

Date: 26.05.2022

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- 400 001
Company Code: 543428

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

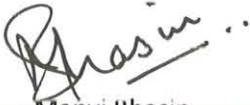
Dear Sir/Madam,

Further to our earlier intimation regarding the earnings call to be held on Tuesday, 24th May, 2022 for the Audited Financial Statements for the quarter and year ended 31st March, 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
Company Secretary and Compliance Officer



Encl as above



DATA PATTERNS

**“Data Patterns (India) Ltd Q4 and FY22 Earnings
Conference Call”**

May 24, 2022



**MANAGEMENT: MR. S. RANGARAJAN – CHAIRMAN AND MANAGING
DIRECTOR, DATA PATTERNS (INDIA) PVT. LIMITED.
MS. REKHA RANGARAJAN – WHOLE-TIME DIRECTOR,
DATA PATTERNS (INDIA) PVT. LIMITED.
MR. VENKATA SUBRAMANIAN – CHIEF FINANCIAL
OFFICER, DATA PATTERNS (INDIA) PVT. LIMITED.**

MODERATOR: MS. MONALI JAIN – GO INDIA ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY22 Earnings Conference Call of Data Patterns (India) Pvt. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Monali Jain Go India advisors. Thank you, and over to you, ma'am.

Monali Jain: Thank you, Steven. Good morning, everyone. And welcome to Data Patterns (India) Pvt. Limited Earnings Call to discuss the Q4 and FY22 Results.

We have on the call Mr. S. Rangarajan – Chairman and Managing Director; Ms. Rekha 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 highlights, subsequent to which we'll open the floor for Q&A. Thank you, and over to you, sir.

S. Rangarajan: Thank you, Monali. Good morning, ladies, and gentlemen. And I thank you for joining us early today for a full year's earnings con call. I hope you had seen the Results Presentation which has been uploaded in the exchanges and on our website.

Indeed, FY22 was a landmark year for Data Patterns. We successfully completed our IPO in December 2021 and have utilized the proceeds from the listing to repay our debt and create additional infrastructure. I'm happy to say that today we are a net zero debt company. While Venkata will take you through the results, I would briefly touch upon the execution strategy, order book development and future outlook. As you know, Q4 is still a significant quarter for us, and we've had many critical contracts delivered this quarter. Over the last 2 to 3 months, as you're all aware, we were all quite stressed because of the supply side constraints and the shortage in the IC market. We had to work diligently to overcome this constraint and fulfill all our commitments. We are taking additional steps to address these constraints, preorder early and see that the requirements for next year, orders on hand and expected orders are delivered in time also.

Our order book has grown steadily and we have now shown growth in all categories. The strongest growth has been in the development order book, which grew nearly 4 x to Rs. 121 crore in FY22. Some of the major orders we received in FY22 are from DRDO and BEL for radars to the tune of about Rs. 60 crore. The next biggest category was Avionics where we orders worth Rs. 45 crore. The other categories like Communication, Electronic Warfare and Fire Control Systems, also we had received orders worth Rs. 29 crore, Rs. 27 crore and Rs. 18 crore respectively. The important thing is these are all orders which can scale to multiple systems. The good thing also happened last year is that some of the orders we received last year r we have

delivered, for example, the Communication system or Radio, a very modern radio for fighter aircrafts has been delivered and they are undergoing flight test now.

Similarly, what we delivered on radar and airborne radar have undergone flight tests in Dornier. So, there are a number of success stories which we expect that will lead to additional orders in the years to come. Data Patterns is now a very well recognized company as a product company and is known for its R&D strength, engineering, and execution strength. We have built very strong competency model right from building blocks to end products and also future products which will give us the growth and also an edge in execution in the years to come. While we developed R&D Design and Engineering capabilities, so we needed to expand our manufacturing facilities to achieve scale. We utilized the IPO proceeds to expand our manufacturing facilities in Chennai and are setting up additional SMT lines and testing infrastructure. Accordingly, we will also increase order inflows and targeting to bid close to nearly Rs. 2,000 crore to Rs. 3,000 crore of additional orders in the next 2 to 3 years. These are all order pipeline based on already delivered contracts in the last few years, which we expect will come into production orders in the coming 2 to 3 years' time. More importantly than what we have done, also there are a lot of macro factors supporting a strong growth outlook for companies like us. There is a strong interest in make in India focus in the different segment.

You are aware that over the last few months, government has been canceling most of the government-to-government import procurements and ensuring that it is all redone with the Indian system and bought in India. There is also higher budgetary allocation in Defense with a 10% year-on-year growth in the overall budget. This ban on Defense equipment imports gives us also along with a strong capability to build end systems and R&D which we do, gives us a confidence that we can achieve scale in the coming years. We believe that we should probably do 25% to 30% increase in a previous year in FY23 and also maintain a healthy EBITDA margin of around 40% plus.

With this, I hand over to Venkata for his comments.

Venkata Subramanian:

Thank you, sir. And good morning, ladies, and gentlemen. We are happy to inform you that we have delivered a solid year and quarter in FY21-22. I would like to take you through the financial performances for the quarter as well as the year which has gone by.

Our revenue for Q4 has gone up by 9% on a year-on-year basis to Rs. 170 crore driven by strong growth in development contracts. Production revenue also grew to Rs. 102 crore contributing 60% of the total revenue of the quarter. Gross margin for the quarter stood at 65% and EBITDA at 51%, driven by strong operating leverages. Revenue on a yearly basis FY22 stood at Rs. 311 crore, up by 39% year-on-year, led by robust growth in all 3 segments of contracts. Development revenue rose highest in FY22 contributing 25% of the total. Gross margin for the full was at 72%, expanded by 375 basis points led by timely receipt of contracts and efficient execution of the same. We paid back the entire loan of Rs. 26 crore, both long term and short term and spent Rs. 38 crore on capital expenditure in FY22. The overall working capital days improved to 329

days in FY22 from 355 days in FY21. Improvement led by better management of receivables and favorable mix in revenue. Inventory has gone up in FY22 due to additional stock of raw material for future requirements.

We are also happy to inform that the company has recommended a dividend of Rs. 3.50 per share at 19.3% payout ratio which is subject to approval by the company shareholders in the AGM. Thank you.

And now with this, we will open the floor for question and answers.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Sandeep Tulsian from JM financial. Please go ahead.

