भारत इलेक्ट्रॉनिक्स
Bharat Electronics
भारत इलेक्ट्रॉनिक्स लिमिटेड
(भारत सरकार का उदय, रक्षा मंत्रालय)
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सं.No. 17565/6/SE/NSEC/SEC
दिनांक/ Date: 06.11.2023

महिदय / महिदया
Dear Sir/Madam,

विषय – दिनांक 31.10.2023 को निवेशकों/विशेषज्ञों के साथ हुए कॉन्फ्रेंस कॉल की प्रतिलिपि।
Sub: Transcript of the Conference Call with Investors/Analysts held on

सेवी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, कृपया मंगलवार, 31 अक्टूबर,
2023 को सुबह 10:00 बजे आईसीआईसीआई सिक्सपोरिटीज द्वारा आयोजित सम्मेलन कॉल की
प्रतिलिपि के साथ 30 सितंबर, 2023 को समाप्त विमानी के वित्तीय परिणामों पर चर्चा के लिए संयंत्र
परें।
Pursuant to Regulation 30 and 46 of SEBI (LODR) Regulations, 2015, please find
enclosed herewith the transcript of the conference call hosted by ICICI Securities on
Tuesday, 31st October, 2023 at 10:00 A.M. for discussion on Financial Results
for the quarter and half year ended 30th September, 2023.

आपके सूचनार्थ उपयुक्त प्रतिलिपि कंपनी की वेबसाइट www.bel-india.in पर निवेशक-स्टोक एक्सचेज
dिस्क्लार्स 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.

सूचना व अभिलेख हेतु प्रस्तुत है।
Submitted for your information and record.

साह्यवाद / Thanking you,

भव्य/Your faithfully,
कृपया भारत इलेक्ट्रॉनिक्स लिमिटेड
For Bharat Electronics Limited
SREENIVA
S SRIPADA
एस सीनियर/ S Sreenivas
कंपनी सचिव/Company Secretary

संलग्न- यथा उपरोक्त। /Encls: As stated Above.
“Bharat Electronics Limited
Q2 FY’24 Earnings Conference Call”
October 31, 2023

MANAGEMENT:  
MR. BHANU PRAKASH SRIVASTAVA – 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. AMIT DIXIT – ICICI SECURITIES
Moderator: Ladies and gentlemen, good day and welcome to Bharat Electronics Limited Q2 FY24 Earnings Conference Call hosted by ICICI Securities. As a reminder, all the 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 any assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Dixit from ICICI Securities. Thank you and over to you, Mr. Dixit.

Amit Dixit: Thank you, Sagar. Good morning, everyone. On behalf of ICICI Securities, I welcome all the participants for Bharat Electronics Limited Q2 FY24 earnings conference call.

At the outset, I would like to thank the management for giving us an opportunity to host this call. From the management side today, we have Mr. Bhanu Prakash Srivastava, Chairman and Managing Director, Mr. Damodar Bhattacharjee, Director Finance and CFO, and Mr. Sreenivas S, Company Secretary. We will start the call with opening remarks from the management and then we will open the floor for an interactive Q&A.

Without much ado, I would hand over the call to Mr. Srivastava to take this forward. Over to you, sir.

Bhanu Srivastava: Good morning to all of you. The half yearly performance of Bharat Electronics has been reasonably good. We have achieved a turnover of INR7,365 crores as compared to previous half years of INR6,960 crores with a growth of 5.82%, which is slightly lower because of some disturbances in Karnataka during last week. So a couple of hundred of our dispatches could not reach to destination and that was some spillover.

Somewhere other also because of these disturbances and holidays, some spillover there. But we are right on the track when we consider our yearly projections of growth between 15% to 17%. We have done well because of product mix on the profit front where our PBT has increased to INR1,777 crores as compared to INR1,403 with a growth of 26.64%. EBITDA also has increased to 22.66%. This is primarily due to the type of product mix which we handled in first half year. Overall yearly if you see that our projections of EBITDA between 21% to 23%, we hold good.

So order book is good. We projected an order inflow of more than INR20,000 crores this financial year. Good progress in our customer side and more than INR15,000 crores order we have already clocked till now. So that's all from my side.

We are open for questions.

Moderator: Thank you so much. We will now begin the question and answer session. The first question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.
Deepak Krishnan: Hi sir. Thank you for the opportunity. Maybe just wanted to check on the order inflow given that we have crossed INR15,000 crores plus. Except the fused order, any large order that we are sort of expecting in the second half of the year or are we sort of done for the year as such?

Bhanu Srivastava: Fuse order is there in the process. See these are the big orders. They are long process and MOD process. So it’s going and coming and it will come. Apart from that, there are two orders still left out. You remember we predicted about NGOPV that from Goa Shipyard and GRST which is still under final negotiation.

