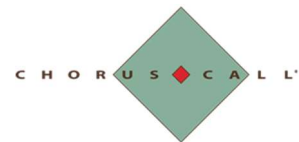




“Apollo Micro Systems Limited  
Q3 FY '25 Earnings Conference Call”

February 08, 2025



**MANAGEMENT:** **MR. ADDEPALLI KRISHNA SAI KUMAR – DIRECTOR, OPERATIONS – APOLLO MICRO SYSTEMS LIMITED**  
**MS. RUKHYA PARVEEN – COMPANY SECRETARY – APOLLO MICRO SYSTEMS LIMITED**  
**MS. TANYA GUPTA – INVESTOR RELATIONS TEAM – APOLLO MICRO SYSTEMS LIMITED**

**MODERATOR:** **MR. SANTOSH YELLAPU – ANAND RATHI SHARES AND STOCK BROKERS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Apollo Micro Systems Q3 FY '25 Earnings Conference Call, hosted by Anand Rathi Shares and Stock Brokers Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Santosh Yellapu from Anand Rathi Shares and Stock Brokers Limited. Thank you, and over to you, sir.

**Santosh Yellapu:** Good morning, ladies and gentlemen. Welcome to Apollo Micro Systems Q3 FY '25 earnings call, hosted by Anand Rathi Shares and Stock Brokers Limited. We have with us today Addepalli Krishna Sai Kumar, Director Operations; Praveen Rukhya madam, the Company Secretary; and Tanya madam from the IR Team.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as in the date of this call. The statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand over the conference to the management, Sai sir, of Apollo Micro Systems. Thank you, and over to you, sir.

**Krishna Sai Kumar:** Thank you so much, Santosh. Good morning, everyone. Thank you all for joining us today on this weekend. It's always a pleasure to connect with our investors and share insights into our performance strategy and outlook. I am pleased to report that Apollo Micro Systems has delivered another strong quarter, demonstrating consistent execution, operational discipline, and increasing our market share in indigenous DRDO programs, thus delivering our commitment towards Make in India for the past 40 years.

To make a line, I would also like to specifically mention that on this January 30th, we have completed 40 years of our relentless effort in contributing to indigenous defense programs. Let me first take you through our consolidated performance for the nine months and third quarter ended December 31st, 2024, nine-month FY '25 versus nine-month FY '24.

For nine-month FY '25, revenue from operations has increased by 69.5% from INR2,362 million in nine-month FY '24 to INR4,003 million in nine-month FY '25, demonstrating sustained momentum in our core business operations in line to the guidance that we have been giving for the last few quarters.

For nine-month FY '25, EBITDA increased by 69.1% to INR932.2 million as compared to INR551.2 million in Q3 FY '24, while EBITDA margin remains stable at 23.3%, demonstrating our commitment to operational efficiency and profitability. For nine-month FY '25, PAT increased by 133.2%, amounting to INR424 million as compared to INR181.8 million in nine-

month FY '24, with PAT margin improving by 290 basis points to reach 10.6% in nine-month FY '25.

Now, let's have a look on the Q3 FY '25 versus Q3 FY '24. In Q3 FY '25, our revenue saw a significant increase of 62.5%, reaching INR1,483.9 million compared to INR913.4 million in Q3 FY '24. This growth was driven by successful execution of our order book, reflecting strong demand and operational excellence. Our EBITDA also showed remarkable growth, rising by 58.1% to INR379.6 million in Q3 FY '25, while the EBITDA margin remains stable with a minor decrease of 70 basis points as compared to Q3 FY '24 and stood at 25.6% in Q3 FY '25.

Additionally, our PAT for Q3 FY '25 amounted to INR182.4 million, a substantial increase of 83.1% from INR99.6 million in Q3 FY '24, with PAT margin improved by 140 basis points to reach 12.3% in Q3 FY '25. I also would like to specifically mention that this is the highest ever recorded Q3 performance in the history of Apollo.

Now, let's move on to investment in capacity expansion and strategic tie-ups that we have made recently. As we have been informing you that we have commenced our expansion plans a few years back and our Unit 2 facility was getting ready, presently, the Unit 2 facility is ready and we have performed puja for taking position.

As this is the Q4 quarter, shifting teams would disturb execution in crucial fourth quarter, and this operation will commence from Q1 FY '26 actively, although some composite productions already started here. In case of the Unit 3, which is a 3,50,000 square feet facility, which is constructed in Hardware Park II, Hyderabad, very close to Hyderabad International Airport.