Sandeep Tulsian: Sir, first question is pertaining to, if you can share, what was the share of single vendor contracts revenue that you have booked in FY22? And how does that contrast with your FY21 number? And where do you expect the single vendor contract revenue to head forward in future for FY23?

S. Rangarajan: I don't know the exact split of single tender to overall contract. Maybe I can send it across to you by end of day today. But if you take the contracts, the last FY21-22, whatever contracts in the book, most largely will be single vendor contracts. There are a few developer contracts which has come. These will be open tender contracts or limited vendor contracts in radars and such systems from LRDE, DRDO. Those are we won on L1 bid. But a large percentage of the contracts will be on single vendor contracts because these were based on end systems where many such companies have to bid together to make a system. Since we've built up a competency and a product program, a number of these contracts came as a single vendor contract, there's a large portion. The exact ratio, I will get you by end of day.

Sandeep Tulsian: And your presentation talks about all of these large orders, the Brahmos, FCS, Avionics, the RWR systems, ELINT and the others. So, based on these large orders, what contribution they should have overall when you're guiding for inflows for next year of close to Rs. 500 crore? How much of value of each of these orders can contribute to? And basically, we just want to understand how much contribution will come from larger orders, which we should monitor, and then balance, of course, can be split in multiple small sized orders?

S. Rangarajan: A large portion of our order book in execution for FY23 will be from radars. We have more than about maybe Rs. 200 odd crore orders left from the traditional approach radar. We expect to build about Rs. 100 crore of that from the existing contracts. On top of it, we have some development orders which we have taken from DRDO on radar subsystem, a large portion of radar subsystems. This will be order for Rs. 140 crore, Rs. 150 crore. Those also will get delivered during the course of this year. And then we're also looking at some additional airborne radar order based on what we already delivered, which is flying now are tested in Dornier. We expect some new variants of that. So, another Rs. 25 crore to Rs. 30 crore of order will go on radars. So, radars will be a large portion of our sales. The second area where substantial

contribution in sales will come from Electronic Warfare. We have delivered a number of systems. Last year, we delivered what is called as Dharashakti which is next generation communication intelligence systems. Very, very small, very compact, first of a kind in India was delivered and there is going trials now. Based on that and whatever we delivered on radar warning receivers and electronic intelligence for airborne systems which are already going flight trials, we expect a number of contracts to also happen this year on single vendor basis for more of platforms to be fitted with our equipment. So, that is again going to be a significant value proposition for the company. We also delivered some communication systems to fighter aircrafts. We expect repeat orders to happen this year. They are also undergoing flight trials. It is going to undergo LCA flight trials and other fighter aircraft flight trials this year. So, we expect some additional orders to also happen for both ground and air communications. The other order we're expecting is BrahMos has booked an export order to Philippine, back-to-back the flight control system order also we are expecting. We already quoted we expect the contract to happen now. The next major order book we will get, maybe not execute all of them this year, is in LCA Mk 1A program where we do the mission computer hardware for the system aircraft was designed by us. So, we expect some contracts to happen. There we already got some contracts last year, which we're executing this quarter, and more orders are expected in this quarter. The second area is the cockpit displays for the LCA Mk 1A, which we designed long back and additional orders are expected. This is under negotiation. So, we expect more orders to come. They'll be delivered this year or next year, we do not know, but orders are expected. So, we expect a fair amount of contracts about Rs. 400 crore to Rs. 500 crore worth of orders we expect this year. On top of it, we're also now quoting for very large systems. Other than subsystems and equipment, we're also looking at full system and quotations which we're hoping to get some very large orders as we go along. So, we think we are quite good in the order book. And these are all what has been done earlier and some orders we're getting on development contracts also. But the large portion will be radars followed by EW, then communications, fire control systems, avionics, and then lot of other small orders, which will make up 10s of crore.

Sandeep Tulsyan:

Sir, next question is on the share of developmental orders that has increased materially in the order book to 25% now. Should one be worried about the margins that you will deliver because these development orders typically have lower margins versus production?

S. Rangarajan:

No, that is not necessarily true. I've always made the statement. What we do is development orders, the gross margin remains the same, that is normally I'm saying. Of course, it varies from contract to contract. And for certain strategic contracts, because we need to position ourselves as L1 bidder, we may have to quote lower on the gross margin percentage. But what really we do is we absorb development cost, that's what normally we do, and that is booked as revenue expenses. So, as long as you're okay on the gross margins, and overall, you have the capacity to design and develop the existing kind of overheads which you have, we're able to do that, is still comfortable in delivering bottom line value, which you're talking about. That is point 1. Point number 2, a number of contracts, two things are happening. Once we increase our revenue, our operating costs won't go up as a percentage of revenue growth, it doesn't happen. So, it then comes into EBITDA. So, a good mix of production cum development orders is always important

to see that we get the growth which is necessary on revenue, maintain the bottom line or overall percentage, and also allow the development contracts to become the foundation to build larger production contracts in the years to come. So, it is always a good healthy mix to have both of them and not have only production contracts. Because we are now in a growing market, we need to build products. You understand that India, relies very largely on imported electronic equipment. There is hardly any company who builds equipment in India. We want to build complete equipment in India. So, that means there is enormous landscape on which we can paint. So, we need to get the development, get the building blocks up, go closer towards building complete equipment ourselves, as IP belongs to us. That's where the scale can happen and the growth can happen. So, I think we need a mix of both.

Sandeep Tulsyan:

And one last question from my side is on this recent third list of ban on imported equipment as well as another list of subcomponents that was announced. Are there any specific areas there which you can highlight and possible opportunity size that can come in your addressable market? If you can talk with some size and numbers over here, if you can guide us. And secondly, there is a competitor of yours, Alpha Design, I think when we look at their order book to sales ratio, they are more than Rs. 9,000 crore of order book with some Rs. 400 crore of sales, and they are very much in the same field. Why is there such a big divergence? Are we seeing some shift or some increased competitive intensity from such kind of a competitor? If you can give some brief comments on that also will be helpful, sir.