So that is one order. And another is the TW system for Shakti. So these two are the other major orders which are in pipeline apart from fused.

Deepak Krishnan: Sure sir. Maybe could you also highlight the quantum of revenue that was sort of spilled over to the total fee? How big was the quantum and like because we sort of stick it to our guidance.

Bhanu Srivastava: Spill over around the INR400 crores.

Deepak Krishnan: Okay sir. Sure sir. Those were my questions and I'll get back on the queue.

Moderator: Thank you so much. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: Yes. Good morning and thank you for the opportunity. So my first question is can you share some inputs and details on how was the revenue mix between our portfolio and services for the first half and second quarter and between defense and non-defense for – to Q1 for the first half?

Damodar Bhattad: For the products and services, it was 90% and 10%. 90% on products and 10% on services. And for defense and non-defense…

Renu Baid: For the second quarter?

Damodar Bhattad: No, I'm telling for the first half. And for the defense and non-defense it was 71% and 29%. Because in the first half we have sold EVM, VVPATs. So it was 71% and 29% for non-defense.

Renu Baid: Got it. What portion of the EVM, VVPAT is still pending in the backlog?

Damodar Bhattad: EVM, VVPAT is almost completed. There is no backlog pending as of now.

Renu Baid: Got it. Sure. Secondly, sir, with the ongoing war that we see in Israel, what kind of impact can one anticipate on the execution of LRSAM, if any? And any other projects where we have dealing with the Israeli partners? So can you elaborate a bit more, potentially just on supply chain components or project execution here?

Bhanu Srivastava: See, we have been in touch with our partners in Israel and they have assured us that they will do everything possible to minimize the impact. As of now, this war is only for a very short duration. So impact will be seen only after around a month or two. But what our partner has
assured that they will do their best to minimize the impact. So let us see. LRSAM, yes, things are progressing in Israel. Only challenge is that shipment. Shipment also has happened. Some of the shipments have affected. But we'll see. Wait and watch. But what they have assured is that they will make sure that at the end of the financial year, all their commitments are met.

**Renu Baid:** So can this also imply that during the pandemic, we had seen when supply chain was disrupted, there was a higher share of local content, which came to Indian vendors and contractors from LRSAM and accelerated localization. Can this also imply that because of the disruptions in the regional supply chain and with the local companies there, they may give a higher share of bought out and portion of the business to our supply chain vendors for localizing and supplying ahead of timeline?

**Bhanu Srivastava:** I don't think this is happening in a very short term because LRSAM is a big project with complex technology. So localization is going on as per what workshare arrangement we have in the current contract and what workshare we are discussing for future contracts also where definitely our endeavor is to continuously increase the localization. But if you see that short term in this financial year with this complex technology, I don't see any significant impact in localization and that whatever is coming from Israel.

**Renu Baid:** Sure. And related to this, can you also add what is the kind of localization content which was targeted by the end of this year or for the current fiscal on LRSAM project?

**Bhanu Srivastava:** The current project if you see, is more or less around 60-40. If you see the total project, 60% indigenous content and around 40% imported one. That is what is there in which is in a graded manner in this current contract. See, these are big contracts spread over years. So that localization starts with a higher import content in initial phases of the project which keeps on increasing to a higher local content when we progress the project and come to an end. So on an average you can take 60% but initially import content was high. Now we are moving more-and-more towards indigenous content. But that is a very planned exercise. This type of conflict cannot be impacting any significantly that composition.

**Renu Baid:** Sure. And lastly, can you also elaborate on exports? How has it been for the first half of the year? And we have pretty aggressive plans to set up exports with some of the friendly and neighboring countries in terms of new order flows. So where are we in terms of increasing the reach and penetration of our export portfolio?

**Bhanu Srivastava:** I think we have targeted an export of around $90 million this year. And around $27 million we have reached till this time, half year.

**Renu Baid:** Okay. Anything on the order flow side?

**Bhanu Srivastava:** Order flow side, we are what we projected, we are right on the track. In fact, we have done well in first half. So things are moving.

**Damodar Bhattad:** First half it is $15,000-plus and we stand by the projection of $20,000-plus in the financial year.
Renu Baid: Got it. Thanks much. I'll get back with more questions on the queue. Thank you and all the best, sir.

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

Lavina Quadros: Sure. Firstly, sir, congratulations on a good set of results. Just wanted to check for the national elections, any EVM orders that are expected, pending?

Bhanu Srivastava: No, we have already, see, EVMs are not ordered just at the time of elections. This is a very planned exercise by Election Commission. So for 2024 elections and all state elections, whatever are planned to cater the needs of these elections, Election Commission has already taken action and we have supplied more or less full quantity. Now only some repair and something work is going on.

Damodar Bhattad: It's completed. For the EVM we have supplied as of now the major orders all are completed for the elections of 2024.

