



“Bharat Electronics Limited
Q4 FY '25 Earnings Conference Call”
May 20, 2025



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MODERATOR: **MS. RENU BAID – IIFL CAPITAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day. And welcome to the Bharat Electronics Q4 FY '25 Earning Conference Call, hosted by IIFL Capital Services Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Ms. Renu Baid from IIFL Capital Services Limited. Thank you. And over to you, ma'am.

Renu Baid: Thank you. A very good morning to everyone present. On behalf of IIFL Capital, I would like to welcome the management of Bharat for the 4Q FY '25 Earnings Call. From the management team, we have with us today Mr. Manoj Jain, Chairman and Managing Director; Shri Damodar Bhattad, Director, Finance, and CFO; and Mr. Sreenivas, Company Secretary.

I now hand over the call to Mr. Manoj Jain for his opening comments. Thereafter, we can start the session with Q&A. Thank you. And over to you, sir.

Manoj Jain: Thank you, madam. Good morning all. So I will, firstly, cover the financial highlights for financial year '24, '25. The turnover increased to INR23,024 crores, as compared to INR19,820 crores previous year, with a growth of 16.17%. The profit before tax increased to INR7,090 crores, as compared to INR5,335 crores previous year, with a growth of 32.91%. The profit after tax also increased, to INR5,288 crores, as compared to INR4,020 crores previous year, with a growth of 31.55%. The EBITDA also has increased to 29.39%, as compared to 25.22% last year.

The earning per share increased to INR7.23, as compared to INR5.50 last year. Order book position as on 1st 4 2025 is INR71,650 crores. So overall, on all the parameters, company has registered good growth. Parameters are well within what's given to you as a target or expected performance. I hope we have increased only your expectations.

And now briefly about the current geopolitical situation. You all know BEL systems were there in all the forward areas, providing offensive and defensive applications, a lot of C4I solutions developed by BEL and used by our users who are there in the field this time. You have heard a lot more through the media about BEL involvement. BEL teams were there in the forward area supporting our users and getting the feedbacks.

Overall, we feel satisfied that, yes, a technology developed by us was used by our users in a very, very efficient way. We got a lot of appreciation from our users recently. And regarding this emergency procurement which government has now come out immediately, still the projects are being discussed. So various projects of army, navy and air force are being discussed.

We are actively involving ourselves for those discussions. And we are hoping good orders will come under emergency procurement also for us. Otherwise also, anyway, we have a long lineup of various projects which we are expecting in this year and subsequent years.

That is in brief from my side. Thank you. Thank you all. [inaudible 0:04:30]

Management:

Now start the session with Q&A.

Moderator:

Thank you very much. The first question is from the line of Mohit Pandey from Macquarie. Please go ahead.

Mohit Pandey:

Yes. And congratulations on a good set of numbers. Sir, my first question is on orders. So firstly, any ballpark number you would like to share on what could be the quantum of -- I know you mentioned this is still under discussion, but any ballpark number on what could be the quantum of the emergency procurement orders that would come this year? And secondly, any update you would like to provide on the large pipeline orders such as QRSAM and corvette-linked orders? That would be very helpful, sir.

Manoj Jain:

Yes, certainly. Now, EP projects, it may be a bit early. Maybe another 1 week or so, we will get the correct estimate of what all the projects which are coming -- which are to be done by BEL because -- you know EP projects are for arms and ammunition replenishment, some other spares, etcetera, those; and a few critical subsystems or systems which they feel are to be purchased immediately.

So there is a list of so many projects and spares which we are looking at, but at this stage, because -- discussions only are going on. Once the list is finalized, then only we will come back to you. Something like a minimum 8 to 10 or more different line items, I am expecting immediately, minimum most. It may be even more also. Because the list is being finalized till now.

Now regarding the long-term projects. Yes, as you have told, QRSAM, good progress is done on QRSAM in last year. And as we told last year, we are expecting QRSAM order, hopefully, before March, but it may slip to April, May also. Right now we are thinking it may come by February, March itself because good progress is there on that front, but worst case, it may be shifted by 1 quarter.

So that is our thing for the biggest order, which is, as I already told, around 30,000-plus crores order. We want to grab it in this year itself. Worst case, it will be Q1 of next year. And so many other big projects are in pipeline, which we are hopeful to realize this year and subsequent years.

Mohit Pandey:

Sir, if I can ask, what are the other bigger pipeline projects that you're expecting this year?

Manoj Jain:

Yes, certainly. No, the thing is that is the biggest QRSAM, but in addition to that, the NGC program, Next-Generation Corvettes, for that, there are so many items of BEL. So we are expecting a major order of that subsystems because that will come from 1 of the shipyards only -- or 2 of the shipyards who will become L1 and L2.

From them only, it will come. So we are hoping that majority of those subsystems -- there are around 10 to 12 subsystems which are there on these type of ships. So those will come in this year. Then we are hoping Shatrughat and Samaghat. That is a EW system. So that also, we

may get this year; in addition, so many other things, like additional LCA requirement which HAL is pursuing.

So from HAL, we may get the order this year only; then some B&D spares for LRSAM, ATULYA radar, Shakti, other GBMES, like that. There is a long list, ADFCR. So a long list of projects which we are hoping will come in this year. Worst case, they may go to -- slip to next year Q1 or Q2. So that way, we have good leads right now order acquisition related. And we are hopeful for -- to be better next year.

Mohit Pandey: Yes, understood, sir. I have other questions. I'll come back into the queue.

Moderator: Next question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Congratulations for a good set of numbers. Sir, considering whatever you have discussed in the previous question, I just wanted to understand the kind of order inflow that we may expect for this year. I know there has been around INR3,300 crores that you have received, so far, but what kind of order inflow do you expect this year? And the subpart of this question is that, given that we have seen skirmish on the border and missiles have been successfully deployed, don't you expect QRSAM order actually to be expedited.

