR2,000 plus crores, so normally what is the timeline for delivery once we get the order?

S. Rangarajan: No, I didn't say FY26, INR2,000 crores. I said 18-24 months. INR2,000 crores plus INR2,000 crores-INR3,000 crores. See, this depends on the mix. I am not able to say now because the product mix decides what delivery schedules are going to be. Some of them have a 3-year delivery line. Some has 18 months. Some has 12 months. So, we will get a mix. So, that is why towards the end of this year, depending on what contract we are going to get on the delivery time they are going to ask, I will be able to give proper guidance for FY26.

Saumil Shah: Okay. It was just, I mean, in the presentation, we have mentioned that expecting orders worth INR20 billion in FY26. So, that is the reason why I asked you. Okay, that is it from my side. Thank you and all the best for the future orders.

Moderator: Thank you. The next question comes from the line of Hardik Rawat from IIFL Securities. Please go ahead.

Hardik Rawat: Thanks for the opportunity. Wanted a clarification on the capex guidance over the next two years. So, this INR150 crores is largely towards R&D. What part of this will be towards the infrastructure building that you talked about?

S. Rangarajan: See, R&D is shown differently. So, all INR150 crores, we are talking only about capex in building test instrument, test facilities and lines to be set up for production as and when it happens. It is just an average value. It is not an exact number. The exact number will work out with more clearance in the next 1 or 2 quarters. But the idea is we will be spending a bit more to see that infrastructure is created and production volume happens so that we can address the production requirements.

Hardik Rawat: Sure. What do we envisage that R&D spends to be like for FY25 and which areas will this be targeted at?

S. Rangarajan: See, already we have spent some INR67 crores on R&D spend over the last 12 months or so. And out of which majority is actually materials. Inventory procured towards product development. We will continue to buy materials and also build in certain areas. So, this will go on to see that the products are getting finished. So, that development is there and the money has been earmarked for this development. That is why we have taken PAP funds to do this exercise.

The product development mix is going to be in three, four areas. One is in radars. And these are airborne radars which we are designing ourselves. Second is on electronic warfare suite. We are developing again airborne warfare suite. There is also ground systems on electronic warfare we are designing. The third is participating in some make two programs on radars and EW. These are also areas where we are participating.

Fourth is in communications. Building our own radios, network radios and things like that which is required for all Army, Navy, Air Force. This will be required as you go along. And so, we are building Indian avios, Indian wave forms and systems like that. So, the four areas we are working on. We still have some additional money.

We are planning to build on some satellites but we just postponed that because we want to get clarity on how the business is going to happen. Though we have complete competency, we build our own satellites and launch it. When the money is there, we want to be very sure how to spend the money until we get the idea of contracting what is going to happen.

We have postponed this a bit. As and when we get clarity, then maybe we can start spending the money. At the present moment, it is in the bank. But these are the main areas where we are working on at the present. And as we go along, there are new requirements from the market which is coming up. So, the cash available is always good.

We can address those opportunities quickly and we have the early bird advantage. One good thing is that we do all of the system development in-house from mechanical engineering for airborne systems to structural, whatever, all the electronics, the domain, the IP and the test equipment infrastructure, the demand requirements for all of them. Everything is done in-house. So, that gives us an advantage that we have a tight coupling of the product and design and a delivery time frame which is not practical for anybody else to buy and integrate to do.

So, based on need in the market and the customer, if we can address the need, we have an early bird advantage. This is what we want to try to leverage rather than going to foreigners and getting a tie-up and then building it here. We are putting this effort on building local competencies and products. So, that is where it's going to go.

Hardik Rawat: Thank you. With regards to the delivery that got deferred in the current quarter, was this a GUI-related entity or was this for some external exports customer?

S. Rangarajan: This is a GUI-related entity, but there is also an export customer. We are also talking to them to see if we can deliver next quarter. This is not last quarter. Products are getting for next quarter. Again, there may be some extensions in delivery. We don't know. We are trying to talk to them to see if products are ready and we would like to ship it. So, we are going ahead to see what we should do. This business has always been a last quarter business all along, apex with government.