Lavina Quadros: Okay. And, sir, on the non-defense side of the business, any updates you would like to share? Maybe some progress on some of the ventures?

Bhanu Srivastava: One good news I would like to share what I was telling about our diversification plan. So we were working with AI for air traffic management system. So what with AI we developed first indigenous ATMS. It has been integrated, installed, and it was inaugurated on 26th of October in Bhubaneswar airport. So now if you fly to Bhubaneswar, your plane will land or take off. We have the ATC management system. So that opens up the opportunity for supplying ATMS for C and D category mid-size airports. And as per AI, the business potential in the next one or two years, if you see, is around 40 airports-plus. So around another INR800 crores, INR900 crores.

So though its value is small as compared to our overall business, but it's a step in the right direction where we are using our expertise in civilian sector. Now we are in discussion with AI to start development of this ATMS for bigger airports. So well also look for opportunity for supplying these systems for export also once we have a presence on a significant number of airports in India. So that is one big thing which has happened.

Lavina Quadros: No, no, congrats on that, sir. Sir, just to clarify again, INR800 crores, INR900 crores is the opportunity for the upcoming 40 airports?

Bhanu Srivastava: Upcoming one to two years. Whatever new airports are coming are where that old ATMS system is there, which has become old and it is to be replaced, upgraded. So that's what the opportunities we see in the next two, three years. I can say that these are there. If we have not done, it would have been imported.

Lavina Quadros: Understood, sir. So just again, this INR800 crores, INR900 crores is across the 40 airports. It's not a per airport number, right? Gross INR800 crores, INR900 crores...

Lavina Quadros: Okay. And then you all will target the bigger airports?

Bhanu Srivastava: Yes. Bigger…

Lavina Quadros: So then on the railway side, the automated gates, anything over there?

Bhanu Srivastava: Yes, the railway side, as we discussed, the air traffic, the ATF, that Automatic Train Supervision System, which is already in operation on the Red Line of Delhi Metro. Then we have started developing CBTC, Computer Based Train Control System. Super SCADA we have already done. Simulator we have already done. So it's all whole package which is there. So we are working with Delhi Metro, and these metros are coming, and that will show an opportunity.

Another thing what we have done is that first the indigenous platform, Green Door. We have developed and it was installed at Duhai Railway Station as a part of Rapid Rail Transport System, which was inaugurated by Prime Minister, I think, on 20th of October, where he inaugurated our system also. And based on that, Ministry of Housing and Urban Development, MOHUA, directly, they have issued a letter also to all metro putting this PSD in positive indigenization list.

So as of now, we are the only OEM in India offering this. Of course, others will come, but it will take time because it needs certifications. So that also will give some business opportunity for various metro. We have already got the inquiry from, I think, Kochi Metro, from Chennai Metro, from Madhya Pradesh also. We got the inquiry, Patna also. So now work has started. So once the development efforts are done, then you will get the business.

Lavina Quadros: Okay, sir. Thank you.

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

Harshit Patel: Hi, sir. Thank you very much for the opportunity. Sir my first question is on the indigenous version of the LRSAM. I believe the project name is Kusha. So where is that at the moment? I mean, what stage of design and development is going on? Any timelines you can share by when these systems will be -- the DRDO developed systems could be productionized, if at all. And I think the systems, the MOD was planning to install on the NGMVs, on the next generation Corvettes, for which either orders are already placed, or I think NGCs, the RSPs going to be issued. So where are we in this scheme of things, in this indigenous version of LRSAM?

Bhanu Srivastava: Kusha project is a big project, and we are involved in development of some subsystems of Kusha projects. It's going on. So it's a developmental stage, so it is very difficult to predict timeline here. But as far as NGC is concerned, this is also in progress. Let us see whether NGC. My opinion, NGC, they may go for a proven system, and for other platforms which will
come, that indigenous system of LRSAM will come. Because NGC is faster, it is in a near pipeline, but at that time indigenous system may not be proven. That is what my guesswork is there. But then I'm not privy to exact detail of Kusha projects, because we are development partner of some of the sub-systems. Total project status is known only to DRDO.

**Harshit Patel:** Understood. Sir, my second question is on the mail class of UAVs. I believe we have been jointly working with HAL on this Tapas and its weaponized version Archer. So could you give us an update in terms of stage of trials and testing by the customers, possible quantum of orders, our work sharing there, and any timelines that you can share?

**Bhanu Srivastava:** This type of mail platforms, they are being developed by DRDO, HAL, and BEL. Our contribution is mostly on payloads. So these are at various stages, but at this point of time, unless this is proven, It's very, very difficult for us to predict what will be the quantity and how much they will order, because it all depends upon what is the performance and what is the achievement and how is the confidence that customers are there. So difficult to predict.

