

**ASTRA MICROWAVE PRODUCTS LIMITED**

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August 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 29th July, 2017.

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

Thanking you,

Yours faithfully,
For Astra Microwave Products Ltd

T. Anjaneyulu
Dy.G.M - Company Secretary



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“Astra Microwave Products Ltd. Q1 FY18 Earnings
Conference Call”

July 29, 2017



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



*Astra Microwave Products Ltd.
July 29, 2017*

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Astra Microwave Products Ltd. Q1 FY18 Earnings 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 an operator by pressing '*' and then '0' on your touchtone telephone. I now hand the conference over to Mr. S. Gurunatha Reddy, Whole-Time Director and CFO. Thank you and over to you, Sir.

S. Gurunatha Reddy: Thank you. Good morning, Ladies and Gentlemen, and I welcome you all to this Quarter-1 review of the financial results. We had board meeting yesterday, and the results have been taken on record by the Board of Directors. For the benefit of all the listeners or participants, I will read out some of the bullet points from the financial results. First of all, the results have been published as per Ind-AS, which has become applicable to us from this financial year. In terms of this accounting standard, we have published the results for the first quarter of this year and corresponding quarter of last year. We have not given the year-end results; probably during the course of the financial year, we will bring the year-end results also for the comparison purpose. Otherwise, in terms of the net sales, net of excise duty, sales tax, VAT, etc., for the quarter we did about 46 crores and for the corresponding quarter of previous year it is about 45 crores, and for the year ended, it is 390 crores. These are the numbers which were after taking into consideration Ind-AS accounting standard regulations wherein the revenue recognition is taken into account only after the transfer of ownership to the customer.

In terms of the gross margin, more or less we are able to maintain standard margins for the company even though for this quarter it is slightly higher, it is about 64% and operating margin is about 28% compared to last year-end margin of about 32%. I do not want to go beyond this profit margin because the quarter results are not comparable for the year-end operations. In terms of other financial parameters, the long-term loans which is outstanding at the end of the quarter is about 77 crores as compared with about 73 crores as of last year. The short-term borrowings for the working capital, currently it is about 50 crores as compared with about 57 crores as of last year. In terms of the order book, we have started with an order book of about 524 crores in the beginning of the financial year, in the quarter about 102 crores orders are booked, we have executed sales about 50 crores, and the closing order book is about 576 crores. With this broad details, I will open the discussion for question and answers.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. We have the first question from the line of Rahul Gajre of Antique Stock Broking. Please go ahead.

Rahul Gajre: Sir, it was just little confusing when I saw this results, now you have restated last year's numbers right at the top line also and at the bottom line also, so I understand that excise is there what we would be accounting for, but could you tell us what is this in the below other income other gains



*Astra Microwave Products Ltd.
July 29, 2017*

and losses, where were they put earlier, were they part of other income earlier or where was it accounted for?

S. Gurunatha Reddy: The other gains include the appreciation in the value of the current investments which were not there as per the Indian GAAP earlier. We have certain investments in mutual funds and their market value has appreciated.

Rahul Gajre: This is like M-to-M?

S. Gurunatha Reddy: Yes.

Rahul Gajre: Sir, when I look at how the numbers have moved from 2 crore loss to almost 6.5 odd crore loss, now this revenue recognition timing difference of about Rs. 4 odd crore when was this subsequently taken in, in the sense that?

S. Gurunatha Reddy: I will give the reconciliation for you, the first quarter last year, the net sales were about 61 crores, about 14 crores of sales which is in the last two days of the first quarter of last year was taken out.

Rahul Gajre: These numbers that we have right now is from Rs. 57 odd crores, Q1 sales of last year which is now restated down to almost Rs. 49 crore.

S. Gurunatha Reddy: Yes, if you note down these numbers whatever I am reading, you probably will get that 49 crores. We had a gross sales of about 61 crores for the last quarter, March '16 last two days sales of about 8.32 crores was added to that, then 14.6 crores of last two days of last quarter sales was deducted, then there was LD charges of about 2.49 crores which was deducted, then sales tax and VAT about 2.14 crores was deducted.

Rahul Gajre: Can you repeat that number please?

