भारत इलेक्ट्रॉनिक्स
BHARAT ELECTRONICS
भारत इलेक्ट्रॉनिक्स लिमिटेड
(भारत सरकार का उद्यम, रक्षा मंत्रालय)
पंजीकृत कार्यालय :
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प्रतिष्ठा में/ To,
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सं. No. 17565/4/SE/MUMC/SEC
दिनांक/ Date: 30.05.2023

महोदय / महोदया
Dear Sir/Madam,

विषय- निवेशकों / विश्लेषकों के साथ दिनांक 24.05.2023 में आयोजित सम्मेलन कॉल की प्रतिलिपि।
Sub: Transcript of the Conference Call with Investors/Analysts held on 24.05.2023.

सेबी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, कृपया 31 मार्च, 2023 को समाप्त तिमाही और वर्ष के वित्तीय परिणामों पर चर्चा के लिए **बुधवार, 24 मई, 2023 को सुबह 10.00 बजे** एंटीक स्टॉक ब्रोकिंग लिमिटेड द्वारा आयोजित सम्मेलन कॉल की प्रतिलिपि इसके साथ संलग्न पाएं।
Pursuant to Regulation 30 and 46 of SEBI (LODR) Regulations, 2015, please find enclosed herewith the transcript of the conference call hosted by Antique Stock Broking Limited on **Wednesday, 24th May, 2023 at 10.00 a.m.** for discussion on Financial Results for the quarter and year ended 31st March, 2023.

सादर सूचनार्थ उपर्युक्त प्रतिलिपि कंपनी की वेबसाइट www.bel.india.in पर निवेशक-स्टॉक एक्सचेंज के प्रकटण 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.

सधन्यवाद / Thanking you,

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

SREENIVAS SRIPADA

Digitally signed by SREENIVAS SRIPADA
DN: c=IN, o=BHARAT ELECTRONICS LIMITED, 2.5.4.20=2785c3f8889288c5c03452d0f6bfbd07ecfa7416298e4d510fd5354c33bb0aa8, ou=SECRETARIAT,CID - 6840256, postalCode=560045, st=Karnataka, serialNumber=8da16a32e5cf7b4693c748a3f167cf33b9870c0132bad61e7d1c3490de34d08f, cn=SREENIVAS SRIPADA
Date: 2023.05.30 19:47:46 +05'30'

एस श्रीनिवास/S Sreenivas
कंपनी सचिव/Company Secretary

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

"Bharat Electronics Limited
Q4 FY'23 Earnings Conference Call"
May 24, 2023

Management:	**Mr. Bhanu Prakash Srivastava – Chairman and Managing Director – Bharat Electronics Limited** **Mr. Damodar Bhattad S – Director Finance and Chief Financial Officer – Bharat Electronics Limited** **Mr. Sreenivas S – Company Secretary – Bharat Electronics Limited**
Moderator:	**Mr. Dhirendra Tiwari – Antique Stock Broking Limited**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '23 Earnings Conference Call of Bharat Electronics Limited, hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhirendra Tiwari from Antique Stock Broking. Thank you and over to you, sir.

Dhirendra Tiwari: Thank you. Good morning, ladies and gentlemen. On behalf of Antique Stock Broking, I welcome you to the 4Q FY '23 post-result conference call of Bharat Electronics Limited. I am glad to have with us today Shri Bhanu Prakash Srivastava, Chairman and Managing Director, Shri Damodar Bhattad S, Director Finance and CFO, and Shri Sreenivas S, Company Secretary. I welcome the management of Bharat Electronics Limited on the call.

Now I invite Shri Bhanu Prakash Srivastava for initial remarks, post which we will open the floor for Q&A. Over to you, sir. Thank you.

Good morning to all of you. I am Bhanu Prakash Srivastava, CMD, Bharat Electronics Limited. BEL has done very well by end of this financial year. We have clocked a turnover of INR17,333 crores in year 2023, which is 15.21% higher as compared to previous year's figure of INR15,044 crores. PBT has increased to INR3,985 crores as compared to previous years of INR3,158 crores, giving a growth of 26.18%.

PAT is INR3,007 crores with a growth figure of 28%. EPS has increased to INR4.11 as compared to previous year's EPS of INR3.21. And total dividend payout in 2022-23 is INR1.8 per share against INR1.5 per share for '21-'22. At the end of the financial year, our order book position was INR60,690 crores. That amounted to order booking of around INR20,690 crores in year '22-'23. So this is a brief about financial performance of Bharat Electronics.

Moderator: Sir, do you want to open the floor for the Q&A session?

Management: Yes, yes. Go ahead, please.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Ankur from HDFC Live. Please go ahead.

Ankur: Hi, sir. Good morning. Congratulations on the great numbers. My first question was on your top-line growth for next year. I think you are guiding towards 15% to 17% growth for next year. Just in the backdrop, because your order book growth is about 5% for '23 and I guess even into '24, assuming you get to about INR20,000 crores of orders, your order book really does not grow. So I'm just trying to understand what is driving this 15%-17% kind of top-line. Is it completely from the current order book?

Bhanu Srivastava: Yes, the 17% order, that top-line which we are projecting, it will be from the current whatever order book position is there. Our top-line, whatever we project is based on our commitment to the customer, delivery timelines expected by the customer, because delivery timelines are based on the platform timelines. So keeping in consideration all these things, we are projecting a top-line growth of around 17% in this finance year.