S. Rangarajan:

The first part of your question is a large part of this ban on imports, some part of it is what DRDO has designed. Wherever DRDO has designed areas where we also participate in those products, the ban helps us to say that the services we'll buy once production or at least orders from PSU or directly from organizations, in which case the scale and the opportunity happens. I can't give you a percentage of the ban because it covers a whole range of products from mechanical, ammunition, etc. So, really, we're not there in all the areas and we are in electronic parts of subsystems of a larger equipment. So, we can't give you a percentage and a value proposition there. But only thing is that yes, we will contribute towards doing certain things. And we are also using the ban as a leverage to try to build some products which is uniquely positioned in India, helps us to get a differentiation or a differential positioning in the market so that we get a better IP and a better value per dollar or rupee which we sell in India. So, this is the 2 things we're doing. It is good that this is happening and more made in India solutions are looked at. So, this is first part of the question. It is good, but we can't give you specifics or numbers. As regards second part of Alpha, yes, Alpha has done well, they have booked a lot of contracts as I know in the last 2, 3 years' time, but their business model and our business model are different. While we design in-house all of the subsystems in India with IP round the clock, work with DRDO, build equipment and grow. They have worked with a lot of foreign companies to build end equipment along with them on a technology transfer basis, and then getting orders in the open market in MOD and other sales situations. That market model is different, our market model is different. You would see that on revenue to EBITDA to gross margins to bottom lines, we are more a IP driven company. So, you see that the value proposition with the bottom line and value add which you do in India on our products is far higher than comparable ratio which you will

take with companies like Alpha. There are a number of companies who are in this field, large corporates like Tata, L&T, Mahindra, all of them are in the competitive landscape because they want to be equipment players and system builders. So, all of them tie up with foreign entities to build a local competency matrix to see that we address their requirements, which is becoming large. The market is becoming larger, the opportunities are becoming larger and I think that's exciting. For companies like us, when we do things in India ourselves, then we become a cost competitive, because a lot of AP gets generated here. And we will address the requirement, one. Second, Government of India has made it very clear that there has to be minimum 50% value add in India. When you do such kind of requirement, then it's going to be very difficult to buy and integrate systems and do 50% in India. We have to necessarily do design in India, do a lot more development in India to meet the 50% target. So, all this will drive towards more made in India solutions. And we are we are actually positioning ourselves to that, built up an organization last two decades of development effort towards trying to do value add in India and only import raw material or components which has not been in country like electronic ICs and all that. Rest of the things we've done here. So, the market model is different. Each approaches the market differently. We have approached it to as a completely truly Made in India solutions, designed in India. I think enormous opportunities are there for us. And we are expecting a lot more orders to come in the coming years because whatever we have developed last few years back, once they get into production, we will get a few Rs. 1,000 crore of contract happening. But the good advantage thing is when such contracts happen, the margins which you originally quoted with continue to remain there. So, we'll give you a good bottom line and EBITDA margin, which will help us build more equipment in India and build larger scale. So, that's the kind of approach we have taken and worked there for many decades. We continue to do design in India solutions.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: I wanted to understand in your opening remarks, you mentioned about order inflow to the tune of Rs. 2,000 crore to Rs. 3,000 crore that will come out for bidding which will come in the production phase. So, I mean this number that you were mentioning, is it only for you or is it at the industry level? And if it is at the industrial level, then how much it will be for us? And what is the broader split of these orders? That was my first question. And second question was on the competitive intensity side? How do we see ourselves versus competition to other listed players such as Astra or Paras or Bharat Electronics for that matter? How should we understand that?

S. Rangarajan: Whatever, talking about Rs. 2,000 crore, Rs. 3,000 crores is all pipeline orders which we expect to come our way, which will be largely single vendor orders because these are all based out of contracts already we developed 4, 5 years back and delivered to customers which has gone to trials. And based on the trials finalization now because the inquiries are expected from MOD. MOD goes to be BEL or HAL based on the technology transfer agreements with the DRDO, whatever we designed. Then back-to-back we will get contracts. We're only talking about these kinds of contracts in excess of few Rs. 1,000 crore. We expect the contracts to happen, the timing may vary. So, that is why we say 2 to 3 years, we will get the contracts going ahead. The

constitution of the contracts, largely this is going to be radar driven where a lot of products have been designed by and delivered by us in 2014, '15, '16, '17. And even today, we're doing a lot of developer orders for radars. So, that will be the bulk of the kind of contracts. Second area is going to be in Electronic Warfare where we have done substantive order development and design and delivered. So, we expect these two areas to be the two top area out of this Rs. 2,000 crore, Rs. 3,000 crore or Rs. 4,000 crore we're talking about. Then the communications, the other platform specific hardware which has been designed by us. So, this is the first part of your question. On the second part on competition, India is a large country, there's a lot of competition across the profile, competition metrics varies from MoD tenders or services where they buy end equipment. When you buy end equipment naturally they will come from companies like L&T, Tata, BEL, etc, a footing in that area and they tie up with foreign companies and then try to build more in India and be competitive and address this market. So, these are for large contracts, the large systems. The second area of competition is where development design is done in India, that is in some parts in HAL tenders, large parts in DRDO tenders where the subsystems and parts are contracted. There are a number of companies like Astra, Microwave, such companies, and a number of many more of such companies are there who compete with us in those areas of competency. So, competition is in two areas. The differentiation we try to do is try and build more in India. For example, if X company makes us good in certain areas of products, they have to buy Y parts from outside India or to make the end system possible. We try to make the X and Y in India or this end in India. So, all parts are designed in India. The result we can provide a competitive landscape in the sense that our raw material cost can be lower. Of course, there are a lot of development cost for developing, so we design from scratch. But what we've done is we've built building blocks and reused the building blocks. So, many years, we've tried to build the building blocks and reuse them. And this covers the entire spectrum of electronics, including power and high voltage and microwave usage. So, we do that. This is difficult model because it takes a long time to design, develop and build products, but we started journey ahead many years back. So, today we're in a situation that is helping us to be competitive in a landscape where people buy design, integrate and build, where we do design and build ourselves. So, we have a better raw material to sale price margin where we can have a competent cushion to sell L1 if required. And also because since we've been redesigning of existing products, our timeline today is also far better. So, this is where the differentiation is. We hope to differentiate further as we go along and build end equipment and compete in the large markets.

Mihir Manohar:

And just an extension to the earlier one. We are expecting roughly Rs. 2,000 crore to Rs. 3000 crore of an inflow largely on the production side in the next 2 to 3 years' timeframe. So, how should we see your company on the revenue and in the margins over the next 3-to-5-year period? Last question.