S. Gurunatha Reddy: Sales tax 2.14 crores, service tax is about 0.51 crores, and operating lease from BEPL is about 20 lakhs, these are the things which were deducted. If you do this, then you are going to get 49.50 crores. This is the mechanism followed for the first quarter of last year and first quarter of current year.

Rahul Gajre: Sir, even there has been some change in the tax side also, so that is essentially because of revenue changes is that the right way to look at it?

S. Gurunatha Reddy: Yes, that is the only way.

Rahul Gajre: Could you tell us what are the kind of revenue number that we are looking at for this year after making all these adjustments?



*Astra Microwave Products Ltd.
July 29, 2017*

- S. Gurunatha Reddy:** In terms of the numbers, it is going to be same like 450 crores of net sales for the whole year and remaining profit margin and all, we standby what was stated before.
- Rahul Gajre:** Sir, intake has been slightly better than what we had seen some time back, so is there any more orders that are there in the pipeline where you are already L1 which are not included in this order book or this 5.8 billion is what is the order right now?
- M. V. Reddy:** Rahul, more or less in fact whatever we have informed in the last quarter, so those orders are only in pipeline, so nothing new in this last quarter. As I mentioned, this year we are likely to book about 600 crores out of that 102 crores were booked in the first quarter and there about close to 5000 crores, we are planning to book in next three quarters, Q2 to Q4.
- Rahul Gajre:** Sir, where are you getting these orders from, any specific thing if you can touch upon?
- M.V. Reddy:** The big tickets are basically from the Akash IAF order and then from ISRO, a couple of projects are there like NRS projects and all, so these are the two big tickets. Apart from that, we do have some projects repeat orders for the radar Aslesha and all, we are likely to get this order right before March, this is about around close to 25 crores, so like that we have worth 500 crores and also the exports are included about close to 150 crores which are the repeats of what we executed couple of years back.
- Rahul Gajre:** Sir, basically there is significant ordering which is being placed on Israel companies, now you have a JV with Rafael, so is there any traction that has happened over there that you can touch upon?
- M.V. Reddy:** We just initiated the discussions and they have signed the contracts now, so likely commercial discussions will start soon and probably by March definitely we may book some orders, those orders were not accounted in 150 crores what I have mentioned.
- Rahul Gajre:** What is the quantum of order that we are talking about over here with inside the JV?
- M.V. Reddy:** That we will come to know only about after two months or so by next investor call probably I should be able to give you the figure.
- Rahul Gajre:** What would be this pertaining to, any specific thing or these are again TR modules?
- M.V. Reddy:** No, this is basically SDR, this is a Software-Defined Radio.
- Rahul Gajre:** Okay, this is something which we have been waiting for past two years, so I think at least some traction seems to be moving over here?
- M.V. Reddy:** Yes.



*Astra Microwave Products Ltd.
July 29, 2017*

- Rahul Gajre:** The quantum of SDR can be fairly large for probably a billion-dollar and this we are discussing this?
- M.V. Reddy:** It is a good business, but in the same time the timelines are also like the first phase, the Air Force gets the complete total radios from the Israel and for the second phase onwards, we will have the offsets in India, so there JV will come into the play.
- Rahul Gajre:** For this particular contract, what is the timeline, they want this SDR over a period of two years or five years, could you touch upon that aspect?
- M.V. Reddy:** It is I think three years.
- Moderator:** Thank you. Our next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** Sir, there was a newspaper article in yesterday's news that Akash missile tests have been failed almost one-third test has been failed, that was the CAG report which was presented to Parliament, any idea about that?
- M.V. Reddy:** We have also read the report, beyond that I do not have any idea because that is something which the system manufacturers should talk about that, but we do not have any information about that beyond the news report.
- Moderator:** Thank you. Our next question is from the line of Ankur Jain, an Individual Investor. Please go ahead.
- Ankur Jain:** I have the question in terms of what I find in the revenue from operation is almost flat, but the cost of material consumed and whatever change is there in inventory, the total material consumed, there is a drop of around 30%, 600 crores, so why is that?
- S. Gurunatha Reddy:** Basically, material consumption if at all you are calculating percentage you have to take into account not only the sales, but also the accretion to WIP, which is close to about 20 crores.
- Ankur Jain:** Can you elaborate because what I found is, what I have taken it total of cost of material consumed and change in inventory of finished goods, the Work-in-Progress and stock in trade?
- S. Gurunatha Reddy:** You will get close to about 51% if you take that.
- Ankur Jain:** In the last quarter, June '16 quarter I had around 2200 lakhs and this year it is 1700, so there is a drop of 600 or 630 Cr.
- S. Gurunatha Reddy:** I know in the first quarter of last year also the material cost is about 51%, gross margin is about 49%, whereas now it is around 64%.



