

प्रबंधक The Manager
लिस्टिंग विभाग Listing Department
नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लि.
National Stock Exchange of India Ltd.
एक्सचेंज प्लाज़ा, सी-1, ब्लॉक जी,
Exchange Plaza, C-1, Block G,
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प्रतीक / Symbol: BEL

सं.No. 17565/6/SE/NSEC/SEC
दिनांक/ Date: 29.10.2024

महोदय / महोदया
Dear Sir/Madam,

विषय – दिनांक 28.10.2024 को आयोजित निवेशकों/विश्लेषकों के साथ सम्मेलन कॉल की प्रतिलिपि।
Sub: Transcript of the Conference Call with Investors / Analysts held on 28.10.2024.

सेबी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, कृपया सोमवार, 28 अक्टूबर, 2024 को अपराह्न 02.15 बजे मेसर्स नोमुरा फाइनेंशियल एडवाइजरी एंड सिक्योरिटीज (इंडिया) प्राइवेट लिमिटेड द्वारा आयोजित सम्मेलन कॉल की प्रतिलिपि संलग्न पाएं जिसमें 30 सितंबर, 2024 को समाप्त तिमाही और अर्धवार्षिक वित्तीय परिणामों पर चर्चा की गई है।

Pursuant to Regulation 30 and 46 of SEBI (LODR) Regulations, 2015, please find enclosed herewith the transcript of the conference call hosted by M/s. Nomura Financial Advisory & Securities (India) Private Limited on Monday, 28th October, 2024 at 02.15p.m. for discussion on Financial Results for the quarter and half year ended 30th September, 2024.

आपके सूचनार्थ उपर्युक्त प्रतिलिपि कंपनी की वेबसाइट www.bel-india.in पर निवेशक-स्टॉक एक्सचेंज डिस्कलोजर टैब के अंतर्गत भी उपलब्ध है।

For your kind information, the aforementioned transcript is made available on the website of the Company www.bel-india.in under Investors – Stock Exchange Disclosure tab.

यह आपकी सूचना और अभिलेख के लिए है।
This is for your information and record.

सधन्यवाद / Thanking you,

भवदीय/Yours faithfully,
कृते भारत इलेक्ट्रॉनिक्स लिमिटेड
For Bharat Electronics Limited

एस श्रीनिवास/S Sreenivas
कंपनी सचिव/Company Secretary

संलग्न- यथा उपरोक्त । /Encls: As stated Above.

 **भारत इलेक्ट्रॉनिक्स**
BHARAT ELECTRONICS

भारत इलेक्ट्रॉनिक्स लिमिटेड

(भारत सरकार का उद्यम, रक्षा मंत्रालय)

पंजीकृत कार्यालय :

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“Bharat Electronics Limited
Q2 FY '25 Earnings Conference Call”

October 28, 2024



MANAGEMENT: **MR. MANOJ JAIN – CHAIRMAN AND MANAGING
DIRECTOR – BHARAT ELECTRONICS LIMITED
MR. DAMODAR BHATTAD – DIRECTOR FINANCE AND
CHIEF FINANCIAL OFFICER – BHARAT ELECTRONICS
LIMITED
MR. SREENIVAS S – COMPANY SECRETARY – BHARAT
ELECTRONICS LIMITED**

MODERATOR: **MR. UMESH RAUT – NOMURA FINANCIAL ADVISORY
AND SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Bharat Electronics Limited. Q2 FY '25 Earnings Conference Call hosted by Nomura Financial Advisory and Securities. 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 the star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umesh Raut from Nomura. Thank you and over to you, sir.

Umesh Raut: Thanks, Steve. Good afternoon, everyone. On the behalf of Nomura, we welcome you all for the Q2 FY '25 Conference Call of Bharat Electronics Ltd. I take this opportunity to welcome the Management of Bharat Electronics, represented by Shri Manoj Jain, Chairman and Managing Director, Shri Damodar Bhattad, Director Finance and CFO, Shri Sreenivas, Company Secretary.

I'll now hand over the call to the Company Management for their opening remarks. Thank you.

Manoj Jain: Yes, good morning, good afternoon, everybody. Myself, Manoj Jain, CMD BEL. I will just touch upon financial highlights up to Q2 Financial Year 24-25. So, in this Q2, we have achieved a turnover of INR2,8530 crores as compared to INR7,365 crores up to Q2 of last year, with a growth of 15.83%. And profit before tax has also increased to INR2,488 crores as compared to INR1,777 crores, which was there up to last year Q2, with a growth of 45.05%.

The profit after tax also has increased to INR1,867 crores as compared to INR1,343 crores in the last Q2, 23-24, with a growth of 39.03%. The EBITDA also has increased to 27.26% up to Q2 of 24-25 as compared to 22.66% last year. The earning per share has also increased to INR2.55 as compared to INR1.84 in the last year at the same time as Q2. The order book position as on 1st of October 2024 is INR74,595 crores.

So, overall on all the financial parameters, we have achieved a good growth up to Q2. This is a brief offering remark from my side.

Management: So, we leave it to you for taking up the question-and-answer session Mr. Umesh. You can go ahead.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Ankush Sharma from HDFC Life. Please go ahead.

Ankush Sharma: Just two questions. One was on the order inflows. What we see for the first half, we've done about INR7,500-odd crores of inflows. Our guidance, I think, is INR25,000 crores. So, if you could just help us, which are the larger orders that you expect in the second half which would kind of help you get to that target? Or are you seeing any slippages or otherwise? So, just some sense on the order inflows.

