

**ASTRA MICROWAVE PRODUCTS LIMITED**

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February 4, 2019

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 January, 2019.

This information is also uploaded on the website of the Company www.astramwp.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 Q3 FY19 Earnings
Conference Call”

January 31, 2019



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



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Moderator: Ladies and gentlemen, good day and welcome to the Astra Microwave Products Limited Q3 FY19 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. G. Reddy – Whole-Time Director and CFO, Astra Microwave Products Limited. Thank you and over to you Sir.

S. G. Reddy: Good morning ladies and gentlemen. I welcome you to this Q3 conference call on results of the company. I am with Mr. B. Malla Reddy – Managing Director and CEO and Mr. M.V. Reddy – Director (Operations and Business Development). We had meeting yesterday where the performance of the company for Q3 and nine months was taken on record. I will share broad performance details with you before we move on to the question and answers.

In terms of the gross sales for the nine months we did about 198 crores as against 239 crores of last year and a net revenue from operations after adjusting GST, later delivery charges, goods delivered before the end of the period, good not delivered before the end of the period and the goods not delivered as of last quarter and delivered in the current quarter. After these adjustments net revenue from operations for the nine months is about 172 crores and for this quarter it is about 75 crores as against as against 191 crores for the nine months of last year.

In terms of the gross margin for this nine months’ period it is about 77 crores as against as 132 crores of previous year which gives a percentage of about 45% for the current year as against as 70% for the last year. For this quarter the gross margin is about 30 crores and in terms of the percentage it is about 41%.

Operating income for the nine months is negative at 11.28 crores as against 46 crores for the corresponding period of last year and for this quarter it is about 1.94 crores. EBITDA is about 10.7 crores for this nine months’ period that is after considering the other income and all which is about 51 crores as of previous year and for this quarter it is about 4.5 crores. After adjusting profit provision for tax, differed tax, etc. the net profit for the year is about 5.19 crores and corresponding profit is about 30.97 crores and for this quarter it is about 1.83 crores.

In terms of margin analysis because there is a drop in margins as compared with our previous year, we would like to share with you that product mix which has contributed this decline. As of last year we had sales of about 76% which has given a gross margin of 70% and above whereas in the current period this sales ratio is only 27%. Similarly, in the last year the sales which has a margin of 0% to 9% is only 1% as against as 22% of the current year. This is the reason why there is a drop in the margin as compared with a previous year. This is about the profit and loss account.



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In terms of the balance sheet we have current assets of close to about 412 crores as against as 422 crores of last year. The current assets largely comprise of inventories of about 88 crores, receivables about 130 crores, cash and cash equivalence is about 65 crores and investments of about 88 crores as of end of third quarter.

In terms of the current liabilities, it is about 136 crores for the nine months' period as against as 155 crores of last year. The major long-term liabilities is about 16.5 crores as of third quarter which is against 23 crores of last year. We have repaid the non-convertible debentures borrowed in the last 18 months which is about 50 crores.

In terms of the order book, the orders outstanding as reported is about 790 crores, orders booked during the year is about 511 crores. Out of 790 crores, exports is about 193 crores and the balance comprise of defense, space, hydrology and other sectors. This is about the broad performance details of the company. With this I open this call for question and answers.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Vaibhav Barjatia from HNI Investments. Please go ahead.

Vaibhav Barjatia: In light of this change in product mix that you have recently explained to get a sense of going forward how the mix will be begin, can you provide us a detailed breakup is to what is the margin that we have on the current order book of 790 crores broadly that how is doing to pan out over the next one or two years, what is the margin profile of the order book.

S. G. Reddy: Out of 790 crores order , exports is about close to 300 crores which carries a gross margin between 7 to 9 %. Defense, space and hydrology on an average have a gross margin of about 45 to 50%.