Ankur: But then, do you see a risk that again, because assuming as I said, orders equal top-line in '24 as well, no order book growth in '24, with '25 revenues in turn? Because I'm just trying to understand, unless we see orders incrementally get to about INR30,000 crores-plus, growing in double digits may become a problem for us…

Bhanu Srivastava: It will not be a problem because what order booking we are projecting in this financial year is INR20,000-plus crores, which is not factoring many big ticket programs which are in pipeline. Like QRSAM, MRSAM projects and these things. Because these are big ticket programs, so they may rectify something this year or next year. So maybe between this year and next year, these are going to be fructify big ticket programs. So order booking will definitely increase from next financial year.

Ankur: Sure. And just one last question, sir. On your order in close, if you could just highlight which are the bigger orders you expect this year? I think you said some ship-based orders is what you're looking at.

Bhanu Srivastava: Bigger orders, if you see, one order is for Akash Missile System, that's ground support equipment, BDL got. So BEL's share will be around INR4,000 crores-plus. Long-term fuse requirements, it will be around INR4,500 crores. Then ship-building programs, NGOPV, NGMV, which CSL got, NGOPV, GSL and this GRSE got, credit training ship, which L&T got.

All this taken together will be around INR5,000 crores to INR6,000 crores, BEL equipment going inside that. So there are so many other programs like weapon -- this year, this ship, what is that, Varuna -- Shakti program for electronic warfare for ships. That is around INR1,000 crores. So these are some of the bigger programs which are there in the pipeline. And there are many, many smaller programs which added together to give a big value.

Ankur: Sure. Understood. Thank you so much.

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

Amit Dixit: Yes, hi. Good morning, everyone. And congratulations for a great set of performance and adherence to your guidance in last con call. Sir, I have a couple of questions. The first one is essentially an offshoot from the last question. That if you look at it, you have your guiding for INR20,000 crores-plus order in for this year. But, there are certain orders that are already in your pocket like Akash and this naval system and all. So that accounts for practically, around INR9,000 crores to INR10,000 crores. So and when we speak to the other companies, they say that, okay, MRSAM would be there in this year. So aren't we a little bit, conservative in the order book guidance this time around? So any thoughts on this?

Bhanu Srivastava: See, I'm not very conservative, but when it goes to government processes, especially if it is a big ticket program, so you have to be conservative because if you see, even if the process has not started, if you see in that case of QRSAM, that's just a trial has been completed, confirmatory trial has been completed. Now it will go for AON, RFP bidding, then PNC, then order processing. So there was this conservative approach. So either this year and next year it will come to, what 20,000, I'm telling is about where the process is already on. So when we give the guidance, what we tell, definitely we are going to meet this. And there will be over and above that. If luck favors, we can get something over and above this also. But our guidance is a bit conservative.

Damodar Bhattad: We hope to continue to maintain this three times order book on the revenue front. That is whatever the revenues we are forecasting on the three times order book we are hoping to maintain in the coming years.

Amit Dixit: Just to follow from this, there is this MRFA program coming up, it's still initial days. But do we envisage anything for BEL in that? I mean, or it could be produced completely out of the kits that are imported?

Bhanu Srivastava: Yes, I have not reviewed that project. Anyway, I will come back to later on.

Amit Dixit: Okay, so the second one is a bookkeeping question. If I look at your receivables, there is a sharp outflow of cash on that front, even on provisioning, even on provisions, there is a sharp outflow of cash. So if you can throw some light on this, didn't we receive the money from the government, or I mean, what is the issue over there? And what would be the sustainable level of receivable, let us say, six months down the line?

Damodar Bhattad: See, two things you have asked. One is on the receivable front, the number is INR7,000 crores as of 31 March, 2023, which amounts to 148 days in terms of turnover, which is same as the last year. And as far as the cash position is concerned, the cash balance as of the end of last year, that is March ‘22, was INR7,500 crores. And current year as on March '23 or 1st April ‘23, it is INR8,000 crores. So there is no constraints from the government as far as budgets are concerned. We are receiving the money. But there are these last two, three months sales, which account to a major portion, which will be in the receivables as on 31, March, ‘23. So although, it's number of days and cash balance, all have been, I mean, cash balance has only improved.

Amit Dixit: Sir, what explains this sharp outflow on the account of provisioning?

Damodar Bhattad: As far as provisions are concerned, in the past one years or two years, there have been some delays in receipt of inputs from the component front. So, which has led to this delays in supplies, which has contributed to some of the provisions towards liquidated damages on account of penalties of supplies. This has contributed. That was the major reason. So with this only, that the other expenses has increased.

Of course, the other one is, once the level of operations increase, consequently, there will be an increase in the operational expenses like traveling and other expenses. So these two have contributed to the increase in other expenses.

Amit Dixit: Okay, great. So I have other questions that, I will get back in the queue. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Umesh Raut from PhillipCapital. Please go ahead.

Umesh Raut: Thank you so much for the opportunity. Congratulations sir, for the good set of numbers. So my first question is on the QRSAM program. I just wanted to understand, how many stages are remaining in terms of major hurdles now? Before realizing the contract in terms of signing the contract?

Bhanu Srivastava: See, confirmatory trial, which was required, it has been done. So and it has been successful. Now a small test is remaining, which will be carried out in next month. So that will complete the total evaluation process. After that, services have to process the case, that whole process, the defence procurement process. It starts from AoN, then to issue of RFP and then submission of court, price negotiation and after that, because it's a big value, it will go up to CCS.

Umesh Raut: Okay. So my second question is on gross margin. So we have seen a gross margin decline from about say 48%, 49% to about 42% in FY '22. Now, those are also now coming back to about 44.4% for FY '23. So is it fair to assume that, now we are kind of moving again towards 45%, 46% of range because now indigenization benefit also come in and also the LRSAM program is in the kind of third year or fourth year of execution. So learning curve will be better. So margins on the gross level will be relatively better compared to in the last two years?

