

सेवा में / To,
नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लि.
National Stock Exchange of India Ltd.
एक्सचेंज प्लाज़ा, सी-1, ब्लॉक जी,
Exchange Plaza, C-1, Block G,
बांद्रा-कुर्ला कॉम्पलेक्स, बांद्रा पूर्व
Bandra Kurla Complex Bandra, East,
मुंबई, महाराष्ट्र - 400051
Mumbai, Maharashtra- 400051
प्रतीक / Symbol: BEL
सं.No. 17565/6/SE/NSEC/SEC

सेवा में / To,
बी.एस.ई. लिमिटेड BSE Limited
पी.जे. टॉवर्स, दलाल स्ट्रीट
P J Towers, Dalal Street,
मुंबई- 400001, महाराष्ट्र
Mumbai- 400001, Maharashtra.
स्क्रिप कोड/Scrip Code: 500049
सं .No. 17565/4/SE/MUMC/SEC

दिनांक/ Date: 04.08.2025

महोदय / महोदया
Dear Sir/Madam,

विषय – दिनांक 30.07.2025 को आयोजित निवेशकों/विश्लेषकों के साथ सम्मेलन कॉल की प्रतिलिपि।

Sub: Transcript of the Conference Call with Investors / Analysts held on 30.07.2025

सेबी (एलओडीआर) विनियम, 2015 के विनियम 30 और 46 के अनुसार, कृपया 30 जून, 2025 को समाप्त तिमाही के वित्तीय परिणामों पर चर्चा के लिए बुधवार, 30 जुलाई, 2025 को अपराह्न 03.00 बजे मेसर्स इलारा सिक्योरिटीज (इंडिया) प्राइवेट लिमिटेड द्वारा आयोजित सम्मेलन कॉल की प्रतिलिपि संलग्न पाएं।

Pursuant to Regulation 30 and 46 of SEBI (LODR) Regulations, 2015, please find enclosed herewith the transcript of the conference call hosted by M/s. Elara Securities (India) Private Limited on Wednesday, 30th July, 2025 at 03.00 p.m. for discussion on Financial Results for the quarter ended 30th June, 2025.

आपके सूचनार्थ उपर्युक्त प्रतिलिपि कंपनी की वेबसाइट www.bel-india.in पर निवेशक-स्टॉक एक्सचेंज डिस्क्लोज़र टैब के अंतर्गत भी उपलब्ध है।

For your kind information, the aforementioned transcript is made available on the website of the Company www.bel-india.in under Investors – Stock Exchange Disclosure tab.

यह आपकी सूचना और अभिलेख के लिए है।
This is for your information and record.

सधन्यवाद / Thanking you,
भवदीय/Yours faithfully,
कृते भारत इलेक्ट्रॉनिक्स लिमिटेड
For Bharat Electronics Limited

एस श्रीनिवास/S Sreenivas
कंपनी सचिव/Company Secretary
संलग्न- यथा उपरोक्त। /Encls: As stated Above.

**भारत इलेक्ट्रॉनिक्स**
BHARAT ELECTRONICS
भारत इलेक्ट्रॉनिक्स लिमिटेड
(भारत सरकार का उद्यम, रक्षा मंत्रालय)
पंजीकृत कार्यालय :
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“Bharat Electronics Limited
Q1 FY26 Earnings Conference Call”
July 30, 2025



MANAGEMENT: **MR. MANOJ JAIN– CHAIRMAN AND MANAGING
DIRECTOR – BHARAT ELECTRONICS LIMITED
MR. DAMODAR BHATTAD S – DIRECTOR FINANCE AND
CHIEF FINANCIAL OFFICER – BHARAT ELECTRONICS
LIMITED
MR. SREENIVAS S – COMPANY SECRETARY – BHARAT
ELECTRONICS LIMITED**

MODERATOR: **MR. HARSHIT KAPADIA – ELARA SECURITIES PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Bharat Electronics Q1 FY '26 Earnings Conference Call hosted by Elara Securities Private 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 Harshit Kapadia from Elara Securities Private Limited. Thank you, and over to you.

Harshit Kapadia: Thank you, Vishaka. Good afternoon, everyone. On behalf of Elara Securities, we welcome you all for the Q1 FY '26 Conference Call of Bharat Electronics Limited. I take this opportunity to welcome the management of Bharat Electronics represented by Shri Manoj Jain, Chairman and Managing Director; Damodar Bhattad S, Director Finance and CFO; and Mr. Sreenivas S, Company Secretary along with their team.

We will begin the call with a brief overview by the management followed by Q&A session. I'll now hand over the call to Manoj sir for his opening remarks. Over to you, sir.

Manoj Jain: Thank you. Good afternoon, everybody. So these are the financial highlights for Q1 for the year '25-'26. Revenue from operations, it has increased to INR4,417 crores up to Q1 as compared to INR4,199 crores last year figure with a growth of 5.19%. Then profit before tax, it has increased to INR1,289 crores up to Q1 as compared to INR1,037 crores previous year Q1, with a growth of 24.28%.

The profit after tax that also has increased to INR969 crores in Q1 as compared to INR776 previous year Q1, with a growth of 24.87%. The EBITDA also has increased to 29.86% up to Q1 as compared to 22.82% last year. Earnings per share has increased to INR1.33 as compared to INR1.06 and order book position as on 1/7/2025 is INR74,859 crores.

Of course, after that I think almost around INR2,600 crores more we have received order after 1st July, so that you may be knowing through our different disclosures from time to time, including one disclosure happened today also of around INR500-plus crores So these brief about the financial highlight of Q1 for Bharat Electronics. Yes, ma'am you can take on now questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Umesh Raut from Nomura. Please go ahead.

