



**CHAIRMAN'S ADDRESS TO THE MEMBERS OF
ASTRA MICROWAVE PRODUCTS LIMITED**

At The Twenty Eighth Annual General Meeting Held

at

**Swagath-De-Royal Hotel, 2-36, Kothaguda X Roads, Kondapur, Hyderabad
on Wednesday, the 14th August, 2019 at 12.30 P.M**

Ladies and Gentlemen,

On behalf of all of us here, it gives me great pleasure to extend a warm and hearty welcome to you all to the 28th Annual General Meeting of your Company. I also take this opportunity to thank you on my behalf and on behalf of Board of Directors of your Company for your interest and your presence here today.

Before we get into discussion of formal agenda, with your permission I would like to place on record valuable service rendered by Dr. Shiban K Koul, outgoing Chairman and thank him for the same. He was associated with the Company close to 13 years and nurtured it into a strong RF and Microwave Company comparable with the best.

Results of Operations:

Your Company recorded negative growth in top line and bottom line during the year which we believe was contributed largely by the market dynamics. We are confident to recover and bounce back with positive growth in the coming year/s.

The profitability is on lower side due to lower gross margin products have constituted for major sales during the year.

Though sales and profitability were on lower side, your Company has done exceedingly well in delivering critical R&D programs, systems and new product lines during the year which shall fetch good results in the coming years. The list of such achievements is furnished in the Management Discussion and Analysis which may be kindly referred to.

Delivery of Phased Array Telemetry System, Pulse Compression Radar, GSRs to Paramilitary Forces, High Altitude Proximity Sensors and Fuzes are some of the developments which will add value to your company in the future.

During the year your company has successfully executed Meteorology Receive Earth Stations turnkey project for Antrix/IMD, which is a new line of business.

Your Company is working on Ground and Airborne Datalinks for a Missile Programme, GaN MMIC's in various frequencies, RF Seekers, Data Transmitter for future satellite programmes which leads to new revenue streams in the coming years.

During the first quarter your Company has successfully delivered Doppler Weather Radar (DWR) which further demonstrates its varied technical strengths in RF and Microwave field. This a mobile Radar held on a truck and is presently used for more accurate prediction of weather for ongoing Amarnath Yatra Pilgrims.

Business prospects:

Your Company business is largely driven by domestic defence programs and Indian Space Research Organisation (ISRO) projects. Very small segment comes from metrology and hydrology markets. About 70 to 80% comes from defence markets which starts with Development (prototype) revenues and moves to production phase where volume business is possible. The migration of development projects to production is slow and time consuming process with % of success is very limited. It is a cycle which is prone for uncertainties in terms of continuous growth which is contributing to uneven performance of the Company. Exports business is direct result of Defence offset policy which is highly dependent on government procurement in the areas of Radars. This uncertainty in realization of sales year after year is what we call as market dynamics.

Your Company is trying to address this uneven growth by getting into new product lines and market but the success rate so far is moderate. Your Company will continue to explore organic and in organic options to stream line top line growth in the coming years.

Your Company has close to Rs.1,100 cr worth of orders on hand and is in a position to deliver around Rs.500 cr of top line in the next two years. The profitability levels will be lower as compared to general levels of profits delivered by the company in the last three to four years as major part of sales will be exports which has very low gross margin.

Expansion programmes:

As explained above, your company is looking at organic and inorganic options to stabilize top line performance as present sub-systems business is project driven and hence lumpy in nature. The Company may have to raise funds from capital market if some of the present discussions to establish joint venture companies, long term business relationships with foreign OEM bear fruit. More details will be shared with the stakeholders as and when we reach some conclusions on these matters.

To augment present activities we have budgeted to spend about Rs.10 cr which will be fully funded through internal accruals.

Joint Venture and Subsidiary Companies:

Astra Rafael joint venture is progressing well. Its facilities are ready and will be formally inaugurated during last week August'19 and commercial operations will start immediately thereafter.

M/s. Aelius Semiconductor, Singapore, wholly owned subsidiary is engaged in design and development of MMICs. It is doing well on technology front and reported Rs.2.73 cr of revenues for the year.

M/s. Bhavyabhanu Electronics, wholly owned subsidiary which was set-up for meeting captive consumption of AMPL is doing well and has captured outside market with good margins. It has reported Rs.10.87 cr of revenues for the year.

Both the subsidiaries are in good shape and expected to do well in the coming years.

Change in the top management:

Founders Mr.B.Malla Reddy, Mr.P.A.Chitrakar and Mrs.C.Prameelamma have decided to take back seat to allow younger generation to take the Company forward. They continue to be promoters of the Company and actively advise and hand hold the new management team for next three years. With your permission I would like to place on record our appreciation for this bold decision keeping the future of the Company in mind.

Other item:

I would like to conclude by saying though your company has delivered moderate performance during the year, the coming years are promising.

If you have any questions, we will be glad to answer them after Presentation of Statutory Auditors report.

(Dr. Avinash Chander)

Chairman