Vaibhav Barjatia: And in terms of EBITDA what would that look at and in personal exports even if he has 7 to 9% margin, the margin in EBITDA terms would be good enough so whether you can try it as guidance on the EBITDA margin then.

S. G. Reddy: See EBITDA margin I would say even though the margins are slightly getting corrected, as long as we are able to maintain top line of close to about 400 crores our EBITDA margin will be close to about 10 to 15%. But any fall from that then there will be a steep drop in the overall profitability of the company.

Vaibhav Barjatia: Right. So this is all assuming the current level of exchange rate right, because we have large component of imports so, on the current level of exchange rate that is what you accompany to make right.

S. G. Reddy: Yes all these numbers are basing on the existing rates.



- Vaibhav Barjatia:** Okay. And last question from my side, we have on the stock exchange disclosures in last one or two quarters you have seen lot of in invocation of promoter pledge shares and some of the promoters may be selling the stock, just wanted a confirm from your side as to what is your plan going forward to release those pledge or what is the level of promoter loans that is under stress as of now.
- S. G. Reddy:** Promoters after all these disclosures we have made I think currently it is around 12% or so. And we believe that they will be able to maintain that ratio going forward.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.
- Jonas Bhutta:** Sir just had a couple of questions firstly on the numbers that you sort of discussed I missed out a bit, so basically you said that in the nine months 22% of your sales had a margin band of 0 to 9% while that comparable number was 1% of sales in nine in FY18 is that correct.
- S. G. Reddy:** Yes, that is correct.
- Jonas Bhutta:** And you also made up comment on the sales mix what was that sir as in prior to this particular statement.
- S. G. Reddy:** I have only mentioned about the other side of the margin because we have given the breakup in terms of the margins at two slashed, one is 70% and above, the other one is between 0 to 9%. So, I have mentioned that 70% and above we had a sales of about 27% in the current year. Whereas the same percentage is about 76% as of last year.
- Jonas Bhutta:** Okay. And as far as the number of 193 crores of exports that is part of the order inflow right, so current year order inflow.
- S. G. Reddy:** Correct. Out of 511 crores of order in terms of current year exports comprises of about 198 crores.
- Jonas Bhutta:** And could you give us a breakup of the domestic backlog that you typically give what is defense and space stuff. So the 790 crores minus the 300 crores exports.
- S. G. Reddy:** Yes, defense is about 140 crores, space is about 260 crores, and hydrology and other sector are about 90 plus crores.
- Jonas Bhutta:** And going forward in terms of as far as I remember you had order inflow target of 600 plus odd crores which also included certain inflows from this Akash 7 Squadron order, what is the status on that and do you expect that to flow in the fourth quarter or that is at a risk to slip into next year and if that is the case then how does next year look like in content to the shares and potential delays thereof.



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- S. G. Reddy:** I request Mr. M.V. Reddy to share there is good news also he will share with you.
- M.V. Reddy:** Good news is that we backed long awaited order of 200 crores from Elta which we have been saying in last as 4 to 5 conference calls.
- Jonas Bhutta:** Okay. So that will be the part of the fourth quarter.
- M.V. Reddy:** No. With have just received this order and sales start from next year as this has to be executed in the next two year.
- Jonas Bhutta:** So this 198 crores export inflow is that the same one right.
- M.V. Reddy:** No.
- Jonas Bhutta:** That is over and above, okay.
- M.V. Reddy:** Whatever Mr. S.G. Reddy mentioned this is landing in that, because whatever he has given you figure that was up to 31st December. So the latest development is we want to share that we just received this 200 crores additional order we were talking about. As on today like after discounting the sales made in the current month today the pending orders were 760 plus 200 that is 960 crores we have.
- Jonas Bhutta:** Okay.
- M.V. Reddy:** So the breakup anyhow he has already given you the breakup. And coming to your other question is 7 Squadron. The latest news what we received from our customer that more or less all the signatures are over it is one final signature is pending so they are expecting in fact the main OEM, BEL is expecting this order by February, mid of February if it is through then most probably we may get it either in April or May so I think before marks looks to be very difficult but definitely the first quarter.
- Jonas Bhutta:** And that would be 150 odd crores order right.
- M.V. Reddy:** 110 crores.
- Jonas Bhutta:** Okay. So just circling back this Alta order would be in that 0 to 9% margin band or would it is higher sir.
- M.V. Reddy:** It is about 10 to 11% band.
- Moderator:** Thank you. The next question is from the line of Santhosh Yellappa from IndiaNivesh. Please go ahead.



