



“Data Patterns (India) Limited
Q4 & FY25 Earnings Conference Call”
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MODERATOR: MS. MONALI JAIN – GO INDIA ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Data Patterns (India) Limited Q4 and FY '25 Earnings Conference Call hosted by GO India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Monali Jain: Yes. Thanks to you. Good morning, everyone and welcome to Data Patterns (India) Limited Earnings Call to discuss the Q4 and FY '25 Earnings. We have the senior management of the company on call: Mr. S. Rangarajan, Chairman and Managing 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 risks that company faces.

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

S. Rangarajan: Thank you, Monali. Good morning, ladies and gentlemen. I'm pleased to welcome you to our Q4 and full-year FY '25 Earnings Call. I trust you had the chance to go through our earnings presentation, which is available on the stock exchanges as well as our company website. Before Venkat takes you through the financial performance in detail, I'd like to begin by sharing some key highlights and strategic updates for the quarter.

First of all, I'd like to begin by congratulating the Government of India and our armed forces for their resolute and successful handling of the recent India-Pakistan conflict. This decisive response has once again demonstrated the strength, preparedness and technological superiority of India's defence capabilities. The successful deployment of the BrahMos missile has played a pivotal role in the mission, stands as a testament to India's indigenous defence innovation.

We at Data Patterns are proud to have made a small, yet meaningful contribution to the BrahMos program and it is a moment of great pride for us to support the nation's strategic defence initiatives. It gives me great pleasure to share that Data Patterns has delivered a strong financial performance in Q4 and for the full year. We've achieved a remarkable 36% year-on-year growth for the full financial year. Our Q4 results were particularly encouraging with revenue doubling compared to the same quarter last year.

We are proud to have achieved our guided revenue and profitability targets for the year, reflecting our execution and operational discipline. While gross margins saw some pressure due

to low-margin strategic contract delivered in the Q3, Q4, this is largely offset by a few higher-margin projects, allowing us to maintain healthy financial performance. Gross margin for the full year was 61% and PAT margin was 31%. PAT grew by 22% in line with our guidance.

We remain focused on driving sustainable bottom line growth and are confident in our ability to maintain both revenue and PAT momentum in the future. During the quarter, fresh order intake was lower than anticipated, largely influenced by external factors beyond the company's control. As a result, our overall order book for the year has been modest. We continue to maintain a healthy pipeline and remain confident that these delays are temporary and will translate into stronger inflows in the upcoming quarters.

The company has made strong strides by initiating development of future-ready products and gearing up for several large upcoming contracts. With these strategic efforts underway and a healthy pipeline ahead, the company remains optimistic about a strong order inflow for the full year.

Data Patterns received positive feedback on the product showcased at the recent Aero India. Company's commitment to R&D has driven several new innovations, positioning us to seize larger opportunities this year and beyond. The defence ministry focused on doubling orders and ensuring a steady supply chain over the next 4-5 years. Data Patterns is well placed to benefit from the growing defence sector in India.

We have advanced in the value chain by developing integrated systems with reusable building blocks, leveraging our core strengths. This has enabled us to expand into key global markets like Europe and East Asia. Moving forward, we are shifting our focus to complete systems to grow our addressable market. Our goal is to become a leading system supplier, serving both India and other countries.

With the required manufacturing and testing infrastructure, skilled workforce and enhanced delivery capabilities, we are well equipped to meet international market demands. During the full year, we achieved some large orders for radar, EW orders from MoD, PSUs, etcetera. We have also developed and delivered transportable precision approach radars. This is expected to open a few more opportunities in the near future.

As of March 31, our order book stands at INR730 crores and as on date, order book is at INR860 crores, including negotiated contracts. Our international order book stands at INR107 crores as on 31 March. We remain optimistic about delivering strong growth and are firmly on track. We anticipate a good ramp-up in order inflow in FY '26 and remain confident in achieving 25% to 30% -- or 20% to 25% revenue growth for FY '26 while maintaining strong EBITDA margins at 35% to 40%.

We are happy to inform you that our Board has recommended a dividend of INR7.9 per equity share of INR2 each, which is subject to approval of the shareholders. With that, I will now hand over the floor to Venkat for his remarks.

Venkata Subramanian: Thank you, sir. Good morning, ladies and gentlemen. We are pleased to share the highlights of our financial performance for Q4 and full-year FY '25. Let's take a closer look at the financial results. In Q4 and FY '25, we are pleased to report a strong quarter and a solid close to FY '25, marked by significant growth both in top and bottom lines. Revenue for Q4 FY '25 stood at INR396.2 crores, up 117% year-on-year and 239% quarter-on-quarter.

Development contracts contributed to 57%, while production contracts and service contracts contributed to 42% and 1% of the Q4 revenues respectively. Radar and ATE segments were key revenue drivers contributing to 60% and 20% respectively. Our order book remains strong at INR730 crores as of 31st March, 2025. With the orders negotiated and yet to be received, the order book as on date stands at INR860 crores.

Gross margin for Q4 dipped slightly to 49% due to delivery of low-margin contracts strategically taken by us. However, for the full year, the gross margin stands at 61%. EBITDA for Q4 was INR150 crores, up by 61% year-on-year and 177% quarter-on-quarter, with margins in line with the guidance at 38%. PAT came in at INR114 crores in Q4, growing at 61% year-on-year and 155% quarter-on-quarter with a strong PAT margin of 29%.

For the full-year 2025, revenue reached INR780 crores, up 36% year-on-year with 53% from production and 43% from development contracts. Gross margin for the year was 61%, EBITDA stood at INR275 crores, up 24% year-on-year, with a gross margin of 39%. PAT for 2025 was INR222 crores, up 22% year-on-year with a strong PAT margin of 31%. We remain a debt-free company in FY '25 also.

As of 31st March 2025, we maintain a robust liquidity position with over INR453 crores in cash and cash equivalents. As mentioned earlier, we remain firmly on track to meet our stated guidance of 2% to 25% revenue growth. With that, I now open the floor for questions. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Dipen from Phillip Capital. Please go ahead.

