

**ASTRA MICROWAVE PRODUCTS LIMITED**

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

February 2, 2017

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

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

**Scrip code: 532493**

**Scrip code: ASTRAMICRO**

Dear sir,

**Sub: Conference call transcript.**

We are sending herewith Conference call transcript held with analysts on 31<sup>st</sup> January, 2017.

This information is also uploaded on the website of the Company [www.astramp.com](http://www.astramp.com).

Thanking you,

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

*T. Anjaneyulu*

**T. Anjaneyulu**  
Company Secretary



Works :

Unit 1 : Plot No. 12, ANRICH Industrial Estate, Bollaram, Medak Dist., T.S. - 502325

Unit 2 : Plot No. 56A, ANRICH Industrial Estate, Bollaram, Medak Dist., T.S. - 502325

Unit 3 : Sy. No. 1/1, Imarath Kancha, Raviryala (Vil), Maheshwaram (Mdl) R.R. Dist., T.S. - 500005

Unit 4 : Sy. No. 1/1, Plot No. 18 to 21, Imarath Kancha, Hardware Park, Raviryala (V), Maheshwaram (M), R.R. Dist, T.S. - 500005

R&D Centre : Y.D.Archade, No. 327, 4th Cross, Opp: Sivaparvathi Kalyan Mantapa, OMBR Layout, Banaswadi, Bangalore, Karnataka - 560043.





**“Astra Microwave Products Ltd. Q3 FY17 Results  
Conference Call”**

**January 31, 2017**



**MANAGEMENT: MR. B MALLA REDDY – MANAGING DIRECTOR, ASTRA  
MICROWAVE PRODUCTS LTD.**

**MR. S GURUNATHA REDDY – CFO, ASTRA MICROWAVE  
PRODUCTS LTD.**

**MR. M V REDDY – BUSINESS DEVELOPMENT DIRECTOR,  
ASTRA MICROWAVE PRODUCTS LTD.**



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**Moderator:** Good morning, Ladies and Gentlemen, welcome to the Astra Microwave Products Ltd. Q3 FY17 Results Conference Call. 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 the operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. S Gurunatha Reddy – CFO, Astra Microwave Products Ltd. Thank you and over to you, Sir.

**S Gurunatha Reddy:** Thank you. Good morning, Ladies and Gentleman, and I welcome you to this third quarter financial results conference call. The results were taken on record by the Board of Directors at their yesterday's meeting and I hope that most of you might have seen the results. For the sake of information to all, I will repeat some of the broad financial numbers.

For this quarter, we did overall sales of about 115 that is net sales as compared with about 86 crores as of last year. We had an operating profit of about 30 crores as compared with 33 crores of previous quarter and PAT is about 12.75 crores as compared with about 15.97 crore previous quarter. The small change in terms of the absolute number of profitability is due to one major expenditure item, which is the late delivery charges which is about 5.5 crores was provided in this quarter. Otherwise, in terms of the profitability, we are more or less maintaining the guided percentage terms. In terms of the order book, at the end of the quarter, we have about 481 crores of order book, but as of today, we have about 640 crores of orders on hand. In the interim, in the last 10 days, we have received about 140 to 150 crores worth of order. With this broad details, I leave the conference call open for question and answers.

**Moderator:** Thank you. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of Shubhankar Ojha from SKS Capital & Research. Please go ahead.

**Shubhankar Ojha:** Can you explain a bit more on this late delivery charges and was this is a one-off or is there any recurring which you were incurring also?

**S Gurunatha Reddy:** Late delivery charges is a recurring expenditure, this is pertaining to the terms of the purchase order where the customer defines a particular date by which the deliveries are to be made and if that deliveries are not done within this period then they deduct an amount, which is equivalent to about 5-10%.

**Shubhankar Ojha:** You said this is recurring, so how much you are going to pay this charges?

**S Gurunatha Reddy:** In broad terms, it is very difficult to give but in the immediate next three months probably another 3 crores of LD charges may be there.