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Santhosh Yellappa: I had couple of questions. What is the status of the seekers that we are developing in-house as of now first question?

Management: In seekers front, as we have mentioned in the last investor call also the testing is going on, yes X-Band it is fairly in advance and KU Band we have completed in-house testing in NFTR and all it is yet to be integrated in the missile platform whereas in X-Band it is fairly advance stage so, I hope as I say the sales were the seekers we only expect in FY21.

Santhosh Yellappa: Okay. Sir and on the second front if I look at the current order book as of now if it is approximately on a 1000 crores order book almost half of it is coming from the export segment is it fair to see a scenario that FY18 margins were the peek and at least for the next two years we could see a scenario where the margins would see around 20-25% zone or a band that kind of margin profile for EBITDA.

S. G. Reddy: 20-25% is fairly on higher side, if we are able to achieve about annual sales of about 500 crores for the next two years kind of thing then probably it will be around 10 to 15% of PBT levels will be there.

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

Abhijit Mitra: Just if you can sort of take us through your guidance for this year and the next in terms of top line and profitability it will be great. And also the execution cycle for the current order book if you can take us through because clearly what we are seeing is domestic defense is becoming smaller and smaller part of the overall pie. So it is going to take a new round of investment from your part or are you planning something so as to get more market out of the space segment any thoughts on that.

S. G. Reddy: Abhijit for the current year probably we will be doing in the next quarter close to about 120-130 crores and with this the top line will be around 310 plus kind of thing. Since there is a steep fall in the top line, the bottom line will be maybe around 20 plus kind of thing. But for 2019-20, we expect to be around 450 to 500 kind of range and we will be able to revert back to the margins of 17-18 financial year that is how we feel as of today.

Abhijit Mitra: Okay. And on this change of mix so essentially domestic defense is becoming smaller and smaller part of the pie although last two years and so either we start getting more into space or start investing more or what is the thought process on that should we wait for some.

M.V. Reddy: I wanted to just tell you that, these are all project based orders as you know these are all depend on the sanction of the projects and also the qualification and approval from MOD and all so, otherwise even today whatever backlog orders we have out of 760, 140 close to that from the defense sector and 260 from the space. So, this is the domestic business like based on



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the projects we backed this particular orders. Over and above the exports yes, we have 250 crores. So it all depends on projects like 7 Squadron probably it would have been through I think our domestic order book could have been much better than what today we have. So, like many projects got delayed the other project which we were anticipating in the beginning of the year that is Akash NG also got delayed hopefully we back this particular order maybe in the first quarter of the next year.

Abhijit Mitra: And the RFP which BDL has received for Akash is, that also should add to your order book or no?

M.V. Reddy: BDL is for longer totally.

Abhijit Mitra: Army.

M. V. Reddy: Yes, army it is not being included in this right now so I think we will now the next year order book we have taken. Next year we have plan to book close to 600 crores, 650 crores so in that we have taken that.

Abhijit Mitra: Okay, and this AEWNC what was the status on that, supposes maybe also display in this year's Republic Day Parade and all so it has been there for a while so what is the startup on that.

M. V. Reddy: Still the project in principal got sanctioned by finance sanctioned is yet to happen but otherwise DRDO have given clearance to go ahead with proto, I think we are likely to get some business on the proto side maybe in the first quarter of the next year.