Manoj Jain: Yes. That's why I told that earlier also. QRSAM order related, all the paper activities and other things are going on very, very fast. We have also made one team dedicated for only finalizing this contract with the user. We are hoping it may come by last quarter of this year itself, but we are telling in addition to QRSAM. QRSAM, maybe around -- roughly around INR30,000 crores, we are expecting.

In addition to that, we are hopeful to get this year around INR27,000 crores additional orders, so if QRSAM comes in this year, total, we will cross INR50,000-plus crores this year itself. Otherwise, also, minimum INR27,000 crores, we are expecting this year of the orders, which I have told you a big list was there. So these all orders definitely will give us more than INR27,000 crores this financial year as the order book, additional orders.

Amit Dixit: So just a clarification. 30,000 crores is the total size of QRSAM, or our share?

Manoj Jain: The QRSAM is -- we are the production agency for QRSAM, so order will come to BEL. So total INR30,000 crores is what we are expecting as order from users to BEL. And this order actually combines air force and army total requirements.

Amit Dixit: Got it, sir. The second one is on the S-400. So we found that S-400 was very successful in the recent clash. And Project Kusha is being contemplated now, as per the media reports. And the size of the order could be, as per media reports, around INR40,000 crores, so what would be our share in Project Kusha?

Manoj Jain: As you have rightly told, yes, indigenous S-400 is called Kusha. And knowing the importance of this project, we started investing on this project. Presently this project is driven by DRDO, and BEL is a development partner for them. The DcPP, we call it. So we are the development partner with DRDO. And we are developing jointly with them so many subsystems of the

Kusha, mainly all type of radar. Different type of radars are there in that; different type of control systems, control centers we call it. Those are there.

There we are already nominated DcPP. System integrator for this is yet to be finalized. We are hopeful that we will be system integrator also. So, in case we are system integrator, then as you have indicated, around INR40,000 crores order will come to BEL because system integrator only gets -- if they decide to have two system integrators, then also definitely then, 100%, we will be one of them. We are confident of that. So then maybe around INR20,000 crores, as per your estimate, will come to us as direct order.

But the subsystems which are there, major subsystems of indigenous S-400 will be from BEL. So that's why we are expecting very good order book of these subsystems, but presently we are more involved in how to make this system very quickly jointly with DRDO. So, our main focus right now is on the development front, but definitely orders will come in due course of time.

Moderator: Next question is from the line of Nitin Arora from Axis Mutual Fund.

Nitin Arora: Sir, though you articulated the kind of emergency procurement which is happening, just on the execution side also, you see what you would have planned 6 months back for this year, FY '26. Is there a chance of faster execution because of the certainty of further disturbances, what is happening currently? Or any change in outlook in that part on the revenue side?

Manoj Jain: Revenue side. Anyway, at the end of the call, we will tell you what we are expecting this year, but as you have rightly told, yes, the need of the hour is to execute the projects faster. So we are assessing that situation. Based on that situation, we will see how we and [inaudible 0:14:42].

Because it is not that what we produce is manufactured within BEL. It is with a large number of MSMEs, other vendors who are there, who are supporting us, so we are in constant touch with them in last 15 to 20 days and seeing how we can overall make the total execution faster. Internal also, some process improvements further, we have done.

So jointly between that and discussions with our MSME and other vendor, we will come out with a plan of executing it definitely more faster than what is expected by our users now. I can assure you we are going to meet or exceed our user expectations. That is our goal. Even during this Op Sindoor also, whatsoever users expected [inaudible0:15:33], definitely -- I am confident that we have met or exceeded their expectations in terms of support, spares and other things.

And we'll continue to do that by giving them earlier to the requirement deliveries. So that, we are doing, all these things. And definitely we will execute it faster than their expectations.

Nitin Arora: And any comment on the profitability, sir? It's been very strong, Q4 specifically as well. So whole year margins are pretty much higher than your guidance. How one should look next year, if you can comment one on that? That's it.

- Damodar Bhattad:** The revenue and margins guidance, we'll give at the end.
- Moderator:** Next question is from the line of Sagar Gandhi from Invesco Mutual Fund.
- Sagar Gandhi:** Yes. Sir, my question is on the working capital. While the performance has been outstanding, our working capital seems to have deteriorated significantly both on the receivables inventory front and payables also. I mean you have cleared dues of -- I mean you have cleared substantial amount of liabilities. If you can comment on how do you see this receivables inventory changing over the next few quarters?
- Damodar Bhattad:** See. If you look at our working capital position, it has been fairly stable around 1.5 current assets to current liabilities. Even the current year, the 31st March '25, the current ratio is around 1.7.
- So, receivables and inventory, there's not much change as compared to the previous year. Maybe 5, 6 working days -- 5, 6 days is the highest. That's all. So overall it remains same. Working capital position remains good. And we are getting good inflows from the government side also.
- Sagar Gandhi:** So sir, your other liabilities. If you look at your cash flow, other liabilities section: There is a material change, INR2,900 crores change, year-over-year. And consequently, that has lead to net cash from operating activities going down from INR4,600 crores to only INR586 crores.
- Damodar Bhattad:** No. That is -- if you could see, it is on account of the advances, what we had received last year order book. The advances were slightly higher. This year, the total order book intake was slightly less, 18,000 only, as you are aware. So based on that, the cash flow from operating -- to that extent, it is less.
- Sagar Gandhi:** But there are no challenges on the receivables front is what you confirm?
- Damodar Bhattad:** No, no challenges, yes.
- Moderator:** Next question is from the line of Vatsal Desai from HDFC Mutual Fund.
- Vatsal Desai:** Congratulations on a great set of numbers, sir. Sir, my question is again regarding the emergency procurement. So could you give a quantum of what will be the size of the procurement? And what will the margins look like for those?
- Manoj Jain:** Again, as I told you, it may be a bit early. Maybe within -- I hope, within the next 8 to 10 days, all the EP, procurement, list by all the three defense users will be finalized. And then only we will have the correct estimate of what are the projects which will come to BEL in that. So today, it's not appropriate for us to tell, but we are discussing for various requirements, emergency requirements from them.
- But how many they are going to freeze under EP and how many they will go through the normal FTP or other path, that, our user has to take. So once that list is finalized, then only we will start responding and planning for quicker execution for those EP projects. So today, I can't give you the quantified figures.