Damodar Bhattad: See last year, our gross material consumption to value of production was about 60% and current year, it is around 57.5%. So we expect the same to remain in the range of this 58% to 60% material consumption in the current year also. We already, we are giving a guidance of EBITDA margin. We have been having 23% in the last year, '22, '23. We expect to maintain the EBITDA margin around 21% to 23%, in the coming year, '23, '24, because there are different product mix, which are there. There are variety of products. There are 25 units which are operating. So with that product mix, there will be some differences in consumption in various products. So EBITDA margin will remain in the range of 21% to 23%.

Umesh Raut: Got it, sir. Lastly, on the liquidated provisioning, can you please quantify the number for FY '23 and is it fair to assume that, now with the normalization in the supply chain or the component availability, the LD provisioning will be relatively lower in next two year, three years?

Damodar Bhattad: As far as provision for liquidated damages for the current year is concerned, it is about INR360 crores, on account of the delays in supply due to receipt of inputs. But there are some projects, these are large projects, which are continuing over the years. So it is not a one-time thing. So as it continues, once it falls into the penalty zone, it will be there again in the '23, '24. But only thing is this, as per the accounting policy, we need to make the provisions. But there are many cases which we take up with the customers once again. And then, we have got penalties waived also. So due to which in the current year, we have got penalties waived and provisions withdrawn to the extent of about INR88 crores, compared to what we have done in last year.

So we have to make the provisions in accordance with the contract terms because these are continuing contracts, some of them will continue in the current year. But at the same time, we take up with the government on various contracts and we get some of the exemptions also or penalty waivers also. So hopefully, we should get some of them in the current year related to last year. But due to running contracts, we cannot tell that, all will be neutralized, normalized in the current year. There could be some fallback of the continuation of last year.

Umesh Raut: Got it, sir. Thank you so much. I'll join back in the queue.

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

Renu Baid: Yes, good morning, sir. And congratulations for good performance. My first question is, if you look in terms of the business performance, can you give us some input in terms of how is the performance for the non-defence portfolio? So A, what was the mix of defence non-defence for FY '23? And how are we seeing both the order flows and the revenue trajectory in the non-defence portfolio scaling up, especially in segments like railway, where we were expecting quite a bit of orders to flow through?

Bhanu Srivastava: See, there are two things. If you see that '22-'23 defence was 87%, non-defence 10.6%, export 2.4%. We anticipate slight increase in non-defence production this year in '23-'24 because of contribution from EVMs and VVPAT. As far as that other diversification area like metro, railway, AI, these are all long drawn process. So we are working on it. It takes time to get the materialize the order.

So if you like, if you're talking about DMRC and railway, we have given the proof of concept. We have installed in one line. But now, whatever that metro is getting installed, they already have the system imported. Now when new line comes, or current line, when they go for upgrade, then only these things will materialize in the big orders.

Similarly, other solutions also are working. Same thing is true with the airport authority. Now airport are operating. We have indigenized the system, ATMS and all, but when it will be installed, either new airport are coming or current airport, when it is upgraded. So these are all capability building, development of products, diversification, but it will take time for this to materialize. But once it materializes, it will contribute in good numbers.

Renu Baid: So, secondly, in terms of factory expansion and new capacities coming in, can you give some update in terms of, what is the kind of capex targeted for fiscal '24 and which all new facilities and factories are expected to commission in '24?

Bhanu Srivastava: Last quite few years, we have been working on building the capacity around INR500 crores plus every year, we are spending. And this year likely, expenditure will be around INR700 crores to INR800 crores in capex. As far as new company is concerned, latest is that, advanced electro-optics factory at Nimmaluru in Andhra, which is likely to be commissioned by end of this calendar year. Work is at advanced stage. Then we are working on Ibrahimpatnam for EW factory.

Again investment of around INR300 crores. Palasamudram for defence system integration complex, for explosive and fuse complex at Nagpur. So these are all working. They will fructify in next two years to three years. That is the timeline.

But yes, every year capex investment is there. Apart from what investment, we are making for new factories, even existing factories we are spending money to upgrade the facility and build additional capacity. Like for super component facility, we are establishing in our Hyderabad unit, existing facility, with investment of around INR100 crores plus, which will add in that manufacturing, another manufacturing line for very, very high precision electronic subsystems like T/R module and that. Then DIRCM manufacturing facility and test facility at EWA. So many, many things we are doing in existing factories also, existing setup also apart from building a new factory. So this year approximately INR700 crores to INR800 crores may be the capex.

Renu Baid: So come to third question is, when we look at the core business that is one part of it, but within the defence space, the UAV space is coming as the next probably, the segment within the defence strategy globally. So how is Bharat Electronics scope in this segment defined? Are we spending anything in terms of R&D, to build any capabilities in the UAV side? Any thoughts that you have that you can share here?

Bhanu Srivastava: Yes, we are in UAV business, but you are in a high end UAV business. We are partnering with DRDO also and some other partners also, are there like for unmanned, that surface vessels and sea based. We are partnering with a few shipyards. So we are in the business, but we are not in a very low end that, drones and all. We are in the slightly high end and we are also working on anti-drone systems. So that is also one of the area, where we are working.

Renu Baid: Sure. I have couple of more questions. I'll come back in between. Thank you and all the best sir.

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

Harshit Patel: Thank you very much for the opportunity, sir. Sir, my first question is on the missile integration program, so how does Ministry of Defence decide whether BEL will be the lead integrator for a particular program or BDL? Is it based on who can add more value in a particular program? So for example, in QRSAM, since we will be the lead integrator, Bharat Dynamics will be supplying some subassemblies, parts, components, etc.?