Umesh Raut: Hi, sir. Good afternoon and thank you so much for this opportunity. My first question is pertaining to our margin performance for the quarter. We have seen a very sharp increase in our margins on a year-on-year basis. So could you please share some insights behind these improvements? What was on the account of material savings, localization and [inaudible 0:04:18] and how much was on the account of product mix?

Manoj Jain: Overall margins, that is -- last year itself we had almost 27%. So it is slightly better than that and it should be a good sign only, I should say. So that is there. So it is -- although last year

first quarter, it was less I agree. But overall, at the year end, we had almost 27%-plus was there and this year guidance was 27.

So we are trying to adhere to the guidance what is given to you. So that is the first thing which I want to tell. Damodar sir, do you want to tell something about .

Damodar S Bhattad: As regards to gross margins, gross margins were better in the first quarter in the composition of products, which was more in house manufacturing were there. So it was gross margins were better in the first quarter. As you rightly said it is due to composition of product mix. .

Umesh Raut: Got it, sir. My second question is pertaining to large ticket ordering opportunities. So could you please update us timelines for these following programs? So update on QRSAM program. So where exactly now you are seeing this program kind of getting finalized in terms of order timing? Second, with respect to MSR program and exit kind of now getting finalized through shipyards? And third, basically, on the project Kusha which is kind of in the finance phase of development now?

Manoj Jain: Okay. QRSAM which was told last time also we have progressed a lot now. You may be knowing DAC approval was already appointed.

Moderator: Sorry to interrupt you, sir. Actually, there is an echoing sound from your line. Can you please check it and also some disturbance from the background.

Manoj Jain: Madam we are also noticing that

Moderator: Yes.

Manoj Jain: Here, it is clear. But when we were speaking, we were seeing background noise, echo was coming from other side, I believe.

Moderator: Just a second. Mr. Umesh, can you please check if there is anything around your side on the speaker phone?

Umesh Raut: I'm on mute mode.

Manoj Jain: I think now it is better. Because when Madam, we were speaking voice was clear from both sides. Shall we go ahead, Madam?

Moderator: Yes. Thank you.

Manoj Jain: So QRSAM, as you may be knowing the DAC approval was given on 3rd July 2025. So good progress has happened on that front. So now only the RFP has to be issued to us, which internally there are some processes for that. We are constantly following up that. We are confident to get this order by February, March as of now also.

It may not slip to Q1 of next year. We are confident we may get in the Q4 of this year itself QRSAM because the progress looks really good for us and DAC approval already has come.

Regarding [inaudible 0:07:26] and other subsystems. This was also told last time that our shipbuilder, they already got the order.

So we have already started discussing with them about the configuration, final effect about the final bomb. So those activities are going on at a good pace. So we are hoping in the next 3 to 6 months, we will get a considerable portion of subsystems order with us. So that is a -- good progress is there, but this is having some five, six different types of subsystems.

So for each subsystem, configuration and other details, final details are being worked out. After that we will have P&C, CLC then order placement by them. So hoping that also Q3 and Q4, we are expecting a major portion of that. Some small thing will spill over to Q1 of next year also, some small subsystems may go, but majority of the orders we are expecting Q3 and Q4.

Q2 nothing may happen because still we are in that discussion and that mode only the P&C, CLC will take time. So typically, Q3 and Q4 we are expecting majority of the portion for this. And for the Kusha, we'll be knowing we are still in the development and space jointly with the DRDO. So DRDO those development-related trials only are going on. So order conversion is at last time also all, it will take a minimum 3 to 4 years.

Until that time, we are developing systems and testing jointly with the DRDO, the subsystems and their performances. This is in brief about all the three systems..

Umesh Raut: Got it, sir. Thank you so much. If I can squeeze one more.

Moderator: Sorry to interrupt you, Mr. Umesh Actually, I would request you to rejoin the queue for follow-up questions.

Umesh Raut: Okay. Thank you so much.

Moderator: The next question is from the line of Amit Dixit from Goldman Sachs. Please go ahead.

Amit Dixit: Hi, good afternoon everyone and thanks for the opportunity. A couple of questions from my side. The first 1 is on Virupaksha. Now there has been a press release by company indicating that they have received order for exciter unit and certain other components for Virupaksha. So just wanted to understand, have we also received the order or in which phase we are? So that is my first question.

Manoj Jain: Okay. No. This Virupaksha radar is for mainly 230. So, there are various subsystems in that. We have got one order, developmental order, from DRDO for that, and that order we are in the stage of execution. But these are called development orders. So, after development order, and what you are referring also, that company also has got developmental order for some two subsystems, we call it.

So, they have got some order, but main order has not gone to them. Main order is with, I think, if I'm not wrong, it is BEL and Astra Microwave, if I'm not wrong, for the main systems. So, we are developing these prototypes. Once these prototypes are evaluated and tested, and I am

confident we will qualify, then only the production phase-related or bulk orders will come. So, right now, it is a prototype development jointly with DRDO for this Virupaksha radar.

Amit Dixit:

Great. So, thanks for the clarification. The second question is essentially related to the emergency procurement. Now, in the last con call, of course, fresh from the skirmish, we expected that there could be around, the media articles indicated INR40,000 crores to INR50,000 crores of emergency procurement.

But things appear to have cooled down a bit on that front. So, what are you hearing? And some of these orders that we have got in the recent quarter, do they also pertain to emergency procurement or emergency procurement, if any, would be over and above this?

Manoj Jain:

Okay. The emergency procurement, overall, the activities started, as last time told. We have received one or two orders already as part of emergency procurement. I think it was when we had given our public statement, there we have written also some of the items, like, one LLLR radar we received, and one more item, I think. So, we have started getting emergency procurement-related orders also.

As it was told the last time, I think September is the cut-off as of now for them. So, by next two months, we are expecting many more orders. But overall, all these orders, let me assure you, they will be part of our INR27,000 plus crores of order book, which we wanted to get in this total financial year. We have already received more than INR10,000 crores. So, remaining INR17,000 plus crores, definitely the EP will help us in crossing that target.

