Date: 02.02.2023

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

Sub: Disclosure under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Transcript of Earnings Conference Call

Dear Sir/Madam,

Further to our earlier intimation regarding the earnings call to be held on Monday, 30th January, 2023 for the Audited Financial Statements for the quarter and year ended 31st December, 2022, please find enclosed herewith the transcript of the same.

The transcript of the earnings call as well as the audio is also available on website of the Company. You are requested to kindly take the aforesaid on your record.

Thanking You.

For **Data Patterns (India) Limited**

MANVI BHASIN

Digitally signed by MANVI BHASIN

Manvi Bhasin
Company Secretary and Compliance Officer

Encl as above

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“Data Patterns (India) Limited

Q3 FY ‘23 Earnings Conference Call”

January 30, 2023

MANAGEMENT: **MR. S. RANGARAJAN – CHAIRMAN AND MANAGING DIRECTOR – DATA PATTERNS (INDIA) LIMITED**
MS. REKHA MURTHY RANGARAJAN – WHOLE-TIME 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 Q3 FY '23 Earnings Conference Call of Data Patterns India Limited, hosted by Go India Advisors. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Monali Jain from Go India Advisors. Thank you and over to you.

Monali Jain: Thank you, Yashasvi. Good afternoon, everyone, and welcome to Data Patterns India Limited Earnings Call to discuss the Q3 and nine-month FY '23 results. We have on the call, Mr. S. Rangarajan, Chairman and Managing Director; Ms. Rekha Murthy Rangarajan, Whole-Time Director; and Mr. Venkata Subramanian, Chief Financial Officer. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that Company faces.

May I now request Mr. Rangarajan to take us through the Company's business outlook and financial highlight, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

S. Rangarajan: Thank you, Monali. Good afternoon, ladies and gentlemen, and thank you for joining us today for the Q3 FY '23 Results Call. I believe you must have seen the results presentation, which is published on exchanges and our website. While Venkata will walk you through the results, I would like to briefly touch upon some of the strategic updates and key highlights of this quarter. We have delivered the highest ever Q3 and nine months revenue and profitability. We're currently doing better than our guidance to the market, though this is as per our internal projections. We kicked off 2023 with yet another significant order from DRDO, demonstrating our continued dealership in the domestic radar and EW areas with products that meet international standards.

Continuing with healthy order book, we have considerable insight into our upcoming performance. Our order book is robust at INR 1,014 crores, underlying both our diversity and showing our homegrown expertise in cutting edge defense technologies. I'm pleased to inform you that we had a strong order intake of INR 163 crores, up by 3.3 times in Q3 FY '23. We have very strong sense of revenue visibility because a sizable percentage of this comes from development contracts, which will eventually transition into production contracts.

Some of the large orders we received in Q3 FY '23 are one, we received a radar order from DRDO and BEL worth INR7 crores, these are for development and production orders; two, development orders worth INR 24 crores for Electronic Warfare from DRDO; three, we received a production order from HAL and Airport Authority of India, totaling INR 75 crores in Avionics and Airport Management; four, another production order worth INR 57 crores received from BrahMos and other programs.

With the country moving towards Atamnirbharta in defense R&D, this sector has been taking massive strides in order to upgrade and modernize its capabilities. Drawing lessons from the recent global political prices, the Ministry of Defense has launched various acquisition initiatives and RFQs, and we are ideally positioned to gain from the sectorial opportunity. With a new manufacturing facility expected to commence from Q4 FY '23, our capability in R&D, engineering and execution will get a much needed boost.

We have successfully completed site acceptance test of two precision approach radars. We've also been nominated as development cum production partner for Dornier upgrades. Since we have the best-in-class manufacturing facilities and a strong debt free balance sheet and good working capital lines, we are in excellent position to showcase our indigenous capabilities in cutting-edge defense technologies.

Our strategic priorities for two years are clearly defined, which are as follows. One, we will concentrate on greater opportunities in radar, electronic warfare and satellite markets. Two, we are expecting to participate in over INR 20 billion to INR 30 billion worth of contracts over the next three, four years. With these efforts, we should be able to achieve our top-line increase of 25% to 30% and sustainable high margin in the range of 40%. As you are aware, we obtained the Board's approval to an enabled net resolution to raise a fund up to INR 500 crores.

This sector is seeing strong growth in government. And the government is pushing for Make in India. We want to be prepared for this growth opportunity both in terms of manufacturing facilities and product development.

I will now hand over to Venkata for his comments.

Venkata Subramanian: Thank you, sir, and good evening, ladies and gentlemen. We are pleased to let you know that we have delivered the strongest nine months performance ever. I would like to walk you over the quarter's financial results, which include, our revenues increased by 2.5 times in Q3, and 2 times in year-on-year nine months to INR 111.8 crores and INR 268.3 crores in Q3 FY '23 and nine months ended FY '23 respectively.

Development contracts generated 28% of Q3 revenues as compared to 13% Q3 last year. The contribution from production contracts were 65% in Q3 current year as compared to Q3 last year's 67%. Lastly, service contracts contributed around 7% in Q3 of this year. The gross margins for Q3 and nine months were maintained at 66% and 65% respectively. PAT for the quarter increased by four times to INR 33 crores and for the nine months, it increased by 2 times to INR 69 crores led by a strong EBITDA during the period.

We have invested around INR 36 crores in the new facility till date and we expect the new facility to be operational in Q4 of FY '23. We have a net debt free and robust balance sheet with a cash on hand of INR 61 crores at the end of nine months and are striving to maintain the working capital cycle around 300 days. The overall nine months performance was pretty impressive, producing record revenues. Although Q4 is still a important quarter, we can observe that the seasonality is gradually decreasing.

We will now open the floor for question and answers.

Moderator: We have a first question from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: My first question is to understand a bit more -- while YTD, we have already achieved almost INR 680 crores of inflows, how are we looking at the order inflow for the rest of the year? And specifically for FY '24, especially that large projects like Himshakti, etcetera, were delayed from fiscal '23 to '24. So, if you can share some update or large orders in pipeline and outlook on the same.

S. Rangarajan: We expect about INR 150 crores to INR 200 crores this current quarter. Additional orders are expected. Today also, we renegotiated a contract, which we'll be announcing. So as regards to the next year, as you rightly said, the programs line Himshakti, Arudhra, all of them are almost in the stage of finalization. That's what we hear from the market. And once finalized, I think back-to-back, some contracts are expected Arudhra by us. So this is one or two big orders, which will come, which will be a single tender for us, which we'll execute.

The second portion is like we announced, we have also become development and production partner for two programs of Dornier Upgrades. So that one letter of intent has already come, one more today, we finalized for EW. This is for radars in EW for Dornier Upgrades for Navy. There is a development contract, which is initiated by the DRDO. Hopefully, once we deliver this product to DRDO and it's operationalized, by them to Navy, we can expect that back-to-back orders for the upgradation of Dornier aircrafts for HAL, the order should also follow in the coming years. So that is an important development.