*Astra Microwave Products Ltd.
July 29, 2017*

- Ankur Jain:** Yes, why is there increase in the gross margin?
- S. Gurunatha Reddy:** Increasing in WIP, there are two reasons, one is generally our sales queued towards later quarters that is number one, in general that happens. In this particular quarter because of the changes in the GST, I understand some of the customers advised the company not to bill after June 20, as a result good amount of items which are close to completion were in WIP, which were converted into sales in the second week of July, it is close to about 10 to 12 crores, so that entire amount was sitting in the WIP at the end of the quarter, so that is another reason why the WIP has gone up.
- Ankur Jain:** Okay Sir, it means whatever gross margin we are having it is not sustainable in terms of in the future quarters there would be again drop in the gross margin?
- S. Gurunatha Reddy:** That is what I said, all these ratios and whatever we talk about on quarter on quarter, generally the normalization happens towards the end of the financial year, and pertaining to WIP, this is a very unique situation which we have taken into account.
- Ankur Jain:** Okay, and why there is a huge drop in other expenses around the 300 Cr?
- S. Gurunatha Reddy:** Huge drop in other expenses, there is a reclassification of other expenses compared to the previous year. In the previous year, other expenses are inclusive of Late Delivery Charges also. Now in this year and going forward, the Late Delivery Charges are going to be adjusted in the sales itself, so that is the reason why correction happened in that particular expenditure head.
- Ankur Jain:** Okay, so in that way actually sales number of this quarter, 300 it should be if we compare on like-to-like basis, sales would have been 300 more, right?
- S. Gurunatha Reddy:** The sales would have been 500 lakhs more because LD charges is about 500 lakhs.
- Ankur Jain:** I have another question, excise duty also dropped by 7 Cr and it is not in the same percentage what we have for revenue?
- S. Gurunatha Reddy:** Normal excise duty, I will not be able to make any general comment because we have a mix of both exempted and non-exempted goods, therefore, if I have sold more number of exempted goods in a particular period, your excise duty may be low; if I have sold non-exempted goods, your excise duty will be high, that is the only reason.
- Moderator:** Thank you. Our next question is from the line of Abhijeet Vara from Sundaram Mutual Funds. Please go ahead.
- Abhijeet Vara:** Sir, first one is could you to give the breakup of domestic versus export revenues in the current quarter?



*Astra Microwave Products Ltd.
July 29, 2017*

- S. Gurunatha Reddy:** In the current quarter, the exports are about 85 lakhs, remaining entire thing is domestic.
- M.V.REDDY:** In that, if you want further breakup, I think in the defense is about 36 and from Space and others all put together are 9 crores.
- Abhijeet Vara:** Sir, the next question is earlier in the opening comments you said 124 crores of order book, but press release says 102 crores of order book?
- S. Gurunatha Reddy:** I also said only 102.
- Abhijeet Vara:** How much was the LD charges Sir, last year Q1?
- S. Gurunatha Reddy:** Last year Q1 LD charges is about 2.49 crores.
- Abhijeet Vara:** That has also been adjusted from the revenue?
- S. Gurunatha Reddy:** Yes.
- Abhijeet Vara:** Any reason for the exports being down in the current quarter?
- S. Gurunatha Reddy:** Overall for the year, export is projected around 40 crores and probably in the later period of the financial year it may happen.
- Abhijeet Vara:** Update on the CAPEX, Sir, what is the progress, R&D facility in Bangalore and other CAPEX?
- S. Gurunatha Reddy:** R&D in Bangalore probably September end it is likely to get completed and otherwise regular CAPEX of about 5 crores which we have planned for the current year, it is under implementation.
- Moderator:** Thank you. Our next question is from the line of Pavan Parekh of Bank of Baroda Capital Markets. Please go ahead.
- Pavan Parekh:** Sir, just couple of things, one given that there has been some changes in the Ind-AS norms for the revenue, our revised Ind-AS factored in those adjustments?
- S. Gurunatha Reddy:** Yes.
- Pavan Parekh:** Secondly Sir, we were discussing about quarterly volatility in gross margins, just wanted to understand in terms of exposure to raw materials, what are the key commodities and how does it function for us in terms of price variation clauses or how do we go about it?
- S. Gurunatha Reddy:** The major raw material for us is semiconductor devices, which are imported and overall import content in the material consumption is close to about 60%. Therefore whatever fluctuations are