Dipen: Thank you for the opportunity sir and congratulations on a very strong performance and also congratulations on your contribution to Operation Sindoor. Sir, my first question is in the line of, sir, in the earlier quarters that you had mentioned that some of your revenue recognition was impacted due to a client request on deferment in delivery. Sir, are those orders now delivered? And is it possible for you to quantify those?

S. Rangarajan: Some of it has got delivered. Some is yet to be delivered. We are still waiting customer clearance inspection for some of them. I wouldn't like to quantify the order value, but I think this quarter or next quarter, that also should get delivered.

Dipen: Got it, sir. Sir, my next question is that in your PPT, you've mentioned that BrahMos seeker has now been successfully tested. So any feedback or any clarity in terms of when you will get any orders? Are there any further processes that yet to -- which are currently undergoing?

- S. Rangarajan:** Yes. We've been waiting for the flight tests on the missile to happen for quite some time now. We're happy to announce that the flight was carried about three to four weeks back. There's an excellent flight, textbook flight and textbook performance, we expect that in shortly, we should get more -- some more orders from BrahMos for the development of additional units will be asked. Following up with that, we expect also production contracts to happen. Maybe in the next month plus probably another year, the production orders also should happen.
- Dipen:** So production orders are expected in next year, you are saying?
- S. Rangarajan:** May happen this year, but it will happen early, but they are also -- they would like to replace imported seekers with Indian seekers as per mandate. And the products work very well. They're also pushing us to see that we get all results ready for delivery at the earliest opportunity.
- Dipen:** Got it, sir. Sorry?
- S. Rangarajan:** It should happen.
- Dipen:** Got it, sir. Sir, can you help us with what are the systems that you're supplying for BrahMos?
- S. Rangarajan:** Today, we do all the launchers for them. Ground-based, mobile-based launchers for all three services; Navy, Air Force and Army. We also supply the air version on Sukhoi 30. And the test systems for all of three areas. As now the seeker is also tested, hopefully, we'll get some contracts to deliver those also.
- Dipen:** Got it. Sir, your performance in FY '25 has been robust in terms of your export orders and export revenue as well. So right now, we stand at close to around INR100 crores in export orders. Any export orders which are there in the advanced stages in pipeline?
- S. Rangarajan:** We are discussing with -- to some requirements. We've quoted for some. We are awaiting results from the quotations. And also, we've appointed some representatives for these products of ours. It's already delivered in India and abroad. We expect some traction to take place during the course of this year.
- But I can't really comment on exactly which order will come at what time. So we don't know the international competition for all these products. Well, there are not many companies in what we want to do, so we expect some contracts to happen.
- Dipen:** Got it, sir. Sir that's all from my side.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from JP Morgan. Please go ahead.
- Atul Tiwari:** Thanks a lot and congratulations on very strong set of numbers. Sir, I have two questions on future order intake prospects. So the first is slightly longer term. I mean, if you could shed some color and light on what is the opportunity size that you are trying to address through all the R&D and the development efforts that you are making, say, over next 4, 5 years?

I mean, there is a value of orders that you could be bidding for based on your capabilities and R&D programs that you are undertaking. So that is a slightly longer-term question. And for FY '26, what will be the size of order intake? Or what is the prospects that you are bidding for?

S. Rangarajan:

The products are developed -- basically, we have taken advanced development of various products in radars and EW and communicate systems as well as seekers. These are all -- this is -- we intend to see that we scale the opportunities in India and our own top line. We expect that the size of opportunities or the TAM for all this probably vary between INR20,000 crores to INR30,000 crores.

So each -- this is why we took out -- took money from the market in product development. These products are in advanced stage of development. Regarding FY' 26, some of the orders have got delayed, what we were supposed to get in FY '25, but we expect those contracts to happen. And maybe it's somewhere between INR1,000 crores and INR2,000 crores is what we expect during the course of this year to get orders.

And planned -- based on the planning of those orders, we already started some work in development and infrastructure creation as well as component ordering expecting these contracts to happen.

Atul Tiwari:

And sir, this INR20,000 crores to INR30,000 crores TAM, it will be over what period of time broadly?

S. Rangarajan:

I can't comment on that, but we should -- it should all be in the -- anywhere between 3 to 5 years, 6 years depending on production requirements from our Air Force and Navy, whatever their requirements are. Back to back, it will get -- it will also reflect on our delivery model. So it will be around 5 years, 6 years is what I'm thinking.

We have to wait and watch really what happens, how long the flight test takes. All these things are not in our control, but we're gearing up to all of those things.

Atul Tiwari:

Great, sir. Thanks a lot. Best of luck for future.

Moderator:

Thank you. The next question is from the line of Renu Baid from IIFL Capital. Please go ahead.

Renu Baid:

Hi, good morning sir and congratulations for the strong performance. My first question is on the order flow side. If you see, last year, we were indicating probably inflows in '26 could be in INR20 billion to INR30 billion range, including probable success for some developmental projects.

So, a, the question here is because of the current situation where we have seen a big sharp jump in emergency procurement in the near term, do you see that decision-making or finalization of these developmental orders under Make-II program could get potentially pushed back by 6 to 12 months or you think we may see some initial success coming this year? That's the first question?

S. Rangarajan: See, development contracts are made to go through its own cycle because the products have to be developed, evaluated and based on which the RFPs will be issued based on field trials. So it is going to be very difficult to speed up such programs. But what we are getting interesting requirements is that some of the products we have delivered earlier, repeat requirements are coming up for fast delivery requirements.

So these things have started coming in. I hope they will get converted into contracts early. But yes, there is a -- we find there is an urgency in repeating some of the products, which already we have delivered. So that also is there. There's -- definitely, there is some movement, but how this will all pan out, what kind of contracts we are going to get, we have some idea, but we don't want to comment on it at the present moment until it really happens.

