

**ASTRA MICROWAVE PRODUCTS LIMITED**

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November 3, 2017

To
The General Manager
Department of Corporate Relations
BSE Limited
Sir Phiroze Jeejeebhoy Towers,
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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 31st October, 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 Limited Q2 FY2018
Earnings Conference Call”

October 31, 2017



**MANAGEMENT: MR. S. GURUNATH REDDY - WHOLE TIME DIRECTOR &
CHIEF FINANCIAL OFFICER – ASTRA MICROWAVE
PRODUCTS LIMITED
MR. B. MALLA REDDY - MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER - ASTRA MICROWAVE PRODUCTS
LIMITED
MR. M.V. REDDY – DIRECTOR (MARKETING AND
OPERATIONS) - ASTRA MICROWAVE PRODUCTS LIMITED**



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Moderator: Good morning, ladies and gentlemen, welcome to the Astra Microwave Products Limited Q2 FY2018 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. 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 and welcome all of you to this Q2 conference call. I am Gurunatha Reddy. I am with Mr. B. Malla Reddy, Managing Director and CEO and Mr. M.V. Reddy, Director - Marketing and Operations. The results for the Q2 and half year ended were taken on record by the board in yesterday’s Board of Directors meeting. I will share some of the bullet points in terms of the performance before we move onto the question and answers.

In terms of revenues for the quarter, we did about Rs.54.55 Crores and for the half year ended about Rs.105 Crores. Profit before tax for the three months is about Rs.13 Crores and for the six months it is about Rs.16 Crores and profit after tax is about Rs.10 Crores for the three months and for the six months is about Rs.14 Crores as compared with about Rs.12 Crores for the corresponding period of last year.

In terms of overall performance ratios, we are able to maintain more or less the guided numbers. Operating profits are being close to about 30% and PBT is about 24% for the quarter. It is about 15% for the six months period. Cash and cash equivalents at the end of half year is about Rs.13 Crores and in terms of various current assets, the inventory is about Rs.170 Crores and the receivables is about Rs.128 Crores. The long-term borrowing at the end of six months is around Rs.82 Crores. This is inclusive of about Rs.50 Crores of nonconvertible debentures, which are coming for repayment from the first quarter of next year. On the short-term borrowing mostly for the working capital is about Rs.35 Crores. With this short information, I will open this discussion for the question and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Dimple Kotak from SKS Capital & Research. Please go ahead.

Dimple Kotak: Sir thanks for taking my question. First Sir I would like to understand why the numbers were weaker in terms of sales and profitability and secondly Sir I would like to know that what is the guidance for the full year for the remaining second half and what is the kind of order book you have and what have been the inflows?



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- S. Gurunatha Reddy:** Dimple in terms of profitability I think the numbers are fairly on par with our overall guided numbers. Even though the performance for the quarter earlier we have given a guidance of close to about Rs.90 Crores whereas we are able to do about Rs.54 Crores. Now here one thing, which I want to share with you is when we gave the number of about Rs.90 Crores, we gave as per the Indian Accountancy Standard. There are few corrections, which have been carried out as per the Ind-AS. As a result the reported sales instead of being around close to Rs. 68 Crores it has come to Rs.54 Crores because in adjustment late delivery charges and sales made in the last two days of the quarter ending are taken out from the sales numbers.
- Dimple Kotak:** Sir if I have to adjust this Rs.54 Crores vis-à-vis Ind-AS the numbers previous what would that be?
- S. Gurunatha Reddy:** For the previous year or what is that?
- Dimple Kotak:** Sir as you are saying that because of the Ind-AS your numbers came down from Rs.90 Crores guided to Rs.54 Crores due to certain adjustments?
- S. Gurunatha Reddy:** No I am not saying that. The Rs.54 Crores whatever we have reported should have been close to about Rs.69 Crores as per the regular accounting standard. This we have to compare with the guided number of Rs.90 Crores we have given.
- Dimple Kotak:** Sir even if it is Rs.69 Crores then also it is lower, so what is the reason for that?
- M.V. Reddy:** There are a few development contracts, which we are expected to execute in the last quarter, we have seen unforeseen some technical related issues we are in the process of coming out of those issues, so we should be able to complete those orders in the next two quarters and also in one particular order, there was delay in receipt of the free issue of material from the customer because of that we could not execute in the last quarter.
- Dimple Kotak:** Sir what has been your order book?
- M.V. Reddy:** Order book as on date for this year, we have book close to Rs.170 Crores.
- Dimple Kotak:** For the quarter Sir?
- S. Gurunatha Reddy:** Order book is about Rs.576 Crores and the accumulative orders booked for the first six months is about Rs.170 Crores and we are likely to book close to about another Rs.300 plus Crore order in the balance six months' period.
- Dimple Kotak:** Rs.300 Crores of orders inflow you expect in this second half?
- S. Gurunatha Reddy:** Yes.