*Astra Microwave Products Ltd.
July 29, 2017*

there in the rupee volatility, they have bearing on the overall raw material cost. Beyond that I do not have any specific comment to make on that.

Pavan Parekh: Now that Rupee has appreciated so that benefit comes to us or we have to pass it onto our customers or how do is it?

S. Gurunatha Reddy: There is no obligation for us to pass it on to the customer, either it belongs to us or otherwise we have to take the hit.

Pavan Parekh: Actually speaking given the year spending in the dollar rate in terms of what has happened in last 3 to 4 months versus the entire FY16, our margin assumption should actually increase for FY18?

S. Gurunatha Reddy: If the same conversion rate is maintained probably there could be some positive effect on profit to the company, but we have to see how it is going to behave in the next nine months.

Pavan Parekh: Sir, when you say 60%, 60% of the raw material cost.

S. Gurunatha Reddy: Yes.

Pavan Parekh: This is primarily from China and Taiwan countries?

S. Gurunatha Reddy: No, this is primarily from USA, Europe and Singapore .

Moderator: Thank you. Our next question is from the line of Dhwanil Shah of iWealth Management. Please go ahead.

Dhwanil Shah: Sir, just had a couple of broader question, we are just trying to look at our balance sheet, in last 3 to 4 years we have done a lot of CAPEX, so if you could just explain us where this is going and how do you see that shaping up in terms of probable revenues going ahead?

S. Gurunatha Reddy: In terms of the revenues, we are always guiding the market and stating that probably about 10 to 15% year-on-year growth is something which is likely to happen in the near term and we do not have visibility to really state beyond 2 to 3 years, that is, as far as the revenues are concerned. Regarding the balance sheet, I did not get your question, can you repeat please.

Dhwanil Shah: Sir, in 2013 our gross block was around 200 odd crores and last year it increased up to 325 crores, so we are seeing almost 125 odd crores of increase across book, so significantly are our revenue has not increased that much, so Sir just wanted to understand where we have done this kind of CAPEX and are you expecting this to fructify, going ahead in terms of revenues or may be some orders in the CAPEX we have done?

S. Gurunatha Reddy: We are in a market wherein we have to have the capacities ready to meet the customer expectation or their requirements, therefore at any point of time I would say that at least about 20



*Astra Microwave Products Ltd.
July 29, 2017*

to 30% of the capacity is ideal, but we have to have that kind of thing to work in this industry, that is number one. Number two, in the last two years the one major R&D Centre which is coming at Bangalore that is the one major addition. Then last two years for our internal consumption, we have added good number of testing equipments and other things. Again, there is a change in the revenue model from exports to domestic where the exports or the conversion cost is not much, everything is almost provided by the customer, whereas when it comes to domestic it is to be borne by us, therefore, some internal capacity additions were added in terms of latest testing equipment and all. These are the two reasons why the capital asset block has gone up in the last couple of years, and these things have been done keeping future in mind. Probably the R&D Centre at Bangalore may not contribute to the revenues for the next 2 to 3 years, but that is something which is needed if you look at the future of the company.