And my second question will be on the working capital. So, while profitability and top line growth has been very strong in the first half, operating cash flows are actually negative

INR2,300-odd crores with this very substantial rise in both debtors and inventory. So, if you could just help us, what is driving that? And do we expect that to kind of normalize by the end of the year? Thank you.

Damodar Bhattad: So, good afternoon. As we have told that we have achieved an orderable inflow of INR7,500 crores in the first half of '24-'25, we are confident of achieving the target guidance given of INR25,000 crores for '24-'25. In that, the major orders which are expected are, one is for Ashwini Radar of around INR2,500 crores, Electronic Warfare Suite for MI-17, that is INR2,000 crores, ATULYA Order is another INR2,000 crores, Shakti Phase IV is another INR2,000 crores.

So, these are the major orders expected. Already we have achieved INR7,500 crores and with these orders and some other small orders, we are confident of achieving the given guidance of INR25,000 crores. As regards the working capital, the current ratio as on 30th September is 1.6 and working capital is fairly reasonably okay. It has been around 1.5-1.6 for the past few years. So, we do not see any much challenges in the working capital management.

Ankush Sharma: My question is because your operating cash flow was negative despite this...

Damodar Bhattad: Operating cash flow is negative because in the first half, the inventory is more taken up because for the second half of our turnover, further we have to achieve around INR14,500 crores as per the target. If you see our inventory, our inventory is around INR9,000 crores. So, first half we have achieved INR8,500 crores.

Given a guidance of INR15,000 crores, we hope to achieve INR23,000 crores turnover which means we have to achieve INR14,500 crores turnover in the second half for which we have to build up inventory for which cash outflow will be there. So, that is why the operating cash flow is negative and inventory is slightly built up for the second half. So, that will be recovered, that will not be an issue.

Moderator: Thank you. The next question is from the line of Priyesh from Mahindra Mutual Funds. Please go ahead.

Priyesh: Good afternoon, sir. Thank you so much for the opportunity. Sir, two questions. First, if you could provide a breakup of execution for this quarter in terms of project or program wise?

Damodar Bhattad: Acquisitions what you have received in September or executions?

Priyesh: Yes, executions for this second quarter?

Damodar Bhattad: Executions in the first half we can tell you. Major was of course LRSAM, LRSAM order which was executed in the first half.

Manoj Jain: There are five, six more major projects. One is called CBIC project, we call it for Delhi government, for Central Board of Indirect Taxes. That is around INR300 crores we executed. IACCS, so many activities we are continuously doing and this first half we have almost some INR300 crores worth of orders we executed for that project. Then EW system of Shakti, around INR250 crores. Hammer missile systems, INR235 crores. Then Manpack Ku-Band terminals,

around INR200 crores. So, these are the major projects orders which we executed till September 2024.

Priyesh: What would be the quantum of LRSAM, sir?

Manoj Jain: LRSAM INR1,600 crores, roughly.

Priyesh: I just wanted to understand the underlying reason that for the gross margin expansion that we have seen in second quarter of FY '25, provide the reason for the same and also would that be fair assumption that this could be a sustainable gross margin for FY '25?

Damodar Bhattad: See, we have given a gross margin guidance of 42% for the current year, '24-'25. The current half, the gross margin we achieved is 45%. So, it is the composition of product mix during the first half which has given us this margin of 45%. Overall, during the current year, we expect to have the gross margin of 42% only as we have given the guidance.

Moderator: Thank you. The next question is from the line of Mohit Pandey from Macquarie Capital. Please go ahead.

Mohit Pandey: Yes, good afternoon, sir. And thanks for the opportunity. Sir, firstly, if you could highlight which are the major projects to be executed in the next two quarters, that would be very helpful?

Manoj Jain: Yes, in the next two quarters, the main project again is LRSAM. So, that is around INR1600 plus crores we will execute orders for that. Then one, another EW project is called Himshakti. So, that also will be around INR800 crores to INR900 crores worth of orders we will execute in the next half. One more EW project is instrumented EW Range. That also is one more major project executed by our Hyderabad unit.

Around INR750 crores is there for that. Akash Army, we have already started good progress on that, and we will liquidate around INR500 crores worth of items we will deliver by March for Akash Army. D-29 EW system is our now continuously we are supplying. So, in the next two quarters, we will have around almost INR500 crores worth of equipment we will supply for this D-29 EW system. And then weapon locating radar planes, we will supply around INR450 crores. So, these are the major items which we are going to supply in the next two quarters.

Mohit Pandey: And secondly, on the supply chains, if you could give an update on Israel linked supply chains. Are you facing any challenges on that front?

Manoj Jain: Yes and no. Actually, major challenges which we had seen earlier about LRSAM and other those big-ticket items already streamlined. So, we are not facing any challenge. Some other small items which are not affecting our turnover that much, but this goes as a subsystem in larger system of other DPSUs. There we are finding some challenges. So, it may affect their turnover that much, but our turnover point of view not in fact is analysed for items which are coming from Israel. All the items streamlining has been done in last three to six months. So, we are not facing any challenge as such.

Mohit Pandey: And lastly, on margins, if you could highlight what are the two, three factors which lead to variation in margins across different products, that would be very helpful, sir.

Damodar Bhattad: No, it is just the product mix of different products. See, there are 29 strategic business units which we have got, and all are exhibiting in different product lines. So, it is all that combination factor has given us an advantage in this current half. That is the only one. Individually, I cannot tell which product has given what that we are not able to comment on.