And as a part of our forward integration focus for weapon integration, we commenced construction of our integrated plan for Ingenious Defense System IPiDS, which is Unit 3, and this is expected to be completed by Q2 FY '26. I am very happy to share with you that we have recently entered into a consortium agreement with Redon Systems Private Limited to collaborate on a manufacturing partnership for Loitering Munition.

We are also pleased to share with you that we have signed an MoU with Garden Reach Shipbuilders and Engineers Limited. It is a dockyard government of India. This MoU establishes a business partnership focused on joint research and development, co-production, and export of underwater weapons and vehicles, underwater mines, underwater communication systems, and air defense systems.

Some of the display models will be unveiled during Aero India 2025, which is commencing from tomorrow, day after tomorrow, 10th February, and will be up to 14th February 2025. I would also like to make a special mention that our company consistently invests close to 7% to 8% of our revenues on R&D every year in developing new technologies and in augmenting new technologies, existing technologies.

Keeping the same momentum, we would like to increase our investments in R&D, but at the same time developing the product and also qualifying and testing the products, particularly in case of platforms, needs much more investment. It also needs bandwidth and also some bigger umbrella.

Keeping that in view and the kind of new platform development that we would like to undertake in the years to come, we are entering into these R&D partnerships with the different public sector companies. To mention, we already have a joint development MoU with Bharat Dynamics Limited.

Now, we have entered a joint development MoU with GRSE and such MoU with many other private as well as government companies will be entered in the future. As we have a very, very strong foothold in technology development and a strong R&D team with us, by entering such partnerships, we will be able to open a much larger testing platform's availability for us in the years to come and also an access to much deeper markets, both domestic as well as international.

We are also excited to announce and at the same time invite you all for the upcoming Aero India 2025 in which we are participating, which will start from February 10th up to February 14th, 2025 in Bangalore. We look forward to connecting with you there. Thank you all for your continuous trust and support bestowed on us.

We now look forward to addressing your questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Mayank Kapoor, an Individual Investor. Please go ahead.

**Mayank Kapoor:** Yes, first of all, congratulations on a fantastic set of numbers, sir. I went through the PPT and there are some very interesting and esteemed set of projects that we have done and we have listed our whole process from ideation to commercial production. I just want to understand and appreciate what is that Apollo Micro Systems does.

So can you walk us through a whole life cycle of how a project starts and the final delivery? And there are a bunch of services that we offer, right, electronic manufacturing services, hardware design services, and so on. Can you also tell us that in case every product goes through each of these processes or is there any kind of product which contributes more towards our service?

**Krishna Sai Kumar:** Thank you, Mayank, for participating and I would like to clarify you that primarily, we are not a product company as such, although we will be rolling our own platform products in the years to come. Many of the technologies that we are developing are specific to a specific program of DRDO in many of the cases.

We undertake development of different LRUs, which we call as the Line Replaceable Units, which are subsystems onboard a weapon or onboard a vessel, like maybe a ship or a submarine or maybe on a torpedo or a ground launcher system. So we undertake development of a specific system for that program.

We develop that system specifically for that program. We also participate during the testing and trials of the program. And once the program gets into production phase, we support in producing that in numbers to whoever may be the production agency in producing that weapon or vessel or platform. So, earlier only companies like Bharat Dynamics Limited used to have a mandate for producing the weapons.

But nowadays, the Government of India, Ministry of Defence is encouraging a lot of private players. That's how the big players, deep pocket players like Adani, Bharat Forge, Economic Explosives, these companies were given an opportunity. They are taking a ToT for production from DRDO and they come back to suppliers who have got qualified and who are an approved part of the supply chain of that program. So this is how it is.

So whatever we have mentioned that we do a hardware design service, software design services, this is apart from the product development or technology development that we do specifically for the programs, okay? Any specific design services that we have had to offer for any specific customer who comes with a request, we would be doing that. So, EMS is not -- I mean to say, doesn't generate a lot of business for us to start with. We develop the systems and we produce it by ourselves, but we also support some other...

**Moderator:** Sorry to interrupt, sir, your voice is breaking.

**Krishna Sai Kumar:** We also support some other customers in producing their system as part of our EMS services, but it is not a major business for us. But yes, we do product development, write some ideation, which is right from their concept up to a final product qualification and testing. And we also offer services like a built-to-print services, which is the EMS service or hardware and software design services.

**Mayank Kapoor:** Got it, sir. Thanks for the detailed answer, sir. Next question that I have is that, given that we have an order book of INR500 crores to INR550 crores, can you tell us the distribution by the services that we offer or the defense areas that we are targeting?

**Krishna Sai Kumar:** No, there is no breakup that we are giving at this point of time. We are restricted to share certain information, so I will not be able to give you a breakup at this point of time. But services, doesn't contribute much, which I already told you. Most of these are system development programs over which the entire thing is picked. But broadly, I can tell you that majority of the business comes from the missile defense as well as from the naval defense areas.