- Dhwanil Shah:** Sir, how much we invested in this R&D?
- S. Gurunatha Reddy:** Overall projected is about 62 crores, as of today I think we have done about 40 crores.
- Dhwanil Shah:** Sir, I had one more question regarding domestic and export mix, as you said we shifted lot from export to domestic, so what kind of trend you are seeing going ahead in terms of the share to be maintained or we will see more domestic?
- M.V. Reddy:** If you see the last two years revenue, more or less we have maintained about 70% to 30%, FY15, FY 14 where we had almost 50% but last year it was almost 70% to 30% and this year I think as you said about 450 crores, close to 440 crores we have made for the exports, the rest are from the domestic market even for the next two years also more likely is about 70 domestic and 30% on the exports.
- Dhwanil Shah:** Sir, margins are pretty similar in the both the segments?
- S. Gurunatha Reddy:** No, margins are different, they are entirely different.
- Dhwanil Shah:** Exports would be much higher Sir, just to understand?
- S. Gurunatha Reddy:** Exports is essentially a BTP, ready to print kind of business what we do, as a result, the contribution is not much.
- Dhwanil Shah:** Sir, just to understand, on our current gross block, what kind of orders we can execute in any given year on an optimum level?
- S. Gurunatha Reddy:** I would say it can go up to about 600 to 800 crores, in fact we have already delivered about 625 crores with much lesser gross block four years back, I would say that we can go up to even 800 to 1000 crores.
- Dhwanil Shah:** 800 to 1000 crores without incremental CAPEX for this?



*Astra Microwave Products Ltd.
July 29, 2017*

- S. Gurunatha Reddy:** I do not want to say without any, but with very minimal.
- Dhwanil Shah:** Sir, you are saying that you are expecting our margins not to move to be at similar level, any thought process on that and as you said our raw material cost has also become slightly lesser, so margins why are you not expecting it to go up or the order book has changed because of that the margins you are thinking will be slightly lower?
- M.V Reddy:** No, I did not say that margins are lower. We may not enjoy the same margins in the domestic market forever like in the competitive bidding wherein sometimes we have to take a bit competitive price, so there in we think margins will probably in few orders probably it may come down, so that is the only difference, otherwise, more or less the margins are same from the domestic segment.
- Moderator:** Thank you. Our next question is from the line of Pratik Chedda from CRISIL. Please go ahead.
- Pratik Chedda:** Sir, in Q1 FY17 the order execution was close to around 54 crores as per the Indian GAAP and what I remember based on the discussion was that there was some technical delays and customer requirements which have delayed the orders and the execution got postponed to around Q3 and Q4, so is there some similar case in this year also and is the execution likely to pick up during the second half of the year?
- S. Gurunatha Reddy:** If I remember correctly for Q1 we have projected about 60 crores of net sales for Q1 of 17. Now, out of that about 10 crores of billing was delayed because of this GST regulation wherein the customer advised the company not to bill beyond June 20, other than that, we do not have issues in terms of execution in Q1.
- Pratik Chedda:** We are expecting that order execution would pick up during the second half of the year?
- S. Gurunatha Reddy:** Order execution will be as per whatever we have indicated and year-end numbers also same except that instead of doing about 60 odd crores in the first quarter, we did about 50+ which we are going to make up in Q2.
- Moderator:** Thank you. Our next question is from the line of Rahul Gajre of Antique Stock Broking. Please go ahead.
- Rahul Gajre:** Sir, just a follow up on the JV basically, could you just throw some light on what is the status of the JVs, and second thing, the testing of the muzzle velocity radar and other radar that we had done were successful is what I understand, so what is the progress on those R&D products that we had put out on testing?
- M.V. Reddy:** On the JV front as I mentioned the Astra-Rafael joint-venture, the marketing efforts are on and we are in discussion stage for the Rafael for the contract which they have bagged recently from Indian Air Force, so probably another few months we will have a clarity on the quantum of



*Astra Microwave Products Ltd.
July 29, 2017*

business we get for JVC from that particular contract, other than this particular contract for Army and like other customers, we have participated against RFI and those marketing efforts are on as far as the communication concerned and the EW segment is in the marketing stage where put together trying to tap some potential areas in EW sector. This is as far as the Astra-Rafael joint-venture is concerned. The other joint-venture, Astra-UBS not much progress, as I mentioned in the last investors call that UBS the product which is not suitable to Doordarshan so we have aligned with some other company to participate in the same Doordarshan tender. The other products what UBS has that high-power amplifiers and all, we got couple of the initial prototype orders, we have placed on UBS which are in development stage. Once those products are through and they qualify, we are expecting good amount of business for those high-power amplifiers.