Moderator: Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.

Kirti Jain: Firstly my question is to understand on next two, three months are we expecting any order flow sir; any large order is pending from now on.

M. V. Reddy: Apart from this yes, we have another about 40-50 crores we are likely to book before March.

Kirti Jain: And next year our order flow guidance is 650 crores side sir?

M. V. Reddy: Yes, are on that.

Kirti Jain: And how would the mix in the order flow sir domestic and exports roughly.

M. V. Reddy: For this year or you are talking about for the next year.

Kirti Jain: Next year.



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- M. V. Reddy:** Next year in that 650, close to 250 crores again from export the rest all from the domestic sector.
- Kirti Jain:** Sir in the previous question of Abhijit you referred that next year our guidance is 450 to 500 and then margin we will revert to 17-18 levels so we went PBT levels PBT margins.
- S. G. Reddy:** Yes, PBT.
- Kirti Jain:** Okay. So sir defense now government is trying to just squeeze out the liquidity any challenges from the liquidity front sir.
- S. G. Reddy:** No .On liquidity front in terms of operation is not a major issues, may be in terms of release of orders by the customers there may going slow on that but otherwise in terms of the operations no we do not have any issues on that.
- Kirti Jain:** Exports working capital is smooth sir, export part.
- S. G. Reddy:** Yes, we do not have any issues on that.
- Kirti Jain:** Sir, what roughly working capital cycle in the export position sir.
- S. G. Reddy:** For exports generally we are getting about 30 to 35% of order value as an advance and the receivable on supply is about 30 days from the date of shipment.
- Kirti Jain:** So broadly we would be negative working capital rate average out everything.
- S. G. Reddy:** Negatives means what?
- Kirti Jain:** I do not have more cash, advances would be there, and then the trade payables would be there then minus inventory and receivables.
- S. G. Reddy:** This is with reference to exports only; you are talking about only exports?
- Kirti Jain:** Exports business sir.
- S. G. Reddy:** No, exports are not like that, material cost is close to about 85 to 90% and for most of the materials we have to pay in advance.Essentially whatever advance that we receive from my customer is for taking care of those advance payments to the suppliers. But the turnaround cycle is pretty fast because of that we do not feel much of cash flow strain because of the export business.
- Moderator:** Thank you. The next question is from the line of Vaibhav Barjatia from HNI Investments. Please go ahead.



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- Vaibhav Barjatia:** Sir earlier you provided guidance of going back to the margins of FY18 and if I look at FY18 margin it is around 360 crores of sales here near about 80 crores of PBT. So it's more than, it is around 22 kind of a percent and while earlier while mentioning the order book margin profile you said that it would be around 10% to 15% EBITDA, so I cannot reconcile the two numbers that how can our EBITDA margin be 10% to 15% and PBT can be higher than that?
- S. G. Reddy:** No, can you repeat the question please, I did not understand.
- Vaibhav Barjatia:** Earlier while providing the guidance on the margins of the order book you said that it would be around 10% to 15% EBITDA.
- S. G. Reddy:** Not the entire order book in fact we gave those analysis basing on the nature of the order book out of 790 crores of order book exports is around close to 300.
- Vaibhav Barjatia:** Right. So still with 450 to 500 crores of sales in FY20 you expect to reach around 20 to 23% kind of PBT margin that is what your
- B. Malla Reddy:** Please calculate the percentages yourself what he said is the PBT levels will be up that year.
- Vaibhav Barjatia:** The PBT margin right, PBT margin or PBT level.
- B. Malla Reddy:** Percentages somebody asked PBT, somebody PAT, somebody asked EBITDA all those things you please calculate.
- Vaibhav Barjatia:** Okay. So you mean to say its absolute PBT level.
- B. Malla Reddy:** Absolute numbers what he meant is of that level of that year.
- Moderator:** Thank you. The next question is from the line of P Adhikari from RCML. Please go ahead.
- P Adhikari:** I have a query like you have said that for next two years up cut estimate would be in the level of 500 crores turnover and going forward sir seeing our order book profile so as it was discussed in the earlier question, so the gross profit margin would be in the level of what, 40%? Because this quarter you have done 40% gross profit margin. So this 40% would be maintained it would be slightly higher or it can go down if we do not get the Akash Missile in recent time. So how the gross margin play out.
- S. G. Reddy:** I think gross margin will be around this level ,I do not think it will go down.
- B. Malla Reddy:** Gross margin depends up on the product mix. Depending up on the type of orders we get the gross margin will change.