- Vatsal Desai:** Understood, sir. And you also mentioned faster -- you try to implement faster execution for these projects. So, will that escalated pace of execution impact margins positively or negatively?
- Damodar Bhattad:** See. Margins guidance including everything, we'll be giving at the end of the conversation.
- Vatsal Desai:** Okay, sir...
- Manoj Jain:** We are assessing all the situation. Based on that only, we will give you our final figures of the margins and others at the end of the call.
- Moderator:** Next question is from the line of Atul Tiwari from JP Morgan.
- Atul Tiwari:** Sir, my question is on NGC program. Could you shed some color on the size of the orders that you could expect from this?
- Manoj Jain:** As I told, we are having so many subsystems of NGC. So almost all electronics in the NGC program will be from BEL. The thing is the subsystems finalization with the shipyards may take some time. Overall, it will be of the order of INR6,000 crore to INR10,000 crore. I don't know exactly right now how much they will realize this year and how much may spill over to next year.
- But large amount of order, maybe largest in this year, after QRSAM, will be from this NGC program. But technically it is subsystems. So different orders may come from two shipyards, but put together, the figure will be between INR6,000 crores to INR10,000 crores somewhere.
- Atul Tiwari** Okay, sir. And sir, my second question is on your exports. What was the quantum of exports in FY '25? And are you seeing increased traction in exports because of the performance of your products in the recent contracts?
- Manoj Jain:** The thing is, last year, I think, we achieved [\$106 million 0:21:42] which was a healthy growth for us as compared to overall defense ministry. All the productions, defense productions, what they have achieved, overall we have exceeded from that. This year, we are planning around \$120 million, but as you have told, a lot more leads are now fructifying or may fructify, based on the last geopolitical situation, where our equipment solutions performed exceedingly well.
- But that takes its own time. That takes minimum, I can say, one year for us to convert those leads or those advantageous things to orders. So, we have to wait for at least one year to get those orders and execution will take another 12 to 18 months.
- So, export front. We will see right now, our growth, based on our previous order book, etcetera, we are expecting around \$120 million this year, which is again a healthy growth of more than 15%. We are targeting -- maybe after 1 or 2 years, based on the -- what sort of progress we may get on these new leads, we may expect more than 20% growth.
- But for that, we have to really work hard this year to convert those leads into confirmed orders. So that -- at the end of this year only, we'll let you know how much we have engaged on the present technological solutions which we have to generate new leads.

- Atul Tiwari:** And sir, a follow-up question on exports again. Over past few months, we have seen European rearmament. And we are given to understand that you already have some relationship with various users in Europe in supplying components and all that. So are you seeing some kind of traction for supply for European rearmament from your side?
- Manoj Jain:** Definitely this is good for BEL because so many of our electronic systems; our fuses, different type of fuses; and other ammunition which we are now in -- so those are really required by European countries, so we are in constant touch with our internal teams, defense strategies at those countries, etcetera; and coming out with our revised marketing plans to capture projects on those countries. As and when we capture any project, we will definitely immediately come back to you that this we have got. Right now these are, again, leads or opportunities for us and we are working hard to convert them into orders.
- Moderator:** Next question is from the line of Jyoti Gupta from Nirmal Bang.
- Jyoti Gupta:** Great set of numbers. My question is, of course, you being defense PSUs, the lineup of orders will never be an issue for you and you will continue to have very large orders. But my first question is in terms of margins. We've seen a sudden jump by 4% on a year-on-year basis. Any specific reasons that we see this margin which has happened?
- And the second thing is that while I understand a lot of procurement orders will be finalized in the next 7 to 8 days, even if they were not there, without that, we -- could we manage similar margins going forward if there was no such emergency situation or any of that sort? And why was other expenses -- and so I mean there's a sharp decline in terms of raw material and other expenses in the fourth quarter on a Y-o-Y basis. Could you please explain that?
- Damodar Bhattad:** Yes. The margins increase, what you were telling in the beginning, it's purely due to the scale of operations. The scale of operations was higher, which led to the increased margins. So material consumption remained around 55%, as was in '23-'24. The same was in '24-'25 also. So the material consumption being 55%. The scale of operations led to increase in EBITDA margin. As far as the current year margins are concerned, we'll give the guidance at the end.
- Jyoti Gupta:** Okay...
- Damodar Bhattad:** Other expenses reduction you had asked. Other expenses, last year, we had a provision for intangible assets of INR96 crores, which was not there this year. So that led to the reduction in other expenses. Other things, more or less, were constant. Normal increases were there as it is for the scale of operations. Because of one intangible assets provision which was there in '23-'24, so due to that, the other expenses got a reduction. It has got reduced.
- Jyoti Gupta:** Okay. Other thing is in terms of, as an integrator, you said -- so one is you said you will have for subsystems and then you're also looking at integrator -- becoming an integrator for some of the procurement platforms. Now my question is if you were on the -- this is irrespective of whether the orders are there or not, but on a general basis on a base case scenario, if we are on subsystems and we move to an integrator, how does that really improve my margins?

Manoj Jain:

The thing is, when we are subsystem fellow, subsystems are generally homegrown, so we have definitely good margins for that. System integrator role is a bit different and challenging because he has to take care of integrating all the subsystem and delivering the required results.

The system integrator generally gets the direct order, so from order book point of view, being a system integrator is -- definitely it will affect -- or it will improve my top line. But subsystems which are there, which will come anyway, whether I am system integrator or not, will make my top line reasonably okay, but definitely my bottom line is more -- better with subsystems.