**Shubhankar Ojha:** This is with respect to export order?



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- S Gurunatha Reddy:** These are all entirely domestic deliveries.
- Shubhankar Ojha:** Which means we are basically going to fall short of the guidance that you have given at the end of last quarter?
- S Gurunatha Reddy:** You mean in terms of profitability?
- Shubhankar Ojha:** In terms of the profitability, Yes.
- S Gurunatha Reddy:** I will come to that. In fact, I forgot to give the guided numbers for the entire year. Keeping in view the performance that was achieved up to third quarter, we are likely to do about 406 crores for the year as compared with 430 crores what we have projected earlier. As a result, there will be a correction in the profitability. We have projected about 65 crores of PAT, now it is likely to be around 57 to 60 crores.
- Shubhankar Ojha:** Which means the asking run rate for the last quarter is going to be big, you have done only half of the guidance, I believe?
- S Gurunatha Reddy:** For the remaining quarter, we expected to do about 160 crores of sales, which will take us to about 406 crores of net sales for the entire year.
- Shubhankar Ojha:** In terms of the PAT number, I think the asking run rate for the March quarter is about some 20.
- S Gurunatha Reddy:** We should be able to achieve that. There will not be any issues on that.
- Shubhankar Ojha:** In terms of, because now we have clarity on the order book, you said 641 crores which gives us better visibility, can you also guide us in terms of the FY18 guidance?
- S Gurunatha Reddy:** For FY18, I will bring on Mr. M. V. Reddy – Business Development Director, to share those numbers.
- M. V. Reddy:** For FY18, we are targeting 480 crores, out of 480 crores, 50 crores would be from the exports offset contracts and the rest are from domestic customers.
- Shubhankar Ojha:** Which means the profitability should be better for the FY18 because only 50 crores of export order, which is basically low margin order for us, kind of 26% to 28% EBITDA margin possible for FY18?
- S Gurunatha Reddy:** EBITDA margins at that range, it is possible.
- Shubhankar Ojha:** Finally, these 140 crores of order that you have received in last 10 days, can you explain that?



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- M. V. Reddy:** It was the letter of intent which we have been talking in every con call, so now that has converted as the order. Apart from that, we bagged couple of orders more from different customers for the offsets.
- Moderator:** Thank you. We take the next question from the line of Rahul Gajare from Quant Capital. Please go ahead.
- Rahul Gajare:** This LD charge that we have got, is it possible you can name the customer?
- M. V. Reddy:** It is mostly from BDL for the projects which we have been executing, so there was a delay in the inspection and there are various factors, so because of that it got delayed, and then some amount is from DRDO Labs, like some contracts which got delayed beyond the schedule, so all put together, it has worked out to be around 6 crores.
- Rahul Gajare:** Have we got LD charges earlier also, because I have not really seen such a large LD charge earlier?
- S Gurunatha Reddy:** It is there, in fact for last year for entire 12 months' period, it was close to about 4.5 crores.
- B Malla Reddy:** In fact, in our books, every year we have of that range.
- Rahul Gajare:** Now coming to the order backlog, we have been hovering between 500, 600, 450 odd crore rupees for a very long time now, we were looking forward to this 100, 140 odd crore rupees of order, even Q2 conference call you indicated that we are expected to get this order. Now beside this 640-odd crore of backlog that we have, what is the pipeline that you have and visibility of that being converted into the backlog?
- M. V. Reddy:** For next two months, we are likely to bag another 120 crores worth of order and all these orders is from the ISRO and as well as DPSUs, which are in pipeline.
- Rahul Gajare:** 120 crores?
- M. V. Reddy:** Yes, 120 crores.
- Rahul Gajare:** How is this order broken in terms of ISRO and defense?
- M. V. Reddy:** In that 120, 60 crores is from ISRO and 50 crores from the defense, DPSUs and DRDO put together, another 10 crores we are expecting order from CWC, that is for hydrology projects.
- Rahul Gajare:** The order backlog of 640 crore rupees, you said closer to Rs. 50 crores is exports?
- M. V. Reddy:** In that, 160 crores of exports are there.