**Mayank Kapoor:** And is that the same area that we are targeting to increase our order book substantially? I saw one interview where the management had said that current order book is INR500 crores to INR550 crores and by December '25, we want to take it up to INR2,500 crores minimum. So, is that the area that we are targeting for that thing?

**Krishna Sai Kumar:** Naval defense is one area where we have developed the complete platforms, like a complete underwater mines we have developed, and where we are expecting a large ticket projects. So, naval defense will continue to dominate to certain extent for next 1-1.5 year in the increased order book.

But at the same time, missile defense programs also, one after the other, the programs are getting matured. Recently, you might have observed that, you know, Ministry of Defense has placed orders for Pinaka weapons. So, we also had some contribution in that as well. So, missile defense is also going to anchor the overall increase in the order book over a period of time.

- Mayank Kapoor:** Got it. And last question from Nayan sir. So, the FY26 guidance that we have given is 100% internal target, but it's more of like a 50% target. I just want to understand if you can give us any margin guidance, whether it be EBITDA guidance or PAT guidance?
- Krishna Sai Kumar:** No, I have never given an EBITDA or a PAT guidance earlier also. From the revenue point of view, we have earlier informed that we have an internal target to double our revenues. But as a guidance point of view, 45% to 50% is something that, we will continue to increase our revenue by 45% to 50%. That's the only guidance that I can give you at this point of time.
- Mayank Kapoor:** Got it. That helps. Thank you. Those are all my questions.
- Moderator:** Thank you. Next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.
- Ankush Agrawal:** Hi, sir. Thank you for taking my question. So, the first question is around the new order wins. So, I mean, in the recent interviews, you have been stating that you expect a couple of thousand crores of new order wins for you. You sort of also mentioned that some of your customers have also already received this order and you are just waiting for them to pass on the components to you. So, could you give some sense on, what kind of visibility you have, on receiving this kind of more than INR1,000 crores kind of orders that you are talking about?
- Krishna Sai Kumar:** No, there are two different aspects of it. One is an order we are expecting from Indian Navy very shortly. That's a direct order from Indian Navy to us. Apart from that, there are certain orders which we are already executing as a sample order, but a complete large order is existing with our customers.
- Generally, being a tier 2 and a tier 3 supplier, customers don't place a direct completely full quantity order to us on a full throttle basis because we will end up producing very fast, but as a complete system integration, it will take a lot of time for them. So, that was the perspective in which I might have told you and I also want to clarify now.
- But yes, we have presently a very robust order book. At the same time, the orders that my customers are already having, which are yet to flow to me, are also very strong and some very large ticket projects are expected from Indian Navy.
- Ankush Agrawal:** The second question is also in the margins. So, if I look at some of our listed peers, on the production side, they make as high as 35%-40% EBITDA margin. We currently are at about 20% EBITDA margin. In the quarterly annual report, you have also mentioned that once the share of our production revenue increases, we expect increase in EBITDA margin. So, going ahead with this kind of order that we're looking at, do you believe that our margins could scale up to the 30-40% EBITDA going ahead, once we see these large production orders coming in?
- Krishna Sai Kumar:** See, on a standalone basis, it depends on the product mix, where the revenue gets booked actually, different products that we supply will have different EBITDA margins. So, some of them can go as big as 40%-45%. Some of them can go lesser than 20% in some cases, where there is a product development, initial stage of the product development. But whatever figures

that you are seeing, these are the complete revenue figures, averaging of that each product mix that is contributing to the revenues.

So, the peak of 26%-27% whatever is there, that will continue to maintain. And it will go up to 30% on a balance sheet basis for the next 1-1.5 year. Going to 40%-45%, it will take some more time.

**Ankush Agrawal:** But it is possible, right, from the kind of orders we have?

**Krishna Sai Kumar:** Yes. See, majority of the projects that we are executing today, they are all development projects. Either the system which I am supplying is in a development phase or the program is in the development phase. But as my revenue, overall in the revenue mix, once the production order sizes goes up, then that is the one which is going to anchor the EBITDA margin levels, which will increase the EBITDA margin levels. But it is not something that -- by 10%-15%, it is going to grow within 1-1.5 financial years or something like that.

It will take a little more time for things to get into production. Our new facility is also getting ready. New opportunities are coming actually. So, we would be happy to share as and when the event happens. But at this point of time, I think anywhere between 25%-30% is a very decent EBITDA margin for our size of balance sheet.

**Ankush Agrawal:** So, sir, would it be possible for you to share what is the current mix between production orders and development orders? I am assuming majority will be development orders.