Rahul Gajre:

This prototype normally how much is the timeline that you have?

M.V.Reddy:

Well because these are all high-power, so it takes normally 18 months to 24 months.

Rahul Gajre:

The third entity in Singapore, Sir, any progress on that, or is it too early?

M.V. Reddy:

No, we have already started working on that and we have given some samples to the customers, we booked slightly, of course not large volume orders but it is low volume orders, we are likely to get business, it is in progress, I would say discussions are in progress and probably in next two to three quarters I think we should be able to book good number of business from this.

Rahul Gajre:

Sir, regarding the radars and all which were tested from our own R&D sector...

M.V. Reddy:

Muzzle velocity radars have been tested successfully and been delivered in both S and X band and we are likely to get some repeats in near future.

Rahul Gajre:

For the testing only or actual orders?

M.V. Reddy:

It has been tested and delivered also.

Rahul Gajre:

Sir, what could be the quantum of this particular order?

M.V.Reddy:

These are all, the orders what we have executed is of very small value because of this thing, but we are expecting bigger version of those radars and probably close to around 40 to 80 crores worth of orders which we are in discussion with the DRDO.

Rahul Gajre:

Sir, any timeline that you want to put over here?

M.V. Reddy:

Difficult at this stage probably another couple of months I will be able to tell you.



*Astra Microwave Products Ltd.
July 29, 2017*

- Moderator:** Thank you. Our next question is from the line of Harish Shiyad, an Individual Investor. Please go ahead.
- Harish Shiyad:** This is regarding because of the GST we have postponed the sales of 10 to 12 crores, so there will be spike in the sales for the Q2 because of that?
- S. Gurunatha Reddy:** Not spike, the Q2 numbers will be higher than Q1.
- Harish Shiyad:** Sir, you said that Mark-to-Market, there is other income of 2.88 in this quarter, so this is accumulated Mark-to-Market or how is this because we are accounting for the first time?
- S. Gurunatha Reddy:** I do not know what you meant by saying accumulated what it means, but otherwise it is the difference between the market value and investment value.
- Harish Shiyad:** Absolutely, because so far we were not doing so now we are marking for the first time, whatever growth has come till now has been booked now, so this will taper down going forward, I suppose?
- S. Gurunatha Reddy:** Hopefully, let us believe that market will go up so that it will keep appreciating.
- Harish Shiyad:** What about any guideline on the LDC?
- S. Gurunatha Reddy:** Late Delivery Charges we have projected to write off about 10 crores for the entire year, hopefully, I believe that number will be within that range.
- Harish Shiyad:** One more question is on the tax part of it, I did not understand how it is being worked out because you know current tax we are showing negativity and then we are taking MAT credit?
- S. Gurunatha Reddy:** MAT credit since accumulated credit is there, the auditor advised us to bring it into the books of accounts, that is the only reason why it is shown there.
- Harish Shiyad:** The current tax we are showing negative, how it could be negative?
- S. Gurunatha Reddy:** If I calculate as per the regular income tax thing, there is a loss for the year and hence there is no tax liability, so they advised us to have this kind of mechanism. Anyway, I do not advise you to give too much of importance to that because it is just a Q1 number.
- Harish Shiyad:** One more thing on the deferred tax, it is the asset, not the liability, 65 lakhs?
- S. Gurunatha Reddy:** Here again, we have a huge land bank which has been there at cost value up to now, which is now valued as per the latest Ind-AS guidelines, as a result the value of that land has gone up substantially because of that the liability got converted into asset.