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- Dimple Kotak:** Okay Sir and Sir what is the guidance for the full year?
- S. Gurunatha Reddy:** Full year Madam more or less we are maintaining the same guidance number of Rs.450 Crores. If there is any correction we will come back to you at the end of the Q3, but as of today we are trying to meet that target number.
- Dimple Kotak:** Sir margins have improved this quarter, Sir do we expect the margins to be at the same levels for the second half?
- S. Gurunatha Reddy:** No at the end of the year, they are likely to get corrected, but we maintain pre-tax profit of about 12% to 15% and post-tax profit of about 10% to 12%.
- Dimple Kotak:** Okay Sir. Thank you Sir so much. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Rahul Gajare from Antique Broking. Please go ahead.
- Rahul Gajare:** Good morning Sir. Sir I just have one or two questions. The revenue was lower than we were expecting. In fact in the Q1 results I recollect that you were indicating that some of the revenues will be essentially pushed into the Q2 that is the reason why the Q1 number was weaker? Now the revenue, which was basically deferred from Q1 to Q2 has all of that come or that has got deferred also?
- M.V.Reddy:** It got deferred. That is one of the R&D order still we are having problem with that particular product, so it got deferred.
- Rahul Gajare:** This is a DRDO related order.
- M.V. Reddy:** Yes DRDO related order.
- Rahul Gajare:** Fair enough, so that is the first thing. The second thing is I just want to know from the order book that we have, how much of the execution we would be doing for Bharat Electronics right now?
- M.V. Reddy:** For Bharat Electronics?
- Rahul Gajare:** Yes. From the revenue or the book that we have, how much of it is essentially done for Bharat Electronics?
- M.V. Reddy:** I think we need to look into that because not much into the last quarters, but the next two quarters maybe.....Rs.125 Crores around that I think we did for Bharat Electronics. Exact number probably we will come back to you.



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- Rahul Gajare:** I can take that offline with you.
- M.V.Reddy:** You can take it.
- Rahul Gajare:** That is the only thing I had. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Abhijeet Vohra from Sundaram Mutual Fund. Please go ahead.
- Abhijeet Vohra:** Thanks for taking my questions. Sir the first question is on the order book. For multiple quarters now the order book seems to be stuck in this range of Rs.550 Crores to Rs.570 Crores when can we start seeing some traction that the order book will start growing, first question is this?
- M.V. Reddy:** Well we are working in various projects, but unfortunately these projects are getting delayed, so that is the reason in fact we are not able to get beyond Rs.500 Crores that is one and the second is the market, the new product development also got delayed. We thought of completing those seekers and all from the last year. It is taking more than expected time, so that is another reason that we are not able to close additional order book, which we have planned, so these are the multiple reasons and also our joint venture Rafael from the SDF business that we expected to close in this year, so that is also... because the customer is going for change in the design to meet the cost, so for that it is getting delayed by another one year, so these are the factors influencing our order book.
- B. Malla Reddy:** But one thing is sure that we are sure that the order book will pickup starting from at least next year Q2 or Q3 onwards.
- Abhijeet Vohra:** Sir could you give us an idea about the pipeline of orders, which you are targeting, which are getting delayed as of now?
- M.V. Reddy:** One is that this 7 Squadron Akash, which is in fact supposed to get in the last year itself, so now the customer is expecting to receive the order from the Air Force in the month of December, so probably we will be able to close our orders with our customer by March, so this we could have bagged it by this time because of the delay in the orders from the users, so that has got delayed for our order also, so that is the one major order and the second is the order, which we have planned this year Rs.170 Crores from one of the OEM, which is a repeat order, which we have executed two years back, that negotiations also we have completed, but he is stuck with that order, so there is a delay in getting order from Indian customers. So they are expecting order...Now as per the latest information they are expecting order by February or so, so we are trying our level best to push it by March. Even if we slip one or two months, we may slip probably it may spill over to the Q1 of the next year.