Moderator: The next question is from the line of Nitin Arora from Axis Mutual Funds.

Nitin Arora: Sir, just on the order intake guidance which you said, you feel still very confident of doing INR25,000 crores and you articulated a few projects. Can you throw some light, especially on this Ashwini Radar and all, it has been now four, five quarters, we have been hearing that this is something coming. I just want to understand, it is some structural issue has come into it or it is just that the final price negotiation is somewhat delaying it.

Also, on the other projects where the confidence is so high that we will do INR25,000 crores, are these more of in the final negotiation of pricing where they are stuck? Just wanted first thing on that.

Manoj Jain: Definitely, once we have told you that our target was INR25,000 crores of order inflow this year, definitely we have done homework, and we are confident then only we announced that. So, it was there. Ashwini Radar, we have told, this Radar already we have become L1, already it is declared L1 also. So, it has become a multi-bid. Actually, we were trying this to become a single bidder, but because of previous commitment given by DRDO that it will be a single bid for BEL.

But anyway, over a period of time, they told let it go to multi-vendor situation and we were confident that we will become L1 because our association, our development, our knowledge, our strength, based on that we can give to our users of most cost optimum solutions. And then we were L1 already declared. So, now declared L1, it may take another three months to convert that L1 to getting the order. It will not be an issue.

Already, I think three vendors participated in this and we were L1 in that. So, this is about to come anytime now. Okay, so previous delay was because of that confusion only whether they will go multi-vendor or single vendor or partial quantity single vendor to BEL because BEL was associated from day one in this Radar development program jointly with DRDO.

So, we were fighting for that, and it was their previous commitment also. Anyway, part of life that we have to have multi-vendor situation and multi-vendor also there is no threat for BEL. So, in this particular case, we have proved that we are cost competitive also and we are getting order very soon now because all other processes are done by the user.

Regarding other three projects also, they are in a very, very advanced stage. We are having multiple discussions going on. Even some of them, I have already started PNC also, first round of PNC, etcetera has started for that. So, we are confident in next three months, maximum four months, we will have this order.

And as soon as the order comes, we will firstly intimate to SEBI and send to you immediately.

Nitin Arora:

Sir, the second question was given and sorry for again asking you this. I always ask this. Is that INR25,000 crores kind of an order intake, you have been consistently maintaining the momentum in the last two, three years, but given next year, how you are looking at it? I mean, to grow at INR25,000 crores, you think you can grow on that number still? Do we have those programs, for example, MRSAM is still there, but generally in your sense, in a very practical way, you think growing on INR25,000 crores is still possible?

Because otherwise, then your growth, basically your profit growth will start looking quite weak. So, just more of a question on a forward basis that how are you looking beyond INR25,000 crores, if you look at your pipeline and government urgency of ordering new orders?

Manoj Jain:

Everything is promising for us right now, let me again assure you. We are targeting next year, it will be more than this year growth guidance, what we have given you. Next year, we will again consolidate all of that. I can only assure you today, it will be more than what is there for this year. This year, we have a whole revenue growth of 15%. Next year, I can assure you now itself, it will be more.

Because of so many leads and so many discussions, we are already having on so many programs, including we have told QRSAM, including MRSAM for loan order. So, these all orders are going to fructify mostly next year. So, next year order book position, only QRSAM alone itself may give us INR25 crores to INR30,000 crores order book, one line item itself.

Then remaining line items will give us something more. So, we are confident next year will be definitely much more than what target we had set ourselves for this year. It will be much more, I can assure you, but that we will tell you from data on 1st April, definitely will come to you with much more better figure for next year. But we are fully confident on that.

Nitin Arora:

And in terms of margin, you stated, you generally being saying that gross margin, I will maintain it for about 42%. But given you have done such strong margin, I understand mix always is important, which you better understand than us. But generally, in your sense, do you think there is a high chance of you doing better margin just because of the mix part, nothing else, I mean, operational leverage would be there.

But I'm saying just because of the mix where it is getting concluded, because you stated one number of one project, which is like INR1600 crores over the next one or two quarters. So, that could be coming because of that order mix is somewhat, do you think margins can hold up further?

Damodar Bhattad:

You are only asking in no different version of the same question. So, all I say is that we maintain the gross margin of 42% for the current year.

Manoj Jain:

We will definitely maintain that. We are in the process of doing further and further indigenization of our modules, subsystems, etcetera. So, hoping that if the indigenization is done well in time, definitely it will be -- profit margins will increase. But today we can't quantify

about the future. Today we are confident about what our margins which we have given to you, we are definitely going to cross that. We will achieve this, no doubt on that.

Moderator: Thank you. The next question is from the line of Mayank Chaturvedi from HSBC Mutual Funds.

Mayank Chaturvedi: You highlighted that you now are working across 29 SBUs. I think a year or so back, it was around 24 SBUs. Can you just highlight which SBUs you have added over the past one year and what do you think is the total addressable market for these SBUs?

Manoj Jain: So, first of January, we had opened five more SBUs and that one of them was EW Land Systems at our Hyderabad. So, that was the biggest SBU because for that we were doing so much of homework. So, they are now started generating. This year, I think they will cross around INR1500 crores plus turnover this year itself because last year they were working jointly with another level system, SBU of EW. So, they already were doing good work. We had to only streamline them and separate them and become a separate SBU.