Renu Baid: Got it. So of the INR10 billion to INR20 billion inflow range, which you are suggesting for '26, what percentage in your view could be driven by these emergency procurements, which are like INR2 billion to INR3 billion in ticket size? And this could be meaningful for us, both in near-term order inflows as well as execution?

S. Rangarajan: See, some of the products already we delivered. Repeat requirements are coming up. They could be around INR100 crores, we don't know. Again, this is very, very subjective because we need to get the inquiries, and then, we need to quote. But there are -- second area is we're also gearing ourselves for some emergency procurement MoD tenders, where in the last 2 to 3 years' time, we have developed product categories, which meets those requirements of the end users.

They are putting their demonstration systems up so that we go through the FET, the evaluation trials properly. If these were to be successful, we expect some more -- a few hundred crores also to happen. But that is going to be dependent on competition and the success of the trials on which we have to bid the products for. So those -- these are the areas.

The third area is whatever we have delivered earlier and back to -- contracts have happened to some of the PSUs. Back-to-back, we expect order inflow to take place for our delivery. So that is -- that also is our discussion. It should also happen in the next 3 to 6 months' time. So we are gearing ourselves to produce against those contracts so that some of the development, some of the inquiries that comes this year, we would probably be able to deliver this year itself, meet our top and bottom line requirements for this year's guidance.

Renu Baid: Right. So can one infer that this could be almost between INR5 billion to INR6 billion for us in order size for the short-cycle delivery projects from all these three areas?

S. Rangarajan: No. What is this 5 billion to 6 billion I don't understand. What did you say?

Renu Baid: Rupees, INR I don't talk in dollar terms. INR500 crores to INR600 crores range coming from all the three categories that you highlighted recently.

S. Rangarajan: It should be more than that. It should be above INR1,000 crores.

Renu Baid: Got it. That is pretty encouraging. And second, within the longer-term projects, if you can share some updates in terms of how is the progress on the Make-II projects, the R&D team ramp up? And any notable new products where you think it could be in advanced stage for approvals and that can open up a next leg of revenue stream for us?

S. Rangarajan: Yes. The major revenue stream we're expecting, where investments have happened, to the extent of INR140 crores to INR150 crores were spent in the last 1.5 years in product development, comes in the category of fire control radars, airborne fire control radars, airborne electronic warfare suite, including receivers and jammers, ground and airborne or ship borne communication equipment as well as we've also built -- based on whatever we've been delivering.

We've also done a lot of work on the ground based ELINT, COMINT and the jammer. We are working on the Make-II programs for ADFCR. We're also looking at detection of very low cross-section UAVs, detect and jam. So these are all areas where the company has put in a lot of effort in the last 1 to 2 years' time. And these products are coming to some maturity. Hopefully, in the next few months' time, the products will come out, and then, we'll participate in contracts. Inquiries is happening. So these are the areas we're looking at presently.

And the other area, which is going to help us, is because of the seeker -- successful seeker flights, we expect some more contracts to happen in those areas. We're also developing additional seekers, not just for BrahMos, also on air defence seekers, we're developing. We have contracts on that. We should deliver on them. They are also expected to go into some numbers based on initial success is what I was told by the customers, but we had to wait and watch what happens.

But now that we have a full competency here, we're building a whole range of these seekers for newer programs and newer missile systems. I hope all this pans out well. But these are all being done in-house, fully developed in-house, so these -- and the idea is to build these things, which is going to have a repeat requirement over many years based on the production of weapon as well as the platform. So that is the idea.

So there is no -- the move from just -- not just project-oriented one-off systems to a regular requirement, which is felt over 3 to 4 years' time, which gives you a better cash flow, a better understanding of future business and a sustainable growth model. That is what we are focusing on presently.

Renu Baid: Thanks much and best wishes sir. I have questions and balance sheet. I will come back.

Moderator: Thank you. The next question is from the line of Lavina from Jefferies. Please go ahead.

Lavina: Hello, sir. Congrats, again, on a good set of results. Just two questions. One is, sir, of the export opportunities. It's a well-known thing that Europe -- globally, you're seeing a rise in defence spend, right? I just wanted some high-level thoughts from you as -- can India actually contribute over there?

I mean, do we have the technology to actually go out there and supply to Europe in a big way or do you think the actual opportunity can end up being far smaller particularly for Indian companies, right? And any products, if you can shed some light there? And secondly, on the domestic side, has the government taken any concrete measures for increasing private sector contribution in the defence supply chain or to improve working capital?

S. Rangarajan:

Yes. See, we have been an import-centric country in Defence and Aerospace till date. We are now graduating to try to build more in India. And since equipment -- fully designed equipment is not done as of now in India, we still rely quite a lot on foreign OEMs with their technology transfer and work share arrangement to meet MoD criteria of Indian content.

So having said that, it's not going to be very easy to export full systems immediately. But that should be a long-term goal. And we have to have a direction to do this. More and more you develop in India, more you will be able to address their requirements. The Western countries have their own internal compulsions to build within their own supply chain within the country. They normally do not import.

And second, there is a lot of also, what do you say, export -- import controls or export controls, which we need to address in their government agencies. So even getting specifications from our Western Nation for requirements in defence has a challenge -- is a challenge. But having said all that, there are opportunities to look at on a growing European requirement. And then may be a competent capability is established in India.

It is possible to do part development in India for future requirements of their Western systems requirement. So we are also in touch with one such company where we can do a joint development of radars, where this will not only look at -- address requirements in India, but also globally, we can build systems together.

So we are in touch, we are working very actively. We expect that -- in these cases, we also want to co-invest to build world-class systems. This is how we want to go ahead. It is going to be very difficult. Some of the ground systems we can definitely deliver, which is what we are exporting today now. But on the real defence equipment, which is going airborne, it has its own challenges to build full systems and then ship it to them.

But we can collaborate with them. There are definitely opportunities of collaboration based on - - because we have a capability model, and they also have shortage of that kind of capability within their countries. Scale up drastically is not very easy in Europe. So we should be able to address those opportunities. We want to put in a marketing model and market organization to address such opportunities.