*Astra Microwave Products Ltd.
July 29, 2017*

- Harish Shiyad:** Under GST regime, what are the taxation on us, is it 18% or how it is?
- S. Gurunatha Reddy:** It is 18% for some products, it is 28% for some other products.
- Harish Shiyad:** Going forward the GST will be shown in place of excise duty or as part of the expenses?
- S. Gurunatha Reddy:** Yes.
- Harish Shiyad:** That is an accounting requirement?
- S. Gurunatha Reddy:** Yes.
- Moderator:** Thank you. Our next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.
- Ketan Gandhi:** Sir, what is the thought process of the management on turnover reaching around 1000 crores and in how many years?
- M.V. Reddy:** As we mentioned, in next couple of years, we are confident of reaching at least minimum 10 to 15% of year-on-year growth, but yes, some projects are in pipeline and some big ticket are also in the discussion stage, if all goes through timely probably we should be able to cross the 700 crores turnover milestone may be in FY20, that is what actually we are working for that, but it all depends on the timing of the projects and the sanctions of the budget and all those things are there, so it is difficult to predict those numbers, if it comes, definitely we have the capacity, we are geared up to execute those contracts, we already invested in that capital equipment and all, but the timing of the orders is important factor here.
- Ketan Gandhi:** Sir, you just mentioned 700 crores by FY20, you are banking on which major project?
- M.V. Reddy:** There are many projects, we have been working on that like ongoing projects are also there, we are likely to get repeats in large quantity and apart from that the AVAX program in the phase 2 which is yet to begin that, they are in large number of microwave modules they need, so for that also we have the capacity to produce, so like that there are many number of programs even we are also working for some of the huge offset programs, so we all like probably in a year or so we will have clarity on those projects.
- Ketan Gandhi:** Sir, is it possible to share that project, like Uttam project or we are working on some seekers and all that?
- M.V. Reddy:** Yes, actually we are working on that and already the DRDO, they have been testing and all, so that is going on and beyond that it is not fair on my part to tell at what stage it is, because we are not owner of that system, so DRDO is the owner of that design and so they are working on that and we are confident that definitely systems will go into production in future and seekers, yes,



*Astra Microwave Products Ltd.
July 29, 2017*

we are working with DRDO and also we are working in-house development some of the seekers keeping the future projects in mind, those are in I would say fairly advanced stage of development.

Ketan Gandhi: Sir, according to you which one or two projects can really change the company into the next orbit, I mean from 500 crore turnover to 1000 crore?

M.V. Reddy: The systems basically we have also started working in the systems like in the radar segment, couple of radars which we started development and we are successfully completed one radar recently precision approach radar and also we have been taking some of the radars, we have executed one more order from Switzerland, it is the first export order that is under execution rather I would say, so these are all few programs which in fact if we get the orders I think definitely it will change our sales pattern?

Moderator: Thank you. Our next question is from the line of Harish Shiyad, an Individual Investor. Please go ahead.

Harish Shiyad: Just now you said that 2020 we will have 700 crores turnover, so what would be approximate contribution from the JV side of it?

M.V. Reddy: We are expecting at least from the JV it is about close to 150 around that, it is just near approximate, we will have clarity maybe after couple of quarters.

Harish Shiyad: One more bookkeeping question, you had given the reconciliation that the LDC has been deducted from the sales now, so other expenses if you see last year as per the GAAP and the I-AS, it was 1005 last year now it has been restated to 1088 while the LDC or order has gone to the sales, so how is that other expenses have gone up further?

S. Gurunatha Reddy: I did not get your question, can you send a mail to me so that I can answer it.

Harish Shiyad: I will just repeat again, the other expenses as per the last year is 1005 that is 10 crores and now we are showing 10.88 crore, is this after deducting LDC of 5 crores which has been deducted from the sales, so the other expenses is added over here now, there is no much of change between the last accounting standard and Ind-AS, you are saying that LDC is being deducted from the sales, so expenses will be deducted from the expenses from here, but still expenses are remaining same?

S. Gurunatha Reddy: I have given you the corresponding quarter of last year?

Harish Shiyad: I am talking of that only Sir, the Q1 FY17 other expenses was 1005 which is restated to 1088 after deducting around 400 for LDC, which is deducted from the sales?

S. Gurunatha Reddy: No, it is not 400, it is about 2.14 crores of LD charges.



*Astra Microwave Products Ltd.
July 29, 2017*

Moderator: Thank you very much. As there are no further questions from the participants, I would now like to hand the floor back to Mr. S. Gurunatha Reddy for closing comments.

S. Gurunatha Reddy: Thank you for your participation, Ladies and Gentlemen, and look forward to talk to you again at the end of the second quarter. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Astra Microwave Products Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.