**Krishna Sai Kumar:** Broadly, in terms of percentage, I can say 75%-25%, 70%-30% like that.

**Ankush Agrawal:** In favor of development, right?

**Krishna Sai Kumar:** Yes, both development come and production percentage.

**Ankush Agrawal:** Sir, my last question is, you sort of indicated areas where you want to invest the funds that you have raised. So, will these partnerships require you to immediately invest this kind of large sum or this will play out in a couple of years while the program develops? I am trying to understand why we have raised so much money about INR800 crores upfront. Is it an opportunity wherein we will have to invest this kind of sum immediately or what is the thought process behind raising it immediately?

**Krishna Sai Kumar:** You mean to say expansion of our unit 3? Are you talking about that?

**Ankush Agrawal:** No, you indicated that you want to enter into partnerships with these private firms and government firms to do joint production and development and that will require you to expand your R&D project, which sort of you indicated is why you have raised the INR800 crores that you have raised. So, just wanted to understand, will these partnerships require you to invest this kind of money upfront or is there some other use that you are looking at for this money that you have raised?

**Krishna Sai Kumar:** So, you are talking about the fund raise that we are doing on a conventional basis, right?

- Ankush Agrawal:** Yes.
- Krishna Sai Kumar:** So, we have given a clear breakup of the utilization of the funds where we are going to do actually. INR550 odd crores will be going for the working capital and INR66 crores we will be investing in our subsidiary for some acquisitions and other things like. And around INR130- INR140 odd crores for general corporate purpose and some of the -- the balance of the funds we will be investing in R&D.
- As I already informed you during my opening speech that we have entered the MOU with the GRSE and other companies and few more other companies we are likely to enter shortly. Negotiations are going on. As and when the event happens, we will keep you posted. Next year probably we may be investing close to INR100 crores on R&D in new product development actually. So, this is broadly the breakup in which the fund utilization will be there, but disclosure is already given to the exchange.
- Ankush Agrawal:** Got it. Thank you.
- Moderator:** Thank you. Next question is from the line of Rupesh Tatiya from IntelSense Capital. Please go ahead.
- Rupesh Tatiya:** Thank you for the opportunity, sir. My question is on your presentation, there is a slide, slide number 10, where you have listed all these missile programs. It looks like we are part of all the missile programs, but I don't know what is the component that we supply. Do we supply some electronics component in that or some mechanical systems in that? What do we supply to these missile programs that you have listed on slide number 10?
- Krishna Sai Kumar:** So, I will tell you like this, sir. Except for the BrahMos missile, okay, there we have a very, very insignificant contribution, very little, rather I would say. There is no indigenous missile program of DRDO where we do not have a participation. So, that's a very unique positioning that we have in terms of the market share for the indigenous missile programs. That's point number one.
- Point number two, to specifically answer to your question, we have over a period of last 40 years developed an expertise and individual groups are formed to handle different type of technologies for the system which form part of a weapon. Right from the explosive area where we are not into explosives, but the detonation of the explosive, like safety arming mechanism, next comes the seeker section where the signal processing portion we are doing and various onboard computer instrumentation systems, navigation systems, telemetry systems, data link systems, actuation systems. Like this, different onboard electronic and electromechanical systems form part of a weapon actually.
- All these technologies, we have developed expertise. Our systems are part of all these programs. We are not purely into mechanical machining and engineering. We do have a CNC and tool room in-house for our captive requirement and for our own making. But we don't do heavy engineering mechanical items for these programs. This is answer to your question.
- Rupesh Tatiya:** So, just a small follow up to that, sir. Are you like a single source supplier for whatever components you have developed for these missiles?



**Krishna Sai Kumar:** No. See, normally what happens, most of the programs, they undergo on a tendering basis, either a limited tender or an open tender, depending upon the type of the technology, they reach back to the matured players or maybe sometimes and for an L1 requirement, 4 or 5 minimum participants will have to be there. So, they qualify and they give opportunity to them and all that.

So, once we become an L1, we have to qualify the product. Once we qualify the product, we become a proprietary part of that. So, in case the program size is very, very large, which is getting produced in 10's and 10,000's of numbers. Sometimes, the DRDO will encourage more number of players to be a participant because they cannot rely on one single source.

But many of the programs where we are participating, we are not participating in a C-level kind of technologies. We are participating in most significant technology, which is forming part of the weapon. And we enjoy the proprietors in that as and when the product gets qualified. This is how the supply chain goes in the programs.

**Rupesh Tatiya:** So, what kind of market share do you anticipate? That is one. And then my second question, sir, is on the Pinaka missile, right? Not guided Pinaka. I think guided Pinaka, there is still some time for the large tender, but this whatever INR10,000 crores Pinaka tender has come, what are the components that we supply in that tender? So, these are my two questions or small questions here.