So subsystem and system, both are required for BEL. And especially, BEL type of a company only can play the role of system integrator because that -- challenges at system integration are of totally different variety. Different type of experience are required. Different type of integration skills are required in addition to project management skills.

So that -- being last 70-plus years in this field, we know all the present system, future system, legacy systems, those system integration and overall project management for these type of large projects, which covers multiple technologies, like radar technology, ammunition technology, missile technology and control systems, GUIs. There are -- different type of some 10 to 12 different technologies are there.

BEL is, luckily, working in all those technologies, so we can give much more quicker and better system integration experience to our defense users. So that's why, generally for these complex systems, first choice is typically BEL, but wherever they have not selected us, we are trying for that.

Some of the cases, as a strategy, if they want to become 2 system integrators, then they will select, definitely based on our -- BEL's experience of last 70 years and all, large system projects which we are handling presently also. So if they give competition, we are hopeful -- definitely we will be one of them, but that call -- different, different user directorate or DRDO, they will decide whether they want a 2-system integrator or single-system integrator.

Personally I feel single-system integrator is the right choice because you can't develop system integration capability at 2 different parallel places because that challenges -- and then synchronizing these 2 system integrators may be a tough call, but that call, I leave it to users or our DRDO friends to decide because we will not come into that. We are capable of being system integrators. That only, we are telling. And we are hopeful to be system integrator for all these bigger, larger programs.

Moderator:

Next question is from the line of Sumit Bhatnagar from LIC Mutual Fund.

Sumit Bhatnagar:

Sir, my question is regarding Project Kusha. Any timeline when we can accept -- expect this order, FY '27, FY '28?

Manoj Jain:

You know it is still in R&D phase. So R&D phase, we can't predict the overall trial times. You know how much time it takes for different type of utterance testing and validation by the users. I hope prototype will be available for all these things in next 1, 1.5 years total timeframe

because we are only developing majority of the subsystems for that. So next 1, 1.5 years, it will be available.

After that, typically for these type of systems, it may take around 12 months to 24 months of trials. Sometime, it takes even 36 months also, so we -- this program is driven by DRDO. So we will give right support to them so that they can compress their timelines. But exact time lines of the project, it is better that you ask DRDO only in some different forum. Because right now we are only giving total development support to DRDO because the program is driven by DRDO.

Moderator: Next question is from the line of Devesh Lakhotia from IKIGAI Asset Manager.

Devesh Lakhotia: So sir, congratulations, firstly, on a great set of numbers. My question was again on the margin side. I just wanted to check. While you have highlighted that margin improvement is partly on account of operational -- increasing scale of operations, but is there -- so a couple of things on the margin side.

Is there particular segments or particular products where you earn better margins compared to others? Or has the margin profile at the contract signing stage itself increased over the past few years? From a continuity standpoint, is it fair to assume that -- obviously, guidance, you will give later, but is it fundamentally higher margins that we are looking at as a company?

Damodar Bhattad: So as we told, the scale of operations -- purely the scale of operations led to the increased margins. And as you yourself told that the guidance for the current year will be given at the, I mean, end of the call. So that's what I would like to tell on the margin front.

And as far as your question on whether on the contract signing stage and segment-wise, these type of information, generally, we do not tell about which segment, what we earned. Because segment-wise information, we do not give.

Manoj Jain: Just I wanted to add 2 more lines in that. These margins are going to increase further, I can assure you, because we are doing real rigorous indigenization of the various system, subsystem and even at component level through directly by BEL; or by involving all our industry partners, including MSMEs and start-ups.

And of course, many of the subsystems are in-house developed, like you have seen latest Akashteer program. More than 90% indigenous content was there. And most of the subsystems of this were made in-house. So this in-house development meeting the exact requirement and indigenization drive, these two will definitely take margins higher and higher. That much, I can assure you.

Moderator: Next question is from the line of Ranodeep S from MAS Capital.

Ranodeep S: Sir, if I'm not wrong, till now we've released 5 lists of embargo. Any expectations for any sixth list being released? And is BEL slated to capture that market share?

Manoj Jain: The PIL list you are referring, I believe. The positive indigenization list, which in that list the embargo of not importing them. So we are there in all the PILs because majority of the systems directly, indirectly have defense, electronics or systems in mind. So we are there. We are developing so many solutions as part of PIL 1 to 5.

And some of the solutions, we are working jointly with our other ecosystem partners. So PIL 6, whenever will come, definitely it will help BEL, because BEL main motto is indigenization or developing the systems and solutions indigenously. We are born for that mission only, so all PILs directly, indirectly will definitely help BEL.

Ranodeep S: Sure, sure. Sir, can you share some thoughts around -- we did see a post that around 299 patents BEL has now under its pocket. So is there a school of thought around monetizing it in the future? Or what is the guidance around it?

Manoj Jain: Let me tell you our first aim of filing these patents was to protect the IP, because this is a defense IP. So this IP should be protected. So first aim was to protect that. But as we have told, yes, if somebody comes forward using this or commercialization of these patents, if some real needs are there, then we should commercialize that also. But that is a slightly more involved process.

We are in the process of finalizing the ecosystem for that because first thing is we should have a transparent way of valuation, IP valuation we call it. So that should be done because -- I should know what is the price of this and price benchmarking has to be done for these patents. We are in the process of finalizing one or two agencies who can do this job for us.

And once that is done, then only we can go and offer it to somebody who is interested in that. So today, it is a bit early for me to tell how quickly I can commercialize my patent, but main aim of patent was to protect the IP.

Ranodeep S: Sure. Sir, one last question and pardon my enthusiasm here. If I see the last-10-year sales growth is at 12%. And last-10-year profit growth is 15%. This has led to an amazing 27% growth in the stock price. Any guidance in terms of where do you see the revenue growth in the next 5 years inception?

