

**ASTRA MICROWAVE PRODUCTS LIMITED**

Regd. Office : ASTRA Towers, Survey No. 12(P), Kothaguda Post,
Kondapur, Hitechcity, Hyderabad, Telangana, INDIA - 500084.
Tel : +91-40-30618000, 30618001. Fax : +91-40-30618048
E-mail : info@astramwp.com, website : www.astramwp.com
CIN : L29309TG1991PLC013203

November 3, 2016

To
The General Manager
Department of Corporate Relations
BSE Limited
Sir Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai -400 001

To
The Vice President,
Listing Department
**The National Stock Exchange of
India Limited**
Exchange Plaza
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051

Scrip code: 532493

Scrip code: ASTRAMICRO

Dear sir,

Sub: Conference call transcript.

We are sending herewith Conference call transcript held with analysts on 31st October, 2016.

This information is also uploaded on the website of the Company
www.astramwp.com.

Thanking you,

Yours faithfully,
For **Astra Microwave Products Ltd**

T. Anjaneyulu
Company Secretary



Works :

- Unit 1 : Plot No. 12, ANRICH Industrial Estate, Bollaram, Medak Dist., T.S. - 502325
 - Unit 2 : Plot No. 56A, ANRICH Industrial Estate, Bollaram, Medak Dist., T.S. - 502325
 - Unit 3 : Sy. No. 1/1, Imarath Kancha, Raviryal (Vil), Maheshwaram (Mdl) R.R.Dist., T.S. - 500 005
 - Unit 4 : Sy. No. 1/1, Plot No. 18 to 21, Imarath Kancha, Hardware Park, Raviryal (V), Maheshwaram (M), R.R.Dist, T.S. - 500005
- R&D Centre : Y.D.Archade, No. 327, 4th Cross, Opp: Sivapavathi Kalyan Mantapa, OMBR Layout, Banaswadi, Bangalore, Karnataka - 560043.





“Astra Microwave Products Limited Q2 FY17 Results
Conference Call”

October 31, 2016



**MANAGEMENT: MR. S.G. REDDY – WHOLETIME DIRECTOR & CHIEF
FINANCIAL OFFICER, ASTRA MICROWAVE PRODUCTS
LIMITED
MR. M.V. REDDY -- DIRECTOR, OPERATIONS &
BUSINESS DEVELOPMENT, ASTRA MICROWAVE
PRODUCTS LIMITED**



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Astra Microwave Products Limited Q2 FY17 Financial Results Conference Call. As a reminder, all participant lines will be in 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 '*' and then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. S.G. Reddy – Wholetime Director and CFO. Thank you and over to you sir.

S.G. Reddy: Thank you. Good Evening, Ladies and Gentlemen and Welcome You All to this Conference Call on Financial Results for the Second Quarter and Half Year ended September 2016.

We have shared this information through public domain about three-four hours back. The Results have been taken on record by the Board of Directors in their meeting held in the morning.

For the information of all the attendants, I would like to share some of the broad details of the performance: For the quarter ended, we did about Rs.90 crores of gross sales with net sales of about Rs.86 crores; we had PBT of about Rs.15 crores which is about 25% of the net sales of the company, that is for the quarter, whereas for the half year we did about Rs.140 crores with PBT of about Rs.13 crores which is about 13% of the net sales of the company.

The contributions for the three months ended is about 63% of net sales, whereas for the half year it is about 60%. Largely, the improvement in the contribution is because of the sales mix that has been achieved in the last six months which is majorly domestic sales. Going forward, we are almost on track to achieve the year-end target of about Rs.450 crores, maybe about 5-10% drop as projected earlier. We are sure that in terms of the profitability and all, we will be very close to what has been projected which is about Rs.65 crores.

With these broad details, I will open the discussion for question-and-answers.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We have a first question from the line of Pratik Chheda from Crisil. Please go ahead.

Pratik Chheda: What is the composition of the order book and how much of it is from domestic and export order?

S.G. Reddy: Pratik, before I answer this question, let me share with all the participants, I am joined in the call by Mr. M.V. Reddy, Director, Operations and Business Development. In terms of the order book, as on today, we have about Rs.561 crores of orders and the total orders for the half year is Rs.163 crores.

Pratik Chheda: How much of this orders from the domestic and imports?