S. Rangarajan:

These are all tender based, equipment-based business. So, we can't be very clear. Only thing I can say is at the present rate, we are growing 25% to 30% year-on-year. We believe that that is possible. Maybe we can do much better than that. Some of the larger contracts happened earlier. We will do that. What I can say is this, we have a pipeline which is large. We have a delivery model that is competency based so that we can deliver the product. Since everything is designed

in India, we've setup infrastructure which is required to even test and validate is homegrown here. So, we have everything in house and it is internalized to us. So, we can deliver. Even if you give me tomorrow Rs. 200 crore, Rs. 300 crore order, we should be in a position to deliver over 3 years' time. We should be able to deliver because we have the in-house process to manufacture and test and validate and deliver and design has been done by us. So, we will scale 25%, 30% year on year in the next few years definitely. Whether we can do better than that is depending on the order timing when it comes, if it comes, we'll do faster. So, that is all I can tell at the present moment.

Moderator: The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: Just to sort of follow up on the previous questions of Rs. 20 to Rs. 30 billion of potential order inflow in the next 2 to 3 years. Just to understand the kind of investment, hypothetically, if this order comes in, the kind of investment that you would be looking into sort of capture this opportunity. Or is the investment already in place, the potential R&D spend that you will be probably looking at? So, some contours on those if you can kindly share.

S. Rangarajan: What we have done is till now we are an electronic manufacturing company. So, we had a pick and place line, the test infrastructure to manufacture whatever is designed by us. Now, the company is not only doing electronic subsystem, we want to build end equipment. So, towards that we need different kinds of infrastructure. So, we are doubling our infrastructure in terms of production capacity. In electronic manufacturing and testing, we put a lot of money on test equipment, a second pick and place line is ordered and that is going to come in. So, a lot of additional enrollment test requirements for final validation and dispatch. We are already in the process of installing all of those things. Plus, one more 1 lakh square feet of infrastructure has been created, it will be ready in the next 3 months where we've created a hangar space where we can bring in trucks, 10, 12 trucks inside the facility, outfit the trucks, we can bring 10 tons of equipment, gantry. So, we're creating a system integration space which was not there earlier. In line with the organization growth strategies, whatever we design at the end system, we should be able to design, demonstrate at least the prototypes, few pieces, which we will be able to develop and deliver to the customer. Now, this will form the basis for larger orders, a few Rs. 100 crore, Rs. 2,000 crore each order. If we're able to deliver end equipment. So, we have created infrastructure to do that. Now that is the second part we have done. The third part of the question, it says, Rs. 2,000 crore, Rs. 3000 crore kind of hardware, whether the existing infrastructure is adequate or not. So, again, if it's going to be let's say Avionics, we get few Rs. 100 crore each of them and we do some 500 pieces, 200 pieces or 300 pieces, all we need to do is some test equipment which we need to do because they can place line, we will produce a lot more than what is necessary so we can productionize and deliver. But it's going to be very large systems, for example, Ashwini Radar or radar system we need to get very large radars. It needs space, then we'll probably require a 10-acre land, put those infrastructure and facilities. So, it is dependent on the CAPEX. In future, it is going to be dependent on the kind of orders we're going to get. All I can say is we have created infrastructure for our scaling, we have the basic infrastructure to see that we produce whatever we have for the next few Rs. 100 crore or Rs.

1,000 crore of business a year. But of course, the incremental CAPEX may have to happen depending on the kind of contracts and the time of delivery of those contracts. And what we typically do is this will be percentage of the contract itself. So, it will be funded by that contract is what we believe that we don't have to really create such large infrastructure in anticipation to contract, I think that is not good because the timing of the contract is not within our control. So, if it takes time, we will then put CAPEX away which is not a good thing to do. So, when we get the order, we will create CAPEX as and when necessary, if it's so demanded. And initial delivery, for example, we have a government facility for test and validation. We will utilize this for the system. And in the process, for the second year of delivery, we should probably put the contracts in CAPEX, as necessary. I think we're comfortably positioned in terms of CAPEX.

I don't see very large CAPEX outflow in the coming 1- or 2-years' time. And if it were to happen, it'll be spelled out of the contract, which we will get.

Abhijit Mitra:

And what about employees, resources? I could see there are 818 employees in the organization. So, how does that bench churn need to be sort of ramped up to target Rs. 1,000 crore revenue and potentially Rs. 2,000 crore, Rs. 3,000 crore of orderbook? What are the thoughts over the next couple of years? Which are the areas where you're sort of trying to augment your team? And also, what's the succession plan if you can sort of briefly mention on that?

S. Rangarajan:

Today we have about 800 odd people working with us, more than 470 engineers are working. Again, if you look at ratio, it's very high our engineering capability. This is again with respect to our approach to design. We do design upfront; complete design build up so that engineering people will be far higher in the overall count of people. Second is our recruitment is on design, development, and the engineering capabilities. We have our own HR, which has been recruiting from fresh out of college. We go out and recruit people from college. We have a very strong in-house training department. So, we recruit, we train and deploy our people for our requirements. For the development team, we recruit some 100, 200 engineers year-on-year. This year, I think we are ramping up recruitment to because we expect large more contracts to come. So, we need to be people ready. So, there's a lot of emphasis towards recruitment and training, which we do in house. We're not typically recruiting from outside for development engineers, inside direct we recruit from colleges. However, we are looking at project management and such requirements. We're trying to look at recruitment from services and other areas. That also is on to see the big program managers are being recruited. Our own people are promoted to positions to take over. There is a lot of internal promotions taking place, a lot of training is happening. So, training and skill development is really important part in our overall process. So, we do this. The third area is, we have automated a lot. We find 80 plus are in QA and QC. This gives us a very extremely strong backup on quality process. So, everything is written down in our office, homegrown processes, we have guidelines, checklist, almost every activity which we do. Now, this is important because like you said, attrition is also part of the key because we are an engineering company. People come and people go. We get very good, trained resources. So, multinationals and large corporates in service industry in electronics recruit people from us. So, it is something which we cannot avoid. So, we are recruiting for attrition. We recruit for attrition

and training. We've been doing this for many years, we'll continue to do. But we don't lose many people in the middle and the top management level because it's like a family-owned company, everybody's very close knit, there's a very high level of ownership in the organization. So, there is a lot of motivation, internal motivation to see that we build end systems ourselves. So, there's a lot of belief within the company. So, that is as part of the ethos as organization. Yes, we are recruiting, we are filling management positions. We are also looking at what kind of bandwidths we need to have at various levels and how do we address the bandwidth requirements. So, that is all internal process which is on, which is very relevant and current. And we are addressing that now. As regards, for me it's a position. In just last Board meeting we made an Executive Director, my COO – Vijay Ananth has been promoted as a Director on the Board. So, on succession plans, we have ideas, what we want to do. It is being discussed in the Board. And we're looking at every key employees within the organization and say, what happens when we need more such people. So, the thought processes are on and processes are in place to see that we recruit, train people for positions so that the transition can take place as and when necessary and also to address scaling, which is bound to happen in the next few years. Yes, these are very valid questions and we understand the importance of this and a lot of emphasis and thoughts are going into trying to address these concerns.

