



“Bharat Electronics Ltd. Q2 FY23 Earnings Conference Call”

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MODERATOR: **MR. UMESH RAUT – PHILLIPCAPITAL (INDIA) PVT.
LTD.**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY23 Earnings Conference Call of Bharat Electronics Limited hosted by PhillipCapital (India) Pvt. Ltd. As a reminder, all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umesh Raut from PhillipCapital (India) Pvt. Ltd. Thank you, and over to you, sir.

Umesh Raut: Thank you, Steven. Good afternoon, ladies and gentlemen. On the behalf of PhillipCapital, a warm welcome to all of you.

Today we have with us Senior Management of Bharat Electronics to discuss the 2Q FY23 Results and Business Outlook. Management is being represented by Mr. Dinesh Kumar Batra – Chairman and Management Director in-Charge, Director (Finance); Mr. Damodar Bhattad – General Manager (Finance); and Mr. Sreenivas – Company Secretary.

Without taking much of a time, I would like to hand over the call to the management for their opening remarks. Thereafter, we can start the Q&A session. Thank you, and over to you, sir.

Dinesh Kumar Batra: Good afternoon. Our second half, basically first half, the second quarter completed on 30th September 2022, and I am very pleased to share with you that we have clocked 6,960 crore in the H1 of '22 - '23, which over the previous H1 is a growth of 34.18% in the turnover.

Our EBITDA has grown at the rate of 48.97% at 13,169 crore, whereas in H1 '21 - '22, it was 919 crore. EBITDA as a percentage has increased to 19.67% in H1 compared to 17.72% in '21 - '22.

Our profit before tax has increased by 66.43% at 1,403 crore, whereas in the last H1 it was 843. Similarly, PAT at 1,043 has increased by 67.14%.

Our earnings per share, this is at the enhanced capital of 731 crore is at Rs. 1.43, which was 85 paise if we adjust to the increased capital. There is also a growth of 68.24%.

Our order book remains on 1st of October 52,795 crore. And if we see quarter-on-quarter, so in Q2, we have grown at the rate of 27.19% over Q1 of '22 - '23. EBITDA has increased to 856 crore in Q2, whereas in Q1 it was 513 crore. So, there is a growth of 66.86%.

PBT has increased at the rate of 42.73% over Q1 at Rs. 825 crore, whereas it was in Q1 578 crore. Similarly PAT is 611 crore in Q2, whereas in Q1 it was 431 crore. There is a growth of 41.76%.

Earnings per share in the Q2 is 84 paisa over the Rs. 1 share, whereas in Q1 it was 59 paisa. So, there is a growth of 42.37%.

So, this shows we are on the path to achieve what guidance we have given that 15%, which I am sure as our major turnover comes in the Q3 and Q4, so we will be able to achieve the 15% growth what we have shared with you all previously.

Still we have already booked around 2,000 crores worth of orders in H1. We continue to share with you that around 20,000 crores orders will be booked in this complete financial year.

So, these are the major highlights of H1 of '22 - '23. Now open to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankur from HDFC Life. Please go ahead.

Ankur: Hi, sir. Good afternoon. Thanks for your time. First on our order inflows, you know, we got this very large battery pack order from Triton about 8,100 odd crores. So, if you just help us understand, you know, timelines or delivery, what kind of margins you make, what kind of any, if any investment or any capacities you need to put up? And more importantly, beyond this, you know, are there any repeat orders? Are you looking at other customers? You know, how do you see this, these kind of shaping up over the next couple of years?

Dinesh Kumar Batra: Yes. First of all, I would like to say this is not an order. This is letter of intent which Triton has signed with us in the DefExpo. They have acquired this plant. This is AMW which is located in Bhuj, and they are going to make the electric trucks there, and we have developed battery packs for this, their electric truck, which they have given us this much requirement and letter of intent they have placed on us over the two years. But first, we have to give them battery completely evaluated by AIRI and other designated agencies. And once this battery is proven, this much orders will be is the potential orders are there.

So, at the moment it's a letter of intent. So, talking of the price etc., is all to be further negotiated. They have already placed one order for one battery which is around 37 lakhs one battery. Rest of the things, once completely things are proven and the final order will start coming, that time this margins etc., will be discussed. So, at the moment I can't comment on the margins. But so far the battery packs is concerned, we have already put up a state-of-the-art automatic plant at our Pune factory.