**Moderator:** Thank you so much. The next question is from the line of Dipen Vakil from InCred Equities. Please go ahead.

**Dipen Vakil:** Thank you for the opportunity, sir. So my first question is on the lines of our order book. So we have an order book of almost around 687 billion. So is it possible for you to give a bifurcation of major products in our order book and their execution timeline?

**Bhanu Srivastava:** Yes, we can give you. See timelines, if you see that these orders normally get concluded in 3 to 4 years. So 3, 3.5 years, 4 years, they keep on coming, depending upon what our timeline. But if you see that major distribution of these is LR time is one, which is around INR7,000 crores. Then we got the Akash Prime order from EDS, which is around 3,700. Himshakti, then MPR, Rudra, Battlefield Surveillance System around INR2,000 crores.

Of course, IACCS left over is only INR2,000 crores. So there are many, many of these types of products are there. These are some big projects, but many hundreds of lines, because our presence is, if you see, in business, in all land, sea, air, everywhere we are there.

So you won't find one single project taking that portion of the full order book. It's all a culmination of hundreds of small or medium-sized orders, which constitute INR68,000 crores.

**Dipen Vakil:** Thank you for that, sir. So my second question is on the lines of any new areas where you're expecting major orders coming from, say maybe in FY '24, maybe in Space Division or UAV Division?

**Bhanu Srivastava:** See, these new areas, we are working in many areas. I tell, civil aviation we are working, metro we are working, some projects we are working, even for railways we are working. Then our diversification in arms and ammunitions.

So we have tied up, you remember, that we signed an MOU with the IAEA for some missile projects, long-range articles like that. So these are the areas where we are working. But when you work and diversify in the area, there is a certain timeline.
So conversion is not within one year or two years. You work on big projects, it takes time. So with our core area, we continue to grow, and these all diversified areas, what I was mentioning, it will grow in the next two, three years, once this is matured and we enter the business.

**Dipen Vakil:** Got it, sir. Got it. So lastly, sir, on capex, what would have been your capex in first half, and where do you expect?

**Damodar Bhattad:** Capex we have planned around INR800 crores in this year – INR700 crores to INR800 crores during the current year, and up to first half it is INR250 crores -- First half the capex was INR250 crores, and the current year we are planning 700 to 800 crores. Hello, am I audible?

**Moderator:** As there is no response from the line of participants, we will take the next question. The next question is from the line of Tina Virmani from Motilal Oswal Financial Services. Please go ahead.

**Tina Virmani:** Hi, sir. My question is regarding your order inflow pipeline. You talked about these large-size orders on the defense side, which can come up over next six months to one year.

Can you quantify the size of these orders, particularly the NG, OMB, and the other ones on the defense side? And also if you can quantify on the non-defense pipeline, how is it looking like? You have talked about airport, air traffic management and all, but are there any other ventures where you can actually see some large or mid-size projects materializing over near to medium term?

**Bhanu Srivastava:** No, these are all, if you see the diversified product, the initial values will not be large. These will be smaller values. Only they will be culminating in large when this program gets bigger and bigger.

As far as pipelines are concerned, that's what I told. Fuses is around INR4000 crores. NGOPV is around INR2500 crores. Then there is a BMC tank upgrade, which may come by next year, starting another INR3000 crores. It may come 2007 to 3000. Of course, EMC and all, it will happen.

Some value here and there. Then EW system, where BMC has happened, it is around INR2000 crores. So these are all in pipeline, which will either come in the end of this financial year or the beginning of next financial year.

**Tina Virmani:** Okay. And any further progress on QRSAM during this particular quarter?

**Bhanu Srivastava:** Any on QRSAM? These are big things, so it will take time. See, the fuse itself, if you see, after we became L1 and then TNC concluded, this is taking so much time. Because in government process, so many steps are involved. In every step, there are clarifications, there are questions, questions to be answered. So QRSAM also, trials are all completed. We have given the budgetary code, now they have to take one. In process of AON also, it has to go through various stages ultimately. So it will take time.
Tina Virmani: Got it, sir. My last question is regarding your other expenses. Your other expenses have moved up in the current quarter. So does it include any kind of provision in the current quarter?

Damodar Bhattad: No, not provision. Actually, as the business volume increases, these are the normal manufacturing expenditures, which have gone up with the business volume. Like it could be traveling, it could be certain other direct expenditures that way. It is in line with the business volume, basically.

Moderator: Thank you so much. The next question is from the line of Arvind from ValueQuest Investment Advisors Private Limited. Please go ahead.

Arvind: Fantastic, sir. A good set of results. I just wanted a couple of clarifications, sir. Typically, historically when we look, H1 of any year is lower in execution compared to H2. Still, perhaps I did not catch it, but if you could just shed some light on why overall the revenue booking was on the lower side. Of course, you clarified for the margins that it was a superior product mix.