But what we've managed in the last 2 years is to somehow stabilize the quarter-to-quarter with some kind of long-term contracts on hand. So, we are able to mix and juggle and see that contractually we try to even out the cash flows and deliver quarter-to-quarter. But sometimes this happens that it's not in our control. Though we do the development production on time, sometimes the acceptance takes time and then it goes over to the next quarter or next half.

We need to probably, get more contracts so that this smoothening is possible and also look at it. So, that is how the company is working towards to see that a lot of order book, order book size become much bigger. So, then we can plan it based on even if there is going to be ups and downs in acceptance areas and lifting material from government, we still will be able to even out cash flow.

We are trying to build product mixed and contract mixed such a way that, we can give a more predictable quarter-to-quarter uniform kind of delivery. We are still there. We are trying to achieve it. We have done quite a lot in the last 2 years. But this quarter, we could not manage it. But we will bounce back again is what we think.

Hardik Rawat: Got it. And, sir, in this INR20 billion to INR30 billion worth of pipeline that you talked about over the next 18 months to 24 months, can you give us a rough idea as to what proportion of this could come from non-government of India export orders?

S. Rangarajan: We do export. We are planning to do some INR100 crores export this year. We won some nice contracts in Europe and in South Korea and also in the UK. We built some products for the UK. And it is done and UK products have done very well in the last few years and they are all getting large orders. So back-to-back they are also increasing the order on us. So that's a good thing. But see that our focus is at the present moment is an Indian market.

See, in India, all along, we've been doing subsystems and components for DRDO. And the market for MoD is just opened up full systems. It is our endeavour to see that we address the big market with full systems so the substantial scale can happen, not be a INR500 crores company, but get into a INR2,000 crores, INR5,000 crores company. We want to do that. So, the market is there.

And, of course, it's a slow market. It takes time to get the contract. But there are some low-lying opportunities, low-hanging fruits. If we can be quick, nimble, and the technology is outstanding, we'll be able to address the market. So, that is what we are trying to do now to see the next 2, 3 years. We are nimble and very advanced products we're trying to design, which the customer would love to have. So, we beat the competition and get contracts.

So, that's what we're trying to do. So, we're doing this. Meantime, also looking at 4-year, 5-year kind of horizon where we can also win contracts with the MoD. So, it's a mix of things we're trying to do to get scale. So, that's where we are today. So, this, I don't know. I answered the question. I'm not very sure.

Venkata Subramanian: So INR20 billion to INR30 billion, whether it is largely exports or local.

S. Rangarajan: So, exports are going to be a bit less now because focus is not there. We need to focus on exports. We want to put a separate export team and build that capability and competence because here today we are a very R&D-driven organization. So, we need to move to a different marketing model to see that. We are internally thinking what is it we should do. We are planning to see what we can do there.

But export takes more time. Why I've talked about Indian full systems and orders is once the full systems come in India and the first order intake happens and we start delivery, then these products can be exported to the world because these are complete equipment, not parts of an equipment. That will then really bring us the export 2 years down the line. We should start exporting.

Now, itself some inquiries have come based on what we delivered to customers, here in India. We've got some contracts with Hungary which is going to get delivered. Similarly, we'll get some contracts with UK for full systems. If these things happen, it is good. But then we need to put a lot of marketing orientation and sales process there to see that we can get the larger orders. But it will happen a bit slowly. Focus is going to be more on Indian full systems. The scale can happen substantively in the next 3 years.

Hardik Rawat: All right. This is really helpful. Thank you so much and all the best for the second half.

Moderator: Thank you. The next question comes from the line of Jyoti Gupta from Nirmal Bang Institutional Equities. Please go ahead.

Jyoti Gupta: Thank you for the opportunity. My question is, while our major contribution in revenue comes from radar, we also see that the biggest customer is BEL. We missed our estimates by the same proportion of the delayed delivery. Is it because there was this delay in receipts on the BEL side or what? And second is, do you think such kind of delays in receipts to happen because our largest customer is BEL? And is there somewhere a delay in payments coming from BEL which might impact our third and fourth quarter numbers as well?