Bhanu Srivastava: See, BEL and BDL both are part of MOD and just based on the capability and the capacity available, MOD decides who will be the lead integrator. Like in Akash missile system, if you see, for Army, BDL is the lead integrator. For Air Force supply, we are the lead integrator. Both BEL and BDL work together because missile is from them and other support systems and electronic equipment control systems, radars and all are from our side. So we work very closely, both BDL and BEL. And all these programs, whether BEL is lead integrator or BDL is lead integrator. For QRSAM, BEL is the lead integrator. But irrespective of who is the lead integrator, everybody has got their work share arrangement and we work together to fulfill the requirement of the services.

Harshit Patel: Understood. Sir, my second question is on the content that we supply in the naval platform. So what is the typical content we have in large platforms like destroyers, submarines, and now the aircraft carrier? So would it be the 10% to 15% of the overall value of the vessel, or it would be much higher than that?

Bhanu Srivastava: Normally, typical destroyer or frigate, if you see, around 30% is the -- value is our content. Around 13 to 14 equipments, naming a few like sonar system, fire control system, fire control, both torpedo fire control and rocket fire control system. Then communication system both internal and external communication system. Then you have a ship data network, combat management system, that radar system and that gunfire control system. So a whole lot around 13 to 14 equipments are there in typical workship, which comes in our kitty, apart from that SAM system, surface-to-air missile. So minus SAM, it is around 30% typically.

Harshit Patel: Understood, understood. Sir, are there any new products that we are developing or we would have developed in recent years, which can take this content to even much higher levels going forward?

Bhanu Srivastava: These are the typical equipments in our product range in the ships. So only upgrade next generation are all there. So we are covering more or less all. We are working with DRDO in our own development to make this upgraded with new technology more effective, these equipments. But these are the typical equipments, which are there on any ship platform or submarine platform.

Harshit Patel: Understood, sir. Thank you very much and all the best.

Bhanu Srivastava: Thanks.

Moderator: Thank you. The next question is from the line of Simranjit Singh Bhatia from Master Trust. Please go ahead.

Simranjit Singh Bhatia: There are two questions which I want to ask. Firstly, what will be the revenue mix of the defence and the non- defence going forward in the upcoming time? And secondly, what are the margins we are having in the non- defence segment? Are we having the higher margins as compared to the defence, or it will enjoy the same margins with the defence category we are having? These are the two questions.

Bhanu Srivastava: First, I will answer around 85/15 is the typical we are expecting this year. But it has been hovering around from 80/20 to 90/10 depending upon which year we get more civilian products, and which year we get slightly lesser. And in my opinion, it will continue because the way we are growing. Even civilian if we grow, but defence also is growing in the similar speed.

Damodar Bhattad: See on the margin front, even in non- defence, it is not one item. There are a host of items which we are supplying including EVMV pads and other smart cities. There are many products which we are supplying. So there are different margins in different products. We cannot tell one number how it is. But majority of our supplies are in defence. We have only – last year we have earned an EBITDA margin of 23. We guide for the same margin of 21 to 23. On the segment wise of defence or non-defence, we would not like to say except that it's a mix and there are different margins in different products.

Simranjit Singh Bhatia: Okay. Thank you.

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

Lavina Quadros: Hello, sir. Congrats on a great set of numbers. I just wanted to check one thing. Your electric vehicle, the ion battery tie-up and the tie-up on hydrogen fuel cells that you have done, any progress on that or any updates over there?

Bhanu Srivastava: This electric vehicle front, yes. As per agreement, we have supplied one set of battery to Triton for their evaluations. So they are evaluating. Once they evaluate, then there also trucks have to be evaluated and then they will give the requirements with all things to be formed up. So we are on. But what I envisage is that it will take time for them also to build up that momentum and this – related to this, we also. So we have not factored any major revenue inflow from that side in this financial year.

Lavina Quadros: Okay. And sir there was also one more to manufacture and supply devices for the US market with Hyperion. Any updates over there? That was also a sizable one.

Bhanu Srivastava: I think that also not significant progress is there on that.

Lavina Quadros: Okay. So these were probably become more material '26 onwards, right? Just to understand.

Bhanu Srivastava: Which one?

Lavina Quadros: These tie-ups will probably become more meaningful only after FY '26, right?

Bhanu Srivastava: We cannot say. Let us wait for some more time before we give any firm projections.

Lavina Quadros: Okay, sir. Thank you.

Bhanu Srivastava: Thanks.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good morning, sir. My question is on the few sites. So if you can talk about the order, which we are expecting, INR4,500 crores. It is for how many fuses and over how many years?

Bhanu Srivastava: It is a long-term fuse requirement for Indian Army. So it is 10-year requirement. So this is for a few types of fuse. But apart from that, other requirements will keep on coming. So this is the one order, which will be addressed for next 10 years. So every year you can say around

INR450 crores to INR500 crores. Apart from that, other fuse requirements also will be there, which will be pursued.

Aman Vij: Sure, sir. On this part, sir, if you can talk about, I think we are currently already doing INR100 crores, INR150 crores of fuses. So we need to triple our capacity or as of now our capacity is very -- utilization is very low?

Bhanu Srivastava: We are increasing the capacity in our Pune unit also for explosive handling. After two years, this Nagpur facility also will come. So this will take care of not only this order, but other requirements of fuses also.

Aman Vij: Okay. And when do you expect this to come in, in H1, H2?

Bhanu Srivastava: Which one?

Aman Vij: In the fuse order, when do you expect this to come in?