And the second thing we wanted to ask is, what are the liquidated damages terms? Because if orders are taken in and due to any issues like, say, the Israel issue or the Russia issue the last time the supply changed, then how does our liquidated damages situation play out in such a case?

Bhanu Srivastava: See, there are two aspects. One, you talked about execution frontier. You are right. The type of product mix which we are dealing with are the complex systems. Normally, the tendency is that the performance peaks during Q4. It starts peaking from the end of the Q3 and peaks at the Q4 because we start integrating the system.

It has to go through various types of testing, trials, and any iteration because this complex system, something happened, I planned in Q2 and then there was some performance issue or some observations, and then you have to repeat the thing. It usually spills over to Q3 or something in Q3 spills over to Q4. But since we have already completed manufacturing as per plan, so revenue recognition may shift to next quarter, but work is already complete.

So traditionally, if you see that historically also, Q3 and especially Q4 are heavy in our kind of setups. Second, as far as liquidity damages are concerned, yes, if there are delays there, the moment delays happen, we put the provision for LD. But then if the delays are beyond our control, force majeure clause, these conflicts and all that, we put up to our customer with all justification, and in many of the cases, they consider it first. They have the LD, and that's how we reverse the provision. So that's what we do.

Arvind: Very well, sir. And just another thing, sir. So if you're looking at completion of orders over this financial year, what would be some of the larger items that you could perhaps give some color on, how our execution cycle will shape up over the remainder of this year and the next year? And that's it from my side, essentially. Thank you.

Bhanu Srivastava: Here are our indications. If you see, it is a large damage one, which will give that good revenue. And then some of the EW projects which we are doing, that will give revenue, some of our radar systems, if you see.
So these are the things. And then many, many sonar systems are there, communication systems are there, radio systems are there. So if you see our product, it's hundreds of lines, more than 500 lines, which constitute what we are targeting, INR20,000 crores, starting from INR50 lakhs, from INR1 crores to INR2,000 crores.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Birla Mutual Funds. Please go ahead.

Jonas Bhutta: Congratulations, sir, on a great set of numbers. So just picking up one thing from your comments was that IACCS still accounts for about INR2,000 crores worth of the order book. This seems to be running quite delayed. Is there a risk of LD in this project? If you can talk about that or whether that's already been provided in the FY '23. And by when do you expect this revised timeline for this project?

Because this was to be followed up by a significantly large AMC contract and then probably even a third phase of IACCS. So if you can just talk about IACCS a bit?

Bhanu Srivastava: See, IACCS is, as you understand, is a very complex and first of its kind. I can say that in India and globally also, very few countries have projects of this magnitude and this complexity. As far as if you see that execution is concerned, it is two parts, overground systems and underground systems.

Overground systems are already installed, up running, and AMC has started. Now the biggest challenge was for underground systems. It's parallelly two phases, if you see. One is that civil structure, that underground, and second is that software development of batch 3, which will be ultimately replaced by batch 2, our final operational version, which we have installed for overground. So these two are parallelly going on. Yes, delay has been there because of the complexity of the project systems involved.

And of course, Corona has taken a toll, not only in India. Outside also, where many of complex systems were supposed to come from foreign countries, get it installed, and that has delayed. And we have represented it to MOD also at various stages, and it is under consideration.

As far as execution is concerned, see the major challenge is to install it in first at least two sites, so that the final version in Batch 3 is proved. So we are progressing well. Batch 3 final version, factory acceptance test is going on.

When you go for [FAT 0:31:58], then there are observations by FAT team, which we have to liquidate, so things are going on. Similarly, civil structure, if you see that two of the sites more or less complete. So our target is that by this financial year, minimum at least two sites becomes operational.

That will give confidence to customer also, and then it becomes replication of remaining sites. So yes, there has been delay, but seeing the complexity of the system, and seeing that this type of systems are available with very, very few countries in the world, we are very confident that
what we are delivering to the customer, they will take it positively in terms of LD. In fact, we have not provisioned LD as of now, because we are confident with that unit one.

Presently, we are within the timelines, so we have not provisioned any LD as far as ISC is concerned. And of course, as you said, we have already approached the customer, considering the complexity of the project, to consider the extensions without LD.

**Jonas Bhutta:** Got it. And is it safe to assume that, only once this project is complete, then the AMC order and the follow-on order comes through…

**Bhanu Srivastava:** AMCs are the over ground systems which are up-running. It's already under AMC. And as and when these systems come in the stream and warranties, the completed AMC gets started.

**Jonas Bhutta:** Got it. And my second question was more bookkeeping in nature. If DF can provide the value of contract assets and customer advance, as of cost, sir?

**Dinesh Batra:** I'll tell you. Contract asset is around INR5,700 crores, as on 39. And customer advance is around INR15,000 crores.