Moderator:

The next question is from the line of Amit Anwani from PL Capital.

Amit Anwani:

Hi, sir. First question on the, any impact of supply chain since this quarter we did about 5% growth, despite very strong order book? So, first thing I wanted to understand, anything which impacted the revenue betting, because of the supply chain issue? And second, how are we dealing with the rare earth magnet ban which came from China? Any exposure there and how are we dealing with that situation?

Manoj Jain:

Okay. Yes. Your first point is correct that we only could register 5.19% growth. We were expecting around INR200 plus crores further execution of the order, but last minute because of geopolitical situation, especially in Israel-Iran conflict, that affected our minimum INR200 plus crores of the revenue. So, because of that only we thought we will be in double-digit growth, but because of this only we could fall short of that. Anyway, quarter two we will compensate for this, I am confident about that.

And regarding this rare earth magnets, it is not affecting us directly, because this is mainly for EV and other segments. We are not right now in EV segment as a big player. We are only doing some partial R&D in the EV segment for chargers and others. So, it is not affecting us at all. This rare earth magnet related issue is not affecting BEL. It is mostly affecting automobile sector and other companies.

Amit Anwani:

Sure. And sir, I wanted to understand on the current order book plus...

- Manoj Jain:** That will be the third question. Please, you have told, madam has told two, you have already asked to, please join the queue and we are available till 4 o'clock, please.
- Amit Anwani:** No worries.
- Manoj Jain:** Yes.
- Moderator:** The next question is from the line of Harshit Patel from Equirus Securities.
- Harshit Patel:** Hi, sir. So, my first question is, could you share some timelines for the Shatrughat and Samaghat electronic warfare system orders? Also, how large these orders would be?
- Manoj Jain:** Yes. This Shatrughat and Samaghat order, good progress already has happened. We have received even RFP for one of the program, because they are quite interrelated program, Shatrughat and Samaghat. So, we have got one Samaghat program. Already the RFP has been issued to us. So, we are in the process of responding to that.
- Generally, in the public, we only go after we receive the order. So, this intermediate stage, we generally don't tell. But anyway, to give you confidence that it has come to that stage. And following this, the next order will be for Shatrughat. RFP will be issued for Shatrughat. More or less similar configurations are there. One is for plain and desert. One is for mountain requirements type of thing. So, the total order I think for Shatrughat and Samaghat put together will be around INR6,500 crores plus. Okay.
- Harshit Patel:** Understood, sir. Sir, my second question is on the Next-Generation Corvettes program. So, you have highlighted that we would get the subsystems related orders worth INR60 billion to INR100 billion. So, sir, what is the overall addressable electronics pie in this order out of which we are getting this INR60 billion to INR100 billion? I am just trying to understand what is the input content over here in this program?
- Manoj Jain:** These are all subsystems barring MF-STAR, I think. The MF-STAR, MRSAM only is having some 50%, 50% work share arrangement with our foreign partner. All other subsystems are totally homegrown. So, they are as such only dependencies of ICs or some other component level thing which manufacturing capacities are not there in India. But otherwise, from indigenous content point of view, they are totally homegrown.
- MF-STAR, MRSAM, typically it is around 50%, 50% work share between us and foreign OEM, typically roughly. So, that is the total NGC program. So, in the total program per year, I think around 60% to 70% minimum indigenous content will be there. It will be higher only, exact value I do not know, but roughly you can assume around 70% indigenous content for the NGC program for BEL.
- Moderator:** The next question is from the line of Atul Tiwari from JP Morgan.
- Atul Tiwari:** Yes. Sir, my question is slightly medium-term. Your revenues are now almost touching on an annual basis INR300 billion. And except for some of these larger orders, your order inflows are about INR270 billion. And even in this quarter, the order book was slightly stood down

slightly. So, thinking forward three years, four years out, can we sustain 15% plus revenue growth from this large base of revenue?

Manoj Jain: Certainly, yes. 16% is not at all a challenge. We are actually internally aiming for 17.5% plus. As it was told also last time also, so many projects are in pipeline where we have done good investment at right time. So, two programs are anyway QRSAM and Kusha, which you know, which are definitely INR30,000 crores, INR40,000 plus crores.

But in addition also, so many other missile programs, we are now DcPP partner for DRDO, like one of the missiles which was tested yesterday, Pralay, it is BDL and BEL are the two DcPP. So, that way, so many other missile programs, we are now confident that our share will increase in this program.

In addition to our main equipments of electronic variety in ships, submarines or air force, radars. So, these all programs, we have a good pipeline, we are envisaging for at least next three years, four years for order inflow, as well as for execution. The execution itself, as I stand right now almost INR80,000 plus crores order book is already there with us today, and including QRSAM, around INR40,000 crores to INR50,000 crores we are going to get orders now.

So, I don't see 16% or 17% will be a challenge for me, but definitely it will not go below 15%, that much I can assure you. It will be between 15% to 17%, 17.5%, 18%, somewhere, we will try to stabilize around that type of a growth pattern based on the order inflow and type of projects where we are involved right now.

Atul Tiwari: Great sir. And, sir, the last question is on margin. See, the margin performance has been very strong, even in this quarter, on a base of last year, where the margins were all 28% plus at the data level. So, can we see further margin expansion also over the next two years, three years, beyond 28%?

Manoj Jain: Presently, we have guided for a margin of -- EBITDA of 27% this year and we maintain that. Since the composition of product mix is different in every quarter, so it appears it's a little more this time, but overall for the current year, we maintain it at 27%. And over a period of time also...

Atul Tiwari: Great, sir.

Manoj Jain: 27% is a healthy figure. Anyway, next year when we review our product mix, we'll come back with a revised figure, which may be left side or right side, I don't know right now, depending upon the overall product composition, but it will be around...