So, that SBU already in the first year of existence so-called itself will cross INR1500 crores. Other four SBUs are created at Bangalore for us. That also started as a micro SBU type of concept within BEL and some homework they have already done. One of them is seekers SBU, RF and IR seekers. Another one is Arms and Ammunition SBU. One of them is Network and Cyber Security SBU and one of them is Unmanned Systems SBU. So these four SBUs also have good growth prospectors, etcetera. We have reviewed that. RF Seeker SBU this year may touch around INR350 crores to INR400 crores turnover and other SBUs also will be of this similar line.

So first year for these four SBUs we have given an internal target of around INR200 crores, INR250 crores to INR300 crores. I am barring this fifth SBU which will definitely cross INR1,500 crores and then slowly they will pick up. Finally, we want all the five SBUs to become INR1,000 crores SBU because they have those type of potential. In next two to three years, they will start contributing INR1,000 plus crores. That we have already our own plans for these SBUs.

Mohit Pandey: Okay. And so on this Cyber Security SBUs, I think it was largely being -- the services were largely being consumed internally. Have you started offering these services to third party now? Now that you're targeting INR200 crores-INR300 crores revenue.

Manoj Jain: Certainly. Because earlier their services were used for our bigger programs of our BEL itself which anyway we were supplying directly, but there were no direct orders for them. So now anyway they will keep on supporting that internal uses and we have our own internal booking standards for that. If they give services to our internal SBU also, we account for that. But definitely now we are looking at direct turnover for them, direct sales we call it.

So there are four, five big leads already which have converted into a business case for them. We are expecting one or two big orders in next 10-15 days or maximum one month time. One from Ministry of Defense, one from Medical AIIMS and other departments and some other are from FOC-related activities for some DPSUs. So some four, five big leads are there which they are going to get and then execute also.

Some INR10 crores-INR15 crores type of orders they have already got, and they started executing that. But this big-ticket items we are expecting now and that's why we are confident by March, direct sales they may cross INR200 crores to INR250 crores. But definitely they are supporting other SBUs and generating indirectly revenue for them for around INR200 crores worth services they started giving to other SBUs.

Damodar Bhattad: Seeing the potential only, these were formed as separate strategic business units. There is a great potential in this area. There will be a slow beginning and as the time goes, they will slowly take off.

Moderator: The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity, sir. So my first question is India's naval pipeline is quite comprehensive in terms of additions of next generation destroyers, frigates as well as there has been a substantial movement on the submarine programs as well recently. So could you highlight how we are going to increase our wallet share in these platforms, vis-à-vis how we were doing in the past? So basically what are our newly indigenized products and systems that we can now offer in these platforms, which we were not doing earlier?

Manoj Jain: Definitely one is number. When number increases, turnover increases. And one is extra share in these platforms. Extra indigenization or extra products to be added in these platforms. So we are working on both fronts, adding numbers, upgrading previous products because some of the products which we have supplied now we are giving slightly upgraded features. So that is not called as a new addition, but upgradation also has a huge turnover advantage for us because upgradation comes at some cost. So there are incremental product upgradation, subsystems upgradation. And third is adding some new portfolio of electronic variety subsystems. So we are working on all the three.

New variety share also we have now discussed especially on submarine programs, etcetera, and that itself will give us very good return or very good turnover for us. So all the three fronts, we are working on these naval platforms. So many new type of radars which were earlier imported and now we are indigenized, and we are giving like this MFRX radar order which we received the last quarter.

That is one such example which was older ships. It was a foreign source radar and now we have indigenized and that's why now it is directly supplied by BEL. Earlier, it was directly by global radar. So that way we are increasing some other gun interfaces and other things we have added. Some other integrated sonar suit type of things we are adding for submarine programs.

So we are keep on increasing the indigenization content in these programs and keep on upgrading various products which we had supplied earlier, like EW communication tools, etcetera, we are upgrading.

So all the fronts, we are finding in our naval pipeline projects itself are growing and our share, our electronic share is further increasing because of indigenization efforts which we have put at right time. So because of that, naval segment is the most promising out of the three; army, navy and airport for us as of now.

But definitely other two also, army and airport also are catching up now, because there also we have done a lot many indigenization programs and so many big programs. But definitely naval has taken the lead as of now for us.

Harshit Patel:

Understood. So my second question is could you comment on our content in the artillery systems being developed by the private players? So there are many programs happening simultaneously; ATAGS, towed gun systems, Vajra, mounted gun systems as well as light tanks. So what is the total addressable opportunity for us in these programs?

I am asking because a lot of OEMs which are developing these programs, they also have their own electronics division. So would we be competing with their own divisions? How our market share, wallet share will pan out in their systems?

Manoj Jain:

Okay. All platforms, firstly for us each and every platform is important whether it is a naval platform or whether it is a tanks and guns type of platform because everywhere there is a presence of electronics and there is a presence of wealth. So in these programs, although many of the programs are now -- this type of platforms are opened up to private, but basic electronics for that based on our experience, based on our product and based on our compatibility with the previously supplied system or based on our expertise of integrating them to a larger C4I systems. Because of all these things, we are confident that they are coming to us for all these type of interfaces, like they call it TIU is one such example.

The communication interface unit for all these tanks and guns is provided by us. Typically, all type of EO system are provided by us. So those are -- the tank radios, radio communication with them, that is provided by us. And because when they approach us, they know we will give them a quality product and which is interface able to present solution and future solution, because largely these are complex system-oriented solutions, which are handled by BEL.

So that gives us an extra advantage and that's why even these private companies also wants to work with us very, very closely. So we are not forcing any problem. We are working very, very closely with Bharatpur or Tata or L&T and all these big players, private players also. To see that, we give them right products and technologies required for them in these programs.