Moderator: The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: Sir, just question on the presentation, you've highlighted a seeker model. Can you give some details on what is the development of this product? Where is it going to be used? And is the Rs. 2,000 crore, Rs. 3,000 crore order inflow which you have suggest also inbuilt in this number within that or it's outside that?

S. Rangarajan: I didn't understand the first part of the question. What did you say? I couldn't quite hear you very well.

Harshit Kapadia: Sir, the seeker model which you have developed, could you highlight what is the status of that seeker model? Has it been tested?

S. Rangarajan: That has been delivered. They are planning flight trials probably in a month or two. After flight trials, then a missile trial is planned. Since we're getting ready for the flight trials, so we have to await the results for the flight trials and based on the success of flight trials, we hope that it will get inducted and future production of BrahMos missiles will have indigenous seekers from us, but we have to wait two flight trials. I think it's almost ready, the trial directives. So, I don't know the exact date of the flight trials, but it is going to happen in the next 2 months. So, the next 4 to 5 months, we should have some news on the trials and how it went. So, that is the first part of seeker. And based on the seeker, modified seeker, we actually delivered a radar, for an airborne radar which flew in ordinary aircraft last month. There is a Dornier upgrade program for Navy, we hope that the Indian radars are selected for the program. If that is what we do, there is going to be sizable business from the Dornier upgrades, both on the radar as well as electronic intelligence, both we have flown and we need to make some additional systems to address all

the specifications of the requirement. So, I hope government takes the right decision and allows people like us to build the systems if it happens. That'd be very good opportunity for us. For the first time full airborne equipment is being designed in India and flown on military aircrafts. This is going to be a start because there is enormous opportunities in India for airborne systems, which we are continuously importing. There is not a single system which is designed in India. So, if we can position ourselves as an equipment supplier, it will give us scale. So, this is the first part of the question. It's just not the seeker, but the building blocks used towards it probably can be sold. We exported one version of that to South Korea last year. Last week, also South Koreans were here for more such requirements. So, we're also negotiating with them and discussing with them whether we can build some systems for the South Korean defense requirements. So, full design being done by us. These are all small radars, probably \$1 million to \$2 million kind of opportunities, but we want to build that competency model to see if export can be done on designed in India solutions. So, it's just not one product, it spreads to many programs. On the second part of the question of Rs. 2,000 crore, Rs. 3,000 crore. Again, a large part of it is going to be radars. A part of radar has been designed and delivered to DRDO, which has been accepted. So, we expect repeat orders to come from Bharat Electronics. The second area is going to be again the electronic warfare, which again we have to get orders from ECIL and Bharat Electronics. They are the transfer of technology partners for DRDO. There are other areas where we have made some inroads. For example, we won a contract nearly Rs. 18 crore for airborne communication intelligence and electronic intelligence upgrade for aerostat. Aerostat is a very large balloon which is tethered and it goes up to the sky where you're able to then, get all the electronic intelligence data. They're trying to replace what is originally imported from Israel. We won the contract in open tender last month. I mean, the negotiation is finished, we expect the contract to happen this month or next month, but the archived contract will be awarded to us. So, like that we're getting into a window where full equipment will be designed by us. We expect that these all will multiply with the first few pieces being delivered successfully, it will all multiply because the requirements are very, very large.

Harshit Kapadia:

And so, in the order inflow in which you highlighted of Rs. 2,000 crore, Rs. 3,000 crore, you mentioned the EW suites. So, where is the application for this EW suites largely? Will it be in the aircraft and helicopters? Where will the system be used?

S. Rangarajan:

Presently what we have done, there are 2 levels of equipment. One for airborne equipment, there are 2 such equipment for airborne. For fighter aircraft, we call it radar warning receiver. That means any fighter should know what are the radars which is tracking you. So, they will be able to immediately track the radar signals hitting your aircraft and position where the radar is coming from, what kind of signals so that you either jam it, countermeasure it or avoid it. So, firstly this has to be known. So, we built this systems with DRDO and some of them are flying, displaying in LCA, they're trying to see whether it can fit in further fighter aircrafts. So, we have some contracts, various contracts, various aircrafts, which are on delivery, some of it delivered and flight trials have started. This is the first part. Second part is the electronic intelligence. These are passive intelligence, that this is put in helicopters and such requirements where they monitor a very large spectrum of communication signals as well as radar signals up to 40 gigahertz to

say where it is coming from, what is electronic happening? Where are the emitters? are they classified in the ground or in the air? So, in our a map of enemy territory what radars are happening there. So, this is called electronic intelligence or signal intelligence. We've at this time build the complete system along with DRDO including all the software, algorithms, everything. So, these are all flying now. So, all of them when you go into some upgrade or new aircraft requirements, if this becomes a standard buy, then you're talking about few Rs. 100 crore requirement per sector per helicopter or per aircraft, and which will be spread over many years of delivery based on the upgrade requirements. So, a couple Rs. 1,000 crore worth of contracts is possible in these areas, provided these are successfully deployed in all the aircrafts, flight trials have happened in Air Force and Army Navy, like what we've seen then based on which the contracts can happen. But these are all feeding contracts, so this can be very large. The second area of electronic intelligence are the ground and the Navy. Till now we have not gone into the Navy, but we are expecting to go to the Navy in the coming year. But as of the ground, we have delivered all the communication receivers. We also built the electronic receivers up to 14-18 users and we are now upgrading to 40 gigahertz. So, these are all truck mounted systems which goes in groups of trucks on our border area, listening in to enemy signals which is happening. So, to understand what is the signal and if there is communication happening, decrypt the communication. Who's talking in the radio? Can we hear the voice again? Can we jam them? These are the things which goes into electronic intelligence. We've built a large part of the systems, especially the electronics for this. Again, these are all expected to go into some numbers in the big programs. So, that is where EW focuses as far as radar part is concerned.