**Jonas Bhutta:** Got it. Thanks a lot. And all the very best.

**Moderator:** Thank you. The next question is from the line of Viraj from Jupiter Financial. Please go ahead.

**Viraj Mithani:** Yes. Good morning, sir, and congratulations on a good set of number. My question is, what is comprehensive income, sir? Actually, I couldn't understand that.

**Dinesh Batra:** This is relating to the actuarial valuation which we do for leave encashment and medical schemes. In line with the actuarial valuation, that comes into the other comprehensive income, what we've done in line with the accounting standards.

**Viraj Mithani:** Okay. And sir, we saw a top line growth of 5%. Will we see the top line growth accelerating now?

**Dinesh Batra:** No. Presently, it's around 6% growth for the first half. Current year guidance, we currently maintain a 15%, 17% growth over the previous year.

**Moderator:** Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Funds. Please go ahead.

**Charanjit Singh:** Hello, sir. Congratulations on a good sets of numbers. My first question is on the working capital side. If you can touch upon, how should we see the working capital going forward in the second half, with a lot more focus of the government side on maybe the populist measures. So, if we can see some kind of delay in receivables, or if you can touch upon that?

**Dinesh Batra:** Yes. As of now, the working capital position remains, the current assets and current liabilities are in the range of 1.5. And the cash and bank balance is around INR8,000 crores as it's given in the balance sheet. And as far as the next half is concerned, as of now, we don't foresee any
constraints from the government side. So, we expect the working capital position to continue in the same manner in the second half also.

**Charanjit Singh:** Okay. And, sir, if you look at, what is the kind of level of indigenous content right now in the overall revenues, what we are doing? And in the current order backlog also, what will be the level of indigenous content we'll have?

**Bhanu Srivastava:** See, we are an electronics company, so around 30% imported components are always there, around 28% to 30%. We are aware that all chips, ICs, components, where that infrastructure is not there in the country. Over and above, if it is our own design products, the indigenous content, the remaining will be indigenous content. If it is an imported content like what I told about LRSAM or any ToT projects, their indigenous content will be less than import content will be high. So, you can say that, 30% component and overall around 35% to 40% will be our import content.

**Charanjit Singh:** Okay. And, sir, in the past, you also talked about SaaS as, one of the segments which you wanted to evolve and software as a service. So, but, off late, we have not heard a lot in terms of what is the, thought process there, how well it is evolving. If you can just highlight, where we are in that overall, journey of SaaS as a service?

**Bhanu Srivastava:** Yes. See, software as a service, yes, it's a business line where we are targeting, but what is happening, the way we are growing and the way our software group is there. Most of the products now are software intensive products, our own products, what we see.

So, majority of our resources are all engaged in developing the software for our own system. So, you don't see as a separate standalone software business coming, but most of our products, which contain significant amount of software where our resources are engaged. Nonetheless, teams are working to bring out independent software products also. So, we'll see that in future how we move in that direction.

**Dinesh Batra:** As far as significant contribution for direct services is concerned for software, it will take quite some time. It's not going to happen instantly as they have been presently. Of course, our in-house products are also using the in-house software and in the long term, only this will give some material value.

**Charanjit Singh:** Got it, sir. Sir, just lastly, on the export side, if you can also touch upon, kind of pipeline which could be building up, while you have touched upon this year, what is our target? But do we see that in next maybe two years, three years, exports can become a substantial portion for us? How is the pipeline building up there?

**Bhanu Srivastava:** See, export, if you see, it's a government priority also. As of now, we have an order book of around INR2,500 crores, around $300 million. This year, we are targeting around $90 million in export. There are a lot many leads out there, where we are working with our partners, working with the government of India for friendly countries, many systems.

But these are the things where unless, because these are all other countries also targeting those. So, it is premature or not advisable to disclose those leads till formal contract is signed. But
yes, our target is to increase the export significantly and it should come in next one year or two years.

Moderator: Thank you. The next question is from the line of Amit Bhinde from Morgan Stanley. Please go ahead.

Amit Bhinde: Yes. Hello, sir. Sir, I just wanted to understand, what are the areas, which can drive your medium-term growth outperformance. One you had highlighted earlier that you would be looking to increase the share of orders from HAL from 10% to 25%, other EPR exploring like areas like SaaS, etcetera. What are the other areas which can contribute to a continued growth momentum?

Bhanu Srivastava: See, growth momentum will be maintained with our core products, C4I systems, missile systems, whether it is a QRSAM, LRSAM or related, VL-SRSAM. These are the big projects, radar systems, radar upgrades, tank electronics, EO systems and related big projects like upgrade programs for tanks, BMPs. So, these are our core. They will definitely give a major push or major momentum to our growth.

Apart from that, what I told you about diversification, yes, we are working, but the content of this diversified product will not be that high. So, definitely, growth momentum will be maintained by our traditional core products where there is a significant potential or opportunities available in the country and exports.