And coming to your second question on India, yes, definitely, there is support for Indian equipment, Indian IP. And it is up to us in India, the private sector, to stand up, be counted, build the systems because very difficult when user has very little confidence because it's always imported. They've always been talking about, you would have read the papers, that we need technology from foreigners.

So with that kind of mindset, suddenly say, I can do everything in India and they will believe you. As a user, it becomes very difficult from -- when you put yourself in their shoes, it's going to be very difficult to say suddenly, you can do all this. Why were you not doing it so many years? So seeing is believing. So we need to take that extra mile, maybe the extra risk, build the products, show them it is world class and the belief will happen over a period of time.

This is the path that Data Patterns is taking, investing ahead, convincing our customers that this is possible to do in India and then go ahead and get the contracts. It's a tougher way of doing things, but it's a long-term game. And so as we've always been a development model company, we said we will go for a long term rather than buy and sell, which we've never done in our life.

We think it will pan out. Our direction is right. We are convinced about what we're doing. We're very bullish about opportunities in India, and we have to build a capability and a product to convince the customers. This is where we are.

Lavina: Thank you.

Moderator: The next question is from the line of Jyoti Gupta from Nirmal Bang. Please go ahead.

Jyoti Gupta: Good morning sir, great set of numbers. My first question is the net working capital days is still quite high in FY '24; from 421, looks like we're going to 468. When can we -- what kind of net working capital days should we be seeing going forward? So -- and the other thing is in terms of revenue when you say INR1,000 crores in FY '26, just from the repeat orders, it looks like you're anyways crossing your current actual revenue growth of 36%, going to 41%.

So that looks quite robust. And the last question is, why did we in this year, FY '25, did some low-margin contracts, any particular reason for that?

S. Rangarajan: Okay. First question on net working capital. We are still -- one is it bided about more than 50% in the last quarter. So that also comes as a net working capital looks at -- the ratio looks higher. But more importantly, this business is -- we've done a lot of development centric contracts and integration test, field test, flight test, all of them take time. So that is the reason why the working capital is stretched for these contracts.

I think given another 2 to 3 years' time and the development is lesser and the production is more, then the turnaround time will be faster, cash realization is faster, working capital days will come down. So this is a transitory state. We need to give the time frame to see that this pans out and we're able to get -- see we're trying to scale the revenue as well as the bottom line, and we're trying to do this very, very fast.

When you do this, we need to have products to address market, and they have to work through development cycle. So that is the reason why we are -- where we are. But I think this is going to come down in the next 2 to 3 years' time. Having said that, we're not really -- we are still a 0 debt company. So we are able to manage that. And I think we'll continue to manage this in the coming years to happen.

Regarding revenue growth, you were saying that -- I didn't understand the question correctly, as you were saying some...

Jyoti Gupta:

You said that you would have something like INR1,000 crores just from the repeat orders because of the emergency procurements. That is to the extent of INR1,000 crores and you delivered it?

S. Rangarajan:

No. I did not say that. I did say emergency procurement is going to contribute INR1,000 crores. From what is clear, it's probably about INR100 crores. I don't know exactly because the inquiry that started coming in and you've to see how it processed. I said repeat orders from what we've done earlier, which -- back-to-back orders which you've start getting should be a more of -- more than INR1,000 crores is what we are saying.

That is only -- that is not revenue, but the order book. And we expect the revenue between INR1,000 crores to INR2,000 crores order book in the course of this financial year, we should get is what I said. Okay. On the third point, you talked about a lower margin. See what happens is, till now, we have been building products for DRDO and subsequent to delivery model.

We do a lot of IP generation. We are -- we don't recover development costs in those contracts, and we absorbed -- throughout our life, we've been absorbing development costs and on a product and then gone ahead. So when the contracts come in, it looks like -- bottom line is slightly better in those kind of contracts.

But going ahead, we have to make integrated systems, and our company also has to build the capability to build completely integrated solutions, which will involve buying equipment, building large value equipment, the underground cabling, power systems, the mechanical structures, some of the things, which you need to buy out and integrate also.

But that itself is a challenge because to do very large, huge value programs, we need to also gear up with a competency base in the organization. I'm happy to say that in the last 1.5 to 2 years' time, we built up a fairly good project management team and an organization which can repeat or build big programs and good products in hundreds of crores or INR1,000 crores plus single contract we can do.

So we took this contract strategically to say the margins are not important. It is important that we build capability in the company. So that is why we took it. Point number two, all of the electronics are designed in-house, which is probably has its own capability to scale to large value contracts and radars tomorrow.

There are two reasons why we took it, and that is all going through proper phases. However, that has not affected our bottom line because with the additional revenue, our bottom line business has continued to be 20%, to above 20% is what we had projected last year, and we continue to retain that guidance. So this is the reason.

- Jyoti Gupta:** And so what has been the -- I mean, I saw your thought that you developed so quickly, and it was actually displayed in Aero India. Have you received orders on that? How has been the response on that product?
- S. Rangarajan:** The response is very good, but that doesn't convert into orders so fast because we need to put it to go through trials, and you see, because only after the trials are completed, the product is then -- can be absorbed. But yes, there is a lot of discussion taking place with the users. We believe that they will give us opportunity for the trials. And then once the trials go through, there will be opportunities of converting into a fairly substantive business.
- So we're working with the agencies to see how it can be taken up. We are of that this will -- this is the path that has to be taken. It is going to be a long-haul kind of a program development product. That is why the money was taken to the market, but we are on track. We have done a world-class system, specifications are very good.
- The foreign OEMs, who have come, visited us and seen the product, are also quite happy and the kind of development we've done and the capability we have built. So I think we're going in the right direction, and India will recognize that this is the way to go, and hopefully, give us more avenues to build such systems in India.
- Jyoti Gupta:** Great. Thank you so much sir and all the best. I am sure you will do very well going forward.
- Moderator:** Thank you. The next question is from the line of Sandeep Agarwal from Naredi Investment. Please go ahead.
- Sandeep Agarwal:** Hello. Thank you for the opportunity. Sir, just a follow-up regarding the margin question. Sir, could you please elaborate the primary reasons and factors that lead to significant sequential and year-end contraction in the margin and what is the sustainable margin at gross level and EBITDA level we expect?
- S. Rangarajan:** No, I didn't understand your question at all, Mr. Agarwal. Can you repeat the question properly because I couldn't understand? I know about margin, but beyond that I couldn't understand.
- Sandeep Agarwal:** Sir, what is the sustainable margin at gross level and EBITDA level expected?
- S. Rangarajan:** I'll try to repeat the question. What is the...
- Sandeep Agarwal:** Sustainable margin.
- S. Rangarajan:** Sustainable margin on EBITDA level is what you're asking, am I right?
- Sandeep Agarwal:** And EBITDA and gross level we expect?
- S. Rangarajan:** Okay. That depends on the contracts, know? It can't be generic answer. It depends on the contract, whether it is fully designed by us, in which case, the margins is expected to be slightly