Manoj Jain: Okay. Again that is -- I am also highly optimistic. So I can tell you that growth what I want to have, definitely it should be minimum 15%. So 15% to 17.5%. And after 5 years, we want to touch even 20%, but right now it is 15% to 17.5% growth what I am looking at. And I am confident we will definitely achieve it in next 5 years. And about profit also, as you have told, it was 15%.

And now we are giving consistently more than 20%. So we are hopeful, once this indigenization and a lot of in-house developed products -- based on our in-house R&D strengths, products and solutions are there which are meeting users' aspirations -- so definitely it will be definitely more than 20%. So first figure will be more than 15% to 17%. Second figure will be more than 20%, so what you have told -- '27 will definitely become more than 30%, to 35%, for you. We are hopeful for that in next 5 years. We will see.

We are working towards that. How much we will achieve that, God only knows. We are only putting efforts for achieving that. And we are hopeful for that because of the overall ecosystem which is there; overall strengths which we have acquired over a period of time, especially our in-house strength, working with academia, working with start-ups, working with other MSME and other stakeholders in this domain.

So collaborative working. Even with our competitors also, we are doing now on larger scale. So with these types of strategies, I'm confident we will achieve. We want to not only meet your expectations. We want to exceed your expectations. That is all what our whole team BEL is continuously doing, and we will not disappoint you.

Ranodeep S: Really appreciate the response and the long response. So thank you so much and wishing you all the best and helping India stay safe. Thank you.

Moderator: Thank you. Next question is from the line of Deepak Krishnan from Kotak Institutional Securities. Please go ahead.

Deepak Krishnan: Sir, just wanted to understand just one thing on the margin front. I know you give the guidance at the end. And you indicated scale, but if you look at this year also, we are doing system integration LRSAM, which would sort of be the biggest revenue contributor. So in spite of doing much more higher system integration, we are seeing much higher margins at a gross level, even the last -- over the last 3, 4 years, what the numbers have been.

So is there anything else that we should be aware of that from -- even at a gross margin level, as we go ahead and do QRSAM and some of the other systems integration projects? In addition to indigenization, we are seeing this huge ramp-up in gross margins. Sir, any thoughts over there?

Damodar Bhattad: The gross this margins, whatever you are talking of, it's not only LRSAM we are doing. We are doing many, many product systems across all the SBUs, so what we get is a result of combination of factors. So there are some with little lesser margins. There are some with better margins. So all this combination of factors is what decides the final margin.

So it's rightly said in the beginning, we do system integration also. And we also develop subsystems, modules. We sell subsystems and modules levels also. So with this combination, we are able to arrive at these margins. Individual margins, as I told, we'll not be able to comment on that.

Deepak Krishnan: Sure. Just one question on the INR27,000 crores guidance. The emergency procurement will be above and beyond that whatever we get from that. That is not included in the core order inflow of the guidance?

Damodar Bhattad: [inaudible 40:58] what you are talking. We are talking of a INR27,000 crores figure as an all-inclusive figure. INR3,300 crores of this has already been received. Balance INR24,000 crores, whatever we expect to receive in the current year. Of course, it is excluding QRSAM.

Deepak Krishnan: Sure, sir. Those are my questions. Thank you.

Moderator: Thank you. Next question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.

Manish Ostwal: Yes, sir. Thank you for the opportunity and most of the questions are answered already. I have only one question. In terms of achieving the growth of 15% to 17% over the next 4 to 5 years, what kind of investments we are making into -- in terms of capex and secondly, R&D efforts. Can you talk qualitatively on these two aspects? It will be a great help for us?

Manoj Jain: As you know, as you have rightly told, once we have to have better growth, then we should have good products and good infrastructure. So both are required. So as we have told, we are investing on both fronts, whether it is in R&D front or whether it is in capex front. Capex front itself, I think, this year you might have noticed we have increased our investment.

I think, last year, it was around INR600-plus crores. This year, it was more than INR900 crores. And next subsequent years, we have a really good growth plan. I can assure you it will be more than INR1,000 crores per year we are going to invest. Exact values, we will tell you from time to time, but it will be more than INR1,000 crores per year is the investment in capital we are looking at.

We are having plans of making new factories at important locations in India, which will be -- some of them will be even bigger than our present establishments. So we are investing heavily and we will -- going to invest heavily on bigger infrastructure, in addition to smaller infrastructure like product support centers and other infra for serving our users better. But the big manufacturing setups two or three are already in the pipeline which are going to be inaugurated very, very soon, but two or three bigger investments which are actually larger than our present two big factories.

You know our biggest factory is in Bangalore complex in Bengaluru. And the second one is in Ghaziabad. So we are planning to have bigger than these two units, more units in future. In next 2 to 3 years or maximum 4 years, you will see that we will start operations in those new locations also, so that will take care of this year-on-year growth of 15%, 17.5% and beyond.

R&D, also same way, we are already scaling up. You will see further big, big programs, big R&D investments done by us and not only on the revenue side, on manpower front also. So this year itself, I think we are investing in R&D manpower alone around 700 to 1,000 engineer. So for that, we can take up much more challenging and big programs, but as you have seen, now we are not only at subsystem level.

We are at system and solutions level company, like the latest Akashteer program you have seen or Akash program or IACCS program or BSF program. These all program requires a lot many software and hardware engineers. When we are developing it, majority in-house also, so we are investing on R&D manpower, R&D infrastructure, R&D projects jointly with the industry partners as well as capex-related big infrastructure investments. So all these ones we are doing, I'm confident that we will achieve this type of growths which I have indicated.

Manish Ostwal: Thank you, sir. Thank you.