Moderator:

The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit:

Yes. Hi, good afternoon, everyone and congratulations for a good set of numbers. The first question is on the EBITDA margin which seems to be very high in this quarter. Now just wanted to understand whether it is due to the nature of contract, nature of orders that were executed or whether certain provisions have been rolled back. So just wanted to get a little bit more clarity on that.

Damodar Bhattad:

It is on the nature of orders executed.

Amit Dixit:

So there are no provisions that have been rolled back.

Damodar Bhattad:

No, provisions withdrawn are not minimal only. It's more on the nature of contracts. That's why the gross margin is 45. That is why the EBITDA margin has gone up to 27.

- Amit Dixit:** Okay, fair enough. The second one is if you can just throw some more light on QRSAM, specifically where we are when we expect the ordering? I mean, where are we stuck? What is the major -- are there some tests pending or something? And also whether we are also participating in this Virupaksha?
- Manoj Jain:** Which one Virupaksha? Can you explain a little bit more?
- Amit Dixit:** Sukhoi 230.
- Manoj Jain:** That is a radar program of Sukhoi 230. Because 230 has so many upgrade programs and two or three programs we are taking lead also. We are having constant discussion with our defense users IAF for that. So we are anyway engaging with them for EW right now. And for this radar program, we and SAL both are participating, and we will see how, but it will take some more time to finalize the configuration, optimum configuration etc for this. Because right now they have just frozen.
- The DRDO has just frozen the LCA configuration. So from that to Sukhoi 30 configuration there are a lot of technical challenges etc. We are just watching that and technically associated with them for that. So regarding QRSAM last time also we told quite a good advancement has happened now in last three months also. We are moving in right direction. Some clarification, configuration changes etc.
- Some MRLS. Those type of nitty-gritty of the contract or scope of work only is finalized. And once everything is totally frozen it will go to ministry for competent authority approval. Hopefully next year first quarter we are expecting RFP maybe should do us.
- Amit Dixit:** Okay got it sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ishan Shrimali from Tara Capital Partners. Please go ahead.
- Ishan Shrimali:** Yes. I have a couple of questions. The first what would be the data margin like outlook or guidance for FY25? And the second thing is in the last con call you had asked that you had said that you know capex for '24- '25 is projected around INR800 crores with some facilities in Hyderabad and Andhra and Nagpur. So could you elaborate on the anticipated production capabilities of these facilities and how they align with the future order pipeline?
- Damodar Bhattad:** The EBITDA margin as you have told is we maintain at 23% to 25% what guidance we have already given for the current financial year.
- Ishan Shrimali:** Okay for the current financial year.
- Damodar Bhattad:** As far as the capex is concerned, we are in the range of around INR800 crores is what we are targeting in the current year. And what growth projections we are giving to you is all based on the different capabilities which are also coming. You are asking about the capex?
- Ishan Shrimali:** No I first asked about the EBITDA margin guidance.

Damodar Bhattad: EBITDA margin EBITDA margin we maintain the guidance of 23% to 25% what you have given for the financial year 24-25. Okay yes and as far as capex is concerned yes, we are expecting a total capex of INR800 crores in the current financial year. This capex what you are telling these additional factories what are coming up it will take maybe next year next to next year to fructify become operational it may be next year, and some may be next to next year also.

So these are part of work in progress in some of the cases. So whatever growth we are forecasting for the current year and especially in the next years is based on the additional capabilities also which you are building up because as the base goes up the percentage also goes up and then a growth overall has to be more. For this only the additional factories additional capex is being done.

Ishan Shrimali: That's it from my side. Thank you so much.

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

Lavina: So that's a great set of numbers. I just wanted to check non-defense side any update you would like to give? The defense side is very clear.

Manoj Jain: Non-defense. Non-defense side yes, we are having an order book position. I don't know exact order book but around 10% of our order book is typically non-defense. Right now we have around INR8,475 crores as our non-defense order book. We are getting very good leads now for like we got last year CBIC and UP 112 as a project. This year also we are finding a lot of interest in that our D4 system for BSF.

We are going to get order very soon. We have declared already L1 for that also and one more security related cabinet. What is that? One more security related project we have recently got order. So we are getting every month around INR500 plus crores worth of orders in the non-defense segment also. We will have a logical mix of around 85%-15% which we typically want to maintain between defense and non-defense.

So we are in that range only right now also and plans are there separately because we review our non-defense market leads, execution etc. separately and we found there are no problems for maintaining this ratio of 85%-15%.

Lavina: And lastly thank you for that and lastly sir I know a couple of people have asked as well but just want to understand there is a concern that defense in general might be slowing down. There could be some derailment in future orders. I know at this point in time the outlook looks very healthy, but you think any challenge you foresee over 12 months or two years or three years that could derail the story in general from a very macro perspective?

Manoj Jain: In defense or non-defense?

Lavina: In defense.

Manoj Jain: So for next five years we are doubling with the leads and order books and other things. We are not having any issue for next five years. When we all sat together internally and then seen what

are the main leads which we are having or main acquisition plans of our defense forces, army, navy, airport, we are confident minimum 15% growth guaranteed for us in next five years.

We have made already for next five years our internal plan which at appropriate point of time we may share with you also. But definitely for next five years our visibility is very good for maintaining minimum 15% growth. We wanted to target for 17.5% but right now minimum 15% guarantee visibility is ensured for next five years for defense electronics for us.