Amit Bhinde: Right. And on the space front, how do you see the opportunity shaping up for BEL and how is the competitive intensity over there?

Bhanu Srivastava: Space front, we have some offering development work is going on. We are discussing with ISRO also and services also. We have given presentation on all these fronts to relevant authorities also. It will take some time, space front also, but we are in the frame.

Moderator: Thank you. The next question is from the line of Gagan Thareja from Ask Investment Managers. Please go ahead.

Gagan Thareja: Sir, the first question is on the electronic fuses. One private sector participant in the electronic fuse order, Ricoh Auto, has indicated on its conference call with investors that they expect a re-tendering of the electronic fuse order because the indigenous content offered by BEL is inadequate. And probably lower than 40%. Can you throw some light on that? Is there any possibility of this order being re-tendered?

Bhanu Srivastava: Yes, this is there with the MOD at various stages. So I would not like to comment on this type of speculation. Let us see.

Gagan Thareja: Okay. But currently, are the electronic fuses supplied to indigenous…

Bhanu Srivastava: We target only -- I can only tell that we are meeting all indigenous requirements, what is not for in the tender.
Gagan Thareja: All right, Sir, the second question is, next year being election year, does the ordering tend to slow down in such an environment?

Bhanu Srivastava: No, I don't think so.

Gagan Thareja: And the third question, sir, on QRSAM, I think last you talked, you indicated that there was one pending test and then...

Bhanu Srivastava: No, all tests are over.

Gagan Thareja: So what stage is now this? Has AON been placed for the QR-SAM?

Bhanu Srivastava: No, they are putting up for AON.

Gagan Thareja: Okay. And recently, the chief of Air Force has talked of, Sukhoi mid-life upgrades with the SR radars and also of additional 100 LCA Mark 1A and also 150 or more light combat helicopters. What is BEL's scope of work in all of these three?

Bhanu Srivastava: These are all announcements. Let it come on ground, then we'll tell.

Gagan Thareja: Okay, sir. Last one, sir, gross margins, while, they tend to vary across quarters because of the kind of, projects that you book in any given quarter. How should we think of the sustainability of what we have seen in 2Q or what could be sustainable gross margins for the full year?

Damodar Bhattad: No, we have indicated an EBITDA margin of 21 to 23 and a gross margin of 40% to 42%. So we stand by that for the financial year.

Moderator: Thank you so much. The next question is from the line of Amit Anwani from Prabhudha Lilladher. Please go ahead.

Amit Anwani: Hi, sir. Thanks for taking my question. So my first question on the execution, you did mention that there is a spillover and still we are looking for 15%, 20%. So that way the implied revenue for H2 would be about 13,000 and it'll be getting at least INR5,000 to INR6,000 crores worth of more order intake.

We'll be closing order book at around 60,000 with the duration of three and four years for FY'25 and onward. For the good growth, are we, we will at least be needing 23, 24,000 worth of orders to have at least 8% to 10% growth. And seeing that FY'24 we are still closing at 60,000 would not be a major growth. So what are your thoughts on this and FY'25? Is there any meaningful order intake if you can share?

Bhanu Srivastava: So these big-ticket programs, they are expected next time, next to next year. So I think that we will be able to maintain a reasonable growth momentum. Many big-ticket programs we are working, which we will share with you once that some progress happens. It's premature to tell when the at initial stages, these big-ticket programs. Once the significant progress happens, we'll share with you. But I can only assure you that these order acquisitions, that the value will increase with the passage of time.
Amit Anwani: Right. But anything where AON is received or in pipeline for next 12, 18 months?

Bhanu Srivastava: No, not as of now.

Amit Anwani: Okay. And second, sir, I might have missed on this INR400 crores spillover. What was the reason for this?

Bhanu Srivastava: That's what I told. Some two days the strike happened. Holidays were there in the initial C for second, third. So those systems were cleared. They could not reach destination. Your contract term is that FY destination. So unless it reaches there, you cannot recognize the revenue. These are some of the reasons. That's why they could not.

Amit Anwani: This was related to any platform?

Bhanu Srivastava: See, something was going to MDS, something was going to Vishakhapatnam Navy.

Amit Anwani: Okay. So second thing I wanted to understand on the Triton. We were working on a prototype of large battery, two, three quarters that you did announce. That could be LOF 8000 crores worth of orders over the next two, three years. Any update on that, on that prototype?

Bhanu Srivastava: I don't think anything has happened. We have supplied to them that initial prototype. Still waiting to hear from them.

Amit Anwani: Right. And the current order intake of 15,300. How much was the non-defense in this?

Damodar Bhattad: It is mostly defense only. 15,000 maximum is defense only.

Amit Anwani: Sure. Thank you very much.