- Moderator:** Thank you. Next question is from the line of Dipen Vakil from PhillipCapital. Please go ahead.
- Dipen Vakil:** Thank you for the opportunity and congratulations on a great set of numbers. Sir, my first question is, is it possible for you to give an order book breakup with respect to key projects that are currently outstanding in your order book?
- Manoj Jain:** Certainly. The biggest order book right now is LRSAM, then HimShakti, Akash Army, D-29 EW system, LRUs for our LCA 83 aircraft, the BSF project, the ADCRS Akashteer project, the Arudhra radar which we received last year. So these all are planned to be executed mainly this year.
- Overall, we have around INR71,000-plus crores of order book which is having so many items which are lined up for next 2 years typically, 2 to 3 years. And out of that, what I just now told you are to be executed this year. So we already planned what -- all these major programs, how we are going to execute. And that's why we are confident we'll give a good growth.
- Dipen Vakil:** So on the percentage front, these large projects would contribute -- constitute how much percentage from your total order book.
- Manoj Jain:** Which last projects?
- Dipen Vakil:** Large projects...
- Manoj Jain:** Large projects. For this year execution, or total? Overall, order book-wise, the top 12 projects constitute about 40%. 40% of the order book is from the large projects.
- Dipen Vakil:** Got it, sir. And so what would be your defense and nondefense split for FY '25 on revenue front?
- Manoj Jain:** That will be -- okay. It will be around 92% to 93% defense and remaining, nondefense.
- Dipen Vakil:** Got it, sir. Thank you so much for answering my question and all the best for FY26.
- Moderator:** Thank you. Next question is from the line of Raj Rishi from DCPL. Please go ahead.
- Raj Rishi:** Yes. Like, the nondefense part, how much do you see as a percentage of turnover in 3 years?
- Manoj Jain:** Nondefense presently, as I told is around 6%, 7%. And when this EVM-related execution are there, that is typically becoming 12% to 14% also we have touched typically -- 15%, up to 15% we have touched earlier, but we are focusing on other nondefense revenues also. So our aim is without EVM also, we want to cross 10% immediately. And in longer run, it should cross 15%-plus in nondefense.
- Raj Rishi:** And sir, Europe is significantly ramping up its defense budgets. Do you expect BEL to benefit from that?
- Manoj Jain:** Definitely. As I told, some of our products, arms and ammunition, fuses, etcetera, we are planning to supply to them, but one more thing where we are looking at them is a lot of

contract manufacturing, this quality contract manufacturing for aerospace and defense which we are doing.

That, we are thinking that much more scaling up will be possible for that. Because knowing their manufacturing constraints and knowing our infrastructure and our quality consciousness which we have proved beyond doubt to them. So they are coming up with so many systems and subsystems to manufacture in India also for their global requirements, so we are working on both the fronts.

Raj Rishi: And sir, your views on like -- the perception is that, post Operation Sindoor combat-tested Bharat Electronics products you've mentioned in your Twitter handle also, there's a game changer for the profile of Bharat Electronics. Do you -- what's your comments on that?

Manoj Jain: The thing is we are working for last at least 20, 25 years on all these technologies, especially the [Tech III program 48:58] programs or the large missile program. We are working on all these things. We are supplying to our users. First time it has been used in a war-like situation. So practically, how it is used, that gives us much more confidence and our users also much more confidence on this complex technological solution which we have made for them.

So that perception of them will not only improve our order book from Indian users, but definitely it will help us to export some of these solutions or variants of these solutions to various countries worldwide. So that is our aim. So we are hoping for getting good export order book from this technology which is now -- proved their efficacy in the real war type of situation.

Raj Rishi: Right. And sir, last question. What's your expectation on the drone and this one drone front? How -- and BrahMos? How are you involved in these 2 projects?

Manoj Jain: BrahMos, we are involved in some 2 subsystems right now. I will not tell you the exact scope of those things, but definitely we are there in BrahMos. I can assure you.

Raj Rishi: Is it significant, sir?

Manoj Jain: We are changing our scope of work or contribution in BrahMos. But as you know, a lot many requirements are coming up not only from India, from other countries also. So BrahMos Aerospace also has approached us for doing right investment, to see that large quantities, how we can support them. We are in constant discussion with them. We have come out with plans to manufacture and even design some of the next-generation subsystems for them. And you will see much more contribution from us from -- for BrahMos also. Akashteer, anyway, you know we are working.

Raj Rishi: Yes...

Manoj Jain: Same thing is on drone also, drone front also, some 4, 5 important drone-related activities we are working; and drone warfare is integral part of our present C4I solutions, like you have seen Akashteer or BSF or other program, IACCS. There is drone warfare modules in all of them,

but we are working on making it next generation because, as you know, drone-related technologies keep on changing.

So our drone warfare also should be always better and better. So for that, we have tasked our software teams or our [Tech III 51:28] teams to come out with better and better drone warfare solutions using the latest technologies of AI. So that work, already we have started for that.

Raj Rishi: Okay. And sir, last question. There were some reports that, from 5G, when we go to 6G, it's going to be a game changer for DevTech. So like view on how -- impact on Bharat Electronics.

Manoj Jain: 5G to 6G for telecom. Or which one you are referring...

Raj Rishi: No. Like, generally if the spectrum goes from 5G to 6G, for DevTech, Dev Electronics, a company like Bharat Electronics is going to be a game changer. Any -- what's your comment on that?

Manoj Jain: And whenever any new technology comes, there is a scope of getting newer and newer orders. So this 6th-generation technologies for telecom especially and networking, that we have already started working with our CRLs. You may be knowing we have Central Research Laboratory. So they are looking at all these technology, how to use them and adapt them for defense needs, so we are investing on those fronts in our research community.

And definitely, every new technology, I can tell you, will give more and more business opportunities for companies like BEL who are there in defense electronics, which are staying because of the technological advancements. So any new technology gives us a lot of opportunity. We don't see a technology as a threat. We see new technology always as opportunity.

Raj Rishi: Okay. Thanks a lot, sir. Thank you.

Moderator: Thank you. Next question is from the line of Karan Gupta from [Asit Mehta 53:10]. Please go ahead.