The other thing is, while we are concentrated on the domestic part and exports are going to take a setback, how confident are we that the production, the development products that are there, will have enough span for the next 3, 4 years? Can you throw some color on this?

S. Rangarajan: Yes, I couldn't understand the second question. Let me answer the first question and come to the second later. First is, radar contracts to BEL are not the largest contracts. And there is no delay with BEL. So, it's not BEL that we are talking about. The delivery delay is not part of radar. And the assumption that it is BEL and they have delayed placement or lifting of contracts is not correct. It is not BEL. So, I’ve not named BEL. And it is not BEL anyway. So that is not, one.

Second is, in continuation to the same question is, if this is going to happen regularly, what happens really? See, I'll tell you what, some of the government institutions, based on their need, they lift material and sometimes postpone material because their own requirement to delivery may change because they buy material from so many people and based on which they do. But what happens is, after some time, they have to deliver, then urgent deliveries happen. So sometimes some shift happens.

So, we need to take care of our requirement, get more contracts rather than we have no control over their lifting, delaying, deferment, all of them. So as an organization, I think we need to take care of that from our side and plan better. So, this is what we're learning. Sometimes it happens, but we never expected that one or two quarters will continue to not keep delays. So that is affected this quarter. We need to plan much better from our side.

So, we can't blame the customer for all this. We need to take care of it and see that. So, we are working towards it. We are trying to develop further products where these products need is very high from the customer. So, delays will not happen. The customer will push the institutions to deliver. So that is the focus we are trying to do, see that this kind of things don't happen.

So that's the first part of the question. Second, I don't know what your exact question was. Development span. Can you repeat the question please?

Jyoti Gupta: What I mean is that your concentration, your research and development part is commendable. And your information is more on developmental products and projects. Just wanted to understand, is there enough span for the next 5 years that whatever we are developing will be sold out in the next 5 years, while maintaining the same margin? Or do you think there could be some dip in the margins going forward?

S. Rangarajan: No. Whatever products we are developing now, we are developing because we believe they are low hanging fruits and the requirement is large. Whatever products we are trying to do now because see one-off product development, one contract, we will have to take it tender-based. We can't do product development against that because win or lose will happen on a tender. So, we don't want to risk that.

So whatever product we are trying to develop here will be required in quantities which will be delivered over many years, maybe 7 years, 5 years, 6 years, etcetera, 3 to 7 years. So, this will give you repeat production year on year. And these products which we develop, once we start getting contracts in India, they have the same requirements outside India but similar requirements are also there. So that also gives me an export potential also.

So, we identified a few products like this which has got a fair amount of scale and the size of business is extremely large. Initial orders maybe a few hundred crores but subsequent to that the production order is a few thousand crores. So, we are trying to only look at such contracts because today with the cleaning the overheads and size of the business and the opportunities which is there, we are not really looking at low value, small products, one-off contracts, getting to one tender business.

We may participate in one or two but that is more because we have a competency. With a little bit of value add we do; we can build the product. But that will not be a focus area. Focus area is long-term products. And yes, these all should happen in the next 2 to 3 years. Production products should happen in 2 to 3 years. We cannot wait 5 years, 7 years, it is a long time to wait and do product development today because we need to live the next 5 years and scale the business.

So, we are very, very focused on how to scale the business in the next 3 to 5 years to much more than 3 to 5 times our size we need to do this. So, we are looking at products which will give us that kind of bandwidth, the addressable market and a long-term contract order book, a few-year order book on hand so that this up and down and quarter to quarter should not happen.

So, we are looking at really large business growth and products coming out very well. Actually, outstanding engineering is coming out in what we are doing. And we believe that the customer would love the products when it comes out. So, we are very, very gung-ho, very positive on what we are doing in the short and medium term. Long-term, we will have to look at how to do this, but short and medium is what we are looking at now to bring stability and growth, substantive growth in the company.