higher because we don't buy and integrate. Whatever other people buy is also done here. So the material cost becomes low, but that should not be taken as a margin directly because what they build as part of their business, other people, we're doing it ourselves.

We're not spending money on product development. So it cannot be across-the-board answer, but whatever we are trying to do is a sustainable product margin because there's a lot of IP development happening and which gets written off. Of course, in these large contracts, we've also capitalized the product development effort. But I think whatever we have been doing till now, we should be able to sustain.

Sandeep Agarwal: Sir, the current level -- sir, my next follow-up is the current level of margin is sustainable. Are we -- sir, just directionally, we want to know the pattern?

S. Rangarajan: See that's what we have told 35% to 40% EBITDA margin, we will be able to sustain.

Sandeep Agarwal: 40% EBITDA margin?

S. Rangarajan: 35% to 40%, we will be able to sustain.

Sandeep Agarwal: 25% to 40%. Okay.

S. Rangarajan: I said 35% to 40%. But anyway, I think the line is not very good at your end.

Sandeep Agarwal: Thank you. I understand.

Moderator: The next question is from the line of Garvit Goyal from Nvest Advisory. Please go ahead.

Garvit Goyal: Good morning sir. Congrats for a decent set of numbers. My first question is on our order pipeline only, like since the last 1 year, we are talking about the order inflow pipeline of INR2,000 crores to INR3,000 crores and our completion timeline is around 18 to 24 months. And again, in the recent PPT also, we are talking about a similar pipeline.

And last year, we did not achieve the order inflow that we projected for. So I want to ask, can you please elaborate on the key factor or the structure of hurdles that are delaying this pipeline conversion? For example, are we losing the orders to our competitors or any other strategic things that is facing -- that is bringing some challenges to convert this pipeline into order book, sir? So that is my first question?

S. Rangarajan: Okay. See, whenever I talk about projected orders, we do not consider competitive tenders because competitive tenders can go either way. So we do not take that into consideration in our projections. Whatever projections we're talking about in pipeline, these are all single-vendor contracts. Basically, due to earlier delivered contracts, maybe on competitive basis or whatever, which repeat orders are likely to happen, so this is what we project.

Second is we've not lost those orders, it's only got postponed. And that is -- those are reasons, which are beyond our control. Some of the programs have got shifted, and the contract is supposed to happen. Some orders which our customers are supposed to get from MoD has got postponed. Some of the orders have happened now. So back-to-back, the orders should start happening to us in the next few months' time.

And we hear that the project which has not got cleared is getting cleared now is what our customers are saying. So I expect that this -- during the course of this year, those contracts should also happen. So that is the second one. Third, because of what has happened with our border, it also likely that we'll get some orders, which is getting fast-tracked. So some orders also are likely to happen, which will all contribute to our order book.

Garvit Goyal:

So when we are saying for next year INR1,000 crores to INR2,000 crores, so are we pretty much sure like minimum INR1,000 crores will be there or is it just like an expectation you have to run it and you are having not any control over it?

S. Rangarajan:

No. We are sure about this order because these orders have already been received by customers and back-to-back inquiry should start in the next month or so. And we will be the single vendor contract for all of them based on our earlier delivered products. So we are sure of those orders. It's a question of 1 or 2 months here and there may happen.

But nevertheless, since we want to develop some -- deliver some part of those contracts, we've already started the necessary groundwork to see the delivery models can happen. So that also we have started taking advanced action.

Garvit Goyal:

Understood, sir. And sir, secondly, in the last couple of quarters, we were talking about some chips from part product supplier to end-to-end solution provider. So can you please update us on the progress in this regard, how we are going on in this direction, what kind of inquiries are we seeing? Have you made any further development, which will lead us to a big negotiation or big order in the upcoming months?

S. Rangarajan:

See, getting into full systems is what we're attempting to do. We have done successfully in some of the contracts. We have delivered the precision approach radar to Air Force and Navy. One more order came, that also has been delivered. So we have developed -- based on that, we've developed a product radar for the international market. That has been accepted and delivered. That is under installation.

So like that, we have started development products. We were also -- earlier, we were doing only receivers for EW. And now, we are trying to do a full system with our own direction finder, all of those systems, which can be vehicle-integrated mounted. So we made the vehicle integration systems. We're taking for demonstration.

So wherever possible, slowly, we are doing -- adding up on existing competencies and product capabilities and finishing the product to end systems, but to transfer it into end system order, it will take a bit more time because all of them have to go through demonstration trials and then

based on which the contracts can happen. That's a slightly longer route, but that is the only route we need to take because if we keep being a component supplier, our scaling is going to get limited to the available market space which we have.

So the idea is to increase the TAM, and so the full system has to be done. That's what we're doing. But it will take a bit of time to see that this is happening, and they have to go through a lot of flight tests and all that depending on their platforms. So it will take time, but it will also be large orders as and when it happens.