**Krishna Sai Kumar:** Unguided Pinaka, we do not have a contribution. Guided Pinaka, we have a contribution.

**Rupesh Tatiya:** So, this tender is for unguided Pinaka?

**Krishna Sai Kumar:** Yes.

**Rupesh Tatiya:** Okay and sir what kind of market share you expect in the missile programs?

**Krishna Sai Kumar:** See, ascertaining market share is very difficult until the programs get into production phase. So, at this point of time I can only tell you that every weapon program we have a contribution. Wherever there is electronics requirement is there we have a contribution every missile program. And all indigenous torpedo programs, we have contribution.

The indigenous nuclear submarine programs, we have a contribution. We are the only company in India have developed all varieties of underwater mines. We have contribution expendable decoy programs, underwater swarm drones. So, variety of such programs we have developed technologies and we have contributed. Ascertaining the size of the market share can only happen once these programs get into a production phase actually.

**Rupesh Tatiya:** Okay sir. And then just a final question sir is what would be the range of contribution per missile? Is INR1 crores to INR5 crores a fair number or is that like too large?

**Krishna Sai Kumar:** As small as INR1 lakh to INR5.5 crores to INR6 crores.

**Rupesh Tatiya:** Okay sir. Thank you. I have more questions. I'll come back in the queue.

- Moderator:** Thank you. Next question is from the line of Alisha Mahavala from Envision Capital. Please go ahead.
- Alisha Mahavala:** Hi, sir. Good morning. I hope I'm audible. Sir firstly just wanted to understand this consortium agreement with Redon that we have recently entered into. If you could give us some details of the platform. It looks like that the development is done by them. What is the - is it expected to go into production soon? How large will it be, what kind of competition will be there, if you could share some color on it.
- Krishna Sai Kumar:** No, it will not be able to quantify because we are going to jointly bid for some programs and jointly manufacture these systems actually. So, it's in a very beginning stage, but Redon has already developed the loitering munition. They have done some testing. They have already given some trials to Indian Armed Forces. They have joined hands with us keeping in view of our existing experience in manufacturing weapon systems and the scale of operations that we are going to have in a few months to come and the financial bandwidth that we have.
- They have certain strengths. We have certain strengths. Now, the entire defense ecosystem is getting into an era of doing things on a consortium basis where they will be able to catapult on leveraging on each of their actually. So, as a part of that we have come together in addressing this for the upcoming programs actually. We'll be doing a joint bidding. This is what I can comment to this extent only on this relationship.
- Alisha Mahavala:** But this is not in any advanced stage where maybe we can expect orders next steps. You said that these are still very early stages?
- Krishna Sai Kumar:** See, advanced to early stage has a very thin line actually. Currently, we are about to bid for some programs and it's a matter of a month or two for them to get finalized. If it gets in favor of this partnership, I think then it's an order for the companies.
- Alisha Mahavala:** No. And just a clarification the products that they have developed, are these approved by Indian Army? Did you have the required information?
- Krishna Sai Kumar:** It's not like that. See in case of the direct armed forces this thing, there is nothing like an approval from the army and all. It is not like that actually. So, there is a process with which they do a short listing. Then they take up trials and testing of a few numbers and then they will give a go ahead for production. Every armed forces have a different mode of this thing, but presently Redon has some matured systems available with them which can get qualified for the programs that we are attempting jointly.
- Alisha Mahavala:** Understood. And the underwater mine order, can we expect it before March or is it looking like there could be some delay and spill into next year?
- Krishna Sai Kumar:** I am not sure if I can comment on that. It's a process going on inside the Indian Navy. I have to restrict the timing to tell you the timing of it as of now, but we were expecting it before March itself. But as the weeks envelope, we will get to know more information on that.
- Alisha Mahavala:** Okay. Thank you.

**Moderator:** Thank you. Next question is from the line of Nikhil Chandak from JM Financial Family Office. Please go ahead.

**Nikhil Chandak:** So, one question and I may have missed this in the opening remarks. Now, you said that almost INR500 crores, INR550 crores, you will be using it for working capital out of the new fundraise. And what I see is that, say, the annual revenue is currently in the range of INR500 crores. So, such a large amount of capital which will go into working capital going forward from the fundraise.

So, just trying to understand what kind of growth rates are you expecting for the company, say, over the next 2 years, 3 years? So, at least as a business plan, if you have to see where does this INR500 crores approx online I mean annual revenue kind of move to, say, in the next 2 years, 3 years based on the visibility which you have? And I'm presuming because of that you need this high amount of working capital investment?