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- P Adhikari:** Right. But giving by the current order book scenario we have almost close to 1000 crores order book so these orders would be playing out in the next one year or two years.
- B. Malla Reddy:** Yes, let say two year roughly the ratio will be maintained but beyond that we cannot say.
- P Adhikari:** Okay. And sir if you can give us a sales breakup of this quarter like 75 crores sales breakup, of how much defense, how much exports.
- M.V. Reddy:** In these 54 crores from the defense and 26 crores from the space, meteorology 31 crores, you are asking for Q3 or you are asking for current quarter Q4?
- P Adhikari:** No, I am asking for Q3 and Q4 if possible.
- M. V. Reddy:** Q3 basically the 76 crores breakup was defense 25 crores, space 22 crores, exports 12 crores, meteorology 17 crores. And you want to know Q4 also.
- P Adhikari:** Yes, if possible sir.
- S. G. Reddy:** Q4 be 54 from defense, 26 from space meteorology 31, exports around 17.
- Moderator:** Thank you. The next question is from the line of Harish Shiyad an Individual Investor. Please go ahead.
- Harish Shiyad:** I wanted to understand what your definition of the gross margin is because there is lot of confusion going on between EBITDA, PBT, gross margin all those things so how do you define gross margin for your business.
- S. G. Reddy:** For us net sales minus material cost is our gross margin
- Moderator:** Thank you. The next question is from the line of Santhosh Yellappa from IndiaNivesh. Please go ahead.
- Santhosh Yellappa:** Sir I have two things, in the earlier calls we had mentioned that there are two to three orders which are slow moving, what is the status of those orders, have they got back into the revenue booking mode and are they more normal from an execution point of view now?
- M.V. Reddy:** Out of those three to four orders one order which is from the DRDO we have completed our part of the development but we are waiting for the PDC extension DRDO particular labs they have asked for the PDC extension from the headquarter so they are likely to get February end if that happens then I think we will book sales in the month of March if not it will go for the first quarter of the next year and the other order which we were discussing about some of the AW programs that out of three to four projects I think two projects are in advance stage likely



to book sales before March and two programs will go to the next quarter that is the first quarter of next year.

Santhosh Yellappa: Okay. And sir second question if I look at the order book mix in the revenues book during the quarter, what could be the reason for any delays in the ramp of the export orders from revenue booking point of view in Q4. I was assuming the Q4 numbers would be more driven by the export orders.

M. V. Reddy: Yes, actually we expected 65 crores of sales in the Q4 from the exports fronts, one particular order which we booked in the first quarter. But there was a hold of from the customer end because of some technical issues. So those issues are not getting resolved, hopefully we get clearance in the month of March. So if possible we will try to book some small portion of that particular order in the last month but otherwise it will go for the next year.

Santhosh Yellappa: Sir, lastly if I look at the order book number for the space and the meteorology segments I think, if I co-relate the order inflow numbers revenue numbers and the current order book for space and meteorology is there a reason for us to worry that there is some kind of slow movement in these order, is there any such thing to be looked into or what could be the reason why the revenue ramp up is not happening in these two sub-segments?