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- Abhijeet Vohra:** This Rs.170 Crores is export order is it?
- S. Gurunatha Reddy:** Export order.
- Abhijith Vohra:** Sir, do you still maintain Rs.600 Crores order inflow guidance for the current year?
- M.V. Reddy:** Yes we are trying our level best...
- B. Malla Reddy:** Subjected to this slippages, as we said two of them may be worst case they may go into April-May, but otherwise as of now we are confident that we will book before March.
- Madan:** Sir this is Madan here only these two projects are there large-sized projects, which are there where we are working on, if you can highlight....
- M.V. Reddy:** There are various other projects are also like for space we were planned this RISAT project. This is also again the projects where we have worked in the past in the C-band. Those orders are also got delayed from space, those things almost contributed close to Rs.70-80 Crores, so those orders are also likely to get in the last quarter.
- Madan:** Akash, if it comes what you will be broadly the value, any rough numbers that you can give?
- M.V. Reddy:** See total for the 7 Squadron our share will be around Rs.120-125 Crores around that.
- Madan:** For one Squadron?
- M.V. Reddy:** No for total 7 Squadron order, which BEL is expecting order in that our share is about Rs.120-125 Crores.
- Madan:** Okay can you give some update on what is happening in our Singapore subsidiary?
- M.V. Reddy:** Singapore subsidiary we started executing orders. Now we have received few orders from the development mode. We also started designing a couple of MMICs from the Singapore office and this I think probably would be...
- B. Malla Reddy:** This year we are expecting about \$200,000-\$300,000 worth of order execution from the Singapore subsidiary.
- Madan:** Will it be profitable this year or...?
- B. Malla Reddy:** I do think it will be profitable this year. This will be losing some money, next year onwards maybe it will become profitable.



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- Madan:** Okay on balance you said things will take time like we are still in development stage in some products?
- B. Malla Reddy:** Balance is offset. Rafael JV, in fact we are now in discussion for creating infrastructure for the JV. The actual business we are expecting sometime in FY2019-FY2020.
- Madan:** FY2019 Q2?
- B. Malla Reddy:** FY2019 Q2 onwards.
- Madan:** Okay. Thanks.
- Moderator:** Thank you. We will take the next question from the line of Pratik Chheda from Crisil. Please go ahead.
- Pratik Chheda:** Sir you mentioned about adjustment in the Q2 revenue numbers for which the sales have come down from Rs 69 Crores to Rs 54 Crores. I just wanted to understand has the same adjustment made for comparable Y-o-Y numbers also which is Rs.893 million revenue?
- S. Gurunatha Reddy:** Pratik can you be more clear please?
- Pratik Chheda:** Sir just wanted to understand you mentioned that you have made some adjustments to the Q2 FY2018 revenue due to which the Rs.69 Crores of revenue have come down to Rs.54 Crores. Is there any similar adjustment made for Q2 FY2017 revenues as well?
- S. Gurunatha Reddy:** Yes.
- Pratik Chheda:** So how much is that Sir?
- S. Gurunatha Reddy:** See basically when I say adjustment there are couple of things for example late delivery charges as per the Indian GAAP we used to show under expenditure now that has been corrected in the sales itself, which is about Rs.9.8 Crores. Then the sales recorded by the company in the last two days of the financial period ending September, which is close to about Rs.10 Crores, which is again taken out from the sales.
- Pratik Chheda:** Okay.
- S. Gurunatha Reddy:** These are the major two adjustments, which is totaling to about Rs.20 Crores.
- Pratik Chheda:** Okay you mentioned about some technical issues are leading to delay in execution. Sir could you just throw some light on this what are these technical issues, is it related to the quality or design or if you could just throw some light on that?