Also, I would like to share with you that there was in DefExpo one this fuel cell-based motorcycle was displayed in which also our battery had gone, and this battery had the first indigenously manufactured Lithium-ion cell. So, this battery pack was made with the indigenously designed and manufactured cell. So, this plant also we have put up in our Pune factory. Depending on the business shaping up, we are open for further CAPEX in both for making Lithium-ion cells as well as battery packs.

Ankur: And so because I read somewhere that you would be starting deliveries early next calendar year, is that right? So, effectively, this order should get booked this year itself. Is that the understanding?

Dinesh Kumar Batra: Yes. In fact, everything is going in a quite fast mode as this company has acquired a completely built plant, I think, which had gone sick, and they have acquired it. So, now the one battery which they have given us, the farm order, this will be a first off model, and this will go through all the tests etc. So, once that is proven, then only the more number of orders and then how many will be coming in the first year, because they also have to start building up the trucks in that plant. So, not only our batteries, but their trucks, and then the truck should find a good market, and then start putting up. So, it will be a lot of interdependence, but they have given, shown us that much potential by giving us the letter of intent that is two years' time this 8,000 crores worth of order will be there.

Ankur: And just so clarify, I think, you said you also have developed the indigenous battery cell as well, right, for which you may look at depending on future orders pup up a factory. So, this has been developed by BEL itself, and therefore, you know, unlike most other players who import the battery cells, we can potentially put up our own plant, and therefore make the battery pack as well. Is that right?

Dinesh Kumar Batra: Yes. I would just like to give further explanation on this. This technology has been developed by our DRDO lab from there we have acquired this technology, and we have put up, already put up a plant in our Pune factory, but that's a small plant with the 40 crores of investment, 350 Megawatt around capacity. So, once these cells become proven on these battery packs which we will be manufacturing for the selected trucks, then the technology will also to be proven. Our process will also be proven. Then we can just, you know, scale it up. And then, of course, this will be based on the indigenously manufactured Lithium-ion cell. And the very first battery, which went into the electric this motorcycle there which was displayed, it has already gone, and it was working. Of course, not on the road this motorcycle has come. So, has to go through all the tests, but it was demonstrated. It was working.

Ankur: And so there's one more question before I get back. On your FY24 order inflows, you know, because we have been in that range of 18, 20,000 crores for a year or two now. You know, we have been hearing some delays on QRSAM, you know, during the test done by the different services. So, if you could just update us on some of these data? So, one is, of course, QRSAM but some of the other large missile programs, you know, when you expect that to come through in terms of orders and the kind of value you expect over the next two years maybe '24 and '25?

Dinesh Kumar Batra: Yes. We have already shared with you that minimum 20,000 crores of orders will be coming in both the years and that too for next three to four years. And now you know already that the fourth positive indigenization list was very recently promulgated. And BEL is having around 39 items with 30,000 crores of potential from that list as well. So, now QRSAM maybe one or two tests they might be doing it again and all, but I don't think there will be any impact on the orders

coming in the '24 onwards. And when we say 20,000 crore, these are the minimum. In fact, we are following up with the much large numbers. And now with this e-mobility and our civil segment also looking up in our Metro segments, in fact, just two days back, we have also signed an MoU with the Chennai Metro now for putting this platform screening doors. So, after Delhi Metro now this was another feather for BEL. So, the combined things across many sectors will not have any impact of one or two projects slightly getting delayed.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: So, just one clarification what Ankur asked and specifically on this, the truck order. So, this, the fuel cell, the Lithium, the whole battery, the Lithium-ion battery, once let's say the order comes to you, the MoU is already signed, and the production schedules will be given to you, will you be importing the cell and just doing the BMS work at your plant which normally every company is doing here or will be manufacturing our cell itself here? Because just that clarification I want.

Dinesh Kumar Batra: Correct. As I already informed, we are making cell also here. And the very first cell we launched during DefExpo, and also the battery pack was there in the motorcycle. So, now fuel cell and this Lithium-ion battery pack, these are two different things. Of course, we have also signed an MoU to make the fuel cell also. Now coming to it, of course, we intend to put up our own plant of Gigawatt our capacity, but in the interregnum period, if there's a supply gap, and the large volumes picks up, we may import in the interregnum period, but ultimately, we are going to make our own cells as we have already put up a small plant where we are stabilizing our process. And in fact, recently, many journalists etc., they had visited our factory in Pune, and they saw the cell getting manufactured at our plant.