Damodar Bhattad: And as far as the macroeconomic what you are dealing macro budget is concerned as you could see from the budget which is presented every year the defense budget is always on an increasing trend only in general. Maybe sometimes increases could be a little bit here and there but overall it is on an increasing trend only even in the country's defense budget also.

Lavina: Understood sir. Thanks a lot. All the best.

Moderator: Yes. Thank you. The next question is from the line of Amit Mahawar from UBS. Please go ahead.

Amit Mahawar: Yes. So I have two quick questions. First is so broadly in FY25 assuming INR250 to INR260 billion worth of orders the advance that we will have is around INR2,500 crores plus minus or there is a change sir?

Damodar Bhattad: What was your question? INR25,000 crores of orders and?

Amit Mahawar: I am saying the advance that we get on orders. I was just trying to understand if anything has changed on the contract side?

Damodar Bhattad: No. In general the contractual terms more or less remains the same which is of course depending on contract by contract but more or less they are on the same pattern.

Amit Mahawar: Same. Okay. Fair. The second question is more medium term. You shared about status on QRSAM and some large orders. Across 25 – because QRSAM is a very long project, and it is coming in stages.

So apart from QRSAM, MRSAM and Akash NG etc. I just want to understand how should we year-wise look at the large order configuration for BEL in 25, 26 and 27. The reason I ask this question is if you are growing a turnover by 15% in 25 and 26 your revenue building is going to be more than INR500 billion. So I just want to understand if 26 is going to be a very very high intake year for you. Thank you.

Damodar Bhattad: There is always, we are always talking of larger programs like QRSAM and some other programs but there is always a base order which always is there which is INR15,000 to INR20,000 crores which constitutes for whatever supplies you have already made there are upgrades, there are spare supplies, there are maintenance which are being done. So that base order is always there. What we talk always of is the incremental program like sometimes we talk of Ashwini Radar, QRSAM, MRSAM.

These are the further programs which we talk. So base order of minimum of INR15,000 crores is always there based on the old upgrades as well as spares as well as maintenance services for which equipment's have already been supplied. In addition these programs also build up on that.

So as it is as we say next year also the base order book of INR15,000 to INR20,000 crores is there. What we talk of QRSAM is over and above that. QRSAM is a special thing. So we are adding as one of for next year. So similar programs will keep coming as years because so many R&D spend is also going on in the company. So there are many programs of the Ministry of Defense which are going on. So as that I mean what to say as the program fructifies in the future, we see more and more good size orders coming in.

Amit Mahawar: Very helpful sir. Thank you very much and good luck.

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

Harshit Kapadia: Thank you for the question and congratulations for a good set of results. Just two questions from my side starting on the order book of INR75,000 crores. Could you give us a tentative breakup regarding how much of the order book is still left for LRSAM, MRSAM, the Electronic Warfare System, IACCS which you generally give and some many other large projects which is there in the pipe?

Damodar Bhattad: LRSAM order book as on 1st October is around INR4,200 crores spending order out of INR74,500 what we told. LRSAM is INR4,200, IACCS is INR2,000, Akash SAM is INR3,500, LCA Avionics is INR1,600, D-29 EWS is INR1,300, Akash ADC&CLRS is INR1,500, MSWS is INR1,000 crores and all others are below INR1,000 crores. These are the major orders. INR4,000 of LRSAM, INR2,000 of IACCS, Akash SAM INR3,500, LCA Avionics INR1,600, D-29 AWS INR1,400, Akash SAM INR1,500 and Mi-17 upgrade INR1,000. These are the major orders out of the INR75,000 order book what we told on 1st October.

Harshit Kapadia: Okay and the LRSAM and MRSAM execution would be completed by FY26. Would that be a correct understanding or would it be may go even to FY27?

Manoj Jain: As of now I think 26 only, but some spares and other small quantities only may spill over to next year. Major will be over in next year.

Harshit Kapadia: Okay and just continuing on the previous question on the order inflow part, if you can also highlight apart from the QRSAM which you expect of let's say the first batch of INR12,000 crores to INR14,000 crores, any other large program that you envisage for FY26 when you give a guidance of INR37,000, INR38,000 crores in terms of order inflow?

Damodar Bhattad: As we are telling there is a base order which you are expecting of INR15,000 crores which comes up from the old programs. This QRSAM is a one-time high-value order which you are talking of for the coming year, next year which you are telling it may come. There are many other programs which are coming up on which our R&D is going on, we are working on those programs. It would not be fair on my part to name all the programs at this instance. Please

understand it is an open forum so we cannot name all the programs what the company is working on.

Harshit Kapadia: Sure. Okay, I wish you all the best. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Krishnan from Kotak Institutional Equities, please go ahead.

Deepak Krishnan: So thank you for the opportunity. Just wanted to understand the defence, non-defence mix for 2Q as well as 1H FY25?

Manoj Jain: As such overall we told, overall it is 85%-15%. 85-89% is typically defence and 10% to 15% is typically non-defence. And quarter-to-quarter although we do not minutely check that, but the ratio will be of similar order only in each quarter.

Damodar Bhattad: If you are very precisely interested in the first half of 24-25, it is 87 defence, 10 non-defence, 3% exports.

Deepak Krishnan: Sure. So then maybe just sort of a split on how much is indigenised versus how much is foreign collaboration?

Manoj Jain: Total overall in this typically around 85% to 88% of the products which we supply are either in-house or by other indigenous sources like DRDO and any other Indian company. And typically TOT component is of the order of 10% to 15% only. So in general we maintain that as a logical mix because some TOT products also are required for growth, turnover and urgent requirements of the user, but over a period of time those are also we are in the process of indigenisation. So typical ratio of around 80% to 85% of total in-house come other indigenous sources of DRDO etc. the technology we are delivering. So that ratio we are more or less tracking and maintaining.