Bhanu Srivastava: PNC is almost over, except one odd point where it has to be resolved. So we hope that this will be resolved in a month or so. I think this half-yearly it should come. That's what we expect.

Aman Vij: Okay. And sir, what is the indigenization portion in this product?

Bhanu Srivastava: It is a graded indigenization. We have to make significant indigenization within two years of signing of the contracts.

Aman Vij: Okay, okay. So initially it will be very low indigenization?

Bhanu Srivastava: Initially it will be around 20% to 30% indigenization content, but we have to bring it to significant level. That is there in the contract itself, contract condition that within two years significant portion of indigenization has to be done.

Aman Vij: Sure, sir. And sir, there were some private players also bidding for this and you had talked about that they had some issues with the trial. So any updates, will the private players also come in or will it be exclusive to offset…?

Bhanu Srivastava: There were many players, but only two got qualified technically, BEL and ECIL and we were winners.

Aman Vij: Okay. So only we will get the order of INR45 million?

Bhanu Srivastava: Yes, we are lowest bidder and then already procurement…

Damodar Bhattad: No, as far as this INR4.5 crores is concerned, already it is decided we are already commercially low L1 bidder and that is order INR4.5 crores, which we are expecting in first half.

Aman Vij: Yes, but sir, total order was INR10,000 crores if I am not wrong, right? So the remaining…

Bhanu Srivastava: No, see this is the one long-term specific requirement of Army, but fuses requirement will remain other -- so they will continue with other bids also.

Aman Vij: Sure, sir. Sir, my second question is on the TCAS side. You have talked about it a little bit at Metro, you have explained, it takes time, because we have to wait for the next set of orders. On the railway side, sir, there is an even bigger opportunity, so Metro is just a small portion but Indian railway opportunity, we keep hearing about this, Vande Bharat Trains and all those things. So have we started trial for the same? When do we expect some order from that?

Bhanu Srivastava: We are pursuing with railway. We have given a presentation to railway board also. Both BEL and -- see, we have MOU with Delhi Metro. So we will be pursuing jointly with Delhi Metro any other opportunity in the field where we are working. So even with railway, both DMRC and BEL are jointly pursuing. So this is on.

Aman Vij: Sir, how long the trials will go for this?

Bhanu Srivastava: Just initial presentation and then again any -- introducing any indigenous product in entity, which is very, what you say, the safety critical like railway or civil aviation where safety is paramount importance. It takes time. See, it all starts with initial concept. Then you give proof-of-concept. Then you give the prototype. Prototype gets evaluated. Then there are multiple certifications are there. After that, you get qualified to even enter that field, then commercials.

Moderator: The next question is from the line of Aditya from Kotak Securities. Please go ahead.

Aditya: Yes. Hi and thanks for the opportunity. The first question that I had was more on the order inflows and thanks for sharing most of your order inflows for last year. It appears that the dominant share of those order inflows rely on DRDO design or DRDO -- ToT. I wanted to get a sense whether this is representative of the order backlog of the company, or is this a specific year wherein the reliance on DRDO design is too high?

Bhanu Srivastava: See, if you see the typical hour total, around 60% to 70%, you can say 70% to 75% is indigenous design and 20% to 25% DOT from foreign OEMs. Out of 70%, 75%, typically 45%, 50% is partnership with DRDO and remaining our own design.

Aditya: Understood. So, it seems that in this year the reliance on DRDO is slightly higher but that's not the norm. Thanks for that. The related question was that for whatever proportion one is relying on DRDO design, are there any initial signs of private sector starting to intrude in our territory because these DRDO designs are now also in some ways available to them?

Bhanu Srivastava: See, the private sector has always been a partner in DRDO for various systems, subsystems. They are part of supply chain management. But when it comes for large-scale system integration, normally we are there. But private sector also is pitching in for system integration with DRDO also. So, we have to compete with them and we have to be able and cost-effective partner for even that.

Aditya: Sure. Just one more question from my side. I understand that the guidance for next year on revenue is much higher than the growth -- that the past two, three quarters have seen on a YoY basis. I wanted to just understand what would be the reason behind there not being as much growth in the last nine months on a YoY basis versus the guidance and some sense of the execution period of the backlog, if you could give me a sense.

Bhanu Srivastava: See, typically, if you see that quarter-to-quarter, it is unfair in products like -- company like BEL to just decide, because ours are mostly large system projects, which runs through various quarters. So it so happens that in some quarters your turnover or revenue may be less, some quarter it may shoot up. Because it's not like in the same quarter we start manufacturing in same quarter revenue is recognized.

So, it's better to if you talk about a yearly basis. So, if yearly basis if you see, we grown around 15%. We are presenting around in the range of 17%. And what we project is also depends upon how much we can deliver based on the requirement of the customer. It's not like INR60,000 crores we have ordered and if we can build capacity, we can deliver this year itself because customer doesn't want. He wants the item when he needs it.

So, like if ship building projects are there, ship will be built in the next four, five years, every year one or two ships. So, our delivery has to be aligned. So, that's how we see that what are the executable order this year and how much we can do. Based on that, we project.

Aditya: Average execution period that will be the last thing from my side of the backlog?

Bhanu Srivastava: Average around three years, you can say.

Damodar Bhattad: Current order book normally we can take three years sometime. Because there are 12 months, there are two years, there are three years, there are four years, different projects are there. So, normally this current order book can be taken for three years revenue.

Aditya: Thanks a lot. Those are my questions. Thank you.

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

Prabir: Thank you sir for the opportunity. Sir, I have two questions. First of all, I wanted to know the status of Uttam AESA development. In the last call also I asked this question and you said that development is going on.