Management: 27%.

Manoj Jain: This range only, that much I can assure you. Yes.

Moderator: The next question is from the line of Manish Ostwal from Nirmal Bang.

Manish Ostwal: Yes, sir. Thank you for the opportunity. I have two questions, one on the employee base side. So, what is the current base of employee and in terms of addition last three years, four years, how many people we added on the technical side, and how much money we are spending on the innovation R&D side in a yearly basis, the percentage of revenue?

Manoj Jain: Okay. Our employee base was around 9,000, slightly less than 9,000 it was. This year, as we have told earlier also, we will cross around 9,600 plus, and next year we are planning crossing definitely 10,000 plus. So, because overall, and most of the employees what we are adding now is in the technology front, and almost 70% plus of our new recruitment is going into R&D, because we know we require more and more stronger R&D to take care of this new technology related products, like AI as a technology, ML as a technology, quantum as a technology, which are imbibed inside all these new developments.

So, we are adding good technical manpower, almost 200 scientists also we are taking from premier institutes for our CRLs as part of this activity. So, total we put in R&D around 6.2% last time, it was turnover of our turnover on R&D. This year also we are expecting a bit more than that only. So, between 6% to 7% of our turnover, we wanted to invest on R&D.

And as it was told last time also, total R&D investment this year will be between INR16,000 -- INR1,600 crores plus only, between INR1,600 crores to INR1,800 crores, somewhere we will plan, and it will not be below INR1,600 crores that much I can assure you for doing this innovative R&D across all domains where BEL is operating.

Manish Ostwal: Yes. Second, sir, in terms of that you talk about the technology like AI/ML and quantum technology. So, in terms of modern warfare, where do you see the significant shift in terms of this, I mean, technological trend? And secondly, whether those technology we are having right now in India or we need to have ToT with other countries? So, can you talk about in slightly detail where we are in terms of technological aspects compared to the other players like in the US or China?

Manoj Jain: Let me assure you, we are almost at par with these countries in this new technology domain of AI/ML. We are working closely with our defense forces to see that how this modern warfare can be benefited by this new technology of AI/ML. The main challenge there typically in AI/ML is the data. So, how to get the right data to train ourselves?

For that, we have done considerable work. We are having a very, very close tie-up with our defense forces. We have created AI incubation centre for Navy and Army at BEL, so that we, user and startups, all can work together and develop this technology -- this cutting-edge technology well in time. So, we have done good investment, we have done a good infrastructure and good framework for these technologies to be developed for the modern warfare.

As you may be knowing, all major C4I programs, which we have used even in the recent option tool also, were primarily from BEL, with support from DRDO as the initial technology provider, but now it is mainly spearheaded by BEL. A lot of AI/ML components were there in

these systems, but many more are planned now as a value addition for these C4I programs based on AI/ML technology.

So, we are confident we can do jointly with our startup ecosystem, we can do jointly with our defense users in place, closely working with them. We can give these cutting-edge technological solutions related to modern warfare without any support from foreign countries. That much I can assure you.

Moderator: The next question is from the line of Jyoti Gupta from Nirmal Bang.

Jyoti Gupta: Good set of numbers. I have two questions. One is relating to export component in revenue. How is that likely to look -- how is it going to look like in the next five years? Is it going to increase? And second is, we are talking about missiles, but LCA Mark I, where this -- the CMD of HAL said that we would finish five LCAs.

But it looks like we've received two engines in July, and we expected to receive roughly around 12. And my sense is, best-case scenario, we should be complete with seven LCAs. So, what would be a contribution in terms of from the LCAs this year? How will that impact your margins or revenue from the HAL platforms?

Manoj Jain: Okay. So, regarding export, we are having consistently performance of almost 20% year-on-year growth on export front. And we are confident over the period of next five years, we try to reach around 10% of our turnover through exports. Right now, it is around 4% to 5%. So, we are constantly putting effort as the overall company is growing at roughly 15% to 16%. But export, our internal target is more than 20%.

So, over a period of time, the export share to the overall turnover will steadily increase. And we wanted to reach in next five years around 10% of our turnover through exports. So, that is our vision about the exports. We are going in the right direction with a reasonably good speed, I should say, on export front.

Regarding LCA, yes, there were some delays of the engine availability to HAL. But our components, our electronic components, which go in these platforms, because that goes and that is they use for their testing and making the total LCA ready for just fitment for the engine.

Jyoti Gupta: Yes.

Manoj Jain: Their side, we have not seen any challenges. We are regularly started supplying to HAL and that we continue to supply. So, HAL finally supplying LCAs to user is not impacting well, per se.

Jyoti Gupta: Yes.

Manoj Jain: So, our regular production to meet their expectation as per the contractual timelines which between us and HAL was committed. We are more or less on target for that and it is not going to affect our revenues per se.

Jyoti Gupta: But what could be the contribution of your revenues coming from HAL?