- Moderator:** The next question is from the line of Akshay Kothari from Envision capital. Please go ahead.
- Akshay Kothari:** Sir, I just wanted to know what would be our working capital cycle in developmental orders? If you could give a sense of that.
- S. Rangarajan:** Pardon, can you come again?
- Akshay Kothari:** What would be our working capital cycle in the developmental orders and the production contracts?
- S. Rangarajan:** Development orders working capital cycle is longer because we first build a prototype, let us say 10 pieces are delivered. We need the first piece to go as a prototype, then will go through certain qualifications, it goes in 30 all different tests, from sandblasting to humidity to high temperature, low temperature, vibration, there are a lot of tests which has to be to be done and then put together and develop the systems to work. So, we buy the material, go through the process development, get the acceptance. Based on this the other production happens. So, the development cycle, the working up cycle is long. And also, acceptance sometimes in some complex situations, where ours is a part of the overall system, they have to integrate with other systems, then acceptance takes a longer time and probably some consequent changes will happen based on integration requirements. So, this gets stretched sometimes. Production cycle is far shorter because we're very clear when the delivery is. The second advantage is going to be that

there is no design development taking place in the production contracts, everything is clear, acceptance is very clear. There is no change in terms of goalpost once you take the contract. The second portion of the production contract is that typically we get some volume production, whatever the volume you can shop in defense, but it is scheduled over many years. So, there is a quarterly or half yearly or yearly delivery and money flows also there. So, we can buy as per our requirements, produce as per the delivery schedules, and see if the collection is done after acceptance test. So, the cycle is lower, but it can vary between, even there we can vary about 6 to 9 months production cycle because component procurement is a long lead time component. Then production also, retaining the production, both validation tests, third party QA also takes time, 3 to 4-5 months, it takes because production happens. Then delivery, delivery acceptance may take 2 to 3-4 months' time, because the third-party acceptance it has to be field acceptance. So, this is on the Army, Navy, and the Air Force. But if it's going to be production to HAL and BEL or BrahMos, acceptance happens in 1, 1-1/2 months' time. So, 2-3 months' time we're able to get the money. And all of these also has advanced clause. So, we do get some cash flows in between. You see that everything is not actually funded by us and anticipated. So, a mix of combination is available.

Akshay Kothari:

Sir, you did mention about exports and what we are doing with South Korea and all these government. Just wanted to know regarding the indirect exports. Like if we are supplying radars to BEL, and we have been seeing that BEL is getting a lot of export orders and they wish to grow their export order book phenomenally. So, could you give us a sense of are indirect exports, like if we are supplying to BEL or HAL, so a part of that, would it be going to any other country?

S. Rangarajan:

At the present moment, I'm not able to visualize or give a number on indirect exports to BEL or HAL, maybe at a later date. But presently I do know the programs we're supplying to, it's all coming to India back, again it's MoD tenders. So, at the present moment I can't give you a very clear answer to that.

Moderator:

The next question is from line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil:

So, sir, going forward, you will be targeting complex systems. With these larger orders, can we say our working capital can come down due to higher amount of advances?

S. Rangarajan:

Advances are order specific. But what I can tell you is the working capital cycle will come down in the coming years because the production orders become a large portion of the contract, and development contracts are lesser portion with the result what happens, the one cash flow becomes quarterly. So, instead of bunching up towards the year end, everything shows up as outstanding in the last quarter. If you find in the last few years, we've been doing 80% in the last quarter, but last year '21- '22 you'll see that quarterly profits were there and the last quarter about 50% to 55% of the turnover was done in the last quarter, but there was quarterly profits and quarterly delivery happened. This happened because we had a large number of production order and where delivery could be done quarterly. Same thing will happen this year also. Though there is a piling up of contracts towards the end of the year, the pile up is not 80% for the last

quarter. It is now gradually going to 40% and the rest will be done in the first 3 quarters. So, this is also because the production contract and the sizable visible order book which we have we were able to deliver in phases, our cash flows will become better. But we have to better manage and so net working capital cycle will come down. That is a major part of this and more and more that happens, if you find that as a percentage of the turnover and working capital days, I expect you to keep coming down year on year.

Anurag Patil: And second question, for development, production, and service, is it possible to share typical EBITDA margins?

S. Rangarajan: Service will be more than 90% because it's only manpower. EBITDA, I wouldn't be able to say exactly.

Venkata Subramanian: EBITDA on a segment level will be difficult but gross margin typically remains the same at around 65% to 70% in all the contracts. It doesn't really differ due to the nature of the contract being development or production. Service contract typically about 90%, 95% is overall margin it's only the manpower which is used.

S. Rangarajan: Having said that, I think going ahead, we may take some aggressive positions depending on the strategic nature of the contract, where we will probably control the percentages and then bid. So, the good thing is we have a margin profile. The good thing is we have order book, which gives you the previous margins to continue to go high EBITDA year-on-year which we are projecting to you. This is all good things. And also know that we need to scale the company and grow into strategic areas, we may take some aggressive positions going ahead to see that we need to scale the business to make it Rs. 1,000 crore, Rs. 2,000 crore kind of business. So, we need to get the initial positioning inside. So, since we have the competitive headroom, pricing headroom which we have, we may aggressively quote also. So, this is going to be order specific, competition specific and the strategy specific for the company. But you can't really split it in these 3 modes, and more in terms with respect to competition and strategy.

Venkata Subramanian: As an organization, we are confident of sustaining the 40% plus EBITDA margin.

Moderator: The next question is from the line of Narendra Mhalsekar from IIFL Securities. Please go ahead.

Narendra Mhalsekar: My question is, you mentioned about supply chain constraints and raw material availability issues. If you could elaborate on the measures taken by you to tackle these shortages? And how will this impact our execution say for large programs like precision approach, radars, etc, for FY23?