And the other thing is, we are also participating in MOD fast track tenders some and also the Make-1, Make-2 tenders. We're also expecting the tender to be released in the next few months for the Ashwini radars, where we're also participating. I think they aon is being cleared. So, we expect some contracts, with enquiries to happen. And we need to bid against competition to see where we stand, but there is some idea that we should get some contracts in that. So these are essentially some of the top of the line orders, which are getting into the head, but there are a lot more in the end years we're working on to see that we increase our order size.

Renu Baid: Also you mentioned that from a longer term perspective, you think the 25% 30% revenue growth is sustainable with high margins of 40% so as even larger projects in EW radars including system integrations, you have reasonable amount of optimism of sustaining 40% plus EBITDA margins or do you think margins could moderate a bit as growth accelerates a 30%, 35% plus CAGR?

S. Rangarajan: See, this obviously works, depends on the contract and the competitive contracts we've got. So some of them, which have been delivered early and it's a mix of contracts so the EBITDA margin comes up and so, at the present moment, we think that we should be able to retain the EBITDA at 40%. And as we scale larger, we have to look at the kind of contracts and the mix of contracts before we can give guidance. So, I think at the present moment, we would like to stick with whatever guidance we've given you.

Renu Baid: Secondly, sir. We have taken an enabling resolution for nearly INR 5 billion worth of equity or debt or both combinations. So, you know what kind of growth capital you think you'll be needing in the next two to three years, A, for the current organic growth and B, if you win certain large Make 1, Make 2 programs with some foreign OEM Partner?

S. Rangarajan: Okay. See, we have taken an enabling resolution for over INR 500 crores on the Board. The Board has been very supportive. The business is very differently. We can't be reactive to this market. We have to be proactive with this market. As you know, we have been a product development company with in-house IP generation, all through our history of the Company. And while we -- earlier days, we could only look at the catalogue kind of management style, where we every available penny we'll put in product development and slowly grow the business.

This is what was the model followed all around. But that model today, though we have done this, invested a lot in the last few years or so many years and the orders have started coming in now, after a few years of gap, but the market itself has changed, it's gone through drastic changes now. To follow an earlier model that we will generate -- develop products slowly and then push into market is no longer -- will not give us the accelerated pace which we need today, not just what we need to grow, but also what the market opportunities are.

Market opportunities are enormous today, as in this -- like I've been always saying in the last calls with you is that we are trying to actually tie with foreigners in India and build some purchase in India, work share and address the market space. We've always been saying, that's not the way to address this market, we have to build products here in India and get a better probability to win based on IP generated here because then the cost model becomes much lower for us than a competing company who imports and integrates.

So we need to actually build an ecosystem, build Indian defense equipment, which is world class. They've always been talking about that and the market opportunities today, with in a flurry of RFPs coming in the last three months, so we need to address those opportunities with actual products. If we do it the way we've been doing all along, we may miss the opportunity, miss the bus.

So we've talked to our Board and Board has sanctioned this and said yes, we need to aggressively position ourselves, scale the business substantively. See, what we're really raising funds for is not to do what is coming year or next year, two years, we are looking ahead at 3, 5 year, 10-year market and said if I have addressable -- a product is available to address -- increase my total addressable market space.

So that is the idea with which we're doing to gain traction, build products, have the prototype products, assemble for trials on your Make 1 Make 2 or buy Indian, IDDM, all kinds of categories with MoD comes up with and then address market to see that we get that rapid growth, which is essential. You see, market is growing, it is up to us to be there and be counted or fall behind. We don't want to fall behind. So that is the idea of aggressively trying to bid and grow building capability for tomorrow. That is the kind of market we are looking at and we want be standard also. This is one.

So, the money raised is for that. We also would put something in working capital. We would also put some capex, put some test infrastructure, all towards building as organization to scale rapidly in the next three to five years. We need to address the market with products and competencies. So that's the idea of doing this.

Renu Baid: Just a follow-up on this. Would you have any names or segments where you are tying up with foreign partners to share with? You may, may not win, just about participating in the market with foreign OEMs in certain categories to share?

S. Rangarajan: See, it is not necessarily -- see, one. Make 1 and Make 2 is a designed in India configuration, where largely you design in India, not with foreign partners. So, that is one. So we really don't have to have a foreign partner to core in Make 1 and Make 2, they're trying to do it alone wherever possible. Even if you have to go with foreign partners, it's not appropriate to name them at the right moment. We will do this -- it is contract dependent. We have a few people who we are working with and where we are trying to have a deep relationship, not a contract specific relation, trying to have a more deeper relationship where not only we build, we co-build products, which make sense.

So that is what we're trying to do. So, I would like to give -- name the company, but largely, we are trying to build on our own. The second thing I can tell you is, we're very selective about where we want to build products. We don't want to take money and put them and then do a hit or miss kind of category. We're already ahead of the rest of the market in India in certain segments like radars, in electronic warfare, in satellites.

We want to reinforce our capability here, build products and be world class and make it with Indian market and later export these products outside India. So we want to be specific in certain domains. We're far ahead. We've already built building blocks with this, high end built both building blocks in this, so we're ready to address the market, win trials, be ahead of others, create IP here, so the value creation is far, far higher. That's what we'd like to do. That is where we're going to the market to get money.

Moderator: We have our next question from the line of Sandeep Tulsiyan from JM Financial.

Sandeep Tulsiyan: Sir, first question is pertaining to some of these orders that you mentioned, the Dornier Upgrades, the two versions, one is for the Air Force and also the precision approach radars where we are expecting some orders. Is it possible to give us some estimate of the size of these orders and the tentative timeline?

S. Rangarajan: We received orders for Dornier Upgrade for Dornier contracts for the airborne radars and also we expect a contract come for the ESM that is the EW upgrade portion of the Dornier. This is one is already, the other one negotiations are on and these are for development to see that we prove it on the with DRDO on the chase aircrafts or naval aircrafts. Subsequent to that depending on how many units Navy wants, maybe 10 systems or 25 systems, number of aircrafts. Back to back, once it's successful, the contract should come. They are in a hurry to fly it and test it. So we expect that maybe the backup order should also come within next two, three years.

As far as PAR is concerned, we are going as per contract. We have delivered, accepted, three systems have been already accepted. Fourth one is acceptance is over in our premise. It is under integration at customer premises. The other ones as per contract, we are executing as per contract. One more system will go in the next one month or so. And maybe we will be ahead of delivery next year. What is necessary. So what is on track? Since the results are working well, there is also some interest to see whether follow on orders can additional order be placed. But that is all under discussion.

At the present moment, I don't have clear idea. But I think maybe there is a possibility of additional orders also happening. But I can't tell you exactly How many are there at the present moment?