M. V. Reddy: Actually this year we could have booked more sales in the space front because we got the order in the first quarter but again there also we have some issues related to the technical front now most of these issues got resolved recently I think next year these revenues will close smoothly that is what we are expecting because they also have a target of completing the project by September, October of this year so I think in the next two quarters we will have a good revenue from the space sectors. And as far as meteorology is concerned the major project what we booked in this is the setting up of a subsystem, which is a turnkey project which we are executing the first time. We thought we can complete in Q3 but because of some delay in the sub systems some of the components from US it got delayed though out of 40 crores we booked sales of 15 crores in the last quarter and the remaining 25 crores we are booking in this current quarter.

Santhosh Yellappa: Okay, sir one last question please. I would like to understand what percentage of the current 700 crores order book is such that where our we are not dependent on some other technical reasons for any delays to happen going forward.

M. V. Reddy: It is very difficult to tell you all these are like even if the production like sometime if they have any issue on the system front they may ask us to hold for some time like till they get resolve the system because we are basically understand that we are subsystem manufacturer we are supplying the subsystems to the OEMs and in case if they have any issues in the system integration and waiting so probably there maybe delay in execution front but one thing I would say that the export front which we were talking about the order which we just shared with you,



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the order which we have booked this basically is a repeat order and hopefully thus execution of that particular order thus will not have any issue because last time when we executed the same order I think it went on smoothly so hopefully this time also it will go like that.

Santhosh Yellappa: Sir if I have to rephrase my thought then what percentage of our current order book is subsystems related orders and not direct systems order. About close to 70 crores system related business and rest all.

Santhosh Yellappa: Just to rephrase I am sorry, just to correct myself off the 700 crores if I exclude the 300 crores of export orders that leads with 400 crores of total order book what percentage of it is subsystems related orders.

M. V. Reddy: So in the total order this is about 60 crores our systems the rest all are subsystems.

Santhosh Yellappa: Okay. And what percentage of the current order book or repeat orders when I say repeat orders you have already worked on such type of projects with any other client also, what would be that percentage sir as of now.

M. V. Reddy: Almost 60% are repeat orders. Now, I am talking about the today's scenario out of the order book what we have 60% are more or less production orders so that is the repeat order.

Santhosh Yellappa: And I am assuming you would have excluded export numbers from this order book calculation or you are talking on the total order book numbers you are talking.

M. V. Reddy: No, in fact the current in 760 also we have export order close to around 200 apart from that there is a 200 more we got recently.

Moderator: Thank you. The next question is from the line of Rahul Picha from Multi Act. Please go ahead.

Rahul Picha: My question is on space and meteorology business so what are the kind of margins and working capital requirements in this segment?

M. V. Reddy: Close to 42 to 50%.

Rahul Picha: So it is similar to the domestic defense business.

M. V. Reddy: Yes.

Rahul Picha: Okay. And so the second question is on the delayed payment charges so were there any charges paid during the quarter?