Garvit Goyal:

Understood. And sir, just one last question on the guidance part. I remember when we used to - - approximately 4 to 5 quarters back, you were targeting around 30% earnings growth in bottom line, basically, year-over-year. So -- but this year, we ended up with 22% growth. So can you please provide insight into whether this change reflects a revised internal outlook? Additionally, going forward, how investors should think about the sustainable earnings growth over the next 2 to 3 years?

S. Rangarajan:

Actually, I think the mistake is in probably communication or understanding. We did not say 30% bottom line growth would happen on '25 -- '24-'25. We told only about 20% and our topline growth of 20%, 25%. Bottom line, we talked about guidance of 20%. Today also, I'm saying the same top and bottom line growth.

30% happens, may -- can happen on the bottom line, but that we're not at the present moment in order to tell. It all depends on the contracts, which happen and how our execution timelines are with respect to customer requirements, based on which it can be up at a later date. But today, we are looking at a 20%, 25% topline growth and a 20% bottom line growth is what we're looking at. And we want to stick to that guideline, not 30% bottom line, maybe it will happen. It's possible it can happen, but at the present moment we can't comment on that.

Garvit Goyal:

Then for FY '26, what is the number you are quoting for bottom line growth?

S. Rangarajan:

20%.

Garvit Goyal:

20%. Okay. Understood. And sir one last thing on the...

Moderator:

Sorry to interrupt, sir. I would request you to come back in the queue for further queries.

Garvit Goyal:

Just last question, sir.

Moderator:

The next question is from the line of Yash Poddar from Viansh Ventures. Please go ahead.

Yash Poddar:

Yes. So firstly, congratulations on the set of the numbers. I wanted to actually understand a little bit about the R&D expenditure pattern for the company. Last couple of quarters' presentations, you have spoken about a decent amount being invested towards the R&D side. Now there are two questions with regards to that.

The first one would be, going forward, and as we speak today, presently, the R&D spends would be -- how would we attribute this R&D spends from a revenue standpoint? Are we able to attribute the R&D spend to any specific, say, customer base or the revenue segment and be able to pinpoint where we are deriving maximum benefit from the R&D expenditure currently?

S. Rangarajan:

Okay. See, traditionally, whatever product development we were taking we used to write it off by revenue expenses because this is all part of our requirement, which is posted against an inquiry or the inquiry tending to happen. So with the market information, we start development ahead. So we are ahead of the curve, and we have a delivery model, which is faster. What, otherwise, would have been imported, we said we'll develop it. So that is how we've been doing it all along.

Today, we are trying to get into a full-system business. So the development expenses is going to be far, far higher. And all of them have to go through what is called as flight trials and trials on the field, which is going to be a longer-term duration. And also when anything goes through a fighter aircraft, qualification, certification also takes a long time.

So these are not products which you develop, which you'll get contracts in the same year. It is going to take 2, 3 years before a contract can happen. Maybe 2 years or 3 years even for flight test or qualification certification to happen, after which the contracts can happen. So this R&D, which you're talking about is a longer-term spend.

That is why we sold shares and got some QIP money, which we dedicated to perhaps, which is -- which we're developing. And that we have spent more than INR140-odd crores on product development in the last 1.5 years' time. So we continue to spend on those kind of large projects. This has a very large requirement in INR20,000 crores or INR30,000 -- INR20,000 crores -- INR15,000 crores to INR30,000 crores worth of adequate requirement is there.

So we said let us develop this and see that we scale the company substantively as we're going ahead. So that is the reason we spent it. Yes, now that some of the products have started coming near maturity, we're also seeing whether some prototypes can be sold this year itself. So we are attempting to do so that the conversion of R&D to actual reality revenue can happen.

We are on the path of doing this. But I can't comment on it at the present moment because this is in my head and the company is doing what is necessary. We need to go ahead and do this.

Yash Poddar:

Okay. Understood. Understood. And my other question was with regards to the TAM that you have mentioned previously, and I think one of the questions you had answered previously that we are trying to expand the TAM of the company. So if I were to look at and allude to some of the things mentioned in the previous calls with regards to new age defence products such as UAVs and the next 10 years of how defence procurement is looking.

How would we be positioned today in terms of both R&D as well as execution? And so -- and would this also have a correlation with the 20% topline -- sorry, the 20% bottom line growth

that you're mentioning or in terms of profile, this is going to change drastically over the next couple of years?

S. Rangarajan:

Presently, our focus area is in radars. It can be radar airborne, ground, naval, et cetera. Radar itself has got too many classifications. It's very many types of radars. We are addressing all types of radars. As far as UAV is concerned, we're looking very small cross-section UAV to be detected a few kilometers away. We are building radars for that also. We see that we can do.

Second is on electronic intelligence and jamming. We're working on both airborne and ground-based systems. We've done a lot of work on all of them in the last 15 years. But now we're adding other areas of spoofing and things like that. So a number of other areas, including jamming, we're building products now. It will be a bouquet of products, which will address the evolving requirements as -- in different war scenarios, which we are facing.

So this is the second thing, which we're doing. The third thing to do, secure communication across all platforms. This also is in a fairly advanced stage of completion. It should start trials in the next few months' time. So all this is required. Fourth is integrated systems, including vehicle, vehicle support system manufacturing so that it can be not just the radar, but also as an integrated requirement meet the complete requirement of customers.

We're also doing that to see that we are addressing that. Fifth, as long as we can supply correct to the platform supplier or weapon system supplier, we can also look at some kind of seekers to do this. We have a lot of ideas, and it all comes from a common pool of development. It's just not just ideas, but we need to build capability to produce this.

Today, we are nearly 1,600 people working in Data Patterns, nearly 1,100 engineers are working here, rapidly enhancing our engineering capabilities and design capabilities. And that is another thing which we're putting up. We're also spending about INR150 crores in the next 1 to 2 years' time to create infrastructure to production, test and validate systems which we expect the contracts to happen in 2 to 3 years coming.