Bhanu Srivastava: Which one?

Prabir: Uttam AESA.

Bhanu Srivastava: Uttam.

Prabir: Uttam. And actually the MK1A order already given to HAL. So, I wanted to understand what is the status of the development and how much are you expecting from this and by when?

Bhanu Srivastava: Uttam Radar AESA. I am sorry that I have not updated. I just missed it. So, maybe you can give me a call or SMS and I will give you a status. I'll just find out.

Prabir: Okay. And about Akash-NG, what is the status sir?

Bhanu Srivastava: Akash-NG already order is there with BDL, and then we have finalized that and we have to close the deal with BDL. So, it is almost last stage.

Prabir: So, by when you are expecting this order?

Bhanu Srivastava: Another month or two months maximum.

Damodar Bhattad: Within first half we should get the order.

Prabir: Okay. And as you said that QRSAM is expected next year. QRSAM is a high ticket order. Sir, is it like the order will come at once or it will come in phases? What is your expectation?

Bhanu Srivastava: Different services has to decide how much budget they have and what phases they have to procure. So, how can we comment that in what amount and what value they will procure? We have cleared the system. System is through. It has met all the expectations. It depends upon their strategic needs and their budget availability that they will decide about the procurement.

Prabir: Okay. My last question is, is it possible to share gross margin for VVPAT and EVMs?

Damodar Bhattad: We would not like to comment on specific individual projects and margins as such. We can only tell, because we would not like to comment on the segment wise, product wise. We would not like to comment on that.

Prabir: Okay, sir. Thank you.

Bhanu Srivastava: Thank you.

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

Dipen Vakil: Thank you so much for the opportunity and congratulations on great execution. Sir, you mentioned your guidance for next year is 17% on top line. So, I just wanted to understand, which will be the large orders that you will be executing this year and if possible also the quantum for the same?

Bhanu Srivastava: See, ours is a very large variety of product line. So, if you see that in the largest order, it will be maybe LRSAM will be one for frontline ships. That is one which clearly comes out. That will be range of around INR3,000 crores. All others are in the range of around INR500 crores, 600 crores, but multiple lines are there. So, we have 24 business units and each doing multiple products.

Dipen Vakil: Thank you, sir. So, quantum for LRSAM for this year, you mentioned, INR3,500 crores?

Bhanu Srivastava: Roughly around INR3,000 crores from LRSAM execution, all remaining are many, many products.

Dipen Vakil: Okay, okay. And so, how much was the export side of revenue for FY '23?

Bhanu Srivastava: It was $48 million, $48.5 million, something like that.

Dipen Vakil: Okay. That is clearly helpful, sir.

Damodar Bhattad: In terms of rupees, INR394 crores it was.

Dipen Vakil: Sir, can you repeat that, sir?

Damodar Bhattad: $48 million and in terms of rupees, INR394 crores.

Dipen Vakil: Thank you so much, sir. That was all my questions.

Moderator: Thank you. The next question is from the line of Abhijeet Mitra from Aionios Alpha. Please go ahead.

Abhijit Mitra: Yes, thanks for taking my question. So, just wanted to understand the potential order inflow in radars that, you see over the next four years–five years as in the total addressable market. And, you know, as you mentioned, a lot of tier 1, tier 2 suppliers coming up and, moving into integration order. So, how would the sort of dynamics or relationship of bill will change with them? Because we have been sort of outsourcing components and subsystems to them. Will you try to look for different suppliers now that, they are sort of coming up and bidding for the system integration projects?

Bhanu Srivastava: No. Why? See, if they are bidding for system integrator, we will compete with them. If they are subsystem supplier, we will collaborate with them and get. So, it is all collaborative approach. Where they compete, we will compete. Where they are part of supply chain, we will collaborate and we get. Our objective is to give value for money to our customers. So, no issue.

Abhijit Mitra: Okay. And the potential order inflow in radars that you see over the next four years-five years?

Bhanu Srivastava: See, if you radar, we already got one of the biggest order in MPR in 2022-2023, around INR2,500 crores. Then, there is an upgrade programs, which is there. Because of the introduction of 5G, there will be a need for upgrading existing radar in S-Band to minimize that interference between 5G frequency and this radar frequency.

That is one business opportunity. And there are other radar programs also, which are in pipeline. So, let us see exact number. Because services have not progressed, it will be difficult for me to tell you exact numbers. But yes, they are in the process. We are working on that. One of the biggest was a high power radar, of course, which was evaluated in L&T and ELTA. That what collaborators or partners, they were shortlisted. So, that is one where we are not there as of now.

Abhijit Mitra: Got it. That's all from my side. Thanks.

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 around potential available scope of work in helicopters. HAL has a very sizable pipeline of utility and combat helicopters. Likewise, there is a very sizable program for towed artillery guns as well. So, is there scope of work in the electronic systems for these, for BEL? And can you elaborate, the size of any?

Bhanu Srivastava: See, we are working with HAL for especially that, missile warning and countermeasures and avionics portion. So, yes, there is some work share, which are likely to be coming to us from HAL side. As far as towed artillery gun is concerned, it is being done by some private sector, isn't it? Bharat Forge or somebody. So, I am not very much aware about this.

Gagan Thareja: And for the helicopters, what could be the portion of the missile approach warning systems and other display systems?

Bhanu Srivastava: At this point of time, I am not will able to tell you. But once it progresses and some definite number comes, we will share.

Gagan Thareja: Okay. And you have created some provisions for damages and this has pertained to supply chain issues, chip shortages and so on. Have these issues been resolved completely now?

Bhanu Srivastava: More or less to a large extent, it is resolved. But in some cases, still challenges are there. So, anyway, challenges will be there. We are addressing that.