Karan Gupta: Yes. So, good morning, sir. My question is related to -- first of all, on the revenue side this quarter. Is it some lack of execution, sir, that we have reported last year? This quarter only, compared to sequentially previous quarters and last year.

Damodar Bhattad: So we couldn't get your question fully. Can you repeat?

Karan Gupta: Is it -- yes. Is there any lack of execution this quarter? We reported 6.5% of growth this quarter compared to sequentially quarters and last quarter.

Damodar Bhattad: No. Are you talking of lack of execution? Or what...

Karan Gupta: Yes, yes.

Damodar Bhattad: Overall -- see, overall, we had given a year-on-year guidance, growth of 15%, revenue growth. And we have achieved 16%. Quarter-on-quarter, as we have told earlier also, there are some

variances which happens due to the nature of products, nature of systems, but overall, our revenue guidance was 15% and achievement has been 16%. Quarter-on-quarter variances are there, which we have earlier also told in the con call.

Karan Gupta: Okay. The other income side, which is -- which has been now the part of your EBITDA, is down 10%, 11%. So what is the other income? In the last 2 years, this is increased significantly. So what is the other income part?

Damodar Bhattad: Other income part is not counted for the EBITDA margins. Only operating income and the production is counted. Other income is not a part of EBITDA margin. You do not have to get into the accountancy part of it. Let's take it that way. EBITDA margin is what is EBITDA margin.

Karan Gupta: Okay, okay. I'm just asking what is in this other income. What is increasing in the last 2 years.

Damodar Bhattad: What is there in the other income is mainly interest income on term deposits what we get Dividend income, interest income. These are the other incomes.

Karan Gupta: Okay. And just last one, on the working capital side. The receivables has increased this quarter, but the operating cash flow is comparatively significantly lower than last year. So do we have any problem on the receivables side? Will it recover next year or this year, FY '26, fully or partly?

Damodar Bhattad: There is no problem on the receivables side. The operating activities, cash flow from operating activities, what you are telling, significant reduction, it's just a reduction due to the order -- some of the orders getting into the next year, what we thought will come in the previous year. We got INR18,000 crores. So some spillover was there, as we had given in our first week of April guidance, that from INR5,000 crores, negotiations were finalized and it has got spilled over to the next year.

So that was the, what to say -- that is what led to the reduction in cash flow from operating activities. Otherwise, there's no challenge on the receivables front. And overall, the difference is only 5, 6 days from -- compared to last year, which is because of the slightly increased sale in the last quarter of the current year.

Karan Gupta: Okay, okay. And how much outsourcing we do from local manufacturer or some small companies, some small businesses?

Damodar Bhattad: See. Generally our MSME procurement is in the range of 30% of -- total procurement may, our MSME procurement is around the range of 30%. I don't have the exact number for '24, '25, but it remains in the range of 35% actually.

Karan Gupta: 35%, what we can consider for the overall order book. If we are executing, let's say, INR1,000 crore of -- for some projects, so then...

Damodar Bhattad: Overall domestic procurement 35% comes from MSMEs.

Karan Gupta: Okay, okay. Thank you. Thank you.

- Moderator:** Thank you. Next question is from the line of Nikhil Purohit from Fident Asset Management. Please go ahead.
- Nikhil Purohit:** Hi. Thanks for taking my question Just one question. I wanted to understand what products capture higher margins. I'm aware you don't give out individual numbers. And I don't want the margins for each product, just the products which are margin accretive for the company. That's it. Which of them...
- Damodar Bhattad:** You ask the question straight or you ask this way. It doesn't make much of a difference what we have -- you tell high margins automatically, the others are low margins, so it really doesn't make a difference. You don't ask margin product-wise or you tell of the higher margins. So all we tell is we don't give segment-wise margins. We don't tell product-wise margins. We talk only of the overall margins.
- Definitely there will be some high margin, some low margin, all these combinations are there. There are more than 200, 300 products and services we are offering. So there are a combination of factors. And overall margins is what we give the guidance for.
- Nikhil Purohit:** Got it, sir. Okay. Thanks.
- Operator:** Thank you. Next question is from the line of Harshit from Elara Capital. Please go ahead.
- Harshit:** Hi. Thanks for the opportunity and congratulations for good results, sir. I have two questions. On the order inflow side, since you mentioned that there is a risk that it can spill over to April, May, is this because now this year we're having an emergency procurement? And the budget is around INR1.8 lakh crores, so they have to extinguish this budget. Earlier, EP was not part of this spending, so because of EP spending coming in, some order may be pushed to the next year. Is that a worry for you?
- And secondly, if you can share some details on the Counter-Drone System, sir, which has been applied. Has this been used in the conflict which happened and you're expecting any orders coming from the Counter-Drone System? Thank you.
- Manoj Jain:** Okay. Firstly, let me tell you this QRSAM which I was expecting may go to next year not because of the budget, I feel. Budget, Government of India has allocated enough. And this year also, as you might have seen in media report, INR40,000 crores to INR50,000 crores additional budget, also they are giving, so I don't see budget as a problem. QRSAM is a very, very big program.
- And a lot of internal processes are there. Negotiation rounds will be there. Scope of work will be there. The thing is it is jointly progressed for Indian Army and Air Force. So those type of -- procedural challenges only, I am seeing, which we can't predict the time lines. That's why I told it may be last quarter of this year. Or first quarter of next year, we are expecting that to happen, but no way, It is not related to budgets.
- It is related to process-related time it takes for such a large program. I can tell you it will be the largest program, once we receive it, what BEL has received. Because till now, I think, we have

received largest order book of single order of around INR8,000 crores to INR10,000 crores only.

So this is INR30,000 crores, so definitely a lot of paperwork, a lot of processes has to be followed by all for that. So that only, I am expecting. It may take this much time, seeing the size of the business, for this. And...