Sandeep Tulsiyan: Secondly, sir, in the previous calls, you have also given some status updates on the new products or new areas of RF seekers, because you were one of the qualified parties along with ECIL and also on the satellite development that we were undertaking, will that be a big capital commitment towards that? Where are we in that development side? If you can update on these two areas, please?

S. Rangarajan: The RF seekers, one and a half month back, there were actual trials. This is what is called as capital trials on Su-30, which happened and is successful. We are awaiting additional trials either on capital or again I don't know whether I'm supposed to talk of all this, but you asked the question, I've to answer. So we have to wait and watch what DRDO does, but we are in line with their thinking and the products are functioning as of now. So we need to await DRDO's instructions on next trials to see where it goes. Product itself is performing and so as satellite is concerned, it has been a long kind of data bundles that we've invested into complete satellite development for the last decade.

We went on the student satellite program where we decided we want to get our satellite to space where design is done in-house completely. So we did a satellite long back, we started in 2014 design. Only decision was we'll never report anything, we build all the satellite here in India, all this capabilities, including ground station, the telecommunication all the -- everything with communications, everything which is designed in India.

And, we want to design it as a military satellite. So all the capability of military satellite we want to put inside, for example, complete redundancy on the satellite, so no single point failure, everything about the satellite, the health of the satellite, every current voltage is monitored and telemetered down to ground station, so we can then see which part of satellite is not functioning, in which case we can switch it from ground and make the satellite operational.

Whatever ISRO has or the capabilities, we will duplicate it in a small satellite program and make that scalable so that once we get some experience on air on the satellite performance and validation, all the algorithms are validated, reliability established, we can scale it for defense satellite for India as well as outside India. We largely achieved it, we have another satellite for Pixxel launched, about a month or back. The satellite is fully functional. We've handed over the satellite to Pixxel.

All functions are done. ISRO has taken all the satellite parts of ours, for their own Nano Satellite program. They've even taken our ground stations from us to do this. So they also have confidence in how our systems are working. The Bhutan SAT which is used -- most of the onboard systems are all ours, which is done by ISRO, so they also have confidence of systems working, so we have some operational experience and in-flight experience and space experience on our products, working for a few years.

And our competency on building entire system. So obviously, we thought this is one of the areas where co-competency has been established over the last 10 years. We need to actually build a proper satellite for defense and space. So that is one of the strategic program moves. We have been talking about it off and on. Now that the second satellite is fully functional and working, we're also building a small satellite with the MWIR sensor camera, that is also designed in-house, that also hopefully should be launched in the next few months. So, we are building a competency model here. Fully homegrown in-house competency model.

So we are going to do this and going to invest further on this, receive that — like I said, the market today. Last year, when I talked about, the market was not visible. It was all handled only by ISRO, but today the market is getting exposed to industry here. Already the Make 1 and Make 2 programs are coming up from MoD tenders. ISRO is also looking at building satellites using private sector for such application, so there is a lot of talk now and so we want to be ahead of the game and see whether we can do world class systems in Indian competency. So we are going to start investing in these opportunities and create our own opportunity in this space.

Sandeep Tulsiyan: And sir, last question from my side is on the net working capital cycle. Where did we end — where was the working capital position at the end of third quarter? And if you could also give the absolute rupees crores amount for debtors and inventory at the end of nine months?

S. Rangarajan: Venkata, you can answer that.

Venkata Subramanian: Sandeep, our net working capital days remained almost at the same level throughout this year so far around 350, 360 days. We expect it to gradually come down, that's what we have been telling in all the calls. We expect it to be gradually coming down to probably around to 280 to 300 days.

But currently, it is high because of inventory holding due to advance procurement, which we plan and procure ahead of the requirements considering the non-availability of material due to COVID situations, though the material availability is reasonably eased out now, but we have already procured and that is the reason for the net working capital higher in the year so far. We expect it to remain almost at the same level in March as well. But going forward, it will gradually come down.

Moderator: We have our next question from the line of Harshit Kapadia from Elara Capital.

Harshit Kapadia: Just couple of questions. Can you just update us on the BrahMos status where we were trying to do some testing for RF seekers? Any update on that? And there are other companies also bidding for it. So what's the status there?

S. Rangarajan: That's what I said in the last question with Sandeep. The seekers have gone through some capital trials on SU-30, we've finished that capital trials about a couple of months back. In the month of December, the trials were there. We're awaiting additional trials from DRDO. The products are working well and it is now left to DRDO to take additional trials and then certify it.

So once they do missile trial and certify it, then it will be ready for production. So we expect in the next few months that should happen. I'm not privy to exactly when the trials are going to happen. They will let us know as it's happening. But we are on track. The products are working. At the present moment, that's all I can say as far as BrahMos is concerned.

Harshit Kapadia: So is that a possibility then in FY '24, we may get a few orders, maybe on production basis for this?

S. Rangarajan: I don't know. See, it should come in natural course if they take a decision to put our seekers or Indian seekers into those missiles, so today we are importing them. So, it would make sense to do more in India. This is a decision between BrahMos and DRDO. Of course, they can't do this until the missile tests are done. I don't know when they're doing, they are saying it is going to be done in a hurry. So, we don't have the dates as of now. But our people are working with them. So as and when it's done, and I don't know one test or two test, what they would like to do, so — but it should naturally happen as long as the product performs is what I would think, because we are also less than 50% the import price and there is a lot of pressure now to do more in India and reduce foreign exchange outflow.

So, naturally it should happen. But dates, I'm not able to tell you about, it's not really -- at the present moment, I don't have data. I am not -- we're not projecting that for next year turnover. See, we want be very clear, when we project turnover, we want to be very clear that these context should happen. We don't have control over this because we only give the product -- working product that is all we can commit at the present moment.

Harshit Kapadia: My another question is, as you become -- as the new facility gets operational and you try to become a system integrator, what are the key projects that you will be bidding for, if you can highlight some of them?

S. Rangarajan: See the areas we will bid will be similar to where competencies have been built. See over a period of time, we will try to build complete competency in radars. So we will try to now bid against Make 1 and Make 2, IDDM all these kind of contracts come up. Wherever we believe we have a competency model, we will try to build those systems here and then for that, we have the new facility, which we have created, can bring in about 10 trucks can come inside.

We can build radars on trucks, we can build big radars, we have put foundation for all of them. We have put clean room and doubled our production capacity in terms of --we put a second pick-and-place line, we added more vibration tables. So we are doing what is necessarily, we are going to put in a full eMMC infrastructure, a full 461, which we are now going out and waiting in line for testing all that we are now creating our own infrastructure.

So, timelines for delivery, timelines for tests are shortened, and delivery mechanics are enabled. So what is necessary is debottlenecking. We have done that, so testing when we're putting inside. As far as the programs are concerned, where we will build our prototypes and demo units and if we could try up trials, this will be in the areas where we have already built a competency and we built a lot of building blocks to enable us to create a system without going through a complete development.