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- S.G. Reddy:** Out of this Rs.561 crores, about Rs.40 crores is the exports, remaining Rs.520 crores is the domestic orders.
- Pratik Chheda:** I think we are maintaining revenue target for FY17. Sir, could you throw some color on your revenue target for FY18 and FY19 also?
- S.G. Reddy:** We will have these numbers maybe in the next quarter financial results, Pratik.
- Moderator:** Thank you. The next question is from the line of Arul Karthik from Karvy Stock Broking. Please go ahead.
- Arul Karthik:** Sir, with regard to sales of like Rs.140 crores, is it possible to give the breakdown between Defence, Space, Metro and others?
- M.V. Reddy:** Rs.14 crores we have achieved in Space, the rest all in Defence.
- Arul Karthik:** Exports how much it will be in Rs.140 crores?
- S.G. Reddy:** About Rs.6 crores.
- Arul Karthik:** Last quarter, we said like outstanding export orders of Rs.40 crores, and this quarter also we have an outstanding order of Rs.40 crores, so that means like we are not executing much of the export orders?
- S.G. Reddy:** Yes, that is right.
- Arul Karthik:** In terms of like Rs.561 crores order book, you gave Rs.520 crores and Rs.40 crores are the domestic and exports. So in that also, domestic breakup is possible?
- M.V. Reddy:** We have about I think close to approximately Rs.35 crores in Space, rest all are Defence.
- Arul Karthik:** Of this Rs.520 crores, like within March how much we will be doing it?
- M.V. Reddy:** We are planning Rs.135 crores in Q3 and about Rs.150 crores in Q4.
- Arul Karthik:** Sir, in terms of like next two months in the last quarter when we had the concall, there are about Rs.140 crores of order that we are at the L1. Is that order come in or like ...?
- M.V. Reddy:** We are expecting probably in a couple of week's time now.
- Arul Karthik:** Any other large orders in terms of Radars and Sub-systems?



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- M.V. Reddy:** We are expecting some of the Radar, Sub-systems, even from DRDO and as well as in ISRO. I think close to Rs.185 crores worth of orders we are expecting in next five months.
- Arul Karthik:** What will be the order book guidance by end of the year?
- M.V. Reddy:** We should be able to carry forward at least Rs.600 crores.
- Arul Karthik:** This will be mostly domestic, not exports?
- M.V. Reddy:** Most of them are domestic and only Rs.140 crores will be the exports which in fact as I said we will be getting that order in a couple of week's time.
- Arul Karthik:** That Rs.140 crores is included in this Rs.600 crores?
- M.V. Reddy:** Yes, that is right.
- Arul Karthik:** Margin profile of this Rs.140 crores will be in single digits or like we will be able to do it in double digits?
- M.V. Reddy:** Single digit.
- Arul Karthik:** But domestic margins are good?
- M.V. Reddy:** Yes, domestic margins are good.
- Arul Karthik:** The same level of contribution is expected and beyond that is also possible?
- M.V. Reddy:** More or less same level of contribution like this year.
- Arul Karthik:** In terms of like borrowing cost, we will be around 9-10% or like we will be going up in terms of borrowing cost?
- S.G. Reddy:** Largely, borrowings are two types – one is the short-term working capital which are getting around sub-10%, the long-term currently we have the NCD what we have raised in the current year which has a cost of about 11.0%-odd, but otherwise the short-term is sub-10% we are able to raise as of today.
- Arul Karthik:** In terms of like working capital, will we be at the same level of working capital or like the intensity is going to go up?
- S.G. Reddy:** In the next two quarters intensity is likely to go up.
- Arul Karthik:** In terms of days, networking capital cycle, is it possible?



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- S.G. Reddy:** Number of days is difficult for me but definitely the utilization and borrowings are likely to go up in the second half.
- Arul Karthik:** At least another 10-20% from this level?
- S.G. Reddy:** In terms of the absolute amount, yes.
- Arul Karthik:** In terms of like CAPEX, we are like planning Rs.100 crores of CAPEX or like only maintenance CAPEX?
- S.G. Reddy:** Largely, as of now it is only maintenance CAPEX, we have committed to spend about Rs.40 crores for which orders have been already placed. Apart from that, the facilities what we are building at Bengaluru, is also parallely going on. As of today, we have spent about Rs.10 crores on that project and maybe in the rest of the year we should be spending another Rs.15-20 crores.
- Arul Karthik:** For next year, any CAPEX plan outlay?
- S.G. Reddy:** Next year, we expect repeat of maybe around Rs.25 crores of CAPEX for the maintenance. Apart from that, we do not have any committed long-term capital expenditure for the next year.
- Arul Karthik:** This is for the standalone entity?
- S.G. Reddy:** Yes.
- Arul Karthik:** What is the future for the joint ventures that we have floated?
- S.G. Reddy:** Joint venture has just started, basic steps have been taken as of today, probably we will have more clarity in another 6-months down the line.
- Arul Karthik:** At least current financial year, next financial year, we cannot expect anything beyond?
- S.G. Reddy:** No.
- Arul Karthik:** Dividend policy for this year will continue at one-third of the profits which is a guided policy, it has been around less than 20% or like will we be bringing it down?
- S.G. Reddy:** As of today, we do not see any reason to dilute that whatever the committed numbers. We should be able to maintain.
- Arul Karthik:** Sir, in terms of like margin profile, like is there any threat to our domestic margin? Why I am asking is like in terms of competition growing up.