Deepak Krishnan: Sure sir. Maybe just want to sort of understand our sort of ability to continuously sort of report beta margins substantially higher than what is sort of the margins for a typical nominated contract. So how does it affect your future negotiations and upgrades or is it like every product is sort of looked at a new product. So even if you are sort of reporting substantially higher than nominated ranges you can still continue to enjoy that because of our own sort of cost efficiency measures?

Manoj Jain: The thing is overall how we earn the profit is not based on only margins. It is based on overall indigenisation effort which we put. We give the most optimum solution to our defense forces, the most economical way of solving a problem. So there are various ways and overall again different type of product mix are there which gives us some gives us slightly better margins, some gives us slightly less margins. So overall margins are good because we have put a lot of efforts on R&D in-house as well as supporting industry also. So this indigenisation effort or this in-house R&D effort only gives us more and more margins in long term.

Deepak Krishnan: Sure sir. Those are my questions and best of luck for future quarters.

Manoj Jain: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Gagan Thareja from ASK Investments. Please go ahead.

Gagan Thareja: Good afternoon, sir. I hope I am audible.

Manoj Jain: Yes.

Gagan Thareja: Sir, in last quarter you indicated that you will also be doing work related to Kavach which is the anti-collision train, anti-collision systems. I think some large orders were to be placed in October, November for that. Any news flow regarding that? Has BEL participated there?

Manoj Jain: No. In the Kavach program we told our intention now that yes, we are going to enter into this Kavach development. This development is an involved process. So right now railway has given us one execution, small execution order to prove our capability and that order they have told around 18 months' time to prove that on a small section. So we are in the process of development of this Kavach ourselves and we have to install it in that small execution place and once we qualify then only, we will be given the bulk production clearance.

So right now we are in the process of fielding the prototype, developing and fielding the prototype and then only this bulk production activities will start. So at least we have got this order from railway for development right now. So we are in that phase because that way only railway works. Firstly they gave a small execution order based on the capability shown by us. So we have proved our capability.

After witnessing that capability they have given us a small execution order to execute and the detailed evaluation will be done on that order, that particular execution order where we will really install it also and there only the efficacy of our system will be verified by railways and once that is done then only, we will migrate to participate in bulk production related orders. So recently they have RFP they have issued there we cannot participate because we have not crossed that particular milestone.

So once we cross that milestone the next order when it comes bigger order definitely, we will participate, but this present order we cannot participate because we are still in that prototype verification phase for the Kavach.

Gagan Thareja: Okay sir. Second question on around manpower and talent. One wanted to understand the attrition rate in the company and two I think there were some news, some media articles that you had given offers to graduate trainees in IIT Mandi but finally none of them joined. Is there therefore a challenge in terms of getting quality manpower? So attrition and hiring are the two aspects I want you to understand?

Manoj Jain: Firstly luckily, we are not having attrition problem to the extent what this IT sector and other electronic sector persons are facing because of overall environment which we give to our manpower, the overall growth and learning opportunities which we give to our manpower. So our attrition rate is typically 2% to 3% only during a post-COVID there was a small surge at that time I think we might have touched around 5%, but otherwise we are generally 2% to 3% only is our attrition rate which is manageable.

What I was referring in IIT Mandi and other places also is now we are growing so for our future growth and where we have to do a lot more of indigenization, a lot more of Make in India and design in India type of initiative that requires much more manpower to be put in R&D for us to meet the government of India timelines and guidelines. So one is doing more and more of indigenization, second is for our own growth for 15% plus growth we have to diversify, we have to add so many new products in our portfolio so that requires more and more of manpower.

To attract that manpower we are going to all IITs, NITs and so many other places and we are coming up with the better and reward and recognition schemes that is a continuous process in BEL. So more and more of those schemes which we are going to give that will we are confident that with that we can attract the talent and increase our manpower considerably especially in R&D.

Gagan Thareja: Okay then what could the hiring program look like sir, number of trainees or I mean at a level hiring absolute terms what is your target annually?

Manoj Jain: No, this year in next 12 months we have set our own target that in next 12 months we should have permanent manpower minimum thousand plus we are going to add that we have already got from our board approval also. So that is for permanent manpower, and I can tell you if permanent manpower itself we are going to have thousand plus more all-other contract manpower like trainee engineers, project engineers etc, minimum this much number always will be there.

So around 1,000 plus additional of other variety manpower we will have, 1,000 plus permanent manpower which we are committing for next 12 months we have come out with a plan internal plan for that, and we are confident we will exceed our that internal target of manpower hiring also.

Gagan Thareja: Sir final question from my side.

Moderator: I am sorry to interrupt Gagan sir could you please fall back in the question queue for your final question. Thank you, the next question is from the line of Rupesh Tatia with IntelSense Capital. please go ahead.

Rupesh Tatia: Hello sir, thank you for the opportunity and thank you for the good set of numbers. My question is around the AESA radar sir, Uttam AESA radar for LCA program, so can you give some update on that where is that and when are we expected a large order for that?

Manoj Jain: This Uttam radar, actually radar as an integration will be done by HAL, because the first radar, there are a lot of challenges when first time any radar has to be integrated in an airborne platform. So LRD and took a calculated this task on hand and based on that they decided let HAL only take the lead for this integration.