Gagan Thareja: And the fourth negative lists that the government bought out, there are now systems components or even finished assemblies, which are supposedly ordained for being done locally at stipulated cut-off timelines. How does that increase? Does that in the first case increase your potential opportunity size? I presume it would. And if you could elaborate on, what do you foresee additionally coming from?

Bhanu Srivastava: There are two types of positive indigenization lists, issued by government. Four indigenization list, positive indigenization list is for services, where equipments are listed, which cannot be imported by services, beyond a specific time frame. So, that will definitely help. There are many products in that, where they are importing and now beyond that, they cannot import. So, we are working on those, how we can upgrade, indigenize and whatever we do so that, we get larger share of the business. So, definitely it is very helpful to our Indian industry because henceforth, if there is no opportunity for importing, so they have to source it from Indian sources, whether BEL or any other Indian source. So, this is a business opportunity.

Second thing is that four positive indigenization list for DPSU, where government has asked us to specify, what are the items, we are importing and by what time, we will stop importing, we develop or indigenize and get it from local sources. So, that will help Indian industry. We are working on that because this list is based on the commitment given by DPSU.

So, we have given commitment to government that, these are things which we are importing now, we will be indigenizing by this time and henceforth, we will be sourcing from local vendors. So, that will definitely help Indian industry, local industry.

Gagan Thareja: Would that mean that, your localized or indigenous content of what you supply will keep on increasing and if so…

Bhanu Srivastava: Our endeavor is always to increase that indigenous content.

Gagan Thareja: Would that portend better gross margin for you, going ahead in that case?

Bhanu Srivastava: To some extent yes, but then more indigenization, then customer also will put pressure on your pricing also. So, it's not like, all that margin built is passed on in our financial performance. More indigenous content, then we have to pass it on the benefit to our end customer also.

Gagan Thareja: Sir, final question, there are very large programs for tactical communication systems and battle field management systems, where I think you were in consortium with some private entity. I don't know, what's the status of those programs, I just wanted to understand, where do we stand?

Bhanu Srivastava: This TCS program started way back in 1994, it was called TCS 2000 but still going on, so lot of iterations have happened, we have made the test bid also. There were two consortiums, one was led by BEL and another was by major private sector, I think L&T, Tata and HCL. So, it is going on, discussions are going on, government is in the process, so once it is finalized, we will see.

Gagan Thareja: Thanks, I will get back in the queue. Thank you for taking my question.

Moderator: The next question is from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

Deepak Narnolia: Hello, sir, I am audible?

Bhanu Srivastava: Yes, please go ahead.

Deepak Narnolia: I have two questions, one is regarding your cash flow, there is significant dip in your operating cash flow in this year, it has reduced to somewhere INR1,000 crores from somewhere around INR4,000 crores last year. So, what is the specific reason for that and is there any working capital built up in the year or number one and number two is, you have made guidance of 17% revenue growth in this year?

Your order book is up only 5% and in that also, significant orders were received in the month of March, this year, those were tail ends and last year also, your order book was up only 3%. So, what is giving you confidence of this your higher revenue guidance and is the project cycle, project completion cycle is lower in the mix of the order or is there any specific reason for that, you will receive any short term kind of order or something like that? So, these are two questions from my side.

Damodar Bhattad: See, as far as the cash flows are concerned, so, say that last year, our cash balance was around INR7,500 crores and the current year, we have ended the year with INR8,000 crores. So, overall there has been a positive cash flow during the year and the receivables in inventory front also, more or less the number of days has been same. The volume has, the value has increased but in the terms of number of days of product value of turnover and production, it has remained almost the same levels.

So, we don't expect any cash flow issues as of now and there are no budgetary concerns from the government also…

Deepak Narnolia: Sir, I am talking about operating cash flow, sir. Operating cash flow has gone down?

Damodar Bhattad: Operating cash flow specific thing, I can just maybe get back to you in some more time, okay.

Deepak Narnolia: Okay, and about the second question, sir, in revenue growth.

Bhanu Srivastava: See, revenue growth, we are projecting a very healthy revenue growth of around 17%, for this year. As far as the order inflow is concerned, as of now, we are projecting INR20,000 crores plus, which are there in the pipeline. And in the course of the year, if something more comes, we will revise that estimate.

Deepak Narnolia: Okay.

Moderator: Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Okay, my first question is, when is the provision with respect to pay revision likely? Which financial year?

Damodar Bhattad: '27, is the next revision due '27, January. The last revision was in 2017, it is for 10 years. The next revision will only be in 2027, January. As of now in the next three years-four years, there are no such pay revisions, which are there except for normal increments and dearness allowance increase.

Sumit Kishore: Okay, and secondly, what was your expenditure on R&D in FY '23? And on R&D in general, would the growth in investments in R&D continue, to be a certain percentage of revenue? Or profits or would that intensity moderate?

Bhanu Srivastava: See, normally we have been spending around 7% of our turnover on R&D. R&D is a very high priority area for Bharat Electronics. This year we spent around INR1,088 crores, which is around 6.25%, so slightly lesser. But we target to increase it significantly to reach it in the range of 7%, in this financial year.

Sumit Kishore: Okay, and as the company is getting bigger, the absolute R&D investment is a fairly big number. So, in terms of, the key outcome of spending, say, INR11 billion on R&D this financial year, so could you give us some qualitative color, what…?