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- M.V. Reddy:** Actually, we are seeing competition from some new players in this domain but still we have our own piece of cake. So to some extent, margins fluctuations will be there but as of now there is no major threat.
- Arul Karthik:** Sir, in terms of future, do you see any new product lines like coming up?
- M.V. Reddy:** We have been working on product lines, we are targeting some of the radar systems and EW systems also like we have explained in the previous investors calls, we are addressing some of the air force requirements for various radars and in EW domain also we are developing some of these systems.
- Moderator:** Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** Is there any chance of we getting any offset orders for Rafael, MMIC?
- M.V. Reddy:** Yes, definitely, but how much and all is difficult to tell now, but definitely we are in the race.
- Ketan Gandhi:** Are we talking to them or...?
- M.V. Reddy:** We are talking to them.
- Ketan Gandhi:** Because I believe there is no other company in India which have the kind of facilities we are commanding. So whatever offset as far as radar is concerned, can we get, is my understanding correct or there are some competitors?
- M.V. Reddy:** I cannot tell you that we do not have any competition, there may be some of the companies who can try to get into this BTP business because offset is nothing BTP business. Yes, compared to any other company, we have a better facility, infrastructure, expertise, everything. So it only depends on the policy like and also it goes on a very long term policy like for this kind of offset specially for these aircrafts radars. But we have been discussing and as on date discussions are positive.
- Ketan Gandhi:** We are doing some research on so many products like Sicar, then NCNC Radar, then Muzzle Velocity Radar and Project Uttam. On all these what is the status or whether it is moving ahead or it is in the finalization stage or where we are right now?
- M.V. Reddy:** Muzzle Velocity Radar, we have already completed the development portion of it and we have delivered systems to DRDO and based on that we are likely to get few more orders from DRDO, in fact, much bigger version of those things. Coming to the other radars like Uttam and all, it is in the trial stage in the DRDO right now and we are likely to get some of the trial orders maybe in a couple of months' timeframe from now. But the subsystems of those radars we are already doing it, I think you are aware of it. So in all probability, I think before this



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financial year, we will have some products orders in hand. The other one you are talking about SEEKAR, development is going on, I think we have reached almost I would say 55-60% of development. So I think in next 8-9-months timeframe we should be able to come out with the prototypes of this product..

Ketan Gandhi: Sir, there are a lot of burst in the news that either Lockheed Martin or subsystem Griffon make it in India. If at all they start making in India, how our company is geared up to provide the support to them or take the orders from them?

M.V. Reddy: Lockheed Martin or even other major companies basically they take these systems like Radar and EW, which we have in our products profile, they take it from the companies like and all. Those companies are well familiar with Astra and most of the quality audits have been over. So I think we will have a better chance of supplying those components and subsystems to those companies.

Ketan Gandhi: Even they offer to do a technology transfer as far as their SR Radar is concerned, both Griffon as well as Lockheed Martin?

M.V. Reddy: In India, when we are developing this radar, I do not know how far those technologies transfer deals will go through that but apart from that as far as Astra stand is concerned, we are into these components and subsystems and these components have been proven now as far as the quality and all, we are at par with the international suppliers. So, hence I would say, we have a better chance of getting more orders from these companies once they start make in India.

Ketan Gandhi: What are the guidance – is the same or increase or decrease?

S.G. Reddy: In terms of the year-end target, we have stated that probably about 90% of the projected Rs.450 crores is what is likely to be achieved for the year. In terms of the bottom line, we have projected about Rs.65 crores, maybe with a correction of 5%, we should be able to achieve that number.

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

Abhijit Mitra: If you can just give us a sense of the total order inflow that we are expecting in FY17 and the order inflows for Q1 and Q2 have been close to Rs.175 crores if I am not wrong? So, if you can give me a sense as to which of the areas where we have seen this kind of inflow? #3 is on the development of some of the key projects that we were already going through. I think last quarter you have gone some update as to the number of orders that were expected out of ASEA orders that were expected out of Akash and the orders that were expected out of NCNC as well as precision post-radar, from a number standpoint if you can just guide through on the order side how much barring that Rs.140 crores of LoAs that we have already signed, other orders visibility in terms of numbers if you can give for FY17 and FY18, some broad roadmap?