It will be more reengineering and fortune development, re-use of already developed technologies and even in those things, we are going to address markets. We will try to do subsystems which is reusable, so that's -- the risk of non -- getting one contract should not write-off the development. So we've positioned against many contracts.

We'll be very, very prudent on what we spend. We've always been prudent on money spending. We are very tight on money. We don't spend money easily. So we will be very, very careful in how we spend the money and see that we differentiate ourselves from rest of market. We want to be the equipment supplier in India, not try and import and integrate. So that is the line which we want to take, differentiate and grow.

But we -- so the growth is going to be -- and market access is so big today, I need to take some large kind of investment model to see that we expect the market is addressed properly. Otherwise, we'll lose the business, meaning we will not scale as fast as we want to scare. The opportunities provided, we want to invest in this. So new facility is going to help us address these opportunities and also we are creating more bandwidth to see that we create products for the new opportunities which are pouring in.

Harshit Kapadia: And you believe that, this new -- with this new facility, you will be very competitive in terms of bidding and you can get very strong?

S. Rangarajan: See, no, no, the bidding, it's not going to be — new facility will not allow me to be competitive to bids. The new facility will allow me to build the product, validate it in-house because see, what happens is, the facility is for two reasons, one for increasing our product — manufacturing scale, the new orders coming in, our capacity building has to happen. So that is one for the new facility, which helps us meet the capacity requirements.

Point number two, when we move from subsystems to systems, when — at the present, the infrastructure, I can't make my trucks inside and outfit a truck for EW or a radar application. So this we could not do and so, we created infrastructure where a large multi-ton metal can be moved inside, they can move facilities inside, integrate the system, it will be with us for six, nine months before we build a product, then take it for what — and qualify them, then take it to trials with the MOD tender.

It will allow us to do all this in-house. It is very difficult to say, I'll build substance. I don't have infrastructure. I can take, go out outside and build it, may not be — it will not be very practical to do all this, so while doing this new factory, we have created areas where, we will graduate from subsystem or a box supplier to a full system supplier, for which we need to transition ourselves with infrastructure.

We have created the necessary infrastructure to do this, it will not that — that I can do INR5,000 crores. No, what will happen is, initially we will see that addressed opportunities in MOD, if we get a contract to do INR 3000 crores, additional infrastructure will be built as a production line assembly, but with the existing infrastructure, we can participate in major programs, build our own systems to scale products, demonstrate the system and see — be competitive that is the facility what we creating.

The capability comes from in-house manpower rather than infrastructure alone. The infrastructure helps, but it is all IP-created over many years and continue to create and invest on people, what we do maximize our manpower content.

Moderator: We have our next question from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: Sir, just wanted to know, why is the employee cost reduce, despite our head count increasing?

S. Rangarajan: No. It's not reduced. Venkata?

Venkata Subramanian: It is not reduced.

Akshay Kothari: Quarterly basis it has.

Venkata Subramanian: No. It has not reduced. Actually, it has increased only.

Akshay Kothari: From INR 19.14 crores, it has come down to 18….

Venkata Subramanian: That is because of some actuarial valuation and related provisioning, actually it is due to actuarial provisioning, some small reduction is there, that has nothing to do with actual salary. This is only the actuarial valuation, because of some leave encashment and provisioning and things like that, which has cost a small change in the numbers.

Akshay Kothari: So, my second question is related to Pixxel, so they have received funding from one of their -- partners and they are developing around 24 satellites, so I have two questions regarding it. One is, we had developed a Nano Satellite for Pixxel so what was the amount for that, quantum of that Nano Satellite?

S. Rangarajan: No, we invested also in that. We wanted to continue development. It is not selling price, but we have contract of about couple of crores or so, I don't know exact amount. This was done about two, three years back. Slightly more than a couple of crores is what we got in order. But that is more to it because it was start-up and we said we will also invest with you -- that is how the whole thing happen.

Akshay Kothari: And regarding your earlier comments, sir, what exactly are we doing for the Pixxel right now and what is the revenue potential for that?

S. Rangarajan: What does that? Can you repeat the question?

Akshay Kothari: What is the revenue potential we can expect because they are developing some serious satellite? They are developing around 34...

S. Rangarajan: They wanted to -- they have raised money to build their own satellites with people like us and then probably sell images to customer, so that is the business model they told me. I really don't know what they're doing today. But this is all one-off contracts, we don't know whether multiple contracts will happen tomorrow. I have no idea.

But we look at it not from a contract point of view, we look at the point-of-view of building capability to see that we prove our capability in terms of products in space and get space lineage and because this is an incremental capability development program, we can't do this overnight -- then we need to find out mistakes, correct it. So that is the endeavour for me to do this.

And now, what is that we have the competency model, we want to build products with these serious defense applications and civil applications. Today, we're confident because of the successes, we know we can do this more. So that is where we're going, the direction is going to be much more clearer in what we want to do in big satellites.

Akshay Kothari: Lastly, regarding the enabling resolution of INR 500 crores, sir, you had mentioned that it could be debt, equity or a combination of both, so what exactly would be the key drivers for determining which mode of funding would be used? would it be like, if the project is riskier, we would be going for equity funding or something sort of that.

S. Rangarajan: You see, what happens – why we set the working capital debt and all that may happen to keep with the turnover increases, we may do, but as far this is concerned, we need to look at appropriate funding for appropriate programs like we very clearly said. So, we need to take calibrated view depending on the expenditure pattern. Again enabling resolution has come from my board and we will take it back to the Board, on investment model, we have to get that clearances to implement. So that we have to do.

Venkata Subramanian: Currently it is equity only. It is only equity right?

S. Rangarajan: As of now, this INR 500 crores is only equity right. It's nothing to do with debt.

Akshay Kothari: Okay, I probably read it somewhere. Okay, no problem. That's it from my side. Thanks and all the best.

Moderator: We have our next question from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: Yes, hi, thanks for giving the opportunity and congratulations on a good set of numbers. Very good execution on the margin front. Just wanted to understand about this enabling resolution, which is there, I mean INR 500 crores kind of a number, so I mean, what is the rationale of arriving at this number.

I mean, what will be the capex, working capital investments and the development expenditure that we're going to have, and which are these programs which is going to be the focus for this INR 500 crores? Sir, if you could split across this number? What is the rationale for arriving at this particular number? That's will be helpful. And how are we looking to spend this particular amount in the coming time and how could it be adding to our revenue and just some color around that?

S. Rangarajan: I need a bit of time to answer all those questions. We have taken the enabling number from the Board now and we will have to discuss with the bankers and the lawyers to see what we need to do, also with our statutory auditors. We'll go through this cycle with them and then see what we can do with this and how do we want to do this. In terms of we will have to clearly define our infrastructure requirements, capex and test requirements as you go along and also some will go into general corporate expenses, etc.