S. Rangarajan: What we've done if you see our balance sheet this year, you will find the stock holding has gone up by about Rs. 30 crore, Rs. 40 crore compared to previous year. What we're doing is because of this last minute not received components, it may affect our production schedule. So, we are already ahead now. Earlier used to order just in time so as to reduce the inventory holding, but

now we are doing that. Because last minute surprises are happening on some components, and 98% we'll have, 1% doesn't come, we still can't ship. So, we're ordering ahead. That is one thing which we're doing. Second is some of the orders which there are component issues, delivery delays for 3 years, 3 months, 6 months, and then see what is it we can deliver ahead of time, because we have the luxury of contracts in hand. We can play around with some orders and see we can deliver ahead. But we need to ensure that the deliveries are going as per requirement and the customer also understands there are issues in components, it's not really that we are delaying but there is a genuine problem in the market. Everybody understands that. Of course, they don't like it, but they understand it. The third area, what we're doing is where supply delays is going to be very large, for example, is every 2 weeks, 75 weeks, 100 weeks, if we say we need to deliver it. We're also taking a position of redesigning some of the hardware to see that available components are put in. Wherever it's possible, the design is allowed by customers, we redesigned some of the parts with available parts. So, with probably 3 to 5 months delivery delay, we're able to dispatch the consignments. So, all 3 measures we're doing and also we continue to save the future orders we're expecting. Fourth thing we are doing is whatever expected contracts, single tender contracts are going to come, maybe it'll take a few more months to get the order. But then I can probably deliver it ahead if we preorder those components. So, we are taking marketing projections and commitment from marketing to create work orders to see if that component orders or at least long lead time component orders are pre-ordered. So, it is a number of measures to see that. Whatever targets we set for ourselves has not really slipped.

- Moderator:** The next question is from line of Vijay Goel from ICICI Securities. Please go ahead.
- Vijay Goel:** Sir, just wanted to understand one thing. As you've mentioned in the presentation that key orders in the pipeline, Avionics or LCAs and next generation software defined radios for LCAs and Sukho-30 upgrades. So, just wanted to understand is this avionics opportunity for us is only for LCAs or it is to helicopters also like LCAs or LUS? And if you can help us understand the total opportunity in avionics space. And my second question is, I mean, you mentioned in one of the presentations that Rs. 2 crore per aircraft opportunity in software defined radios. So, if I assume I mean, ATC, LCAs, and 270 Sukho-30 upgrade, so roughly 350 numbers, so Rs. 2 crore per aircraft is Rs. 700 crore opportunity is there in this. I mean is my understanding correct?
- S. Rangarajan:** I'll tell you. Vijay, I couldn't hear the first part of question because your voice is breaking. Can you just give me a short question o that I'll be able to answer?
- Vijay Goel:** Sir, actually, what I was saying I just wanted to understand in avionics space, is this opportunity for avionics for us only for LCAs or it includes helicopters also, like LCH and LUH, which HAL is producing?
- S. Rangarajan:** Let me give you a broad answer to that. What happens when you develop something with DRDO, it is easier to test and validate it in the DRDO aircraft which is LCA, okay? So, that is what first we do and also some Dornier and things like we validate systems with the audio, the opportunity is not necessarily LCA alone, because even for LCA, the imported equivalent is already

considered in flying. So, when you are trying to build a system here, we're trying to look at how indigenous systems can fly while in competition with the imported systems. So, that is what we're doing. The opportunity is not just LCA, the opportunity is for everything else, it can go to Dornier, it can go to Sukhoi-30, it can go to MIG-29, it can go to other Helicopters of LUH and LCH, so all the opportunities are there. As a matter of fact, HAL also is looking at how to reduce or improve Indian content in all their aircrafts and helicopters. So, there is a need and Government is pushing them to increase content. So, obviously when we have a choice where I meet international specifications and then it is all Made in India at lower Indian content, there is a hope that we should be able to convert those opportunities into real contracts. But these are all work in process. We need to do this, the opportunities are real, the opportunities are large. It is a pan all aircraft. But we need to go over them, test validate, get customer acceptance and then there's a government push, and we're doing push from this side. So, as long as everything works out in satisfactory, yes, the size of business is very large.

Vijay Goel:

And sir, one more thing just wanted to understand. And you mentioned in one of the presentations that mean Rs. 2 crore per aircraft opportunity in software defined radios, next generation software defined radios. So, I mean, assuming this 83 numbers of LCAs and 270 numbers of Sukhoi-30. So, are you saying that Rs. 700 crore of opportunity is only from the software defined radios.

S. Rangarajan:

This is a large opportunity. Presently, we are importing it from Rafael of Israel and our Services is quite happy with the product performance. So, it is up to us to actually give an alternative, that this product is as good or better than what we're importing. Once that is satisfied, there will be support for the services or users because users have a requirement and ensure that we meet their requirements. So, we are working towards meeting their requirement, jointly we're working. They've delivered the first pieces; the flight trials have started. Air Force is getting involved to look at the flight trials. So, in the next few months, we'll know how it pans out. And we will I'm sure address all their concerns, i.e., if it were to happen. I think the product is very good. It meets and exceeds specifications. One on one plus, it also has Indian encryption, which is not there with imported radios. So, we have done our portion of the job. Now DRDO has to flight test and validate it. Once that is done, whatever opportunity you're saying is possible. But will it happen today, tomorrow? I don't know. But there is an opportunity. There is a pipeline and we need to address the pipeline, the product has been designed and delivered. And it is going to flight test now. The opportunities are very real. Yes, there is a large opportunity and that is why everybody is competing for that opportunity.

Moderator:

The next question is from the line of Kenil Mehta from Omkara Capital. Please go ahead.

Kenil Mehta:

Are we going to contract BEL and HAL for indigenizing their LLU subsystems or the EWS for LCH and ALH line interface and detecting units for radars and PLL, DRO for RF signals. And also the thing is due to the existing building blocks, capabilities being in existence, don't you have competitive advantage over other players in bagging these orders in next few years.

S. Rangarajan: I can't directly answer this because I am very specific about the requirement. You've made a general requirement on BEL, HAL, JWL parts of indigenization. I can give you an overall answer. On a competency matrix, we are very high up the hierarchy with respect to competition, especially on the EW. We built everything there. If you look at the electronics and EW, we built from processor to RF Microwave to all the domain, classification, identification, software, algorithms. And we do this for all platforms. So, we have a competency matrix that is unmatched as of now in India. So, if you take it as if that is the only thing, yes, we have a competitive edge over them. But that may not be the only thing because they may also offer something from a foreigner, Made in India solutions. This is already playing. They may have other areas because I'm giving you flight worthy system already, which is already flying, maybe the customer would like it. So, it's not just a competency model or a capability model. It is also on the market model, what they look for. But what we're trying to do is from the competency model, we're trying to push the market to get a competitive edge. Yes, that's what we're trying to do. And DRDO is supporting us in this program because it's a joint development effort. So, they are also invested in the program, a lot of money and effort has gone through all of us. So, we expect that at the end of the day we being successful because products are international quality.

Vijay Goel: Also, just one more question. Can I squeeze in?