So we need to be ready to deliver. So that also is happening because infrastructure takes a long time, right? We are doing that. So all around development effort is being done.

Yash Poddar:

Right. This INR150 crores is a forward guidance for the R&D expenditures, sir or is it for capital expenditure?

S. Rangarajan:

Capital expenditure. R&D expenditure, already we have budgets and we've already spent over INR140-odd crores in the last INR150 crores, INR107 crores, I don't know, some number we have spent. We have seen our kitty some more -- these are all approved programs we've taken up in-house. And additional expenditure will also happen. And moving with the scenario what's happening we see, again, also as long as the competences exist, we'll continue to build products very aggressively is what we're doing.

Yash Poddar:

Okay. Thank you so much for answering all the questions.

Moderator: Thank you. The next question is from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: Thanks for the opportunity. My question is on the BrahMos side. Out of the total cost of BrahMos, can you share what would be our opportunity size, in terms of the percentage also that is fine? And secondly, maybe 2, 3 years down the line, this production and service business contribution to the revenue, can it inch up to 70-odd percent from currently roughly around 55%-odd?

S. Rangarajan: I'll answer the second question first. As long as the product development has happened and approvals happen, definitely, the production should start growing 70% and above. This is what we think we'll do. We'll continue to develop products maybe 20% or 15%. That is how this has to go for a mature model. Since there are lack of full products in the Indian market, which is designed in India, today, the gap is very high.

We are trying to address the gap in competencies which we have, so that is what we're doing. Regarding the first question on BrahMos, I can't really tell you because I can't forecast this. We have quoted somewhere, the orders have to happen. And we are a bit premature to say what is the value of the contract now and what percentage of the overall contract. I don't want to address that now, sensitive. And let us -- let it happen, then maybe one of those following questions after it happened, maybe I can talk about it.

Dhavan Shah: Sure, sir. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Rupesh from IntelSense Capital. Please go ahead.

Rupesh: Hello, sir. Thank you for the opportunity and congratulations on fantastic results. I have two, three questions. I will ask all of them together. So first question, sir, is on Ashwini LLTR radar. I think we were expecting a fairly decent-sized order, but you have said that the bid is competitive, so if you can provide an update on that? That is question number one.

Question number two is on Sukhoi 30 upgrades. I mean, if you can give some color on which products are we involved in, are we involved in AESA radar, BRM/BTM radar warning receivers or jammers, some idea if you can give so that we can estimate the contribution per plane? And then you can -- if you can also update if you have received any development orders in Sukhoi 30 upgrade?

And then when do you -- in your estimate, when can we see commercial orders that is second. And then the third one is, sir, I see, this FDR in your presentation. So FDR, my understanding is there is an airborne FDR and a land-based FDR. So if you can just map out the opportunity and our positioning in that? And have we received any development order for either airborne FDR or land-based FDR? So these are my three questions?

S. Rangarajan:

As regard Ashwini Radar, BEL has got the order last year, I think March -- February-March, they got the order, '24-'25. So we are in discussion with them. We expect that their requirements will flow down to us, and based on which we should be able to make an offer, and hopefully, when there's a contract in the next 3 to 6 months' time. I hope this will happen.

Yes, that's an important contract for us. We're waiting for the definitions because there are a lot of changes in the definitions. The original LLTR, what is designed by us, all the electronics was about 10 years back. So a lot of obsolescence and capability changes, also DRDO is suggesting as part of this contract, because it has to now support next 20 years. So modern component, modern architecture, some changes have been planned.

So that is under discussion. So hopefully, it will happen in the next couple of quarters is what we're thinking. As regards Sukhoi 30, this is a contract which is already placed on HAL and HAL back-to-back has to do something. We are developing products against it. We don't have a contract on this. We have developed the radar warning receiver. It's flying in both our early warning radar, Netra, as well as the LCA. It's a successful flight.

For the last 6, 7 years, we've been flying it. It's done some very good performance. Based on which we believe that this RWR we will configure for Sukhoi 30. Again, we don't have an order for this, but we have a product which meets the requirements. We've also designed -- as part of the larger view of increasing TAM, we've also designed the AESA fire control radar hardware.

We have to do the software. We're looking at some collaborative support with the government to see whether this can fly and go ahead. At the present moment, we don't have an order, but we are working towards completion and development and see that we can take the flight trial if possible. We have also developed the jammer parts as an EW suite fully. Part of it is flown, that is the RWR.

The other one is not flown. So that is getting also completed. We have a product. We're doing internal tests of the products. These requirements are very large. Only last -- a few months back, DACH cleared about INR7,400 crores for the jammer parts. And earlier also, another 100 sets has already been placed for Sukhoi 30 upgrade for HAL. So the requirements are large.

So that is the reason we said we will design the products and build it. Products have been designed. We are under testing in the office, and we're looking at opportunities to how to take it to flight trial. We've also done some work for Navy, where earlier delivered jammer parts from international companies, we have upgraded the parts with our hardware and electronics.

So we expect that to fly, which gives us an opportunity to flight test our electronics and software, which should also come in handy when newer system should we, but what we're doing today is all AESA. Even the jammer is AESA. So I don't know of any development order for all of them. This is the future large business opportunities, which we have addressed, and we're trying to see whether our development will meet the requirements.

As regards the SDR, we have developed with DRDO the hardware for airborne SDR, which is already flown in the LCA and is likely to fly in other platforms in the coming months. We've also done development of UAV-based systems as well as ground-based Manpak-oriented, network managed Manpak systems.

This is -- we've been starting development in last 1.5 years, and it has come to a very, very, very high level of maturity, which can be encrypted data with frequency hopping and also supports the encryption of Government of India encryption. It is in line with what India is importing on form fit function capabilities, but completed design in India. We've also done all the waveforms, which is necessary for it.

We expect that, that should be presented to the users in the next couple of months. And hopefully, we will start some testing and field testing to take place. These are all necessary because when you're going to integrate a system, data links, this, that, all of them, which is electronics, I think we need to have a competency model to build products so that it will be a showcase -- it will be a bouquet of programs and products, an integrated solution we can give.