- Manoj Jain:** HAL this year, I think, HAL, we are supplying LCA component and then some other helicopter components also. So, those are there.
- Jyoti Gupta:** Okay.
- Manoj Jain:** Overall, I think, we are planning around, you can assume around INR1,000 plus crores total put together for LCA...
- Jyoti Gupta:** Okay.
- Manoj Jain:** And other helicopter programs of HAL. Typically...
- Jyoti Gupta:** Okay.
- Manoj Jain:** INR1,000 crores plus minus INR100 crores may be there, because some few radars also we are supplying to them this year for their airport operation. So, tentatively around INR1,000 plus crores, you can assume.
- Jyoti Gupta:** Sir, one more question, can I add in this?
- Manoj Jain:** No. No. No. Please join the queue.
- Jyoti Gupta:** Okay.
- Moderator:** The next question is from the line of Dipen Vakil from PhillipCapital.
- Dipen Vakil:** Congratulations on a good set of numbers. Sir, my first question is in the line of to understand a little bit of your order book, sir, can you give us the breakup of the pending orders in your current order book? So, major, maybe five, 10 contracts, which are large value in your order book?
- Manoj Jain:** Certainly. So, as on today, as on 1st of July, technically, the major order book, largest is LRSAM program, which you may be knowing, we received one order also -- this year also out of that. So, around INR5,000 plus crores is LRSAM program. Fuses is around INR4,500 plus crores. Akash Army is the third one, which you may be knowing, Akash Prime trial successfully, it was done recently, nearly, which came in the media also.
- So, that around INR3,000 crores. BMP upgrade around INR3,000 crores. Ashwini, Arudhra radar around INR2,500 crores, Shakti around INR2,000 crores -- Shakti EW system around INR2,000 crores. So, like that is their top 10, 12 programs itself consisting of around INR35,000 crores to INR40,000 crores order book for us.
- Dipen Vakil:** Got it, sir. And I wanted to also understand, sir, recently, you received an air defense ATULYA radar from Indian Army. So, what would be the kind of execution cycle for such order?
- Manoj Jain:** I think it is around 3 years, if I'm not wrong, because already, we have realized a -- plus early production model also for that. And total 24 numbers of the radar, we have to supply as part of

this. Roughly 3 years, I can say, exact details, I don't have. But typically, because there is no FOPM or other things there, we have to directly start supplying because we have already developed the prototype and are ready with the so-called production version now. So, we hope to complete this in roughly 3 years' time frame.

Dipen Vakil: Got it, sir. So safe to understand that even Electronic Warfare suite for Mi-17 helicopters was the execution cycle would also be 3 years?

Manoj Jain: Not wrong, it was 4 years. For Mi-17 V5 you are telling?

Dipen Vakil: Yes, yes.

Manoj Jain: It is depending upon not only our production capacity. It is depending upon what user wants because user has to do like upgrade. They are already flying this helicopter. So, when that will be available to us for these upgrades, so they have their own plan for next 3 to 4 years. So, if I'm not wrong, it was almost 4 years.

Dipen Vakil: Got it, sir.

Manoj Jain: Almost 1 year is already passed in that, 3 more years. So total 4 years is the delivery schedule, if I'm not wrong about that. But that is mainly because of the overall planning jointly between us and Airforce. Based on that, the schedule was worked out and we are on time for supplying them these subsystems.

Management: See, all these are factored in, in our giving our execution program. Whatever we are telling is all factoring in our execution programs, whatever you are projecting.

Moderator: The next question is from the line of Hardik Rawat from IIFL Capital.

Hardik Rawat: Thanks for the opportunity. Good afternoon and congratulations team on a very strong set of numbers. My first question is, bending on the question of the order book constitution, which are the major -- considering our guidance a conservative guidance of 15%, roughly INR22,000 crores of balance revenue to come in the next 9 months. What will be the major program that will contribute to this?

Manoj Jain: Just -- Major order to be received or order to be executed in next 9 months? What was your question?

Hardik Rawat: Orders to be executed, sir.

Manoj Jain: Orders to be executed, then it's okay. LRSAM, of course, always are tops for us. So LRSAM around INR3,000 crores, we are working to execute this year. HimShakti is another big program where we are going to realize the revenue around INR1,700-plus crores.

Akash Army, around INR1,300 crores, D29, LRU for LCA, BSS and Rudra around INR600 crores to INR800 crores each and then links you to IACCS, Shakti EW, BMP-2 upgrade around INR500-plus crores and then remaining are smaller, smaller things. So overall, we have

planned totally how we're going to execute in next 3 quarters left over to achieve this growth of at least 15% for this year.

Hardik Rawat: Got it, sir. That's very helpful. One last question would be with regards to the margin front. Now we have seen a sharp expansion in the operating margin, which has largely been led by the gross margins yet our other expenses have grown as a percentage of sales by roughly 215 bps to 9.5 percentage. Any specific reason because of this -- reason for this jump as a percentage of sales? Have we made any additional provisioning this quarter?

Manoj Jain: Yes, very regular provisioning will be a part of whatever we need to do at that particular point of time, depending on the delivery schedule of products. But in certain cases, we get the DD extension without the LD or without the penalties also. So, we are able to reverse. So, provisioning is there as a part of other expenses. But that is a regular feature we do.

Hardik Rawat: Yes. So, nothing out of the ordinary?

Management: Got about [inaudible 0:34:58] standard, yes.

Moderator: The next question is from the line of Andrey Purushottam from Cogito Advisors. Hello. Sir, your voice is not audible. Hello? I will request you to join the queue. The next question is from the line of Ajinkya Jadhav from KRIIS Portfolio.

Ajinkya Jadhav: Yes. Thanks for the opportunity. Yes. Just wanted to ask, like, are we into the SONAR system? Like have we participated in the tender for the ATAS SONAR?

Manoj Jain: SONAR, I think we are the largest supplier of SONAR, and we are the trusted partner for NPOL, who is the main designer for SONARs in India. So, we have associated ourselves with them since beginning, and we are doing some proactive investments also jointly with them on SONAR. We have our own some subsystems development and indigenization program also for SONAR, like Side Scan SONAR and others.

We are planning to have export worthy version of SONAR also. So overall, I think in the SONAR front, we are a good technology provider for our defense forces. And we are doing now some more value addition in that by adding this AI/ML type of technologies or integrating it for larger strategic platforms. So as such, I don't see any issue of changing our role for that. We are going to further excel only in this domain.

We are hiring some more advisors in this domain to see that with a strong position in the SONAR development, we continue to maintain. And we are hardly depending on foreign countries from the SONAR perspective, although a few foreign origin SONARs are there, but they came as part of the platform earlier itself. Any new SONAR per se, I doubt whether now we are importing.