So as the Uttam radar per se will be integrated by HAL only as of now for the first few radars, however the most important component of that is TR module and the triple AU, we call it, so these modules definitely there is a role of BEL to play, and BEL is working backward for giving that type of a quality solution to HAL.

So it will take some more time for HAL to come out with the order for placing on us, but right now the radar is going on under integration trials in the stages and it will take some more time to fully qualify, you may be knowing airborne systems qualification is a very involved process, so that process and overall integration of radar, so as a Uttam radar will be integrated oblique managed by HAL although the basic components will come from industry and in that industry BEL is taking definitely good leads.

Rupesh Tatia: Okay. So, just one follow-up to that sorry, let's say planes and see a plane that will be need to be produced in 2026, the order for that will come in, how much advance will it come 6 months in advance will it come 12 months in advance how does that ordering cycle work? So, sir, other question is this Shakti EW System, I think another private player I think was declared L1 so was there L1, L2 in that and did we did we become L2, and did we get some order, or the entire order went to the private player?

Manoj Jain: Which Shakti you are referring, because one Shakti is EW Shakti one Shakti is we have our military communication related Shakti program, you are referring to...

Rupesh Tatia: EW sorry, Electronic Warfare?

Manoj Jain: No, EW Shakti is always with BEL it is a buyer nominated equipment and it has, because overall the total solution is developed jointly by DRDO and BEL and I don't think any time it has gone into multi-vendor situation the Shakti EW was always with BEL and it is with BEL only

Rupesh Tatia: So, I think the private Adani has been growth in its Annual Report that they have been declared L1 for Shakti Electronic Warfare system, so I just wanted a clarification with respect to that?

Manoj Jain: No, that may be some other contact Shakti maybe they are telling, but this Shakti Nayan Shakti and other EW program of naval ships, we are the buyer nominated equipment means our equipment only has qualified. Airborne EW is a different name that is an AEW&C now, in AEW&C, we also participated for the new tender where I think, out there Adani became L1 but that is a system integration project, there is no development there system integration based on the caps design.

So that project we lost to Adani yes, because we wanted to enter into this segment, we have never entered we are only doing life cycle management of AEW&C EW system but we were not a system integrator till date, so we wanted to enter into that unfortunately in this program I think, that they quoted they became L1, although they have not understood the total project nuances or project subsystems, which we understood very well but I think, for last 7 years some three of their aircrafts are maintained by BEL only.

But anyway they became L1, let them prove that they can supply in that prices what they have quoted best wishes to them, and anyway it's part of life we when we quote, we may become L1 we may not become L1. But this is not a development program it is an integration program and mainly it is a caps driven program. So that program you are right, but we have our own Shakti for Navy Shakti where we are BNE. I hope I clarified to you?

Moderator: Thank you. The next question is from the line of Aditya Jaiswal from Nirmal Bang Institutional Equities. Please go ahead.

Aditya Jaiswal: In the terms of export like, what major orders like the BEL currently have and the contribution of exports like currently 3% so in the future this trend line will be more than 3% or what?

Manoj Jain: Definitely it has to be more than 3% is not a healthy sign, but export we started with very small order book and small orders etc. And to that to reach 3% itself a challenge, but from 3% our target is to cross 5% as earlier, maybe next year and if not next year next to next year we will definitely 5%, we have an overall order book of around US\$403 million as on today and with various big orders are there in that, we are confident what's your target which we have set for this year we are crossing that.

And next year it should be more than 3%, I can assure you now itself, it will be more than 3% every year-by-year we have to increase, and finally the government committee wants us to reach double digit. So we finally have to reach 10% of turnover and export, but right now jumping to 10% immediately is not possible, because it requires continuous effort systematic effort etc.

So we are every year-by-year we will increase our percentage of turnover from export, right now I can't tell you when we will reach 10% but our goal is 10% and it will be a growth path only every year, we will increase on whatsoever we have achieved last year, these two are our guiding principles exact values etc. We will communicate to you maybe next year beginning.

Aditya Jaiswal: So can you name a few projects that are in the pipeline for the exports?

Manoj Jain: Major projects in the pipeline that is actually around \$500-plus million lease are there with us, right now one or two major things actually are there for RWR MAWS is prayers and training for this Airbus what I think today that T295 inauguration is there, for that some expected order is planned compass related order and Gimbals related orders from Elbit systems for exporting to their to them, so that they can supply to some other countries.

Some Asian countries related some orders are there big orders, something related to Brazil something related to Weapon Locating radar in Egypt, so those type of big leads are there around \$500-plus million leads we are working right now. And we are confident we can liquidate as many as possible of them in the next 1 year. This year anyway we are going to we are targeting around \$200-plus million acquisition.

So that we are confident we will have that much acquisition extra in this year, and overall the order book is healthy from export point of view the way we are planning the way our growth is there, so we are confident about that.

Aditya Jaiswal: Thank you, sir. That is for my side.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference called. I would now like to hand the conference over to the management for their closing comments.

Manoj Jain: Yes, the future outlook as we told we started, what's your data we are committed to achieve that, so that only shows the overall confidence from well management to the investor that what we started the year we are continuing on that goal and we are confident that we are going to achieve that goal of overall revenue growth of 15% EBITDA margins of 22% to 25% order inflow minimum INR25,000 crores we are crossing, we will cross R&D investments, we have increased INR1300-plus crores, we are going to have that figure capex INR700 crores plus and defense non-defense business of around 85%, 15% so these are all guidance what we have given we are committed to achieve that for this financial year '24, '23. Thank you.

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