Moderator: Thank you so much. The next question is from the line of [Prabir from Ratnabali]. Please go ahead.

Prabir: Thank you, sir. Good morning. Taking a cue from the last question. Sir, you are associated with the development program for airborne radars for specially this Mark 1A. And so I wanted to, can you throw some light, what is the status of the development? Have you supplied the prototype? What is the status?

Bhanu Srivastava: There was a delay from our side in supplying that. And our, one of our private sector persons in the company has already supplied. So let us see. We are working on that airborne radar for NCMR.

Prabir: My second question is, you have pointed that you are trying to get into this arms and ammunition segment. So is this grenade ammunition, mines or drones? Can you specify the same?

Bhanu Srivastava: No, arms and ammunitions basically are with the explosives. So, glide bombs and then some missile projects we are starting with IAEA. So these are the businesses where it will be mounting to certain amounts of content of explosive. That’s why we have taken the Tamil
Nadu explosives also on lease, 30-year lease. But then it is a new business for us. So it will take some time before we enter into it.

**Prabir:** Okay. And any update on Akash NG? Akash?

**Bhanu Srivastava:** Akash NG. I think trial is going on. Exact status, I don't have as of now. I will let you know.

**Prabir:** Okay. Thank you, sir. That's all from me.

**Moderator:** Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants, please limit your questions to two per participant. Should you have follow-up questions, you can please rejoin the queue. The next question is from the line of Abhijit from YES Securities. Please go ahead.

**Abhijit:** Congratulations on a very good set of results. My question is on the distribution between – revenue distribution between defense and non-defense going forward in the next two, three years. How do we look at the non-defense contribution, especially when we are entering into a number of non-defense areas like metros, battery packs, supply, etc.? So how do we look at the non-defense contribution? Because in the last five, six years, it has remained in the range of 10% to 20%. And some years it has reduced to 10%. And we have been talking about 20% to 25% on a forward basis. So what would be the timeline when we have significantly more contribution from non-defense? That would be my first question?

**Moderator:** Ladies and gentlemen, the line for the chairperson seems to have disconnected. Please hold while we reconnect. Yes, we have the line for the management back again. So, Mr. Abhijit, can you please repeat your question once again?

**Abhijit:** Sure. Sir, my question is on the non-defense segment of the business. A few years back, we talked about increasing the non-defense revenue share to 20% to 25%. And in the last few years, it has ranged between 10%, 15% around that range. And we have been trying to get into a number of areas like the metro, TCS, FAS, etc. So what would be the timeline going forward in the next three to four years? If you can comment on the timeline where we can increase this non-defense revenue share in our overall portfolio? That is the first question.

**Bhanu Srivastava:** That would be my first question. The way things are going on, though we are trying to increase the revenue from non-defense, defense revenue also is growing faster than non-defense. So our share of defense is getting at around 85%, 90%, 85% as compared to non-defense. So the way defense revenue is growing up, I don't think that 75-25 will be able to achieve in the next two three years. Defense will remain pre-dominant that our share in the next two to three years.

**Damodar Bhattad:** Current year, we could be in the range of 85/15 -- 85%, 15% for non-defense.

**Abhijit:** All right. Sir, the next question is, for FY'24, what would be the revenue contribution from EVM in our business? And what would be the impact on the gross margin profile for the sales happening through EVMs?
Damodar Bhattad: Current year, the contribution from EVM V-pat is around INR1100 crores. 1100 crores. What else do you ask?

Abhijit: Sir, this would be gross margin dilutive or the profile remains the same gross margin?

Damodar Bhattad: As we tell, generally we don't comment on which segment what it is. We tell the overall gross margin will be in 40-42 range. We can't comment on whether this will dilute or increase. We cannot comment on the individual product.

Abhijit: Thank you, sir. I'll join back in queue.

Moderator: Thank you so much. The next question is from the line of Rakesh Rai from Omkara Capital, please go ahead.

Rakesh Rai: One more question. Government has recently released A-1 for new long-range interceptor missile. Is it totally same project? Looks like LR-SAM or is it totally different project, sir?

Bhanu Srivastava: Yes, I have to check it.

Damodar Bhattad: We need to check it up.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I'll now hand the call over to Mr. Amit Dixit from ICICI Securities. Over to you, sir.

Amit Dixit: Yes, thanks, Sagar. And thanks everyone for attending this call and the fruitful discussion that we had this morning. And thank you, Mr. Srivastava, for very patiently answering the questions and time given to us. I would like to hand over the call to Mr. Srivastava now for any closing comments. Over to you, sir.

Bhanu Srivastava: Well, thank you very much. Thanks all, for showing interest in Bharat Electronics and coming and participating in conference call. I can only assure all of you that we are on track, what we gave the guidance in the start of the finance area. Definitely we are doing such a good job. Thank you.

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