Ajinkya Jadhav: Yes, great to know about that. And the second question is regarding that, what is the sales mix for between, you can say, the component assembly and the product in our total sales?

Manoj Jain: The thing is, per se, we are making product only. As part of the product, we do the assembly, okay? Per se assembly, we don't take as a business case, okay? So, we generally sell modules, some modules, systems or systems of systems.

Same thing is our components per se, components direct business because we have a component foundry also, but that a business is very, very minimal because that is only from a strategic ISRO and other requirements only. That is very, very insignificant, I should say, as part of the business. It is more of a strategic in nature, presently. So presently, our sale mix is mainly of products and solutions.

Moderator: The next question is from the line of Karan Gupta from Asit C Mehta.

Karan Gupta: Yes, hi. So, I just joined a little bit late. So, I just see commentary. On the -- one question regarding revenue and margin side. So, what's the product mix change has happened kind of 4%, 5% of the revenue growth this quarter. On the margin side, going gross margin improvement is around 9% to 10%. So, what product mix have changed?

And you've also said something on the more you are doing in-house manufacturing of some of the components which was your earlier in outsourcing. So, what's the impact of in future, in-house manufacturing and the product mix on the margin? I mean if you can just quantify if we are doing more in-house manufacturing, so how it will impact positively on the margin side?

Manoj Jain: Okay. Let me again clarify. I think last time also we told it is not in-house manufacturing. It is in-house design or indigenization, which as a drive we are doing. Manufacturing, we do based on the case-to-case basis. Typically, we involve our MSME and other partners more and more. Wherever they are available and their quality output is insured, we generally take from them only.

When we are not finding any MSME partner for doing manufacturing those items only we do in-house manufacturing. Otherwise, our moto and vision is to promote our MSME partners and take their health as and when required as much as possible. But I was mentioning about in-house design and indigenous designs. So, we are doing more and more efforts for indigenization.

So, indigenization is a bit different in designing in India, but manufacturing in BEL or outside BEL that we see on case-to-case basis. And as I told, wherever possible, if any vendor is there, MSME vendor is there, we firstly off to that only. And that only will give us actually more and more margins. because definitely, when we involve our MSME vendor eco-base, it will be overall beneficial for them and for us also.

Only thing we have to ensure is the quality and timeliness of the deliveries. That we go through a rigorous process of evaluating our vendor base. And based on that only we select them. But once we select, we really do hand holding and see that they also prosper and we also prosper. So that is the -- about this in-house manufacturing oblique opening in-house design front.

The second point you told about revenue. Yes, this year, first quarter, we had got almost 5% only as our revenue growth, mainly around INR200-plus crores, which we thought we will realize the sales by June because of geopolitical situation, especially in Israel-Iran conflict. Some of the critical components from Israel could not come. And because of that, we could not achieve, otherwise our target was at least 10% plus in the first quarter itself.

Overall, anyway, definitely, we will cross 15%. But in the first quarter itself, we were having our internal target of 10%-plus. But we could fall short of this because of this last-minute so-called surprises for us. And that is a regular feature nowadays knowing the geopolitical situation around the world.

But sometimes, some particular item may affect us a bit more in 1 quarter, next quarter, it will compensate. Because we have overall a very, very large product mix. So, this large product mix will not impact us too much like here also around INR200 crores in fact only was there, which definitely I'm confident they will compensate in quarter 2.

And overall, margin wise, as was told earlier also, our product mix is so large we can't quantify whether this product mix and what margin will come with this product mix. Average it out and overall, what guidance we have given will be around that only will be our margins. It will not affect too much because of so-called geopolitical situation or because of the product mix for one particular month, etcetera.

Karan Gupta:

Okay. Okay. Fair enough. Second one, on anything we are doing with live simulation? We are providing services to maybe export side or domestically for some companies, live simulation?

Manoj Jain:

Live simulation? The simulator business we are having. Simulators, we are supplying -- exporting also now to some of the countries. And definitely, in India, large complex systems and solutions related to Radar or missile segment, we are developing advanced simulators for our Indian needs.

But we found a lot of export opportunities, and we have exported in the recent past, also some 2, 3 good leads, we have exported also. And we are doing marketing for our simulator business further in many more countries. So, we are confident that the simulator business is really great going for us and good growth prospectus are there in this business.

We are putting some more manpower also in this particular segment and then seeing that some of the large programs because you may be knowing all large programs require the high-end simulator also. So, we wanted to develop those simulators well in time itself so that it can be used while supplying the equipment itself. These simulators can be used for good training from day 1 itself. So, we are working for that.

Karan Gupta:

So, part of the business -- is the part of the business is simulators business?

Management:

Part of the business is...

Manoj Jain:

Simulator as a business -- no, no, no. Simulator as a business will be around maybe 2% to 3% of our total business, less than 5% definitely. One of our SBU is primarily doing that business

and two of our R&D houses are supporting them. So out of total 29 SBUs, actually one SBU is more focused towards simulator and one more SBU is partially supporting them. So, you can see the overall business also depends upon how many SBUs are working. It's around, you can say, roughly 2% of our business.

Moderator: The next question is from the line of Nikhil Purohit from Fident Asset Management.

Nikhil Purohit: Yes, hi. Thanks for the opportunity. Am I audible?

Manoj Jain: Yes.

Nikhil Purohit: Yes. Just two questions. So, what was -- I joined the call a little late. What is the defense versus non-defense ratio?

Manoj Jain: Again, typically, defense, non-defense, it's 88% to 90% and 10% is roughly non-defense, which is our typical figure.

Nikhil Purohit: Got it. Okay. And does our exports order inflow guidance remain intact?