Jyoti Gupta: So, one more question. What about the Dornier side? In our last conversation, you said that you have done your part of avionics, yet the Dorniers have not been, is there some issue with the avionics part in terms of delivery of Dorniers. Is that resolved or is there something, or have I missed out on the information?

S. Rangarajan: No, we have delivered whatever was told to us. We delivered in record time, radar and EW systems. We delivered in record time. 8 months to 12 months, we delivered a completely new airborne systems, fully qualified and certified and shipped. So, they are undergoing flight trials now. So now HAL has taken a decision. How do you want to do? Do they want to import? Can they look at Indian products?

So, the tender has come. So, they will evaluate the TECs happening. They will evaluate the process and then come to a proportion. We are pushing, saying that we have outstanding products. And this is jointly done by DRDO and us. So, this is a good product. It is world class. So, it is Indian. And we can meet their commitment. We meet everything we tick the boxes. But it is for the HAL and the user to decide what they want to do. So, I can't comment on it. But we have done our part and we have to wait to see how it really plays out.

Jyoti Gupta: So, we have competition from the international players or within domestic only you have competition?

S. Rangarajan: No, there is no domestic competition for us. In most of what we do, there is no domestic competition. It's all international competition.

Jyoti Gupta: Okay. And is our rate cheaper or theirs is cheaper? I mean, since we have done an excellent job, then we should be bound to get this contract for down here going forward.

S. Rangarajan: We don't know what price; it is a tender. Nobody knows what the other person will quote. I have no idea. We have an indication of what they will quote, but nobody knows what they quote. So, I can't comment on that. But it is not just quote or price. It is more on how India views programs from India and how decisions are going to be taken.

We hope that we should convince them to take Indian product. So that's where we are. We have done our job, as I told you. We do the sale process now and see what really happens.

Jyoti Gupta: Okay. All the best, sir. I'm sure you will do very well.

Moderator: Thank you. The next question comes from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Thanks for allowing me a follow-up. So, what is our current debtor days?

Venkata Subramanian: On a trailing 12-month basis, as of September, it is 243 days, which is in comparison to March 23. March 23, it was 308 days and it has come down to 243. March 24, also, we had 280 days. September is on a trailing 12-month basis.

Saumil Shah: So, are we looking to get it down further, by the end of this year or this is a normal debtor days for our type of industry?

S. Rangarajan: No, see, it all depends on the product mix, the order contract mix. Development contracts take longer time because though we develop some products and most of what we develop, most of the contract is our development. But what I mean, it goes through a lot of trials and testing, sometimes field trials, sometimes aircraft trials and until that is done and some modification we require after trials. So, these are development in nature, no? So there tends to be some delays in payment because there is some addition, subtraction happens.

But more and more production contracts we get, then the payment cycles because there is no new design validation verification and trials. So, it goes to a normal acceptance process already done. So, the debtors days tends to come down. Today there is a lot of mix of development contracts. That is why the extended timelines are there. We believe this has to be brought down as we go along. It will happen over the next 1 or 2 years.

More and more we start, our product develops getting to a series production and then the quarter-to-quarter delivery happens there, or month to month it happens. Or sometimes the next two years, we expect it to be a month-to-month delivery, not even a quarter-to-quarter delivery. When these kinds of things start happening, and that is 70% of our business, if we do that, you will see debtor days will come down substantially.

We have to work on that kind of product mix. Today what's happened is, the whole business in India is DRDO driven and development driven. That's the only business we've been seeing. We've not gone into the production model where the MoD tenders come in one, and most of those vendors are all going to BEL and HAL and on a nomination basis a lot of things happens. That is what is happening.

Very few are really coming to private sector because the entire product should be available and some of them make one make two takes a long-life cycle to see that the orders are placed and all that. So, this is a slow process. The government is clear that they have to shift the way we are doing, but it takes time to shift and also to forest our entire product to be there to position, demonstrate.

So, this will happen over the next few years. But in the meantime, we need to see how to move away from the so large development to contracts to production orders. What we are trying to do is we are developing our own products other than what DRDO development products are there, which will directly go to services. So that is another area where the substantive hardware can happen -- delivery can happen, but again in that initially some testing is involved, it will take a year, year and a half then it goes into production, but we have to move from this to that, then debtors will come down substantially.