Harshit: Understood, sir. And overall size of the QRSAM is 60, right? And you're only getting the first. And the second regimen is in 30,000. Is that a correct understanding?

Manoj Jain: No, no. I never told that. Last year also, we made it clear. The first order of Indian Air Force and Indian Army will come to BEL because that is combinedly processed and they are nominating BEL as a production agency. It was already nominated, BEL, as a production agency.

So this first order, combined order of these, is around INR30,000 crores. That order, we are confident to get it. After that, next order, when they will place, I don't know that. Maybe because of the success of the first order, they will wait or what. That is the government has to tell.

Right now government is processing the first order, first biggest order. And later on only, subsequent orders may come, but this first order, we are hopeful to get 100% to BEL only, no other fellow.

And regarding counter-drone system. It has used its effectiveness in the recent op Sindoor you have seen through media reports also. We had supplied these systems to army, navy and air force; and it has performed very well at all the 3 fronts. In addition, we have got recently order from BSF also for that and recently one more order from army we have got -- we have got 2 -- a few days back.

And we are hoping to get some more repeat orders for this because it has proved its efficacy in the field conditions. And the user is happy, so user is recommending it for repeat order, so we are hoping to get a few more repeat orders of this counter-drone system.

Harshit: And you have soft kill and hard kill both. Or you are only into soft, sir?

Manoj Jain: No, we are into both. And this particular counter-drone system which you are referring has both the featured hard kill and soft kill, although we have some solutions which are only soft skill also.

Harshit: Understood. Any quantum of per size? Or this is like INR50 crores, INR100 crores this counter-drone system would be approximately?

Manoj Jain: You might have seen recently we have published an -- okay, we have not given that detailed breakup, but a good counter-drone system, rough value only I can tell you, is around INR15 crores to INR25 crores, is -- a good with a hard kill, soft kill both, combination, is around that

range. Depending upon the configuration, wear and spares and other support, etc., the value may vary, but it is of that magnitude.

S. Sreenivas: So I think that -- I think we can wind it up madam. Because it's already past 11.

Manoj Jain: Just see for 1 or 2 more questions. Afterwards, we should wind up, madam, please. This is our request.

Moderator: Noted, sir. Next question is from the line of Khush Nahar from Electrum PMS.

Khush Nahar: My question was regarding I think recently we've won some orders for our software-defined radios. So could you elaborate more on what kind of opportunity we are seeing in this in terms of maybe early requirements or the opportunity over the next 3 to 5 years? And what is the competitive landscape over here? Is it an in-house technology? Or are we lead integrators for this product?

Manoj Jain: The SDR, Software Defined Radio, is a technology in itself. So all the radios in the field, whether it is there with army, navy or air force, are being replaced by SDR. So as you have told, competition is there or not. For naval programs, we are supplying, I think, some 5 different type of SDR.

And for those, we are the single vendor because we were the first one to develop these jointly with our DRDO friends and some other industry partners. And we were the production agency for that because SDR is a complex technology in itself. So all the naval programs, we are the single vendor, you can say, and we are supplying large numbers.

And a recent order of last -- I think, a few months back, we got around INR1,000-plus crores order that was for SDR navy versions only. Regarding other services, like especially for the army, where we have supplied all their tactical radios right now, majority of them are from BEL. A few were imported also when BEL products were not there in between time line.

So they were there. These all have to be replaced by now, indigenous SDRs, so we are expecting of the order of roughly around 40,000 to 50,000 numbers of these SDRs for army in years to come. And for that, we are the -- one of the leader, but definitely there will be some competition from other players.

But today, for one of the DRDO program, we are the nominated production agency. And that SDR also has come up very well. We are soon expecting big orders for that. And parallelly also, we are developing other-form-factor SDRs where there is some competition, but knowing our strength and knowing our success for our naval and other projects of SDR, we are confident that more than 80% to 90% of those orders or maybe, best case, 100% of those orders also will come to BEL.

Khush Nahar: So if you could help me with maybe just on rupee crore in terms of pipeline for the next 3 years or 5 years, whatever visibility we have?

- Manoj Jain:** The order book. New order inflow in next 3 to 5 years will be sufficient to make our company grow more than 15%, I can assure you. We are targeting around 17.5% -- 15% to 17.5% of growth in next 5 years, as I already indicated. We are confident our order book will be more than that.
- Khush Nahar:** Yes, but I meant about the SDR pipeline that we are seeing in terms of rupee crore?
- Manoj Jain:** Okay. SDR for naval front, I think we have got order worth around INR2,000 crores to INR3,000 crores roughly in last few years. We are expecting from maybe another INR2,000 crores to INR3,000 crores in next few years, but biggest numbers will come from army, where as I told you now, 40,000 to 50,000 numbers, roughly, SDRs, they will be requiring immediately.
- So tentative cost of one SDR, I can guess, is around -- depending on again the configuration, 10 lakhs to 20 lakhs, to 30 lakhs. So 10 lakhs to 30 lakhs, I am expecting for SDR. You can take average of 20 lakhs. So 20 lakhs into 40,000 to 50,000 is -- are the volume expected or business volume expected of these SDRs.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question of the day. I now hand the conference over to Ms. Renu Baid for closing comments.
- Renu Baid:** Thank you, everybody, for participating patiently. Before we close the call, I would request Shri Manoj ji, to kindly reiterate the annual guidance for fiscal '26. And then we can close the call with his closing remarks. Thank you. And over to you, sir.
- Manoj Jain:** Okay. So our guidance for financial year '25, '26 is revenue growth around 15%, EBITDA margin around 27%, order inflow more than INR27,000 crores. The R&D investment, definitely we want to increase, but it will be of the order of INR1,600 crores and beyond. And capex, as I told, more than INR1,000 crores. And defense to nondefense business, typically we are expecting around 90:10 ratio. So these are our guidance for year '25, '26.
- Moderator:** Thank you. On behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.