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- B. Malla Reddy:** When we design any product just like that it does not run for sales. There will be some issues so we have to correct them. So we are going through that process. In fact it got delayed more than a quarter Q1 we failed to implement that and Q1 got delayed. We expected at least we will clear it Q2, but problem could not get solved it is getting postponed to the next quarter.
- Pratik Chheda:** So we are expecting a bump up in revenue around in Q3?
- S. Gurunatha Reddy:** Q3 and Q4.
- Pratik Chheda:** Q3 and Q4?
- B. Malla Reddy:** The problem is not very simple problem just like that we cannot solve, we will have to go for refabrication and then again testing all those things put together it got delayed it is big sizable project, first time we are doing in the country.
- Pratik Chheda:** Okay and my next question is on the employee cost also. The employee cost on quarter-on-quarter basis has come down where on 7%., just wanted to understand is there some reduction in the head count or is it some rationalization you are doing?
- S. Gurunatha Reddy:** See definitely there is not much reduction in the head count probably in the Q1 we might have paid some additional bonuses or something, performance bonuses which are not there in the second quarter, so that is reason why there is slight reduction in the overall cost.
- Pratik Chheda:** Okay thank you. That is it.
- Moderator:** Thank you. We will take the next question from the line of Pawan Prakash from Bank of Baroda Capital Market. Please go ahead.
- Pawan Prakash:** Hi Sir just wanted some clarification on your order inflow numbers, we said we have done Rs.170 Crores in H1 and about Rs.300 Crores in H2, which makes about Rs.470 Crores and we also said that we maintain a guidance of Rs.600 Crores annual order inflow, so does this Rs.470 Crores mean that without any slippages Rs.470 Crores is at least we should be able to do?
- S. Gurunatha Reddy:** No I think in terms of the order book, there is some confusion when I say Rs.170 Crores, this is cumulative orders booked up to September during the year. For six months period, the orders booked is about Rs.170 Crores and the total book outstanding at the end of six months is Rs.576 Crores and we said that in the balance another six months, we may book around Rs.300-350 Crores.
- Pawan Prakash:** Okay and Sir this Rs.300-350 Crores is that is this number at risk if the 7 Squadron on Akash kind of orders get slipped?



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- S. Gurunatha Reddy:** Yes that is factored in there if it is going to be mixed yes it is going to get affected.
- Pawan Prakash:** Okay and so in that case since Akash itself... this order itself is Rs.125-150 Crores in terms of size. The Rs.300 Crores spending out that we expecting should be more back ended then in terms of more of Q4 and less of Q3 actually?
- S. Gurunatha Reddy:** Yes because we are expecting about Rs.200-250 Crores in the last quarter and about close to Rs.100 Crores in the immediate quarter that is Q3.
- Pawan Prakash:** Okay and Sir could you please help me in terms of what is the LD charges we have booked so far in the first half of this financial year?
- S. Gurunatha Reddy:** It is close to Rs.9.8 Crores.
- Pawan Prakash:** Okay because Sir in the last quarter we had guided about Rs.10 Crores for the entire year and we have already done that in H1.
- S. Gurunatha Reddy:** Yes you are right but we are likely to cross that numbers probably it may go up to Rs.15 Crores.
- Pawan Prakash:** Okay so Sir can you explain why do we have these late deliveries. Is there some execution related issues at our end or how does it...?
- M.V. Reddy:** See there is one major order which we are executing to BDL where the late delivery charges have been factored in by taking into account a date of release of FPO which is very back dated. As a result know, the cumulative effect of that is following on us which is likely to end by end of I think it is already ended by September whatever deliveries we have made up to September. They cover this kind of criteria. In the future I think the volume of LDs are not going to be as usual as huge as what we have seen in the last year and a year and a half.
- Pawan Prakash:** Okay and Sir finally if you could help us maybe for this quarter or for the first half what is the revenue breakdown between domestic and exports?
- S. Gurunatha Reddy:** The exports are close to about Rs.2.2 Crores or so. All the other things are domestic.
- Pawan Prakash:** Rs.2.2 Crores for this quarter?
- S. Gurunatha Reddy:** Yes.
- Pawan Prakash:** Okay Sir that is all from my side. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Neeraj B from Multi-Act. Please go ahead.