Saumil Shah: Okay, And sir what percentage of our sales is to government companies versus the private companies?

S. Rangarajan: See, all are government here, very little private here. See this HAL, BEL and all the large companies only are ordering because they get the large orders and through DRDO once you have done some product development, then they get the final order as a system integrator fully. They back-to-back order with us. So it's either PSU or the services MOD business is what mainly. Other than for this year, maybe more than 15% we do exports, that is all private, but we're exporting.

But look in India context, they are very little private. Slowly it will have to happen. The large organizations, Tata, L&T, whoever this, let's say, Adani, all of them start getting large contracts and where their consortium approach takes place, an ecosystem gets done in India and we start developing products for them, then the kick-in of private sector business starts, but till now since they are not really developing also, they're all tying up with foreigners to bring product, the kick-in from India is going to be Tier 4, Tier 5 on components rather than subsystem, systems like what we do.

So it's going to take some time. The ecosystem is to kick-in, after which we'll have Indian private sector. We are also talking to a few to say, why don't we do this? We need to create an ecosystem here, see that Made in India is possible, but these are all in work in classes now.

Saumil Shah: Okay. So as of now, all India sales is all to government companies and exports to private companies?

S. Rangarajan: That's right.

Saumil Shah: Yes. That’s it. Thank you.

Moderator: Thank you. The next question comes from the line of Omkar Chitnis from Trade Brains Private Limited. Please go ahead.

Omkar Chitnis: Thank you for giving an opportunity. Sir, my first question is, sir, how many contracts are you expecting to get from IP business by FY26 and how many patents do you hold as of now?

S. Rangarajan: Come again, how many -- what did you ask first question.

Omkar Chitnis: How many contracts are you expecting to get by from IP business by FY26 and how many patents do you hold?

S. Rangarajan: See whatever we get, see it's very complex phenomenon here. Whatever we get contracts it's development is done by us. So IT belongs to us in terms of products development everything

100%. The number of contracts varies. It doesn't make sense to give you number of contracts, it give me 100 plus or 60 plus, sorry, 100, 200 small parts are also there. So that doesn't actually answer any question, but yes all of them are designed by us.

We are not a system integrator as now, all products are developed and designed by us, but this comes for a tricky question of what IP we mean. So when you do with government, sometimes DRDO, though we do development as part of the contracting process, the IP gets transferred to government. So it is our IP, it also gets transferred to them. So that's a tough question to answer because that is the way the nature of business is in India, government wants to own all IP. So that is there.

But we use the IP to build the next products and we take on from there on. And they do program wise, we do product. So we differentiate with products and then grow the business. The second question is that we have patent, we don't have patent, we have one patent long back, 10 years, 15 years back they did. But the focus is not to build patents. We're building products here.

We're not doing basic research and which is patentable. Here the product IP belongs to building products. These products exist in the international market. So really we don't want to really build any patents and process here and we are not in that game at the present moment. We want to scale by building products because India is importing and there is enormous opportunities in India. We want to address and build business here. So I'm not really looking at the patentable kind of developments here.

Omkar Chitnis: Sir, as you mentioned, you want to tap international market. Are you planning for any partnerships, any joint-ventures with global defense companies for technology development?

S. Rangarajan: We are getting orders, already some three, four companies approached us and we are all building products for them. They are also increasing the size of orders to us and getting more product developed by us. Slowly it's happening because last 5 years, 6 years, we've had excellent performance, systems were not failed, they are working very well. So we're getting confidence.

So slowly more-and-more companies are coming and we are also, but actively we have to do that. We need to have a marketing arm to see the proper development is happening. Today, our bandwidth is more focused with the Indian programs, but I think we are putting some international brand with marketing brand to recruit and train and address markets so that we start getting small orders and 5 years from now, we wanted to be a very big business. So we need to do that we've not done that yet. We are getting some contracts, but that is not a sustained, what do you say marketing effort which you have put. We need to do that.