Moderator: Sorry to interrupt, but we have participants waiting in the queue for their turn as well.

Vijay Goel: Okay.

Moderator: The next question is from the line of Ritwik from One-Up Financial Consultants. Please go ahead.

Ritwik: Sir, just one question. We are looking to scale up our revenues over the next 3 to 5 years multifold. And you mentioned in the presentation that our working capital in the medium term should be between 280 to 300 days. So, how do we plan to fund this working capital? We have cash on the books, which will be used for CAPEX and working capital. So, till when do you expect this cash on the books and internal accruals to fund the working capital? And then after what point of time will be require to raise money to fund our working capital? Or can it be met internally?

S. Rangarajan: On the Rs. 200, Rs. 300 crore, I expected to keep rubbing down the years to go, the net working capital requirement has come down. Point number 2, we have advanced against most contracts. So, if you look at the working capital today, if you take if you take let's say my existing limit, or what we're getting now say Rs. 250 crore on which fund limit is 25 and non-fund is Rs. 225. So, most of the working capital which we are getting now is all a non-fund limit, bank guarantee limits, for adverse bank guarantee, security guarantee, warranty guarantee, etc. So, that is a kind of a non-fund limit, actually fund limit is much lower, point 2. Point 3 is since production contract has been happening, unlike earlier days it's not getting bunched up toward the year end. So, we get quarterly revenue and quarterly delivery. So, cash flow gets tightly distributed over

the years. So, that also helps us to reduce the overall working capital days as well as see the capital are operational. Point number 4, if you look at it, our gross margin is 65% to 70%. So, what really happens is and that 15%, 20% 30% of the overall contract is which is covered by advances. So, that also takes care of some of the working capital requirements in the company. So, the gross margins are higher and the and the bank guarantees are also there and fund advances are also there. I think we should be able to manage the working capital well. And another important thing is you're also earning a fair amount of cash into the year. We are net cash positive year-on-year. So, I think we are quite okay with funding of working capital without a problem. I don't see any immediate need for additional funding requirement of working capital and our fundability is very high. Even bank fund is available.

Venkata Subramanian: Bank fund is available and we have necessary gearing available through the financials.

S. Rangarajan: That's not a concern now.

Moderator: The next question is from the line of Jay Naik, an individual investor. Please go ahead.

Jay Naik: Thank you for the opportunity, sir. Sir, I just wanted to understand our capability and opportunity for unmanned aerial vehicle side. And our strategic partnership updates if there are any with the Indian companies or the multinational companies that you spoke about in the last call.

S. Rangarajan: On the multinational side, we have some kind of cooperation with Leonardo. We are already exporting our signal processor for their airborne radars to UK. We've been doing that for a few years. Matter of fact, last month, we dispatched 100 systems to them, they're very happy. Throughout COVID, probably we're the only company we didn't miss a single delivery to them, month on month we delivered without any delays. So, they're quite happy. We are having some long-term relationship with them and we expect to build that relation further. They have recently won a contract where our system design for them has also gone to Predator UAV. So, if India buys hopefully, we will have some parts of it coming to us in India. Till now it's going out across the world. So, there we have some opportunities internationally where we are going to address requirements, the subsystems we are doing. As far as Indian opportunity is concerned, Tata Advanced Systems is building their own UAV, surveillance UAV. We also, getting some contracts in that for IFF to radio, things like that. We're trying to push here some. We're also discussing with them in other electronic integration systems for them. So, we need to finally build an ecosystem in India, with Indian equipment manufacturers, I think that will happen with the more Make in India solutions happening. So, we need to also look at partnerships in the local area with larger companies and platform companies, we are attempting to do that. And some successes we already had some, some modest initial developer orders we have to deliver this year. So, we're trying to maximize one by one. We'll try to take off those equipments on the UAV markets. But we just started doing that. There were some new vendors in India, and we need to look at what applicable programs or products we can put on the size of the UAV, because not all of them are large UAVs, so we cannot accept weight and power. So, we've to look what

will be our solutions, what markets and see whether we can produce some of the or develop some systems towards that UAV market.

Moderator: Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Sir, you mentioned that your production order for working capital cycle is lower. If you could quantify that, and what level of benefit would we get when production cycle would kick in revenue for us?

Venkata Subramanian: Overall, working capital cycle will be, if you're talking about the collection cycle, it'll be around 60 to 90 days, whereas in the case of development context it will be substantially more. But on a scenario of entirely revenue being out of production contracts, our overall net working capital cycle will be substantially lower from what it is today. It'll be around 210 to 240 days, but considering our revenue mix, we are expecting it to be around 280 to 300 days expectation

S. Rangarajan: Because we're also taking a lot of development contracts year on year. So, that is also happening. So, if the ratio becomes more production, the working capital days will come down.

Moderator: The next question is from the line of Janak Lotwala, an Individual Investor. Please go ahead.

Janak Lotwala: My one query is regarding; can you throw some light on what kind of opportunities are we targeting in the export market and the collaboration that we have with domestic players? Is it in defense, non-defense and maybe if there is some opportunity size that you can help us with?

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

Venkata Subramanian: Part of your question actually got lost. Can you please come out?

Janak Lotwala: Can you throw some light on the opportunities that we're targeting in the export markets, the collaboration with domestic players? Is that in defense or non-defense areas as well? And maybe if there is some opportunity size that we're looking at?

S. Rangarajan: No. We are at the present moment working with Defense customers. We're having some business with Leonardo. We are looking at some South Korean business. We are also looking at some German parts where we are designing some hardware, they are putting their software. We're trying to take it global. So, some work is going on. We're also working with a Czech company to take our products and combine their software to market it in Europe. So, there are some process which is on. We're also talking to some UK companies to see whether co-development is possible. But it's a bit early for me to give you numbers and revenue. But yes, there is some work going on. Already, we're building some export from here. Of course, it's not very large, but maybe 5% to 7% of our business is getting exported, maybe it'll go up to 10% in the coming year. We don't know exactly what will happen, but we are talking to a number of

companies. But these are all actually products designed by us, where the IP belongs to us, IP shared, these are all production only contracts. So, this is products designed for India or European markets.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for their closing comments? Over to you, sir.

S. Rangarajan: Thank you very much. Thank you for all participating in this conference. If any of you have any further questions, you can always post it to Go India, and we would immediately respond to those questions to them. Thanks a lot for all of you for your patience and for the interest. Thank you.

Venkata Subramanian: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Go India Advisors, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.