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- Rahul Gajare:** In 640, 120 is exports?
- M. V. Reddy:** No, 160 is exports.
- Moderator:** Thank you. The next question is from the line of Abhijeet from ICICI Securities. Please go ahead.
- Abhijeet:** Can you give a breakdown of the order book of the current 640 crores order book apart from 160 crores of export, what are the major other components that you are having?
- M. V. Reddy:** Apart from these 160 exports, the rest all are from DRDO Labs and DPSUs we have few orders, then BDL, Akash subsystems, and then space, we have few orders booked recently, so all this put together it is those orders, domestic clients.
- Abhijeet:** Space would be how much out of that?
- M. V. Reddy:** Exact figure, space we have close to around 50 crores.
- Abhijeet:** The other details you have with you or should I come back later?
- M. V. Reddy:** Yes, you can come back later.
- Abhijeet:** Second thing on some of the projects that we were working on especially in the last few quarters you have been mentioning about the supplies which you were doing to SR Radar and the integration testing which was supposed to happen for the ProtoArray of AWAX as well as eight of the data links that you have supplied to DRDO for Rustom-2 UAV, can you give some of the updates on some of the major projects that you have been working as well as what is the visibility of Akash and LRSM as per you in terms of your discussion new orders on Akash and LRSM, if you can throw some light on that as well?
- M. V. Reddy:** As far as the current projects for the AWAX Phase-II, the proto order which we got that we are completing by next month, by March 15 we will be executing the total order that is on the prototype what we have received and for the radar, recently we got news that it got cleared for in-principle they got clearance, so most probably we may get the production order for the Phase-III either the last quarter of the FY18 or maybe the first quarter of FY19.
- Abhijeet:** That would be a big order, right?
- M. V. Reddy:** That will be the big order. That is the one and the second is you talked about the Rustom-2 UAV are now being supplied. It is on the testing stage now, so the production orders, we are likely to get in the next financial year.
- Abhijeet:** The Uttam AESA radar that supply continues for the TR?



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- M. V. Reddy:** Most of the subsystems we have completed and the few more subsystems we are likely to execute by February and March.
- Abhijeet:** What incremental visibility do you have on these two new orders of Akash and LRSM, if you have any?
- M. V. Reddy:** Akash, we are expecting repeat order from Air Force that is on BEL, so orders for us that is for subsystems for radar as well as for the missile, most likely we may get these orders in the first quarter of FY18 or in the worst case, second quarter.
- Abhijeet:** That kind of strong visibility is there?
- M. V. Reddy:** Strong visibility and the negotiation with BEL is in the final stage. BEL is expecting this order by March.
- Abhijeet:** Anything on LRSM that you would be executing, again that order would also is expected to come to BEL?
- M. V. Reddy:** That also likely we get some orders by FY18 in the last quarter.
- Abhijeet:** What would be your best guess now for your FY18 order in flows given that there are very high likelihood of big orders coming through?
- M. V. Reddy:** With the information, what we have and with this thing and all, next year we are likely to book orders of flows to 650 crores.
- Abhijeet:** Orders in flows of 650 crores in FY18, and that would be majorly BEL?
- M. V. Reddy:** In that again, we to have offset contracts also about worth of 150-200 crores, the rest all from BEL and as well as DRDO Labs.
- Abhijeet:** What is this 150 to 200 crores of offset contract, if you can?
- M. V. Reddy:** We are discussing, there is likely repeat order from the same OEM for whom we have executed the order, so we are likely to get a repeat order of small quantity, not the same quantity as we got few years back, but some quantity?
- Abhijeet:** Do you mean ELTA?
- M. V. Reddy:** Yes, I did not want to take name, but you have taken the name.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.



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**Vipul Shah:** I just wanted to know what steps we are taking to prevent this very hefty delivery, late delivery charges, means why they are recurring, if you can throw some color on that, it will be helpful?

**M. V. Reddy:** It is accumulated, it is not in the last quarter. The issue here is we have been executing this orders for last two years and the customer for who we are executing, they were saying that they are likely to get this LD from their end customer and with that hope, we were pursuing this particular case, but we thought since it has been long time, we would like to put provision to write off those amounts, so otherwise even today, not that we do not have chance, but there is chances of getting some amount back from the customer, but we wanted to write off because it has been pending for long time.

**Vipul Shah:** We are basically supplying subsystems, is it fair to assume that we are paying for the inefficiency of the main supplier or have I understood?