**Krishna Sai Kumar:** Yes. See, I would like to clarify like this. Firstly, we are in working capital intensive industry, point one. Point two, it is not that the funds get churned multiple times in a year in my industry actually. The existing lead times of certain raw material are as small as a couple of weeks to as big as 2 years actually.

So, we will have to invest ahead if we have to keep up with the production lines. That's the reason we have started raising funds so that we will be able to address the addressable market on time and give it the deliveries. That's another point. Third point is that we have kept the targets of doubling our revenues for next financial year, but as a guidance we are only giving that we will be able to achieve minimum 45% to 50% growth for the next financial year. And this is something that we will be growing continuously.

And the size of the order book will also grow multiple times in the next 1 year down the line. So, keeping all that in view we will have to gear up in sourcing the raw materials on time and making a delivery. There are certain items which go for an export control approval from the respective Department of Defense of respective countries which by itself is taking nowadays 3 months to 4 months owing to multiple wars happening in the different parts of the world, actually.

So, all this is actually getting delayed. There's a trade war happening, there is a semiconductor war happening, there is an actual war happening. But the flow, there is no embargo of selling the goods to India. That's one good sign of relief for India as a country, but there's definitely, there is a lot of delay. So, the delay should not delay the program as such. We have to make at least just-in-time kind of a delivery commitment for us to give to the customers.

We have sourced these funds, and the funds will be used for the purpose of sourcing it ahead so that we are able to do the production seamlessly.

**Nikhil Chandak:** Understood. So, you think it would reasonably grow say, 40%, 50% for the near term based on the visibility which you have at this point of time?

- Krishna Sai Kumar:** Yes, that's the guidance that we have been giving the last few quarters and I stand by that guidance.
- Nikhil Chandak:** Understood. Perfect. Great. Thank you so much. I'll come back in the queue. Thank you.
- Moderator:** Thank you. Next question is from the line of Garvit Goel from Nvest Analytics. Please go ahead.
- Garvit Goel:** Congratulations for a decent set of numbers. Firstly on this year guidance, you have been guiding for almost 45% to 50% kind of growth. Even if I take the 45% growth you should reach INR540 crores. And in the first 9 months I think we are at INR400 crores. And even if we replicate this quarter number in Q4, we will easily achieve the guidance, but looking at your historical numbers, Q4 is I think significantly differing from all other three quarters in terms of size of revenues. So, would you like to revise the guidance for this year, sir?
- Krishna Sai Kumar:** No.
- Garvit Goel:** Like we will be having a similar kind of quarter for Q4?
- Krishna Sai Kumar:** Yes generally Q4 is always an anchoring quarter. And I don't think I feel any necessity that I need to make a revision to my guidance actually. So, Q4 is always an anchoring quarter for the entire financial year. I don't think any change in my outlook is required, actually. So, if I see the quarterly this thing of the Q4, March 2024, it's INR135 crores.
- Garvit Goel:** Yes I see that. That's what I was asking for, whether there is any upward revision going to be for this year. That's fine. Secondly, on the pledge percentage, sir. So, this pledge percentage is increasing. So, can you put some color on what is the rationale behind it, sir?
- Krishna Sai Kumar:** What percentage?
- Garvit Goel:** Pledge percentage. Promoter pledge percentage is very high for our company?
- Krishna Sai Kumar:** Promoter has pledged his shares because he was sourcing funds to subscribe to the warrants. We have gone for the preferential around a year and a half back. Then once again now we are going for preferential in order to subscribe it he has gone for nothing for any personal reasons.
- Garvit Goel:** Got it, sir. And lastly, on the naval orders that you are saying we will be expecting it maybe this year itself. Is it like the internal when you target that you are having 100% kind of growth in FY25, FY26 sorry, that is based on this order like if it comes in the near term, we will be able to execute in FY26 and if it comes later on, I think 45% guidance. Is it going to work that way, sir?
- Krishna Sai Kumar:** Partially, you can take it like that, not fully. If it comes at least even in the Q1. So I will have some revenues booked at least by Q3 or Q4 of next financial year because once the order comes, it will take 6 months for us to create the documentation, take certain approvals and other things like. So, Q3, Q4, some revenues will start flowing and for the next after financial year it will definitely continue to have.
- But we are also expecting some more orders, as I told earlier also there is an existing order book with my customers. We foresee that they would like to expedite their production, overall

production requirements and enhance their production capabilities also for the next financial year.

If that event happens also, that will also contribute for me in achieving my internal targets. But irrespective of that, my 45% growth whatever guidance we have been giving that we will achieve for sure.