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- Neeraj B:** Hi thanks for the opportunity. Actually Sir in the previous calls and also during AGMs you have mentioned that given our current asset base, we can do around Rs.1000 Crores in terms of topline. Sir just doing some figures out here, so historically our asset turnover ratio has been in the range of 0.7 to 0.8 times and given that current assets, total assets are around 640 CR if I take 1000 CR on that is like 1.5x, so versus the 0.7 which you have done historically, you are saying that we can basically do 1.5x in terms of asset turn so what explains the divergence, has the business model evolved a bit so that we can do with lesser assets or how is that moving?
- S. Gurunatha Reddy:** See we are in an industry where we need to have some additional capacities available. I take the same example or what has happened in 2014-2015 with an asset base, which is lesser than about Rs.55 Crores or about Rs.100 Crores lesser than what you are seeing today. We could achieve about close to Rs.650 Crores of sales. So at that point of time suppose if you have calculated asset turnover ratio probably we are close to about 2-2.5 kind of thing. This is inevitable thing. There is no escaping for us from this kind of scenario, but in real terms whatever we have stated earlier that is we have a capacity to do about the sales of about Rs.1000-1100 Crores is the existing asset base is the fact. We could be able to turn out that much.
- B. Malla Reddy:** That depends upon the order mix.
- S. Gurunatha Reddy:** So it also depends on the order flow.
- B. Malla Reddy:** And mix of orders.
- S. Gurunatha Reddy:** I think we have that kind of capacity.
- Neeraj B:** Another question was can you share with us how has been your order award ratio versus the order bided. So I think last quarter you had shared that it was around 50-55, if I am not wrong so how has this figure been moving?
- M.V. Reddy:** Bidding versus Winning, it close to around 50%-55% same ratio like in the participate in these tenders. So most of these tenders at least now off late we have been seeing the split between the two parties so in that taking that scenario I think we should be able to slightly improvise in that, 55 -60 around that.
- Neeraj B:** This has been inline with DRDOs vision of creating alternative vendors?
- M.V. Reddy:** Yes.
- Neeraj B:** That is it from my side. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.



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Jonas Bhutta: Just wanted to get a clarity on the Rafael JV, so in the last call you had mentioned that you expect clarity on the quantum of orders of SDR in a couple of months, so has that sort of arrived at and can you just share with us what could be the potential size of that order, is it going to be a beta order or will it be a mass production order, if you can just share some more granular details on the outlook for the Rafael JV?

M.V. Reddy: We had discussions in the last two months with the Rafael and presently they are undergoing the design to cost model. They are expecting that to be completed in at least six months' timeframe from now. So in the meantime we are discussing about various activities for the JVC. In all probability we will have a clear picture on the business from that particular contract by Q1 of the next year. Till that time only we will have the discussions and the negotiations and all, but we are expecting close to Rs.70 Crores to Rs.80 Crores' worth of orders from that particular contract.

Jonas Bhutta: So this is that army SDR order right?

M.V Reddy: This is not army. This is what I am talking about is the air force contract which they have already bagged it. Army is in initial stages, we have just responded to the RFI, it takes time at least another two years.

B.Malla Reddy: For that .JV will participate directly to the army.

Jonas Bhutta: In that army order, it will be the Indian entity, which is Astra Rafael JV or not Rafael from Israel?

B.Malla Reddy : Yes, Astra Rafael JV, JV is participating directly to the army.

Jonas Bhutta: Then who would be the other participants and any clarity on the size of that particular order?

M.V.Reddy: It is the huge order, the quantities what they are talking about is more than 20,000 terminals, but the thing is that how many phases they will try to go, that all depends on the budget allocation and also their various other plan. So at this time I think it is too early to comment anything on the business side, but it is a huge market. There are a number of players equally there are about five to six players in that particular market. We have to wait and see, but Rafael has definitely got an advantage compared to the competitors because they have already entered in the Indian market.

Jonas Bhutta: From what we understand also is that the SDR part out of this large project called TCS, tactical communication system has been removed. As in earlier it was de facto going to go to one of the two consortiums that sort of won that order. Now that it has been taken out of the project scope, is this the same order that you are talking about the army this 20,000 terminals is largely going to be used for TCS or that will be over and above in terms of opportunity?