**B Malla Reddy:** It is not inefficiency, in this kind of systems when they deliver it, there will be lot of issues, there will be delays and they also try to get the full payment from the government, but sometimes governments or some departments are very strict, if they do not get it, they do not pay to us, if they get it, they pay to us.

**Vipul Shah:** Can you give some color on the competitors?

**M. V. Reddy:** We are not supposed to talk on our competitors.

**Vipul Shah:** Who are our main competitors, market share, any color on that?

**B Malla Reddy:** For the products, what we are delivering as on today, we do not have much competition because most of these products are developed over a long period of time, they have become production orders, so competition just like that today, it cannot crop up.

**Moderator:** Thank you. We will take the next question from the line of Srinivas Rao from HDFC Mutual Fund. Please go ahead.

**Srinivas Rao:** My question is to Mr. Malla Reddy, last nine months have been weak and also for sometime numbers have been weak, so I wanted to understand, what are the reasons for such weak performance and how and when things will change?

**B Malla Reddy:** As I have been telling you, we are not losing business, only thing is business booking is getting postponed because you know second quadrant order which BEL was supposed to get at the beginning of the year, it is going to end of the year, and in fact, we took some orders to be executed in the current year because that order was not booked, so some of them are getting postponed to the next year, otherwise, as such we are not losing the business out of our hands.





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**Srinivas Rao:** And how will this change, also because your guidance for FY18, now you are saying FY18 also it will be more like 480 crores, so you are loading next year numbers also?

**B Malla Reddy:** We are a bit conservative this time in guidance. Some of the orders which our sales has projected, if they are booked in the first quarter of next year, then the number could go up, but as of now until those orders are booked, I do not want to talk about those numbers and whatever is getting postponed now to the end of the year or next quarter, if those orders are getting booked in the early part of the next year, then there will be pressure on us to deliver for those orders. Once that pressure comes, then sales figure will go up.

**Srinivas Rao:** What is the share of export orders or export revenues in the current financial year is about 406 crores that you are saying and what will be that share in next year this 480, what is that projection?

**M. V. Reddy:** Next year for 480, we have already mentioned is about 50 crores worth of export orders we have taken in the next year, that is, FY18, and in the current year, it is about 40 crores.

**Srinivas Rao:** We will not see profitability going down because of this export orders?

**B Malla Reddy:** That is why even though the top line figures are falling, more or less our bottom line is not falling that much.

**Srinivas Rao:** I was looking at though till nine months' order intake has been weak, but now you are saying order backlog is healthy, so I was wondering why you are lowering next year guidance for revenues?

**B Malla Reddy:** This order whatever we are booking, we cannot deliver total thing in one year, they have a staggered delivery, otherwise, this order what we have booked in 140, we cannot deliver complete 140 next year.

**M. V. Reddy:** Out of 140, only 30 crores we are delivering the next year and then balance will be FY19, FY20, so it is getting staggered.

**Moderator:** Thank you. The next question is from the line of Shahaji Ingle an individual investor. Please go ahead.

**Shahaji Ingle:** My question to Mr. Malla Reddy, sir, you mentioned last time that you are moving from subassemblies to assemblies, so what is the progress on that and then you also mentioned about some of the joint ventures you are bullish on, so what is the progress?

**B Malla Reddy:** We have started systems R&D in two areas, one – radar and other one, EW systems. EW systems of course, systems will come only after another two or three years. Few Radars, already we have delivered. They are delivered based on order, some of them and some long-term projects are



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going on, so it is a system development activity will be a long-term activity and slowly we are trying to create systems of our own and it is progressing well. In terms of joint ventures, of course, joint ventures are still in their infant stage only, only for the Rafael JV, we have recruited business development in-charge, retired Brigadier and he just started working with us about two months back, but it takes time.

**M. V. Reddy:** We have just started preparing proposals so maybe to book business into the JV, it may take another one year or two years.

**Shahaji Ingle:** Is there any signs that partners are losing interest or patience?

**B Malla Reddy:** No. In fact we just started, we cannot lose patience just like that.

**Shahaji Ingle:** Because the status looks to be same for last two years and we were thinking that by 2018, we may see some progress?

**M. V. Reddy:** Actually, the proposals we just see, there are so many formalities has to be completed like where industrial license to be obtained and then offset license have to be obtained, all those licenses things.