**Garvit Goel:** Got it, sir. And one more thing on the margin side, you mentioned like 25% to 30% kind of EBITDA margin, I think this must be supported by the kind of mix we are going to achieve in the production contract. So, is it like from this quarter onwards, we can expect slight improvement in our EBITDA margins going ahead?

**Krishna Sai Kumar:** I'll not be able to comment on that, sir.

**Garvit Goel:** Okay, sir. That's fine, sir. All the best for the future, sir.

**Moderator:** Thank you. Next question is from the line of Aman Vij from Astute Investment Managers. Please go ahead.

**Aman Vij:** Yes, good morning, sir. My first question is when you talk about our missile contribution in this from couple of lakhs to few crores. So, if you can talk about some of the programs which is coming online in next 1 year, 2 years where our contribution is high and their volume is also expected high. Basically, which will move the needle for the company?

**Krishna Sai Kumar:** Sir, unless the program is getting into production, I am restricted not to talk about it actually. But most of the things nowadays are in the public domains, actually. So, there are certain, I mean to say, news articles coming from directly from defense, how, the steer up is going to happen and all like, for example, the current Pinaka program, it was expected off that it would come, but we have not expected that it would come this month itself, actually.

We were expecting by March end or so. So, the government is taking their own call. But broadly to tell you, the artillery and bomb programs are the ones which are going to have a very large quantity in the years to come. So, those are the programs which will have big numbers, coming.

Apart from the other programs like, the naval torpedo programs like the Electronic Heavyweight Torpedo, these are the programs which will also getting into production areas. NAG is something also which will get in, which will go into a good sizable production.

But there are certain other areas like the ballistic missile programs and other things like, there is a continuous production continuously happening for that. And, I will not be able to comment on that. The ATGMs are the ones which you can keep a track on that, NAG, HELINA and MPATGM and AMOGHA-2. These are the ones which will also get into large numbers in the years to come.

**Aman Vij:** And these programs which you mentioned, NAG and AMOGHA-2, and ATGMs, our contribution is significant. So, the total value of, whenever it happens, can be significant for our company?

- Krishna Sai Kumar:** I don't want to quantify it, sir, as of now. Because the transcripts are available on the, will be available in the public domain. It will be against the competitive, spirit, actually.
- Aman Vij:** I am just asking, whenever it happens, it will be a good chance for our company?
- Krishna Sai Kumar:** I want you to understand like this, that when the quantities are very high, the overall revenue chain value will always be on a higher side. If a program is getting into some 10,000 numbers, assuming that every company is getting at 1,000, 1,500, 2,000 numbers, with at least as small as INR5 lakhs to as big as a INR1 crores, that's the kind of potential every company is going to have.
- The entire ecosystem is going to have such kind of opportunities coming in, depending upon the type of the product mix that they are supplying. So, why I mentioned only these programs is because these are the programs which are of highlight, which are getting into a very large-scale production in the years to come.
- Aman Vij:** Sure, sir. My next question is on Torpedoes side, sir. So, last set of orders we supplied, I think, was for Varunastra. And I think we are waiting for this Electric Heavyweight Torpedo and also Advanced Light Torpedo. So, is there any repeat order expected for Varunastra also? And if not, then when do we expect the big orders coming from Electric Heavyweight Torpedo? Do we expect it in first half of this calendar year or second half of this calendar year?
- Krishna Sai Kumar:** Varunastra, the entire weapon is being done by BDL, sir, actually. I am restricted to comment on that, but yes, there will be a repeat order for Varunastra coming shortly.
- Aman Vij:** And what about Electric Heavyweight Torpedo and ALWT, Advanced Light Torpedo?
- Krishna Sai Kumar:** ESWT is a sensitive program, sir. I will not be able to tell you the timing of that. ALWT, we will start getting some limited series production by Q3 or Q4 of next financial year. Electrical Heavyweight Torpedo, I told you, sir. It is a sensitive program. I will not be able to comment about it in the timing of that.
- Aman Vij:** Okay, sir. No issue. Final question is, so...
- Krishna Sai Kumar:** But the approvals are all done. The trials are all more or less done, actually. So, from our end, there is nothing, some paperwork is going on. Broadly, I think, that level of understanding is sufficient.
- Aman Vij:** Okay. Sure, sir. Final question I have is on this production and prototyping mix. So, currently, it is around 75%-25%. So, for next year, FY '26 and FY '27, where do you see this mix going?
- Krishna Sai Kumar:** 60%-40%.
- Aman Vij:** 60%-40% for FY '26 as well, sir?
- Krishna Sai Kumar:** I am talking about the next year only, not this year. This year is almost over, no, sir, actually.
- Aman Vij:** Yes. And FY '27, can it reach to 50%-50% kind of number as well? By '27...