Omkar Chitnis: Okay. Sir, my last question is, sir, out of INR971 crores order book, out of that any orders from Israel, East Asia and European Union?

S. Rangarajan: Israel no, East Asia yes, Europe, yes.

Omkar Chitnis: What percent of that order book, sir is it possible to quantify?

S. Rangarajan: They have got INR100 odd crores of Europe and East Asia.

Omkar Chitnis: Okay, sir. Understood. And thank you, sir.

S. Rangarajan: UK is above from Europe, including UK. INR100 odd crores, I don't -- exact amount, but it is INR120 crores, INR130 crores as something of that sort.

Omkar Chitnis: Okay.

Moderator: Thank you. The next question comes from the line of Sahil Karia from Whitepine Investment Management. Please go ahead.

Sahil Karia: Yes, thank you for the opportunity. Sir, could you just let us know about the Dornier 228 platform? Like have you participated only for the IAF platforms or also the Indian coastguard platforms?

S. Rangarajan: So presently the tender is I think Naval, Indian Coast Guard will follow I think.

Sahil Karia: Sorry, sir, couldn't get you.

S. Rangarajan: No presently the tender, answer the tender. I think present tender is for Navy. I don't know if the tender is for Indian coast Guard. If Indian Coast Guard requires it, it will follow. The present tender, I think I'm not very sure, but they don't tell us the end-use, requirement tender only has come, but I think it is for Navy.

Sahil Karia: So could you just tell us like for how many aircrafts or like for how many platforms you all have the tender for?

S. Rangarajan: How is that relevant?

Sahil Karia: And so we can get the size of the order book or like the size of the order that the company has for the Dornier 228 platform?

S. Rangarajan: So we have quoted a price now, we don't want to disclose all that now on open forum, it's a tender which is still in-process. So we can't expect this.

Sahil Karia: Okay. And sir, the next question is like since we are like spending our development -- development money on the radars, different types of radars and specifically on the airborne radars. So do we have any plans in entering GaN based radars?

S. Rangarajan: All are GaN based. We've been doing GaN based from 2014.

Sahil Karia: Sorry sir?

S. Rangarajan: Not today, all expand radars which we have done is GaN-based and the first radars we delivered to ISRO in 2013-2014 for coastal surveillance radar which we designed was a GaN based, SSPAbased system which we delivered in 2014 a full radar was designed and delivered by us. Then we won the contract for precision approach radar we won about INR380 crores. This is aligned radars for Navy and Army -- Navy and Air Force. That is also full KR module GaN based, which was -- we won the contract and all the deliveries have been completed last year.

All lines radars have been installed, we are expecting one more order, the negotiation is over, the order should come probably next two, three weeks, all negotiation is completed. So that is also GaN based only. And we have some orders for transportable solution approach radar for Czech Republic and Hungary, that is also GaN based. We delivered the Dornier 228 contract airborne radar that is GaN based air module, AESA already delivered the delivery in 10 months for the date of contract, full airborne radar was delivered by us.

We are now working on two other programs for helicopters and things like GaN based and then the new developments and prototype are GaN-based, everything is GaN based. And this we've been doing for last 10 years not today.

Sahil Karia: Okay. So, sir, if like we have already developed the GaN based radars and we are into it. So are there any plans to enter the Uttam radar or the radar for this to cold platform the IS planning?

S. Rangarajan: We want to do everywhere. We want to be only source everywhere. So where would you not want to do? We will definitely want to be there. It all depends on government whom they address and what they want to do, but we are ready.

Sahil Karia: Okay. Thank you so much sir. Thank you.

Moderator: Thank you. The next question comes from the line of Susheel Aggarwal from NPCC. Please go ahead.

Susheel Aggarwal: My point was actually recently HAL specifically they have been awarded a huge project for Dornier for other LCA, MK IA…

S. Rangarajan: What is that Dornier?

Susheel Aggarwal: Dornier, LCA helicopter and I know they have been awarded recently last 6 months, major project for around INR80,000 crores, INR90,000 crores. So are we expecting some awards from everyone is from those things?