Manoj Jain: Yes, yes, yes. We are confident. We are confident of what our target we have given around INR120-plus million. We are confident we will have that. Good progress already has been done, although we don't give a direct breakup of how much export order we have received quarter-to-quarter, we don't give that, we give overall consolidated figures only. But in this order, what we have received right now, so there is some portion of export orders also. And we are confident we will meet our guidance on export front.

Moderator: The next question is from the line of Umesh Raut from Nomura.

Umesh Raut: Thank you so much for giving me an opportunity once again. The first question is, sir, pertaining to increase -- possible increase in employee cost on the account of 8th pay commission now, specifically in FY '28. Because I think if I look at early assessment of what they are recommending, I think it is about closer to 3x kind of increase in basic pay. So, any assessment, early assessment, what kind of increase we can expect in case of employee cost?

Manoj Jain: I think at that point also, last time also we indirectly hinted to you. This 8th pay commission things are not directly relevant for us, although indirectly, it will control our PRP. There will be a separate pay revision committee, which will be constituted by government for PSU. That will get some input from this 8th pay commission, but it will not be exactly same.

And in the PRP, they give a lot of flexibility to PSUs to decide, based on their profitability and viability of -- from financial point of view. So, at that time we will see -- definitely we want to give the best to our employees. But I don't see any big challenge in the FY '28 for that.

We will start doing some small provisioning from '27 and onwards and see that -- but I don't think it is going to impact us too much because our overall growth, turnover will compensate for this small increase in employee cost. That much I can assure you.

- Umesh Raut:** Got it, sir. And sir, my second question, if I look at our services business, I think there also, we have set up now new SBU related to SaaS business in the non-defense area, but I think our service business contribution in overall turnover is still at about closer to 10%, 11%. And looking at our defense installed base as well now, it looks like we have a sizable exposure towards install base, and indigenization is also going up. So how do you think this services turnover as a percentage of total revenue for you to go up in medium to longer term?
- Manoj Jain:** You have told a 10% to 11% is our services sector.
- Moderator:** Sorry to disturb you, sir. Again, your line is echoing, there's an echo in your line.
- Manoj Jain:** That is madam on the Nomura side, I believe. They have to mute. Shall I go ahead, madam?
- Moderator:** Yes, yes. Please go ahead.
- Manoj Jain:** Yes. So, 10% to 11%, as you have told, we are trying to increase it to 13%, 14% over a period of next 2 years. So definitely slightly increase will be there in the services because some of the new areas also now we are pursuing the services, especially one order which we have received even today, whatsoever we have given in public domain data related to financial services related business by our software SBU, we have got a good order.
- So, these orders of non-defense variety also will increase. So, we will have 3% to 4% overall increase in our overall product mix because of services. So, we are expecting 10%, 11% will become 13% to 15% over a period of time.
- Umesh Raut:** Got it. Sir, just one clarification. As a part of defense offset contracts, does services come under as more of a potential opportunity for exports?
- Manoj Jain:** Everything can come under opportunity for export. But definitely, right now, we are not getting any big leads of the services variety under offset. Under offset typically is a contract manufacturing type of thing or some of the subsystems which we have to supply to them as B&E, etcetera. So, services per se and offset, these two are not gelling together as of now, but definitely there is a scope.
- Moderator:** The next question is from the line of Harshit Patel.
- Harshit Patel:** Thank you very much for the follow-up, sir. Sir, we have received an order worth close to INR2000 crores from HAL for the electronics LRUs for LCA Mk1A.
- Moderator:** Sorry to disturb you, sir. There is a noise in your background of whistling.
- Harshit Patel:** Hello, is it audible?
- Moderator:** Yes, yes. You are audible, but there was a...
- Manoj Jain:** Yes, some noise is there, echo, but we will manage. And when we speak at the time, I think he has to mute.

Harshit Patel: Sure, sir. We'll do that. Sir, we had received an order worth INR1,000 crores from HL for the electronics LRUs for the first 83 numbers of the LCA Mk1A program. How large could be the follow-on order for the subsequent 97 numbers, how much more wallet share we will take with the enhanced offerings in this upcoming order?

Manoj Jain: It will be more or less in that order of 83 to 97 and yearly escalations. HAL cannot give us more than that. So, it will be because quantity to quantity and typically it is year-on-year escalation. So that will be there. So, you can extrapolate how much it will be -- roughly, it will be around INR3,000 crores, I can say, including escalations, roughly INR3,000 crores plus/minus, we have to sit across with HAL and do smart negotiations.

That only will tell us what is the final figure. And as and when we finalize that contract, we will definitely intimate to all of you. But you can assume ballpark figure of roughly INR3,000 plus/minus few hundred crores here and there.

Harshit Patel: Sir, I was asking from the point of view that won't we be supplying many more subsystems vis-a-vis what we are supplying right now? For example, the Uttam AESA radar could be part of our offerings when we'll go to the -- this additional 97 numbers. There could be much more offerings on the electronic warfare subsystems as well. So, we will be supplying the same subsystems or we will increase our scope as well in this newer order?

Manoj Jain: You have rightly pointed out. What I was referring you because you told electronic subsystems, which we have supplied for 83. So, for 97, we will supply all those same. But of course, EW and Radar are the two new subsystems which still not finalized configuration or minor details of that.

And there are -- I think in both of them, there are two partners. So, we don't know who will become L1 in that. So, we are only bidding, but not confident whether we will get the full order. So maybe for those EW and Radar, there is a 50% probability, I should say. Although as management, I should be confident about 100%, but I know my competitor also would like to have.

And the second thing, HAL may decide to give it to L1 and L2 because many times when systems are complex and timelines are crucial, they split the order between L1 and L2. So right now, EW and Radar related, those discussions or those draft RFPs or contract discussions have not yet started with HAL. So I can't quantify right now what type of terms and conditions they are going to write for that.

Once they give us some draft RFP, then I can come out with a more revised figure for this EW and Radar.