- Krishna Sai Kumar:** I am unable to give the guidance for FY '27, how much the percentage would be. But for FY '26, it could be like 60%-40%.
- Aman Vij:** Sure, sir. I will get back in the queue. Thank you.
- Moderator:** Thank you. Next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.
- Prathamesh Dhiwar:** Yes, sir. Just two questions on the defense industry side. So, first one is like, how are we seeing the order inflows in the industry? Are we seeing any delays or what is the current situation over there? And my second question is on the payment side. So, are we seeing any payment delays from the government?
- Krishna Sai Kumar:** No, sir. Most of these programs are DRDO programs. The fund is already allocated. There is no dearth of payments. The payments are seamless, actually. There is no issue. The order flow is going to be much more consistent with many of the programs getting into production. And also, because of the entry of private industries getting into this, the having their skin in the game, in line with the government expectations, if they are able to speed up the production capacities and other things, much more consistent orders will be there and much more increase in the order book will be there for the entire ecosystem as such.
- Prathamesh Dhiwar:** Okay, sir. Got it. Thank you.
- Moderator:** Thank you. Next question is from the line of Prateek Bagadia, who is an Individual Investor. Please go ahead.
- Prateek Bagadia:** Yes. Hi, sir. Thanks for giving me this opportunity. And congratulations on completing 40 years of operations in this industry. My first question is with respect to exports. Are we doing any exports? And can you throw some visibility as to how it looks in the next 2 years to 3 years?
- Krishna Sai Kumar:** Presently, we are talking to a few countries, for -- we have given our proposals. We expect that, we will be able to back some orders in the next financial year, execution of which may happen maybe next after financial year. About next financial year, whether we'll be having export or not, I'm not sure of the timing.
- Prateek Bagadia:** Okay, I understand, sir. And for my second question, I just want to understand as to how typically our order flow looks like in terms of when we get an order, what is the completion time? What is the lead cycle to it? I understand that the multiple orders would have multiple timings, but if you could throw a generic light on it?
- Krishna Sai Kumar:** Average, you can take anywhere between 6 months to, 12 months to 14 months.
- Prateek Bagadia:** Okay, so typically, once we get an order, it takes around one year for us to deliver it back to the customer. Is my understanding correct?
- Krishna Sai Kumar:** No, not necessarily, not in all cases. Certain cases where it's a fresh order and we need to source material and all, the timing of sourcing of the metal and all may take some time. But there's some orders, short term where we have some stocks, we have a huge inventory available with us. So,

you know, the execution, that's why I told you the execution is right from 6 months up to 12 months to 14 months. That's the way you have to understand it.

**Prateek Bagadia:** Okay. And so what is our current capacity utilization?

**Krishna Sai Kumar:** See, we are not a product company to assess the capacity of the company and its utilization, actually. So, it depends on the product mix. There are certain, items that we produce that I can produce in a month, I can produce more than 1000 numbers, but that's not the requirement it would be actually.

So, this is not something which can be ascertained as a capacity utilization. If you, whenever you have a time, when you come to Hyderabad, you can visit the plant, I will explain you more in detail. Because even if I explain it now, you will not be able to visualize and understand what it is meant by actually.

**Prateek Bagadia:** It will be a pleasure for me to come and visit the plant. So, my final question, current promoter pledge part is around 33% as of December. Any plans of bringing it down to 0%?

**Krishna Sai Kumar:** In next 1 year, on a phase by phase basis. That's what we are working towards.

**Prateek Bagadia:** Thanks a lot, sir, for answering all the questions and good luck.

**Krishna Sai Kumar:** Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments. Over to you, sir.

**Krishna Sai Kumar:** Are the questions exhausted?

**Moderator:** Yes, sir. We'll take this as the last question. Over to you for the closing comments.

**Krishna Sai Kumar:** Okay. So, thank you very much, to all the investors and team Anand Rathi, my colleague Rukhya Parveen, and Tanya Gupta, my IR team, for participating in today's conference call. We are committed for continuously improving our performance and we also assure you that we will make every effort to achieve much better results moving forward.

We are confident that upcoming quarters will also bring positive outcomes, with Q4 expected to surpass Q3 in performance, which has been a tradition earlier as well. Overall, we are on track to deliver stronger results compared to last year. We deeply appreciate the unwavering support we have been receiving from all our investors over the past few years.

We look forward to your continued confidence in our efforts. Thank you once again and we eagerly anticipate reconnecting with you for the Q4 update. Wish you all a wonderful day ahead. Jai Hind.

**Moderator:** Thank you. On behalf of Anand Rathi Shares and Stock Brokers Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.