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- M.V. Reddy:** As I said things are still in the discussion stage I think we will be able to comment on this only after a few months.
- Jonas Bhutta:** Sure, okay. That is it from my side. I will come back in the queue if I have any more questions. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** I just need a bit more clarity on the LD, which you mentioned in this year, is Rs.15 Crores. Last year it was Rs.22 Crores and this year is Rs.15 Crores, so two years we have paid Rs.37 Crores or will be paying Rs.37 Crores to BDL I mean this...
- B. Malla Reddy:** Not straight to BDL. BDL is also taking the hit from air force and army.
- Abhijit Mitra:** So just trying to understand that where is the...?
- B. Malla Reddy:** They are fighting with the government to get back the LD. If they get back the LD, we will get back our LD also.
- Abhijit Mitra:** No, it is because slippages from your part or BDL slippage too?
- B. Malla Reddy:** It is not just somebody's fault, it is total project initially after they got the order, this project to take off, it took almost one-and-a-half year.
- Abhijit Mitra:** Okay.
- B. Malla Reddy:** Because of that their LD got triggered, because their LD got triggered all vendors LD got triggered, so it is a big chain, so everybody is trying and lobbying along with everybody's power with Modi and Government of India, so if they are successful. Once they get their money, we will also be getting our money. If they do not get, we do not get.
- Abhijit Mitra:** And what is the size of the order if I may ask that you are supplying to BDL?
- B. Malla Reddy:** The entire Akash orders are through BDL.
- Abhijit Mitra:** Okay and just to understand a bit on the capex front, I do not know whether you have mentioned it in the call. So right now we are completing that R&D Centre in Bangalore, which we are supposed to complete in September 2017, so for that Rs.62 Crores we are spending that we have completed now?
- S. Gurunatha Reddy:** Yes, we have completed, now we are working from that new facility.



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- Abhijit Mitra:** Basically you have spent around Rs.25 Crores in that facility in the first half right?
- S. Gurunatha Reddy:** Overall the cost is close to about Rs.60 Crores.
- Abhijit Mitra:** Right, Rs.37 Crores was spent in FY2017 only?
- S. Gurunatha Reddy:** Yes.
- Abhijit Mitra:** So what would be the capex for the full year if I may ask?
- S. Gurunatha Reddy:** In terms of the cash outflow probably another Rs.10 Crores may have been...
- Abhijit Mitra:** Overall not on this facility alone you are saying.
- S. Gurunatha Reddy:** Not on this facility alone.
- Abhijit Mitra:** Okay and just to understand in the order book which you have mentioned very useful, you have started giving it in the press release, can you break it out between defense and other entities in terms of space or telecommunication and others?
- M.V. Reddy:** As you mentioned as on today the total order backlog is Rs.585 Crores, in that defense is about Rs.322 Crores, space is about Rs.87 Crores and exports is about Rs.154 Crores and the rest all like meteorology and all put together about Rs.23 Crores.
- Abhijit Mitra:** Okay, thanks. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Salil Desai from Premji Invest. Please go ahead.
- Salil Desai:** On this order delays that you mentioned or rather the mix in the order booking, has it been just a case of delays or has there been cases where you have lost orders to competition, has that been a major factor?
- M.V. Reddy:** We have not lost any major order in last quarter. Basically the projects got delayed from both DRDO as well as from the DPSU?
- Salil Desai:** And Sir second question the delays if you can explain a little on what causes these are of the nature because usually the results call after the quarter would be towards the end of the subsequent month right and then if you are reiterating the guidance from that time, you have at least one month behind you but still there is a miss in the subsequent quarter, so what causes these consistent delays or is there any particular problem with the project or something, if you can give some more detail in this?