So that is the idea with which product development is happening here. We don't have additional contracts for all of them, but we expect contracts will happen once the product is mature because specifications are world-class. This is what we're doing.

- Rupesh:** Thank you for answering my questions. I have more, but I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Abhi from Wise Capital. Please go ahead.
- Abhi:** Thank you for the opportunity. So in the last conference call, you mentioned that two large space radar contracts account for approximately 50%, 60% of your inventory. Could you please clarify that whether any orders related to these contracts were delivered during this quarter?
- S. Rangarajan:** Yes. We've delivered the hardware for one of those radars. Second radar will be delivered probably in the next 6 months.
- Abhi:** So sir, given that deliveries have been made on these large space contracts, could you please explain why the inventory levels have not been decreased according to this quarter?
- S. Rangarajan:** Inventory has come down with respect to what has been delivered. But the second radar, the inventory is still with us. It's a very large inventory because, as I told you, we don't have much of margins in all these contracts. So it is very high inventory oriented, and that is still in our books.
- The third is for contracts we expect to deliver this year, we also work ahead of time in buying electronics to see that we can deliver, expecting some contract to be finalized in the next 15, 20 days' time, but we need to deliver it in the next 4 to 5 months' time. We won't be able to start buying material post-contract to deliver on their requirement. If the requirements are urgent, the order is going to be a single tender.

So we've already started manufacturing against those things. So what we do is slightly different. We do based on market inquiries and the surety of the marketing guys and the customer request, we start developing and producing products ahead of the contract to see that we can deliver along expected lines.

So some of the contracts, government agencies, there's a lot of delay, internal delay, but they still insist that we deliver ahead. So that is a model we've been doing with them. And as long as assured that the contract is not going to get slipped, we will try and do that. So third point is you must look and understand the inventory in our defence equipment is going to be on the higher side because not only development takes place.

But after development and testing, there is customer certifications, acceptance trials, all of this takes enormous amount of time, which is not in our control. And if we don't do this, we'll find that we're slipping on delivery models. Since we have a commitment to deliver and continue them, we try to take these things on inventory and then build the products and keep them ready. So test cycles are long, lead times are long.

So we need to address that. That is the nature of the beast as far as defence equipment is concerned. This is worldwide. You will find that it has never been the just-in-time inventory. And second, these are all projects which comes hurried and then the customers, though it has taken 2 to 3 years for them to place the order, they want deliver in less than 6 months and 1 year. So to handle such kind of customer request, I need to have a cost model, which is very different. And that is what we are doing.

Moderator: Thank you, sir. The next question is from the line of Dipen from Phillip Capital. Please go ahead.

Dipen: Thank you for the follow up opportunity. Sir just one question from my side. What would be the estimated execution cycle for the current order book? And for the order pipeline that you have mentioned, say, INR1,000 crores to INR2,000 crores in FY '26, how quickly can the execution cycle be over there as well?

S. Rangarajan: More than 70% to 80% of the existing orders on hand will get executed this year. And we expect that some portion of the orders, which is coming this year, we'll execute this year itself. We are taking advanced action in terms of procurement and design, which is going to be done. All that is happening as we speak. So that is -- I think it answers your question.

Dipen: Sure, sir. Thank you so much and all the best for FY26.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I now hand the conference over to the management for closing comments.

S. Rangarajan: Thank you very much for all the people who have joined investor call. I'd just like to say that, I've been repeating this for some time, the opportunities in India is very large in defence markets. We have been habitually importing. So there is a large opportunity for Indian systems to come

in, especially with the Make in India initiative, which government is supporting. There's an opportunity that is very, very large.

It's not that we lack in confidence and capability. It is we're never allowed to do things in India at earlier days. I think it is our responsibility to build up products, address the market and the opportunity. So we are very, very bullish on the opportunities and our capability to deliver or address them.

Towards this, we have -- we are going ahead with development of products, spending money to prove that these products are world-class customers. Only after they see that this is available, they will have the confidence that India can also do these things. So it's our responsibility to see that this is done.

We are actually talking in three, four areas. I've also -- during the call also it has come out. We are working very, very aggressively on building full radars, all kinds of radars, airborne, ground-based radars, search, track, fire control, all of them, whether -- all of those radars we build. And this is built 100%, including mechanical design, everything is designed in-house.

Second is complete EW suite for air and ground, including jammer. We believe it's a large opportunity. We need to look at it and do this. Third is the RF seekers, which we are talking. Fourth is the communication equipment and integrated solutions, various kinds of application. This is not withstanding the products we do with DRDO. We do for all platforms.

Parts or some other parts or major parts of systems, where a lot of design work and development and software comes from DRDO, the rest is being done by us in the electronics. We engage with them. And these have been my customers in the last 20-odd years. We've learned -- a whole lot of knowledge has come into the company based on a continued work and relationship with DRDO.

So this is -- continue to grow, and -- but that's not alone. We're not just investing in product development. We're also investing in infrastructure development, which will take time. We have bought the additional land. We are building this infrastructure, also test equipment to do the seekers and radars and validation and also scenario simulators, which can do test in the ground before we launch it in the air.

So all of this to get customer confidence building in-house here, that is also happening. And look also at the export market. We're also looking at joint development of very, very high-end UAV-based radars, along with a foreign company. A joint development can happen that we are co-investing to see that we can address world markets.

We need to do this more to go, not just Indian government-oriented requirements, also reduce this across so that we have other customer bases and goes global. We want to do that also. So we're talking to in various levels. We need to address -- we are an engineering company. We need to improve our marketing organization to address larger opportunities, but we are on the track. The direction is very clear.

We're very bullish on our growth and we're taking all efforts to see that we build competencies in products in India. If you have any further questions, please send it to Go India and we will get all of your questions answered. Thank you very much for your patience and listening to this, be part of this call. Thanks a lot.

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. Thank you.