S. G. Reddy: Yes.



- Rahul Picha:** So how much would that be?
- S. G. Reddy:** The current quarter it is about 81 lakh, for nine months it is about 3.5 crores.
- Rahul Picha:** And the way this gets accounted is, it is netted off against the revenues right.
- S. G. Reddy:** Yes.
- Rahul Picha:** Okay. And my third question is on the execution side. So in Q1 earlier we had stated that we had received all the order for which the execution was factored in the current years guidance so in spite of that the guidance has been revised a downward in the last couple of quarters earlier from 400 to 370 and now to 310 crores so what is leading to this slower pace of execution.
- M. V. Reddy:** In fact when the beginning of the year in Q1 investor call I think we have given explanation why we are revising the guidelines, in the beginning of the year we have consider some of the orders which we were sure of booking in the first quarter like Akash 7 Squadron and also Akash NG and of course even we have considered 200 crores order which we expected in the June by 2018 so we took some 10 to 15% of those orders as sales for the current year but all those three orders got delayed and because of that we had to revise the guidelines from 430 to 375. Now again in the last quarter though we have given that 375 but the issue arise there were couple of projects which we are not sure that also we have explained that the project which we are completing but the PTC has to come and other some there are domestic R&D projects which are more complex and we probably may go for some design iterations and then other major thing is we have considered the project like from ELTA which we have received about 65 crores of exports order that we were confident to execute in the last quarter but unfortunately there was a hold up as I said in the previous call so that is going for the next quarter. So because of that the 375 has become now 310.
- Rahul Picha:** Okay. So is there a possibility of this delays continuing further nor or we are more or less likely to execute it at least by H1 of FY20.
- M. V. Reddy:** More likely when the H1, this export order is more likely in H1 and other two orders is subject to the extensions what we received, it may happen even the current quarter or it may go in the first quarter also. We are hopefully that at least first quarter it should be completed but it all depends on the PTC extension.
- Rahul Picha:** Okay. And my last question is on the JV. So any new opportunities emerging on that side.
- M. V. Reddy:** JV is operating in tactical communication systems as you are aware that they know there is further requirement from air force in which JV is likely to participate in that so currently there is one JV is likely to get order in couple of days or maybe by next week or so. So, otherwise for the future there is a potential and RFI has already been floated for the future requirement and JV is participating in that.



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- Rahul Picha:** Okay. So the order that we are supposed to receive in the next few days so what is the quantum of that.
- S. G. Reddy:** It would be around close to 29 million.
- Rahul Picha:** Okay. And what could be the rough opportunity here over the next three years.
- S. G. Reddy:** Next year likely, JV will be executing these 29 million orders in the next two years, and then afterwards the RFI whatever we are talking about it all depends on how quickly the government is going to go through the process. But as of today this is the visibility what we have JV.
- Rahul Picha:** I was not asking about the next year I meant what is the kind of opportunity that the JV has over the next two to three years.
- S. G. Reddy:** JV is working in other systems also but we are in only just participating in some RFIs and all, so it all depends how quickly government decides on those projects.
- B. Malla Reddy:** Demand for the products that JV is likely to make in India is of the order of 10 billion in next years. How much we get when government will decide we do not know.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.
- Jonas Bhutta:** Sorry sir, I actually couldn't attend the previous quarter calls, just wanted to know what the tentative size of that AWAX order is if at all it was to flow in not the prototype but the main order for the two aircraft that they are looking to sign. Also this ELTA order for 200 crores that you have recently signed is for the fly catcher replacement. Is that understanding correct?
- M. V. Reddy:** In fact both the information's are little confidential I am sorry but I will not be in a position to tell you about the project details about the contract which we have signed with ELTA but I can say it is a repeat order which we have executed few years back, that is one and the first question you were saying that AWAX the kind of potential we have like for the first phase one approximately business potential would be around 200 crores so that we had to wait and see when this will happen.
- Jonas Bhutta:** Okay. And this too will be an export order only sir, because it will be an offset order.
- M. V. Reddy:** AWAX what you are talking about is domestic it is not export order.
- Jonas Bhutta:** Okay. So it will not be in order that some offset partner or the OEM sort of places.
- M. V. Reddy:** Talking about the domestic AWAX.