S. Rangarajan: Yes, we will be quoting wherever we are complement with requirement and so we need to see because some of the products already approved and we are the only supplier in the LCA platform and Dornier anyway the tender is new, tender is going on we don't know what's going to happen. On the helicopter side, we have some products which we already certified for and some contracts can happen.

So it all depends how it's going to go and what government decides to do. We have some products, but I can't tell you exactly when the contract will happen, will it happen at all, I can't tell you, but yes we are looking at those kind of requirements. It depends on HAL and government how they want to go ahead whether they want to import or they want to do the India, the decisions are been taken by them, but we have products for them.

Susheel Aggarwal: Other thing is on this long -- this high-value projects that we have been talking since we have been telling that in 2 years, 3 years?

S. Rangarajan: I'm not able to hear you clearly. There is some background noise. Can you repeat this question?

Susheel Aggarwal: Means 5.1 high-value projects what we are talking that very big value project we are expecting when we can expect in 2025 or in 2026, when some timeline is there?

S. Rangarajan: I can't give you clear predictions today. Their work, how it happens is you build the product and it has to go to certification, qualification when the contact has to happen. We expect that in the next 3 years, this all should happen, maybe earlier, but I can't exactly give you timelines.

Susheel Aggarwal: And the last thing, I want is that if some order details are put in between also during because we are getting any update only in the last 3 months, only on 3 months, that becomes a long-time. There is a long dark period in between, so if you can get some updates in-between, it will help us?

S. Rangarajan: Yes, see, we don't want to keep telling any order we don't announce. So that is why we normally announce only in-quarter end or the results, but if a big order happens, maybe we'll like announce it, we'll see. But this has happened that this is coming to the end last year, it is not like that. There has been a general delay in the contract this year. But those contracts were not lost, none of the contracts have lost. We believe that the orders will happen now. This is again some of the divisions have postponed these orders. But let's see what we can do, if we can announce it earlier let us see.

Susheel Aggarwal: Yes, because similar type of orders, other competitor companies are announcing, it will help us. It will give investors more confidence because once you get orders then it gives more confidence to the investor.

S. Rangarajan: I understand what you're saying. We didn't want to do every week announcement and all that, that's why we kept it away like this, so that we are not really unnecessarily doing this, but nevertheless, I appreciate what you're saying. We'll discuss internally in the Board and see what we need to do.

Susheel Aggarwal: Okay. Thank you. Best of luck for your next H2.

S. Rangarajan: Thank you, Susheel.

Moderator: Thank you. The next question comes from the line of Anay Mittal from Nvest Analytics Advisory. Please go ahead.

Anay Mittal: Sir, thanks for the opportunity. Sir, I just had one question. I really enjoyed the conversation that you spoke about where you were speaking about the end-to-end solution rather than a standalone product. So you actually elaborated a lot on that today. But if you can give us some idea as an investors in terms of what could be the target market for such product, number one. And number two in terms of value.

And number two, do we have any other competitor who does that type of product, which you believe that you are in the process of making and you are close to what you said. So do we have like any visible competitor in India who can be -- who can win give some competition to us. If you can elaborate more on that, it would be a great?

S. Rangarajan: See the target markets I am looking at is about INR5,000 crores, INR10,000 crores or above is what we want to build products for. We don't want to build products for small contract value. It is anyway we are doing with DRDO. These are all large contracts and we want to look at that and that is how we have taken money in building products. As regards competition is concerned, India is a large country always you have competitors.

So what we are trying to do is being a bit ahead in terms of product technology and ahead engineering. So if you look at it, we are ahead of others, but it's all depends on how government deals. Finally, everything is a government division because it's DRDO division, it is user division, services division, Air Force, Navy, they all get together and decide whether they will say okay, product is good you go ahead or we'll wait 3 years, wait other people do also do, then we will see that also can happen.

So that is the risk element here. We want to eliminate the risk element, very urgent needs and address the needs immediately. It's a product which is international quality. And immediately there is no competition available with the kind of timelines which we are aggressively put for ourselves. So we're trying to see whether that works. So we'll see, we'll push, we'll see it works. We are hoping it will work. They are very committed to what we're doing. It's a 24/7 development work we're doing here.