**B Malla Reddy:** All those formalities or official clearances or official things are in place now, so now only they started preparing for the proposals.

**Shahaji Ingle:** I also remember in one of the communique you mentioned that unique brand, the joint venture with Canadian partners, that would be bigger than Astra Micro and you are getting some other systems, like medical devices and broadcasting, is that the status?

**M. V. Reddy:** That is still in the discussion stage, on the medical electronics, we were discussing to start a product line in the medical electronics especially on the coils and RF components, and we are pursuing with the technology provider jointly and is in the discussion stage, probably another couple of months' time, we will come to know about the situation. Apart from that, medical electronics, we are also working on high-power amplifier for defense and also for the broadcasting applications.

**Shahaji Ingle:** We have our own R&D Lab right in Bangalore, so are we submitting any patents or anything?

**M. V. Reddy:** In Bangalore, we started the system design in the Radars and all so there we have already made couple of Radars for DRDO and supplied as Mr. Malla Reddy had mentioned, so few more Radars are in pipeline.

**Shahaji Ingle:** Bharat Electronics and Service already have one JV and that is around looks like on the same business you are approaching, do you find any loss of share to them or?



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- M. V. Reddy:** BEL-Thales JV is basically for the ground radar and that is also again they are focusing into the system integration, so same like in the Bharat Electronics, so again we can be part of their supply chain, so we do not see any conflict with that JV.
- Shahaji Ingle:** Your another partner, Rafael from Israel, they have got another JV with other Indian players, so do you find any orders from their side or any conflict or anything?
- M. V. Reddy:** No, area of operation is different because that JV, they are working on some of the ATC missile or so in the missile programs, in our case, they are purely in the communication and EW segment, so the area of operation is different, we do not see any conflict.
- B Malla Reddy:** The other JV is for missiles, this is for communication and EW systems.
- Moderator:** Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.
- Amish Kanani:** Partly the JV related questions have been answered, but if you can tell us what is our R&D budget now and what are we kind of doing in terms of R&D budget and number of headcounts, I understand one of the user proceeds was enhancing the R&D, and second thing is to remind us our stake in the JV, because at that time it was not clear whether it will be 51 or 50, and whether we will be consolidating that?
- S Gurunatha Reddy:** Our stake in the JV is 51, probably 50 will be held by Astra Microwave and probably 1% maybe held by our CEO – Mr. Malla Reddy, that is as far as the JV shareholding is concerned. In terms of the R&D, we have an R&D center for subsystems in Hyderabad and R&D center for systems at Bangalore. The R&D center at Hyderabad is a customer-driven R&D kind of thing where basing on the customer's specifications, we develop subsystems and in case production is required the things will be done in a production volumes and delivered to the customer, whereas the one at Bangalore is for systems where we do the R&D on our own, we invest our resources to bring out a product, take the product to the customer and try to find the market for that. On headcount, we have about 300 engineers and diploma holders in R&D working both at Bangalore and Hyderabad, with top end of about 10 masters.
- Amish Kanani:** What is the amount that we spend on annual basis on this?
- S Gurunatha Reddy:** On the revenue side, in terms of manpower, we are spending close to about 25 to 30 crores and of course, the raw material consumption depends on what kind of products that are being developed there.
- Amish Kanani:** With the budget being so close, I do not know whether you would like kind of tell us what you expect and whether our business that you are projecting for next year, is it in anyway dependent on the budget allocation?