Nitin Arora: So, sir, what was the reason?

Dinesh Kumar Batra: Now this plant not only is indigenous, this technology also is indigenous which is being developed by NSTL. This is a DRDO lab in Visakhapatnam. So, it's everything complete supply chain is indigenous. Of course, the material may come from outside, raw materials.

Nitin Arora: The question here is that if we were so confident of getting this, our technology in built indigenized barring the Speciality material, which gets imported, why we have not bid for the PLI in the battery?

Dinesh Kumar Batra: Actually, we are yet this is indigenously developed technology which we are stabilizing first time, and this was for basically underwater application. So, we are upgrading this technology for this electric vehicle applications where the temperature range from, you know, minus 10 to plus 50 etc., it has to withstand. So, other technologies we have not been, have not resorted to the route of importing the technology itself. So, at the moment, we have not participated in the PLI.

- Nitin Arora:** Sir, just lastly from my side, if you can update us on two, three programs which were, you know, as we spoke on the last call, you were saying that the orders like land-based electronic warfare system Akash order as well as the ship-based program, which is a very big number you shared, you know, the NGMB, and where we stand? Do you see some delay happening there or that should fall in next two quarters? That's my last question. Thank you.
- Dinesh Kumar Batra:** Definitely, the very clear visibility of 20,000 crores flowing in as now Akash Prime is very close to happening. Himshakti is very close to happening, and EW suite for SU-30 and EW suite for MLH, and Rudra Radar, the final negotiations underway. In fact, it would have happened, but there is a change of God in the ministry. So, slightly slipped, but definitely, these all programs are going to happen in the rest of two quarters.
- Moderator:** Thank you. The next question is from the line of Bharti Sawant from Mirae Asset. Please go ahead. Bharti Sawant, your line is in talk mode. Kindly go ahead with your question please.
- Bharti Sawant:** So, just a few clarifications. The 20,000-crore order inflow that we are giving for the current year and even for the forthcoming year, the 18 to 20,000 crore kind of visibility that we have, is it purely from defense? Or does it include some bit of Civil side?
- Dinesh Kumar Batra:** Yes, this will include something from the Civil side also. As told in the defense side, there is a EW suite for MLH and SU-30 there's a WLR, ADS, ADC&RS. And AMC is coming for Akash and IACCS. And Akash Prime is there. Himshakti any day it may happen. Then medium power radar Rudra is there. BMP-2 upgrade. So, all these orders, and on the Civil side orders will be flowing in for the Metro segment, like Chennai Metro, just two, three days back we have signed for platform screening doors. And this Civil side, ATMS, our the present trial is going on.
- Bharti Sawant:** What is ATMS?
- Dinesh Kumar Batra:** Pardon? ATMS is Air Traffic Management System. It's in the Civil side. The Railroad Metro is there. Then batteries, of course, mobility, e-mobility segment is already looking very bright. And recently we received the letter of intent around 8,000 crores. So, this will some portion of start flowing in once these batteries on the trucks are, you know, proven. Then, of course, the 60 million USD worth of export also we are going to do, and further orders are in pipeline on the export front. So, this will be some, I would say some 15% around will also be flowing in from Civilian segment.
- Bharti Sawant:** So, within the 20,000 crore, 15,000 we are estimating to come from Civil and balance -
- Dinesh Kumar Batra:** 15,000, no, no. What I said, 15%.
- Bharti Sawant:** No, 15%.