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- Jonas Bhutta:** Okay, the DRDO one.
- M. V. Reddy:** Yes, DRDO.
- Jonas Bhutta:** Okay, got it. But the one that they are signing with the Israeli company is that also an offset opportunity for you sir.
- M. V. Reddy:** Yes, we have MOU with them and it all depends upon like to initial let this take probably we will not be in the position to tell the value of the business which we get from that project.
- Jonas Bhutta:** Sure, but that also is an opportunity for FY20.
- M.V. Reddy:** We have opportunity in that also.
- Jonas Bhutta:** So your guidance sir, just trying to break it down that the guidance that you have for the order inflow for next year of about 600-650 crores includes this opportunity which you mention where exports is about 250 crores or that is excluding this opportunity?
- M. V. Reddy:** Including that.
- Jonas Bhutta:** And in the 450 to 500 crores top line for next year what would be the export contribution?
- S. G. Reddy:** It would be around 200 crores.
- Moderator:** Thank you. The next question is from the line of Vikram Rawat from Phillip Capital. Please go ahead.
- Vikram Rawat:** Sir can you tell me the sales breakup after next year FY20 450-500 crores?
- M. V. Reddy:** Defense would be around 60 crores; space around 200 crores, meteorology 10 crores and balance are the exports.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** Just to understand the mix of sales towards exports vis-à-vis for the next two years both for 20 and 21 vis-à-vis the mix that we have seen in the past it is extremely squeezed so what makes you confident that for 20 you will reach the PBT margins of FY18. Have in the past; I do not see in FY18 you are doing 50% of your top line as exports. So, what is allowing you to make that margin projection?
- S. G. Reddy:** More or less the revenue pattern if you see for FY20 is same as FY18 the exports were about 40% of the total revenue what we have given the projection, and the rest all from the domestic



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sector there is space and defense where the margins are better like similar margins of about 40 to 50%.

Abhijit Mitra: Okay. And just to understand the order book of meteorology is 90 crores and you are executing 10 crores so it is because it is a slow cycle or because there is some technological catch-up which is required.

M.V. Reddy: No, in fact as of pending order of 90 crores, 30 crores we are booking phase in this particular quarter in Q4 which I have given you the figures of just now in the previous call. And balance like system which we are executing so that actually need to be supplied in the two financial years that is FY20 and FY21. So 50% of that value will be executed in FY20 that is about 20 crores and balance will be in FY21.

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

Harish Shiyad: This is regarding the company we holding the conference call for the benefit of the investor. But a small request on that sir if it is possible to release some press release or a presentation a small one which will make understand investor very clearly and avoid asking those questions on your on call that will be appreciated and that will have the wider leadership on the stock exchange rather than only few attending the call.

S. G. Reddy: Okay, we will try to work on this may be in the next two quarters.

Moderator: Thank you. The next question is from the line of Santhosh Yellappa from IndiaNivesh. Please go ahead.

Santhosh Yellappa: Sir what were the value of the DRDO and TWOS programs which are slightly delayed behind the schedule sir approx. value of these orders.

M. V. Reddy: The value will be around 25 to 30 crores which we were expected this particular year so it got delayed apart from the major projects like AWAX and all.

Santhosh Yellappa: Okay. Sir next thing if I look at the numbers in FY15-16 where the peak years. When almost 55 to 60% of our revenues came from exports and that was the year when our gross margins were around 26% and 31%. So just if I do the mix and if I see the revenue mix for FY20 then I think it is almost close to 45 to 50% of our revenue security is coming from the exports only. How do we get the comfort that we will end up reporting higher gross margin sir?

S. G. Reddy: I think these discussions are going into very minor details probably we can have it over other than this conference call.



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- Moderator:** Thank you. The next question is from the line of Kirti Jain from Sundaram Mutual Fund. Please go ahead.
- Kirti Jain:** Based on our FY20 order flow guidance of 650 crores and based on the current backlog of around 900 crores which we have post this ELTA order and current quarter execution so should we expect that FY21 revenues also should be very strong compared to F20 growth should be very strong.
- M.V. Reddy:** Yes, at least I would say minimum 20% growth.
- Kirti Jain:** And with similar profitability compared to similar to F20 sir?
- S. G. Reddy:** Yes, more or less. I think almost one hour now, we can have the conference call closed.
- Moderator:** Sure sir. Would you like to add any closing remarks?
- S. G. Reddy:** Yes, thank you ladies and gentlemen for participation and look forward to talk to you again at the end of fourth quarter. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Astra Microwave Products Limited that conclude today's conference. Thank you for joining us. And you may now disconnect your lines. Thank you.