So right now, I have excluded EW and Radar from that and only the other sub-electronic subsystems, around 11 to 16 type of subsystems which we are supplying for them. So those subsystems only I told order value of around plus minus, INR3000-plus minus few hundred crores.

Moderator: The next question is from the line of Darshan Parmar from Jefferies.

- Darshan Parmar:** Hi, sir. Congrats on a good set of numbers. Most of my questions are answered. I just had one question regarding the potential opportunity on the drone front. If you could give some sense on that, please?
- Manoj Jain:** Drones per se, we have some four or five major leads where we are working on drones. One of the lead anyway is the Archer UAV for which some trial and other evolutions are going on and immediately completing that. We are expecting a big order on Archer UAV. But in addition, there is a loitering ammunition, there is a logistic drone, and there is a male variety of drone requirement which has come.
- We are pursuing these three, four more opportunities of drone. Male and Archer are definitely big leads for us. So we are confident by year-end at least one of the order we may get out of these four or five leads before this. And the next 2 to 3 years, definitely some big orders we will expect from that.
- But presently, I don't have a quantified figure about that because these all are in different stages of evolution only. They have not come to a contract finalization stage where I can clearly give you some numbers. But definitely drone and drone warfare and anti-drone, these are the area of importance for BEL. We are committed for this particular segment because we know we can give very good solutions to our defense forces in this segment.
- Moderator:** The next question is from the line of Girish from MS.
- Girish:** Thank you for the opportunity, sir. Just a couple of questions. Firstly, on the order book, what portion of the order book of INR75,000 crores that you have today, is recognizable as revenue beyond FY '27 as in the contractual obligations and your execution, which is going to be beyond FY '27, whether it is FY '28 or '29, if you can quantify that? And the second question I had was on the order book on -- currently, how much of it is nomination versus competitive bid? Those two were the questions.
- Manoj Jain:** So, order book, out of this next 2 years, only a majority of the orders we are going to execute. Only some two, three big programs like fuses is there, which is there for next 10 years, actually. And EW systems solutions are typically for around 4 to 5 years delivery schedule. So these are only a little bit larger. So more than 3 years out of this order book, around...
- Management:** INR14,000 crores.
- Manoj Jain:** INR14,000 crores is there for more than 3 years. Remaining all are within 3 years executable. And regarding nomination and competitive bidding, the ratio is around 90%-plus minus to 10%. 90%-10%, we can say roughly. 90% nomination, 10% competition as of now.
- Girish:** And this is -- competition is including the non-defense -- or are you talking only about defense, sir? 90%-10% ratio?
- Management:** Put together.

- Manoj Jain:** Put together. Even some of the non-defense also we have got on nomination. It is not that only defense we get on nomination.
- Girish:** Understood.
- Manoj Jain:** And based on our -- acquired across a number of year, some of the nomination projects we have got, like this platform screen door, which we have got. So many other projects are there on non-defense also. So this mix is for both defense and non-defense, both.
- Girish:** Just like you said, 3 years plus is INR14,000 crores. 2 years plus would be how much, sir? Would it be like INR25,000-odd crores or any ballpark number here?
- Manoj Jain:** Yes. 2 to 3 years is around INR8,000 crore plus. So, 8 plus 14 around INR22,000 cores, INR23,000 crores is 2 years plus.
- Management:** We can have one last question, please.
- Moderator:** Okay, sir. The next question is from the line of Hardik Rawat from IIFL Capital.
- Hardik Rawat:** Appreciate the follow-up opportunity. Two quick questions. Firstly, with regards to the exports opportunity, sir, which are some of the key projects that BEL has developed, which are finding good traction in the export markets?
- Manoj Jain:** The thing is, for us, all our radars, missiles, communication systems, software solutions, all are there in our export-related portfolio for us. Drones and anti-drones. Especially anti-drone systems also, a lot of opportunities are existing right now. And one new area now is the C4I solutions. After Op Sindoor, you might have seen so many of our C4I solutions were time-tested. So now many of the countries are coming towards us for giving a customized solution for them for the C4I.
- In addition, our contract manufacturing related to TR modules and LV racks, we call it, those type of things also are increasing for us. So, there is a good set of products and solutions across almost all domains where BEL is working. So good export leads are there right now. And that's why we are confident we will achieve the -- whatsoever we have given guidance, at the end of the year, we are going to achieve that. So, these products are almost all major areas of operation of BEL.
- Hardik Rawat:** Got it, sir. And lastly, sir, what would be the capex figure for FY '26?
- Manoj Jain:** Capex figure is INR1,000-plus crores. We are going to have this time INR1,000 crores plus only. It cannot be less than that. That is we are committed this year because we are having large expansion in other plants already are underway and a lot of capital items are required for our new generation test instruments and others. So overall, put together, we have done good planning for that, and we are confident that we will definitely cross INR1,000 crores.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Harshit Kapadia for closing comments. Please go ahead.

- Harshit Kapadia:** Thank you, Vishaka. We would like to thank Manoj sir, Shri Damodar sir, as well as Sreenivas sir giving us an opportunity to host this call. Any closing remarks for the investor community, sir?
- Manoj Jain:** Okay. The same is like future outlook for FY '25, '26. We are maintaining all those parameters. I will just repeat that. Revenue growth more than 15%, EBITDA margin more than 27%, order inflow of INR27,000-plus crores excluding QRFM. if QRFM comes, which we are still confident for Q4. If it comes, then it will be additional INR30,000 plus crore.
- R&D investment as it was committed, it will be INR1,600-plus crores only. Capex, INR1,000-plus crores and export \$120-plus million. So, these are our future outlook for FY '25-'26, and we are confident of achieving this.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Elara Securities Private Limited and Bharat Electronics, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
- Manoj Jain:** Thank you.
- Management:** Thank you, all.