So, we need to do that, let's say we have not done it yesterday only facility got this clearance, so we need to — the next few weeks, we'll try and do this properly. The other part of the question is where we want to — which are the areas of expertise or product are we going to do.

Again, like I said. It will be in areas where we have differentiated capabilities and a large investment already done in product development and subsystems and systems and domain, and we will try to strive and build bigger products in those areas because the market now has opened up for MOD for a number of such programs and products.

So there is common vein on which we can do product development and use that to address market space with one of the trials, which is necessary, it is a mandatory requirement to pass technical evaluation, we need to have demo products to pass evaluation. What people do typically is import the products and then try and do this. We want to be different from others, in the sense, it has to be homegrown. That is when the IP is here, that is when value addition is more and if you do this, our costs become lower and hence, I'm able to be more competitively priced in the open market here.

So with all this in mind, taking a very long term strategic view, we will be building strategic products to address market space, which is very differentiated from what other people are doing. So, that will be in areas, like I said, it will be in radars, it will be an EDW, it will be in radios and communication, it will be in satellites, it will be in some avionics. So where we are thinking that the contract can happen and there is the possibility to differentiate and sell, then we going to put this money there and see that we build these building blocks and the prototypes, demo units so that we can address the market requirement with a very high confidence of winning and also to be — ensure that we build this as generic as possible, so I can re-use the investment across many programs and products.

Mihir Manohar: Sure, sir, that's helpful. And this number lastly — it is from the equity side, right?

S. Rangarajan: It's all equity.

Mihir Manohar: It's all equity. That's all. That's all. Thank you for taking the questions.

S. Rangarajan: Thank you.

Moderator: We have our next question from the line of Kaushal Kedia from Walford Capital.

Kaushal Kedia: Hello, yes, hi. Are these margins sustainable?

S. Rangarajan: If you do more in India, the margins will be sustainable. If you buy and integrate, margins won't be sustainable. So, our way of looking to try and build more in India. So, our material cost becomes lower. We're not buying and integrating. But when you go to large system, sometimes what happens, you need to buy and integrate because we can't do — we don't make trucks.

So when this kind of integrated solution comes, naturally what happens, the margins become different, but largely, we are focusing today on electronic systems, which is designed and developed by us. So the margins therefore are higher. But going forward, if this becomes — it depends on the project really. If we compete and there is a project requirement, then you need to buy and integrate from others, obviously the margins on a contract value come down, though the margins on my own systems will be equivalent to what we have talked about today. But then, we have to look at, if the market requires integrated solution, not small boxes and that is where I have to scale and they've no ecosystem in India where I can build a small boxes to a larger company who does this.

So we need to access markets and build the systems ourselves rather than try to import and integrate. So overall. I think, if we scale business largely, bottom line will keep going. Sometimes in some programs, the exact margin may not be the same what we do, but bottom line will still substantially grow and the market size growth will compensate for all of that, is what our belief is.

Kaushal Kedia: No, sir, but current order book that you have of around INR 800 crores, this order book, how much of it will you import and integrate, and how much of it will you.

S. Rangarajan: All made in India, but some of the contracts we have taken in radars also include building, also include brought outs like you know, generators, UPS, some of these things are there because it is some of these things are there, because it's an integrated product, some we have to buy and integrate. So in those contracts, the margins may be lesser on a sale value, right. But the most of the contract other than that kind of contract is all designed by us.

So here the margins are retained, so it's a mix of this and that, but there is — what we are doing today in terms of only electronics, we expect to sustain margins, we have to see how it goes along. We believe to sustain margins, the main thing is to try and design more in India, which is why our future strategic growth, we're trying to say, retain margins and grow. That's why we're looking, the path we are taking is very different to others.

Venkata Subramanian: So margin here, we mean the gross margin and EBITDA margin will remain at a guided level of around 40%.

S. Rangarajan: Again, it depends on the ratio of progress we do. But I think we — largely, this year we will do that, next year we should do that. Let's see how it goes further.

Kaushal Kedia: But EBITDA margin is — you are comfortable at 40% here. You can see comfort coming in?

S. Rangarajan: changes and product mix changes, we should be able to do it.

Kaushal Kedia: And this INR 880 crores of order book that you have currently, by when — what is the timeline for the execution of this?

S. Rangarajan: Mostly nearly 95% of it should be executed in the next two years. Some equipment is there which is going into three years and four years, but the value proposition is less than 10% of the total contract value.

Kaushal Kedia: Okay. Okay. Thank you.

S. Rangarajan: Thank you.

Moderator: We have our next question from the line of CA Garvit Goyal from Invest Research.

CA Garvit Goyal: Good evening, sir. Congratulations for a good set of numbers. Most of my questions have been answered. Just one more question from quarter four side, basically. The quarter four financial year '23, historically, sir, your quarter four is basically more than 50% if we take the sum total of Q1, Q2 and Q3. So my question is, what shall prevent you from achieving that trend this time, sir?

S. Rangarajan: I didn't understand. What are you saying? Quarter four 50% I didn't understand. What did you say?

CA Garvit Goyal: I would think quarter four is basically seasonally good quarter for you historically. So kind of more than 50% in terms of revenue. If you take the cumulative total of Q1, Q2 and Q3. So my question is basically what shall prevent you from achieving that trend this time, sir?

S. Rangarajan: So, it's not a question of prevention. We have also given guidance of — for our yearly guidance, we have provided. What I can tell you is, instead of getting to specific numbers, I can say that we will exceed guidance fairly well this time, considering the first three quarters have been robust. On the year end, I think we should exceed our guidance, whatever we've given last time, I think we'll exceed guidance this time. So this is as per our budgets internally calculated, so we'll — I think we'll outperform whatever we have told in the market earlier.

CA Garvit Goyal: You have told for 40% that you have already achieved, I think. So that's why I was wondering.

S. Rangarajan: No, I didn't understand that. What was that?

CA Garvit Goyal: I was saying, you have already achieved your 40% guidance in terms of revenue growth as far as I remember That is what I'm saying, so we'll exceed guidance now, that's we are saying. Full year revenue guidance is more than what we've done already. So we've given a revenue guidance of 25%, 30% on a year-on-year turnover revenue. I think we'll exceed that guidance considering the productions we're doing now and what is planned for this quarter.

Moderator: We have our next question from the line of Prabir from Ratnabali.

Prabir: Yes. Sir, thank you for providing me this opportunity. I have couple of questions. First is, if I see your quarter-on-quarter performance for the last couple of quarters, you are growing very significantly in terms of top line. My question is like in your presentation, you have mentioned around INR 40,000 odd crores of opportunity by 2030, so in that opportunity, what is your expectation that you will be able to get in terms of order inflow?

S. Rangarajan: I'm not very clear with the question. You are saying, we have significantly grown top line in the last quarter-to-quarter. But the question is how do you understand?