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- S Gurunatha Reddy:** No, most of these projects are long-term projects and to a large extent they are independent of yearly budgets.
- Amish Kanani:** Any outlook that you expect from the industry side, what you are kind of asked as an industry on this budget and anything on that?
- S Gurunatha Reddy:** Tax-friendly budget that is what always industry expects from the government, but let us see what they will do.
- Moderator:** Thank you. We take the next question from the line of Pratik Chheda from CRISIL. Please go ahead.
- Pratik Chheda:** Just wanted to know one thing, the raw material cost in Q3 also has gone up apart from the late delivery charges, I think the gross margins have also taken a slight hit, so just wanted to understand is there an increase in the export order in the current quarter?
- S Gurunatha Reddy:** Yes Pratik, export order of course there is an increase, but not to a large extent. Last quarter, the exports are about 6 crores and this quarter it is about 12 crores. There are couple of products where the raw material cost is slightly higher compared with what we had delivered in the last quarter and that is the reason why the raw material consumption has gone up compared to the previous quarter.
- Pratik Chheda:** Out of the 650 crores that you have budgeted for FY18, how much of this would be executable in FY19 and the breakup of export and domestic in that?
- S Gurunatha Reddy:** Let us limit to '17-18, let us see about '18-19 maybe in the middle of next year.
- Pratik Chheda:** Is there any change in the EBITDA margin guidance for domestic and export orders?
- S Gurunatha Reddy:** EBITDA and export margins, yes, because the export margins raw material content is close to about 85% to 90% whereas the domestic is about 45% to 50%, there is a huge difference.
- Pratik Chheda:** What I am referring to is will there be any change in the guidance that you have been historically giving in the EBITDA margins or it will be the same?
- S Gurunatha Reddy:** It will be same, Pratik.
- Moderator:** Thank you. We take the next question from the line of Vineet Maloo from Birla Sun Life. Please go ahead.
- Vineet Maloo:** Just wanted to know how much is the LD charges that we pay typically on an annual basis, is there a percentage or revenue or something?



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- S Gurunatha Reddy:** Percentage of the revenue probably it may not make much of a reading, but absolute basis last year, we had about 4.5 crores and probably for the entire year it may be about 12 crores, but coming year we are expecting it may not be a huge number probably it may be 3 to 5 crores kind of thing.
- B Malla Reddy:** Because we are trying to clear up all the pending.
- Vineet Maloo:** Where is this accounted and which head in the profit and loss?
- S Gurunatha Reddy:** In the annual report, it will be as a part of that miscellaneous, manufacturing and administrative expenditure, there is a schedule, you will find in one of the line items, separately as a LD charges.
- Vineet Maloo:** Just to understanding the accounting, these are booked as LD charges on the final delivery of the product?
- S Gurunatha Reddy:** Actually not on final delivery, as and when we realize the amount from the customer, he himself deducts wherever there is a late delivery and basing on his advice, we account it as an expense.
- Vineet Maloo:** Just want to understand, we do not provide in a normal basis for any such charges?
- M.V.REDDY:** We are not making any provision because it is very difficult to estimate. It is a mix of so many things even though a clause is there in the purchase order in terms of the late delivery, but sometimes depending on how the project, all the time it is not delay from the supplier side, but to a large extent it something like team work kind of thing. In majority of the cases, they consider late deliveries and they will not penalize the supplier because of that we wait till he takes a decision and as and when it is collected, he himself deducts the LD amount which we account in the books of accounts.
- Vineet Maloo:** Next thing I want to ask you is how much is the CAPEX that we are planning within the company and also as contribution to various JVs?
- S Gurunatha Reddy:** For JVs probably at least in the next one year, I do not think major CAPEX is likely to come in because next one year, it is going to be mostly in terms of submission of proposal, marketing of the product, and of course the government itself has to float the tender for whatever the products that JVs have been constituted. Therefore, it is going to take some more time, but otherwise for the normal regular operations on a yearly basis, we spend about 15 to 20 crores, that will continue and the major CAPEX whatever we have planned for developing our R&D center at Bangalore is getting over that was budgeted in the current financial year to a large extent those expenditures have been already incurred or at least the purchase orders have been given out.
- Vineet Maloo:** In terms of cash flow in Bangalore expenditure will be over in this year?