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- M.V. Reddy:** As we in fact explained, one is the major order which in this particular year we have planned 7 Squadron Akash order which are in the beginning of the year if you take all the confident that the BEL will get order by April, May during that particular time. Since the negotiations were delayed and all, so the contract got delayed. Otherwise by this time, we could have got those orders on hand. That is the major order and the second is as I mentioned like there are two more orders like one is that space and space domain also in space front. We were expecting two orders for RISAT, these orders also got delayed for some sanctions and all sort of things, so those things also probably one order maybe 50% of that we are likely to book by Q4 and 50% may spillover to the Q1 of the next year and the third is repeat order of export business which we have planned Rs.170 Crores in this year order book, so that we have completed negotiations beginning of this financial year, but those orders are also got delayed from the Indian customer to them. So they are just waiting for those contracts to get so that they will place order on us. So these kind of delays have happened in this particular year.
- Salil Desai:** What project is the export order for or who is the customer, is it possible to share the name?
- B.Malla Reddy:** I think we should not mention that. It is confidential.
- Salil Desai:** Akash 7 Squadron now if BEL gets the order you will 100% get the order or do you have to compete again with somebody?
- M.V. Reddy:** We will get 100%.
- Salil Desai:** Okay, alright great. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhijit Vohra from Sundaram Mutual Fund. Please go ahead.
- Madan:** Madan here Sir. Sir, you mentioned about LD, the delay is because of BDL supply to the customer right or was it delay from the government?
- B. Malla Reddy:** It is a project delay not...finally if you see project in transferring the technologies to BDL and BDL finally delivering the product. Initially there was a delay of the supply to start it after getting the order for almost after about a year, year-and-a-half that has resulted in a large delay and then LD has triggered. Of course they are fighting and lobbying with government as and when they get it, we all of us will get. If they do not get, we will not get.
- Abhijit Vohra:** What is the total pending money to be received?
- B. Malla Reddy:** 10% of the order value, total order receivable.
- S. Gurunatha Reddy:** Are you asking about the receivables or...?



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- Abhijit Vohra:** Yes, total receivable.
- S. Gurunatha Reddy:** Receivable is about Rs.128 Crores.
- Abhijit Vohra:** No, I am saying because on account of the LD charges what is the receivable pending?
- S. Gurunatha Reddy:** LD charges we would not keep in the books of account...
- Abhijit Vohra:** So you write it off, but whatever claim which is there, pending claim?
- S. Gurunatha Reddy:** We have not put any formal claim because we are not authorized to do that, the only hope is that suppose if the BDL get reimbursed from the government. There is a chance that all the subcontractors will also get the corresponding thing from BDL.
- Abhijit Vohra:** How much is the total pending that is what I am asking?
- B. Malla Reddy:** Not pending, what we have written off in that roughly about 85% to 90% will be from BDL. Last year and this year whatever we are writing off, majority of it is from BDL.
- Abhijit Vohra:** Okay.
- Moderator:** Thank you. The next question is from the line of Dimple Kotak from SKS Capital & Research. Please go ahead.
- Dimple Kotak:** Maximum 60% of your raw materials are imported, so what is the benefit of INR on your margins, what has been that?
- S. Gurunatha Reddy:** It is not much because all throughout the year I think it is just around between 63 to 65 kind of thing. It is very marginal fluctuation and we do not see much of benefit or adverse effect on the overall raw material cost.
- Dimple Kotak:** I missed on the capex and the debt repayment part, if you could please repeat the capex for the full year for FY2018?
- S. Gurunatha Reddy:** The regular capex is about Rs.8 Crores what we spend on year-on-year, there is an ongoing project at Bangalore where it is going on for the last 18 months or so. Overall cost is going to be around Rs.60 Crores, Rs.62 Crores, probably in the current year the share of that may be about Rs.25 Crores.
- Dimple Kotak:** Rs.25 Crores we are going to be spend on the Bangalore project and Rs. 8 Crores for regular?
- S. Gurunatha Reddy:** Yes.



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Dimple Kotak: Okay Sir and the long-term debt repayment which begins from the Q2 of the next year what is that and what is the amount?

S. Gurunatha Reddy: It is a non-convertible debenture. In the last week of April we have to repay about Rs.25 Crores. In the last week of September I think we have to pay another Rs.25 Crores.

Dimple Kotak: Okay Sir. Thank you so much.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. S. Gurunatha Reddy for his closing comments.

S. Gurunatha Reddy: Thank you for your participation ladies and gentlemen and look forward to meet you again at the end of Q3.

Moderator: Thank you. Ladies and gentlemen on behalf of Astra Microwave Products Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.