Prabir: Actually my question is, sir, you have mentioned in your presentation that total addressable market is around $4.65 billion, so, in — by 2030, so how much are you expecting out of that total addressable market?

S. Rangarajan: See, what happens is, the market size is very, very large. We are addressing market through DRDO, a little bit through MOD now. Just started — MOD tenders have just started coming in line, and we are trying to address the market. So we need to have products to address and increase the TAM, which is why we are saying take in investments and build strategic products for future.

So the increase this 2030, which you're talking about, taking a slightly medium and long term view, we want to put infrastructure and product development to address that market. That is exactly what we're doing, in areas where we have a substantial investment in competencies. So that is what we are trying to do on strategic markets and increase the size. But it's very difficult to give a particular number. INR 2000 crores or INR 3000 crores or INR 5000 crores.

The idea is to grow to that size of company in terms of annual revenue. So we need to address that revenue, how to build that revenue, how do I convert opportunities into orders. This is what we are discussing internally and our investment model is towards building strategic products, which will allow us to convert these so-called opportunities into contracts. So, that's what we're working internally and a lot of work is going on in building these strategic products here. But numbers itself — it is slightly a bit too early for us to actually address numbers.

But we will be growing in next two years, we have visibility. So it will take two years, visibility of 25%, 30% growth is possible. Beyond that, subcontract, we're going to participate, it has to happen. But what we are going to do is, in the next two years to build a product base, which will help us scale substantially in the coming three to five years, we need to substantially scale the business. That's what we want to do and we are trying to see how to do this.

Prabir: Okay. Sir, another question I have like to integrate complete radar systems, one need to have a strong capability in digital as well as in microwave. So you are a strong digital player. So in terms of microwave capability where you are standing in comparison to your peers? Some of them, which has been — started doing activities in microwave since 1991. So where are you right now in terms of capability?

S. Rangarajan: See, we took an early decision that we have to build complete equipment. So initially, we were actually in testing with, we got another space, I'm talking 25, 30 years, we continue to build test equipment for them. We do analog and digital and power and simulation, very low level analog we've built products from there on. And we also built our own software capability. We built our own language called DP Basic way back in 1991.

So we've built a very strong product company from last 30 years. So, we actually started involving ourselves with DRDO, we started doing platform oriented electronics from the space above air, ground, water — under water. And we looked at the opportunities and said, look, if microwave is not part of our system and mechanical engineering is not part of the system, we will not be able to build full systems. So we started our own microwave department way back in 2007, 2008, it's now 14 years of work.

We do world class micro wave systems in-house now, microwave fully we design in-house. Up to 40 gigahertz from 1 megahertz, we do everything. This can be continuous wave CW, this can be pulse, this can be narrow band, this can be wideband, this can be power, it can be anything. So we have a very large engineering competency model to build microwave. So we also build our own algorithms, our own domain algorithms, we do ASIC programing, VHDL.

Everything in-house we design, so that's the idea, we built up — very consciously built up this capability, so that today, we don't have to build — buy and integrate, so we can do everything in-house. For example, in the digital domain, if you say the Z-ON-E, whatever your laptops and all coming, we build the processor boards ourselves, we don't import the boards, we actually don't import any hardware. All of them is doing in-house including microwave. So we build all of them in-house today. The idea is to try to build excellent competencies to build World-class products. That is what we'd like to do and we have invested quite a lot in building these capabilities.

Prabir: Okay. Sir, you already have been selected as a development partner for Dornier airborne radar and as you know that — as we know, like in LCA, also there are requirement of indigenous airborne radars in the market that is quite large for Sukhoi upgradation as well. So going forward, is there any scope for you in these domain as you already are one of the development partner for the airborne radars?

S. Rangarajan: We would like to work on those programs. it is up to DRDO to select us. We have the full competency to build those products, which you mentioned. But we know customers to customer to select us. If he selects us, we will be really happy to build the products, we believe we can build world-class products in those areas.

Moderator: We have our next question from the line of Mahesh Bendre from LIC Mutual Fund.

Mahesh Bendre: Hi, sir. Thank you so much for the opportunity. Sir, in 2016, '17, '19, our margins were anywhere from 16% to 20%, but last two, three years, we have been hitting 40% plus. So what could be the reason, why we make these kind of margins?

S. Rangarajan: See, our actual margins in terms of gross margin, they have always been 60%, 65%. But in the years, we mentioned, we had two companies, Industry Track in and Data Patterns and there was some intercompany turnover, which has got captured. So you see the margins are lower. Actual margins they have never been less than that all through years, in the last 30 years. Now these are integrated as single company and that is how it is.

And second point, we need to look at is it just not gross margins. You have to see — the gross margins have been consistent all along, but it is not visible in two balance sheets, so you'll not be able to break out. Now it's integrated balance sheet, you'll see gross margins are different. Second point is on the EBITDA itself. What we were actually doing product development all through years. And we were — the Company is run on cash margin. Margins are always there, but the margins were used to product development, which you'll write off as revenue expenses.

We are continuously writing it off as revenue expenses, because we developing products which were not costed to customer. While they were importing these products, we competed against imported systems. So when we developed the products, we absorbed the development cost and expected that it can be recovered over many such programs. So that we have been doing consciously for the last 20 years. So we write off everything as revenue expenses.

So what happens is in turnover, as long as we break even revenue expenses is fine. That is how the business model was. And that is what you see today when the turnover goes up from INR 80 crores –INR 90 crores to INR 100 crores to suddenly it comes to INR 400 crores – INR 500 crores or INR 300 crores. There is no proportional increase in overheads in terms of manpower cost and infrastructure cost. It is not proportional. And the gross margin always has been there. So that is why you are seeing the EBITDA margin going up today.

That is what you are seeing. If you take the comparison. You should look at it slightly differently because there was some inter-company building and all that which is not visible now. And so going ahead, you know, the path is always been there. EBITDA will be going up today because revenue is going up substantially with respect to cost in terms of operation cost. So that is why EBITDA is going up.

Mahesh Bendre: Sir, in terms of the top line, do we show only the value addition part that we do for customers or we also add raw material prices into that?

S. Rangarajan: So whatever we buy, we add raw materials. This is gross margin SA, it is sale revenue less raw material cost. That is what I mean by gross margin here. EBITDA of course includes not only raw materials but also operating overhead expenses, manpower cost and other cost. You know that. So, of course it's not just a value add, it's not build, it's a product we believe.

Mahesh Bendre: Sure and sir, you talk about going into new businesses, you are raising money for entering into — in building capacity for newer businesses. Will you able to maintain this kind of margins in that business also that your are planning?

S. Rangarajan: It should be. We would like to have the same margins. But what happens is when you get that margin, the size of business is INR 2,000 crores, INR 3,000 crores, INR 1,000 crores each tender, that business is higher. They may also have integration issues, so we buy and integrate. But also we need to look at and it is going to be a competitive landscape, we will import and integrate and do this, so we need to look at imported — competitive landscape and then fight accordingly.