Bhanu Srivastava: I will just brief you, how is our R&D structure. We have a three-tier R&D structure in BEL. One is that highest level is Central Research Laboratory, one we have in Bangalore and one we have in Ghaziabad, where close to 700 scientists are working. They work on futuristic technology. They work on technology, which are going to develop, are going to come in next two years, three years, five years, 10 years. These are the focus -- there are focus area for them and key futuristic technology. Then we have a Product Development and Innovation Center, again manned by around 450 to 500 engineers and scientists, who work in various modules, systems and subsystems, which are utilized across the company for different products, which we offer to customers.

Then every strategic business unit, which has got its own development in engineering or R&D, whatever you say, who are responsible for developing and making and proving, trial evaluation and offering the end product and solution to the customer. So if you see that, total all three setups, we have close to 2,700 engineers and scientists are working in Bharat Electronics in R&D front.

Sumit Kishore: So, I mean just to understand the productivity of R&D spending that Bharat Electronics has been doing, what percentage of the revenue that Bharat Electronics had in FY '23, was driven by in-house R&D? I know just I don't know whether it's possible to answer.

Bhanu Srivastava: In earlier response to earlier question, we say that around 40%-45% our products are normally from DRDO technology, around 30% from our own technology, around 20%-25% from TOT. Now if you see in all three segments, it's not like the product comes and we sell. There is always a very high amount of value engineering, which is required or value addition, which is required by local R&D to make it suitable for the end customer. So even if it is a TOT, lot of technology transfer, technology absorption and TOT also, work share arrangements are there.

Today you cannot take 100% TOT and supply it. If you take a TOT like LRSAM, in some of the areas even 40%-45%-50% is our indigenous technology, where our R&D has worked. Similarly DRDO, DRDO it is a co-development, it's a DRDO technology but our scientists and engineers are working with DRDO on this technology to realize these sellable products.

Bhanu Srivastava: So all these contributions, they go from our R&D only and that is the reason why we are the preferred partners of DRDO, on many technology development programs because of our strength in R&D. So that way you see that, all 100% revenue, what we earn, there is a contribution from BEL R&D in every front, whether it is a TOT, whether it is a 100% in-house development or it is a co-development with DRDO.

Sumit Kishore: Sure. And for the benefit of DRDO R&D that we get, we do not as such pay any specific royalty or any payments or nothing is expected also in future?

Bhanu Srivastava: No. PSU, that earlier for some time, there was a royalty provision but now it is withdrawn. If end customer is Defence Services or Government of India, no royalty payment is required.

Sumit Kishore: My last question is in relation to BELs competitiveness, when it comes to export or to participating in the export market. So we have been hearing about potential of Akash export to other friendly countries. Is there any progress or over the next five years, with all the R&D that we do and the competitiveness that we have, what kind of export opportunities the company should target or is targeting?

Bhanu Srivastava: See, we are targeting very aggressively for exports like, what we say that $48 million, 2022-23. This year we are targeting around $90 million to $100 million. We are participating in various programs, various discussions with customer, going as a part of government delegation also to make sure that we get significant export order. But if you see per se, the export of defence contracts or defence products, it is very, very typical ecosystem for a defence, which is not like any other product. There are many, many factors that play a role in getting a defence contract, including availability of line of credit to foreign services, what is the geopolitical situation, what is the contribution at G2G level, which country has got, what influence.

So cost competitiveness is the one factor for deciding from where that these countries they will be sourcing the defence equipment. It is not the only factor for defence export. So we are working on that. Our aim is in line with Government of India to increase the export, but it is not one plus one is equal to two.

Sumit Kishore: So those are my questions. I wish you all the best. Thank you.

Moderator: Thank you. ladies and gentlemen, this will be the last question for today, which is from the line of Umesh Raut from Phillipcapital. Please go ahead,

Umesh Raut: Thank you so much once again. My question is related to LORA Weapon systems, where we have done, MOU with Israeli Airspace industry. I just wanted to understand, potential opportunity out of this MOU, for the LORA Weapon systems. And secondly, we also did offset contract agreement with the Thales defence system, where I believe, the contract is not yet signed. So what is the potential over here?

Bhanu Srivastava: See, LORA, we have signed an MOU, discussion is on. IEI has visited also our facility and we are continuing with discussion. So if there is any opportunity, IEI, we are partner with IEI and jointly we will address. So that is on LORA. As far as Thales, we are a partner to them in supplying that T/R modules to their export businesses. We have a separate dedicated production line in BEL to meet the requirement. So it's not like one contract, contract keep on coming. We have existing contract also, where we are supplying and the new requirement also we are working on that.

Umesh Raut: So, sir, LORA weapon system, the demand will be respective of indigenous technology or is it?...

Bhanu Srivastava: See, any import what you do, services requirement, there is a requirement of indigenous content in that. So LORA also, when customer gives the requirement, he will specify how much indigenous content he is expecting. So we will work with IEI together that, how to meet that requirement of indigenous content and offer the item to services.

Umesh Raut: Okay, sir. Thank you so much.

Bhanu Srivastava: Thank you.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to Mr. Amit Shah for closing comments. Over to you.

Amit Shah: Yes, I would like to thank the management for giving us the opportunity to host the call and would also like to thank all the participants for joining us on the call. I would request the management to make any closing remarks, post which we can conclude the call.

Bhanu Srivastava: Thank you to all participants, including host. It has been a good time for us giving replies. Yes, on few, one or two, we are not very sure on the reply. We can, person can contact us separately like Uttam Radar, I think we are not updated. Others, we tried our best to give you whatever realistic situation is there. I can only assure you that, we will make all efforts to take BEL to next higher level. Whole management team is working on that and meeting the customer requirement. Whatever projections we are given, that are, we are very confident that, we will be meeting those guidance. Thank you.

Moderator: Thank you very much, sir. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.