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- S.G. Reddy:** Hi, Abhijit! Initially just I will give the data points, then later on the breakup I will request Mr. M.V. Reddy to give it to you. In terms of the order book for the six months we have booked about Rs.163 crores. Going forward in the next five months, we should be booking about another Rs.325 crores, this Rs.325 crores is inclusive of Rs.140 crores of TRG order which was under LOI for the last six months. So this is about the numbers.
- M.V. Reddy:** As we mentioned, around Rs.325-350 crores we will be booking the orders for next five months' timeframe before the end of this financial year. This may consist of a couple of orders like ASA radar and all put together. But these are all trial orders I would say. The development side, precision approach radar, the development is completed now. TEC meetings are going on, TEC decisions have been not yet finalized and other developments like just now I explained in one of the investors like what are the development on the Sicar and AESA and all, like Sicars the development is going through, in fact, it has improved as compared to the last investors call. I would say almost 55-60% is completed now, but it takes another 8-9-months timeframe to prove it and to come out of the prototype and then get it tested and all. So I think in all probability by end of FY18 the engineering model should be ready for the flight test in both the bands. Now, coming to your other question that guidance for next year, for the sales point of view, as we would like to frame out which are the orders are to be executed and all, maybe in a month's time we will be able to give you guidance for the next year.
- Abhijit Mitra:** Basically for the TR modules for the ASEA, last time I think you mentioned that there are total 400 of which first phase will have 100 and second phase will have 300 and Astra should be having development contract of minimum two numbers in FY17. So is that where it still stands or...?
- M.V. Reddy:** Yes, that still stands, you are right.
- Abhijit Mitra:** Also, some discussions on the development that you are seeing on the JV or the subsidiary front especially for the Rafael JV, where do you see the prospective revenue timeline over the next two to three years and where are the requirements of SDR we are seeing as of today?
- M.V. Reddy:** This JV we have initiated and then we already started working on that. So in a couple of years' time, we should be able to get some business for these JVs. One JV is basically we are working with Rafael and for SDR and other radios and also 5W Systems and the other one is for the broadcasting transmitters and for the Satcom transmitter. This is basically for high power amplifier they have in their products.
- Abhijit Mitra:** Essentially status quo since last quarter update?
- M.V. Reddy:** The discussions in fact, we are almost like compared to the last quarter we have gone ahead with more discussions on the implementation for this kind of things but the physical operations and all, not yet started.



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- Moderator:** Thank you. The next question is from the line of Pawan Parakh from HDFC Securities. Please go ahead.
- Pawan Parakh:** Since you are expecting a substantial part of our export order inflow in the second half we should be ending FY17 with a higher proportion of export order. Is that a correct understanding?
- M.V. Reddy:** We will be moving to the FY17 with Rs.600 crores plus order and in that Rs.140 crores will be exports, rest all for domestic.
- Pawan Parakh:** When we began this year, we had an order book of about Rs.540 crores. So what was the proportion of export...I think it was very less?
- M.V. Reddy:** Yes, it was something around Rs.40 crores or so.
- Pawan Parakh:** So comparing FY18 with FY17, is it fair to assume that margins on YoY basis should be lower in FY18 Vs FY17 despite a revenue growth?
- S.G. Reddy:** Again, this Rs.140 crores order whatever we are getting, its execution is not going to happen in one go. In '17-18 financial year the export content will be about Rs.70 crores at a maximum level as compared with about Rs.40 crores for the current year '16-17, in that sense we do not see too much of correction in terms of the overall margins of the company.
- Pawan Parakh:** What would be your guidance in terms of margin trajectory for the domestic business – should it remain stable going ahead or how should it be...I am not asking for a specific number?
- S.G. Reddy:** On an average the gross margin is about 50% for the domestic business. We expect the same thing to continue.
- Pawan Parakh:** It all depends on how we absorb the fixed cost part of it?
- S.G.. Reddy:** Yes.
- Moderator:** Thank you. As there are no further questions, I now like to hand the conference over to Mr. S.G. Reddy for closing comments. Over to you sir.
- S.G. Reddy:** Thank you, ladies and gentlemen for your participation and look forward to meet you again at the end of the third quarter.
- Moderator:** Thank you very much, sir. Ladies and Gentlemen, on behalf of Astra Microwave Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.