What gives us the confidence is that we do this in India, I have flexible costs — they're not flexible costs, as I said, the selling price can be flexible based on competitive numbers because we work with raw material costs. So IP is generated locally that gives us a strong foothold to be competitive in the market. The size of market being large, I think we should do this earlier than later. It's what we believe.

Mahesh Bendre: Sure. Thank you. Thank you so much, sir.

S. Rangarajan: Thank you.

Moderator: We'll take the next question from the line of Abhishek Singhal from Naredi Investments.

Abhishek Singhal: Good afternoon, sir. Thank you so much. Sir, my first question, as per current order book and considering expansion, so in how many months you will complete this order?

S. Rangarajan: I couldn't hear you. Your voice is breaking. I don't — I'll repeat the question. The current order par when will I finish the order, is that the question?

Abhishek Singhal: Sir, as per current order book and considering expansion, so in how many months you will complete this order?

S. Rangarajan: Which order?.

Abhishek Singhal: Sir, INR 888 crores order.

S. Rangarajan: Okay. Okay. Okay. I think most of them had been executed — about 90% of them has to be executed in the next two years.

Abhishek Singhal: Okay and sir, second question, how much amount is spent on R&D expense in Q3? And what is your strategy for R&D expense?

S. Rangarajan: Yes, as a normal practice, we develop products against contracts, and so we write it off with revenue expenses as the contract gets executed. So we don't classify it separately as R&D and capitalize it. We've not done that till now. We do a lot of products, examine the the product. Sometimes people import it, but we build the product here. So we spend a lot more money in development of the product, but it will be written off as revenue expenses. We're not capitalizing it at the present moment.

Because these are against contracts we design or expecting contract we design and then get the contract, we expense it out as per contract. We don't carry it in our balance sheet. It's an additional asset. So I thought this is prudent. That's why we've been doing it. So, but we will spend as we go along. That's why we are trying to take some money and see how do we want to do this and this is in the face of the Board. We will take some very strategic positions today and steer the business substantively. So we need to scale to the opportunities at now.

So we want to take our competency model and scale that business and position ourselves very differently in the next three to five years. That's what we'd like to do, but yes, when that involves a fair amount of development. But we've been very, very cost effective in our development, because we build building blocks. So the reuse of the products across various platforms is possible, various even radars or various other — even across programs and verticals where we can use the same products. So that is how we design, so that we are consciously seeing that the money is well spent and the risks are reduced. So we'll continue to do that and take aggressive positions in realizing big contracts. So we plan to do that.

Abhishek Singhal: Okay, thank you so much sir.

Moderator: We have our next question from the line of Jatin Jadhav from Sahasrar Capital.

Jatin Jadhav: First of all congratulations for the management for an amazing set of numbers. My basic question is, since Data Patterns provides the subsystem data, subsystems and you will be moving forward to the entire system. And in your product suite, there is a — this is just an example, there's a product called R5, it's a receiver and exciter central unit and there are other competitors as well who produce the same exciter and receiver unit. So I want to understand what is the difference here. Is it your exciter unit functions for a different band of radars, which are used and how is it differentiated?

S. Rangarajan: I missed you. In between, your voice is breaking. Are you saying that you have seen that we build exciter-receiver units and you also find that the same exciter-receiver units is also part of competitive landscape? So how are these differentiated? Is it in frequency bands or what is the difference? Is that your question?

Jatin Jadhav: Yes, yes. Correct.

S. Rangarajan: Okay. See, radar, I'm going to take a little bit of technical question. Radar comes to the antenna, it can be directional or a phase-array antenna. Then the receiver exciter unit is the portion which can you know digitize or up convert, give me waveform. Then the up down converters are there, then the signal passing units are there. And then the mechanical system display and consoles and this is the software. What we put this, we say we in Data Patterns we build everything.

We build the antenna, we design the antenna, we design the mechanicals, we design the waveforms, we design the down converters, we design the signal up converter for all bands. We talked about bands, RF bands from VHF, we have order for very large phased array radars installed in Cochin 7 years back, a full radar with 350 kilowatts of power is phased there where everything is designed by us including software, implementation everything.

So we do end to end. Now if you say compared with competition, they may be doing exciter receiver, they may be doing a signal processor, but what happens is the combined capability what we have is at the present moment, we believe it is better than what is available with competition. Of course, this will change in the coming years. So what we are trying to do is build a domain and build a radar ourselves. For example, the precision approach radar, full development was done after the inquiry.

So we decided this entire system was done and we were fortunate to get a contract for INR 300 plus crores, which is under execution. Similarly, we would like to look at such contracts and see how do you want to build positions instead of tying up with somebody, can we build our own systems here? And with DRDO, we do a lot of radar subsystems. The exciter unit, as a subsystem, we have done for them. We also do the antenna as a subsystem for them. The signal processor is a subsystem for them. The power systems are a subsystem for them. But as a radar as a whole, almost all the subsystems are delivered. So we built the competency. Now we want to build the domain and the end system.

Jatin Jadhav: Okay. Got it. Got it. That — hello. Am I audible? Yes. Just I had another question. It is — just can you give me your guidance for this year, any numbers, the margins and the revenue growth?

S. Rangarajan: This year means FY ’23 or FY ’24?

Jatin Jadhav: FY ’24.

S. Rangarajan: We told you. We will do this 25%, 30% scaling. We can do coming year also.

Jatin Jadhav: All right. And the margins will be sustained as you mentioned earlier, right?

S. Rangarajan: Similar, similar, around 30, so 40% in the similar range.

Jatin Jadhav: In the similar range?

S. Rangarajan: We should be able to do is what I think. We've not gone into FY '24, as of now, we're still trying to close FY '23, the focus is here.

Moderator: We have our next question from the line of Akash Bachhawat from NAL Securities.

Akash Bachhawat: So. I just — firstly, congratulations on a great execution and I just have a few questions regarding your understanding of the business. We see our business is quite working capital intensive. And because of the nature of the business and the product, our inventories cannot be reduced, but if I see the prior years and all you had used a quite a few amount of debt and even in the last year you've used in the IPO funds to fund the working capital.

So is this the enabling resolution also to fund the working capital requirements of the firm? And if yes, like our counterparties are generally the government entities and PSUs, why aren't we using discounting mechanism or receivables? Like our receivables are high, we can get discount through banks and reduce our receivables. Why aren't we employing that, so if you can answer that?

S. Rangarajan: There are two things I'd like to explain. Working capital interest. Okay, that's a statement made. See, our company, the business model is slightly different from what everybody thinks that we are saying conversion cycle days is 300 days, 300 days may be right, but when you say working on an intensive, we take mostly non-fund limits from bank. So if you take our fund limit for example, at the present time, we probably have only used INR 2 crores to INR 3 crores out of INR 300 crores of non-fund.