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- S Gurunatha Reddy:** I would say about 80% will get over, the remaining 20% probably it may get over by June or September.
- Vineet Maloo:** Which would amount to how much roughly?
- S Gurunatha Reddy:** In terms of absolute number probably about 10 to 15 crores.
- Vineet Maloo:** 10 to 15 crores will spill over to FY18. This 15 to 20 crores normal CAPEX would include all your maintenance and sustenance CAPEX and everything?
- S Gurunatha Reddy:** Yes.
- Vineet Maloo:** What is your debt currently and what is rate of interest on that?
- S Gurunatha Reddy:** Long-term debt inclusive of the NCD what we have floated in the last year, it is about 67 crores. NCDs carries an interest rate of about close to 11%, otherwise, rest is borrowed from the bankers, it is around 10.5% to 10.8%.
- Vineet Maloo:** Any working capital debt?
- S Gurunatha Reddy:** Yes working capital debt as on today it is about 53 crores.
- Vineet Maloo:** There the rate of interest?
- S Gurunatha Reddy:** Largely this amount we borrow through short-term working capital loans, the rate is around 8.5% to 9%.
- Vineet Maloo:** Have you already got the benefit of any low interest rates or you expect some to come to you?
- S Gurunatha Reddy:** The last drawl for my working capital is out of whatever the reduction that has happened very recently.
- Vineet Maloo:** Long-term is more so fixed in nature is it that the bank?
- S Gurunatha Reddy:** Now they have a practice of that market linked, we are getting the benefit of that also.
- Vineet Maloo:** Just wanted to understand one thing, you said your order book is 640 crores, so this is including the new orders that you got after December 31<sup>st</sup>?
- S Gurunatha Reddy:** Yes.
- Moderator:** Thank you. The next question is from the line of Payal Goenka from Ratnabali Capital Markets Pvt. Ltd. Please go ahead.



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- Payal Goenka:** My question is the guidance which you provided for the last quarter of 160 crores of revenue, what should be the export revenue from this, out of 160 crores?
- S Gurunatha Reddy:** Out of 160, close to about 30 crores will be exports.
- Payal Goenka:** In that case, you agree they will be hit on the gross margin in that way as export numbers will be more in the revenue?
- S Gurunatha Reddy:** There will be slight correction in the gross margin, but at the end of the year, as we have told you earlier we should be able to maintain the PAT levels around 57 to 60 crores, we are confident on that.
- Payal Goenka:** Might be I missed on that, like the next year revenue, guidance you given as 480 crores, what should be profitability number?
- S Gurunatha Reddy:** In terms of the percentage, I think whatever we have achieved in 2016 and what we are likely to achieve in 2017, we should be able to maintain those percentage in terms of the profitability.
- Moderator:** Thank you. We take the next question from the line of Rahul Gajare from Quant Capital. Please go ahead.
- Rahul Gajare:** If Bharat Electronics were to get a 12,000 crore LRSM order, how much would be our share approximately?
- M. V. Reddy:** We have only a couple of small products, we do not have much major share in that, it is a small amount we can expect from them.
- Rahul Gajare:** Can you quantify that number, approximately, is it like 100-200 crores kind of level?
- M. V. Reddy:** Yes, around that.
- Rahul Gajare:** Second thing is from the order backlog of 160 crores of exports, how much are you looking at executing in FY18?
- M. V. Reddy:** 50 crores.
- Moderator:** Thank you. We take the next question from the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** This is just a follow up on the last question on the LRSM, is the scope sort of reduced compared to Akash because BEL themselves have started to make certain TR modules for that MF Star Radar or is just generally that is how the project is structured, if you can help us explain?



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- M. V. Reddy:** Well actually, basically we are making one module in that and then our role is limited to the small portion of that, so that is a reason. In that the major content is going **(Inaudible) 41.57**, so there are few more suppliers for that particular products since they are not taking a big amount in that.
- Jonas Bhutta:** There is also another program called QRSAM, I know it is a bit far out, but what would be our role given that is a DRDO-funded project, so should we assume that the scope of Astra Microwave will be more or less similar to that of that in Akash.
- M. V. Reddy:** QRSAM our contribution will be more as compared to the other programs because here we are manufacturing most of these TR modules and as well as even the other subsystems we have and so hence our contribution will be more in QRSAM.
- Jonas Bhutta:** Can you just update us on what is the status on that program, so has that testing for that initial prototype sort of started?
- M. V. Reddy:** The prototype testing is going on.
- Jonas Bhutta:** Okay, likelihood of the order coming in is FY20 or even earlier than that?
- M. V. Reddy:** It should be I think FY20, we should be able to get the orders.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Reddy for his closing comments.
- S Gurunatha Reddy:** Thank you gentlemen for your participation and look forward to talk to you again at the end of the financial year. Thank you very much.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Astra Microwave Products Ltd., that concludes this conference call. Thank you for joining us and you may now disconnect your lines.