So we are really putting our heart and soul in it. So I hope we will be successful and pray that we'll be successful, but yes, we are doing what is best there. And these are all large orders. If it comes fully or it gets split into two people, three people, then the value of the contract comes down. We believe that it should, but it should give us some large business in the next 2 years, three years is what we're doing. And initially we should get some development contracts, which will recover our developing money also is what we're thinking.

Anay Mittal: Okay. And sir, and also when you spoke about this, you also gave your strategy on first catering to Indian market and then the export market on those products opens up, is there a rule that we have to go that way or it is only that it acts as a proof-of-concept for us in India and hence it is successful and hence it acts as a sample for other countries as well, if they have to come up and order those solution. So are we not waiting at the expense of India to grow is my question, sir to be direct?

S. Rangarajan: I agree with you, maybe we should try it also parallely. We are a bit moving -- we want to do this because it all involves lot of right testing and other things and we're doing part of the product, part being done by government. So we need to collaborate with them before we go out. Some of the things we're doing on our own, we don't need government. There we can track the go ahead. The products are nearing completion. We need to start testing waters like you said. This is another discussion internally we are doing.

So we were focused on doing India first. We are also like you people are also telling in the office that maybe we should do in parallel also, we are trying with the idea and let us see where it goes. The product has come out, maybe in exhibitions participate, all this we need to do to start why India first, why not outside. If India is there, it gives confidence to other users in the world that already is accepted in India, but that is not mandatory in some cases, like you are saying so we can also go abroad. We're not done that till now, but maybe we'll consider doing that also.

Anay Mittal: So that's -- maybe you know it better than us, sir, but it's only a suggestion from investor point-of-view that if you have room for growth?

S. Rangarajan: Yes. I agree with you, we'll agree to do that. This discussion has happened in Board meeting even three days back.

Anay Mittal: Great. That's it from my side. Thanks and have a wonderful 25 onwards.

S. Rangarajan: Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now hand the conference over to the management for closing comments. Please go ahead.

S. Rangarajan: Yes, thank you. So what I would like to say to the investor and analytics people is that this business is more year-end business as of now, doing lot of development contracts we've taken. We've tried to even out last few years. We'll try to do that more as we go along. My -- whatever we committed to the market, we stand by that. We still think in the next 6 months, we will deliver all the products as we planned. We have the orders in hand, some are expected orders still and we are ahead and product developments in those areas. These are -- this is point number one.

Point number two, genuinely what we're trying to do is build a large company here, build infrastructure, build products and those products will have to be world-class. And those will give us substantial business hold to see that several -- at least a few years order book we should have on hand. Any large defense business has not 1.5 years or 2 years, but at least 3-plus years orders on hand before they know that year-on-year, they know what they're going to deliver.

They're trying to achieve that by building products, getting the TAM and then see if the contracts will happen. I think we are doing the right thing. We are very convinced that we're doing the right thing, the direction is very clear. They are not trying to buy and sell and integrate to see that the order book comes at low L1 business everywhere and increase my size of business and keep delivering it because I feel that with the size of business which is there, if we do IP in India and build and build big, it may take some time.

But that is going to actually build solid organizations which can stand on it by itself and then scale and even grow outside India, we are trying to be there. We are probably trying very different from others, but I think we are steadfast in what we're trying to do and we don't want to -- one or two mistakes happen or delays happen, but that should not affect us in our long-term direction and growth.

I think we are in the right track. We are very convinced that what we're doing is right and have built-up outstanding competency in-product engineering, which is every visitor who comes here, including some of the foreign who came last month, they were actually astonished with the engineering. So we believe we are on the right track. We're getting the right signals from even international bodies.

So we will have to put our head down and build the organization. This is what we want to do and this is what the Board wants me to do. So we're on the right track. We believe we will do very well in the coming years. So thank you for the patience and thank you for listening to me. If you have any doubts, any questions, kindly forward it Go India and they will forward it, we'll get them answered for you. Thank you very much.

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