So our contracts also comes with advance, stage payment to part delivery, and the final payment based on installation acceptance. Now, so actually speaking, we can manage the working capital without lot of fund based. We can manage it out of advances which gets out of banks, so out of our customers. That is how we have been managing it. So that is how it is presently also. But yes, we need to bring the cash collection days and the inventory days, we need to bring that down.

Inventory days is slightly going up because Today we want to bring it down this year, but we are not going up because of unavailability of components or not even visibility of when the components will come. So we gave a priority to say we need to execute contracts. And so we said we will buy ahead of time in store.

So that is being done. And as you go along coming here, it will start going down because this practice is the last one year. Now slowly the inventory position, available position is more predictable. So we will probably not follow that. As you go along once you get a bit more comfortable on getting components and you need them that is one. Point number two is the debtor days. So here what happening is yes we can do discounting but we do not necessarily do discounting because we are getting collections, we are cash positive.

Problem here happens is in some of the development contracts the acceptance test though it is done as per contract in our office. When they integrate the system, they take a lot of time to do system integration as a radar, as electronic warfare, as flight test. And they typically tend to keep the money with them for a long time without clearing it. That is why the debt-to-debt becomes higher. But we don't have any bad debts. We get zero bad debts in all these years. We never had a bad debt.

Akash Bachhawat: Sir exactly, exactly, because your counterparties are so good, government entities and PSUs. So you can't...

S. Rangarajan: The product has to work, otherwise there's problem with product. The products work. and this is maintained for last 20 years of operation without a problem. So we don't generally have a problem and as we go along we need to bring it. The more production orders start coming in, the lesser the tender cycles is going to be. So that needs to happen, but now we know we need learnt properly. Once we learn it, we know how to play the game. So, but we are comfortable now.

It will be brought down, working capital days will be brought down as we go along. I don't have an issue on funding this at the present moment. We don't expect funding problems as we go along. And whatever we are raising fund is going to be only for little bit portion goes to working capital. It is more to build strategic products for growth, not to address purely working capital. It may be a capex, it may be some test equipment, some infra. Because these are necessary to scale growth. The growth is happening in the next five years. This is the time when we have to have products to position ourselves rather than react to inquiries.

We can't react to inquiries any longer. Those days are gone. The timelines we had to react to inquiries those days do not exist now. Government is now saying, "I want emergency procurement. They'll buy and you'll deliver in 12 months. They want demonstration in 15 days." We can't do this unless we have a product portfolio which can position ourselves. Otherwise we lose the business. We found that the last 3 to 4 months time, a flurry of emergency procurement has happened. All products which we could have given some time, demonstrated, but since the lack of time we could not even participate.

We are saying no, this is not good enough. We need to say address markets as it evolves and this is not a one-off case. It is going to be the order of the day. And it is all number of them going to come to make too where we need to actually position the products and see that demonstration. If we do this early, we become early birds. Then the contracts happened earlier. So looking at how the market has completely metamorphized and changed, we said, we told the board that we need to take some urgent action and see that we position ourselves.

And we need to scale the business to many thousand crores a year. If you want to do that, we need to position ourselves differently and the opportunities are there. And we have the strength and the capability built over many years. We want to back down our capabilities and go to market. This is what we want to do. The fund is exactly not for, we don't have a working capital issue, we are a debt free company now.

Akash Bachhawat: Just my question in it, sir will you be in a way, will be picking up funds in tranches or have to go at INR 500 crores?

S. Rangarajan: These are things which we need to work out, we'll go to our bankers, will get the lawyers, discuss internally. It's a bit too early to answer the question, but we will do this in a few weeks top.

Akash Bachhawat: Okay. Okay, sir. And the second question, sir. My second question is regarding if I see historically your Q4 has been 52% to 55% of your revenues, so is the Q3 execution a reclassification of better execution, so therefore Q4 will be lesser percentage of revenue as a whole year or your Q4 will still remain 52% to 55% of your revenues?

S. Rangarajan: See, all of us would like to — our business today we are seeing 55%, 60%. Three years, four years back, it was 90%, 85% in Q4. So ours is a year end business all along. Now, we're able to taper that year end to quarterly sale, which is what the market wants, it's what you want and we want — like to do this because capital becomes good. And then, so we all want to do that, with the luxury of an order book and more production orders, they are able to then position ourselves properly and utilize infrastructure on a normalized basis, which is what all of us would like to do, we are going towards that.

But having said that, our guidance is what we get, we will exceed our guidance on the overall revenue this year. Since we have done well in the last first three quarters, we expect that the beginning of the year, we give a guidance of 25% 30% growth, I think on revenue. I think we will much exceed the guidance given. I don't want to get into exact specifics, but we will exceed guidance as we always do that.

Akash Bachhawat: Okay, thank you. Thank you so much. Thank you.

Moderator: Thank you. Due to time constraint, that was the last question. I now hand over the call to the management team for closing comments. Over to you, sir.

S. Rangarajan: Yes, see what I want to tell is this — that our internal estimates, we are exceeding on execution today. We have recruited — scaled our company from 700, 800 people to now more than 1,000 odd people. We also expect to get 100 more people in the coming two, three months. We will be building more competency top to down every area of organizations to build up a people base and employee capability, to address markets, is happening. So that is going to be a key internal decision taken. So we'll build capability, substantive capabilities as we go along.

Second key decision we've taken is to build infrastructure to address growth opportunity, which is happening. Everybody knows that Indian market is opening up the defense for Indian vendors today. It is a substantive opportunity, it is not a small opportunity, a substantive opportunity. The problem here is that since we never built full products in India, it has always been government-driven all through, it has taken a number of — it's going to be difficult for suddenly somebody to come out into industry and say "Hey, I have product here. I'll then — whatever anyway wants, I'll give the product." It doesn't happen like this.

So it takes lot of time to build the product, validate it, take in to market, especially in the defense scenario, especially because it's a multi-disciplinary product. So what people are doing is tying up with partners, making work share arrangement and offering the product to the market to the MOD. And now that the last five, six years opened this and gradually making it more and more tougher to direct imports. So this is happening, more Make 1, Make 2s are coming in, they allow you and development to happen during contract.

So that the direction is very clear. Government is very, very clear that this is not going to — this is not business as usual, import and integrate. They have to do this in India and build an industry. Having said so much on this, I think based on the capability, we've built, we're going to back ourselves up and address these opportunities and build an equipment supplier in India. This is not what is the case today.

So we want to differentiate ourselves, build the competencies, build products, address market and go for substantive scale. This is what I'd like to do. This is a game which I want to play. I hope it works out, but we are on the right track. The direction is very clear. We have a board, which fully supports us. And so we're going to give it our best move. So, thank you, thank you for calling and listening in. Thank you very much.

Monali Jain: Thank you, very much.

Venkata Subramanian: Thank you.

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