- Dinesh Kumar Batra:** You know, at some Homeland Security etc., that's why I am saying 20,000 is a very sure estimate. It may become more than this.
- Bharti Sawant:** But this 20,000 crore, we gave guidance before receiving any MoU or LoI from Triton. Do we expect this as in do we expect to surpass this 20,000-crore number?
- Dinesh Kumar Batra:** See, number one, of course, yes, more than 20,000 crores order may flow in. But however, this Triton is concerned, the very first task is to prove this battery on the truck. So, the first time any Indian company is going to introduce the electric truck which is a very heavy battery is going to have. So, this year much orders will flow, I am not sure, but definitely from next year. Because once this battery is put, one month or two will take for getting all the certifications from the different government bodies which are being set in after there is a lot of incidents of fire took place and ARI is to approve it. So, remaining six months not much may come. Of course, a few numbers may come. So, this will go for the next two years where this complete 8,000 crores of potential will become reality.
- Bharti Sawant:** Sir, initially, as in over in the last quarter, we mentioned that we are expecting about 15% growth.
- Dinesh Kumar Batra:** Yes.
- Bharti Sawant:** This was despite of some slippages happening in FY22 because of the semiconductor chip shortage. So, if you e can just brief us or give us an update as to what can we expect in improvement in the revenue guidance or do we still stand by 15% number?
- Dinesh Kumar Batra:** No, I will keep 15% guidance, and though I am very now 100% sure seeing our H1 performance where we have grown at the rate of 34.18% and all factors of the profitability, or EBITDA margin or PAT etc., they all have grown, and handsomely they have grown 66.43% PBT and 67.14%, and even our capital is enhanced to threefold, and still our EPS could grow at a rate of 68% over the previous one. So, I will like to retain the guidance of 15%, an EBITDA margin of around 22% to 23%.
- Bharti Sawant:** Sir, one more question. Given over a five-year period, we were expecting the Civil segment to become more like 25%. That's the intention.
- Dinesh Kumar Batra:** Yes.
- Bharti Sawant:** With that, how do you see the margin profile changing?
- Dinesh Kumar Batra:** See, continuously, I have maintained this when you enter in different new segments, you have to have your innovative pricing strategies, because price is never, you know, cost plus it is how competition is behaving. So, there are many variable factors, how the competition will emerge in these segments. However, as BEL is a sort of conglomerate of 24 companies all focused on different product segments, overall EBITDA I see hovering around 23%, 24%.

- Bharti Sawant:** And just one last question on the CAPEX front. So, if you can guide us to what will be the overall CAPEX for the company over next two years?
- Dinesh Kumar Batra:** Yes. In fact, at the moment, we have 3,000 crores CAPEX, approved CAPEX from which we have already done 1,500 already done, and this year it is picking up now. The labor market and commodity prices also becoming stabilized. So, our plants at Nimmaluru and Ibrahimpatnam etc., they are shaping well. Nimmaluru is almost nearing completion where we will be putting up now plant and machinery and testing equipments. Ibrahimpatnam has started coming up. Nagpur also we have started. So, this year I am quite hopeful that around 1,000 crores we will be able to do, but this is the ongoing process. The 3,000 crores is getting executed. New projects are getting added up. As you know very recently, we have also signed an MoU with NHPC for putting up solar ingot, wafers, and then sell and module level. So, as this will start taking shape, the CAPEX will increase. We are also exploring to go for Semiconductor fab to put up. So, those all proposals are underway. So, this what I can say that around 1,000 crores we will be doing this year. Next year also I see around 1,500 crores. And also, in R&D will remain also in the tune of around 1,100 crores.
- Moderator:** The next question is from the line of Deepesh Agarwal from UTI AMC. Please go ahead.
- Deepesh Agarwal:** Sir, my first question is you are guiding for 20,000 crores of inflows next year, but I believe even if you get a one regiment of QRSAM next year, that could be itself 12 to 13,000 crores. So, what is that keeping you conservative on guidance? Even I believe you would be factoring in this e-mobility inflows next year.
- Dinesh Kumar Batra:** Yes. In fact, it's not the requirements are there, but as we have seen from the past, the budgets become constrained, and then government has to put more budget towards the revenue expenditures rather than capital. So, keeping those things, I don't want to give the highly optimistic estimates. As 20,000 crores I see definitely happening. So, at the moment, we are keeping it around there, but simultaneously, I keep on telling that it can, it will be much more than this. But at the moment, I am keeping this level, and this kind of order inclusion gives me the turnover growth, which I say is 15% to 20% the next year. This year is the 15%. So, I have sufficient order book. At the moment, the order lag is some 52,000 crores.
- Deepesh Agarwal:** And sir, secondary, so the Triton order, is it contingent and any conditions of them winning any order from a third party? Or is it for the end market?
- Dinesh Kumar Batra:** That's what. You are very rightly said. There are a lot of things to happen. First, this is such a very big battery pack. The truck has to come out of their plant, and then battery has to go on the truck. Then all the roadability tests and other, the safeguards which the standards government has come out with, it has to meet everything. So, first trials etc., will take some time. Only those are the conditions. If everything is in place, the orders will be flowing in. And mind it, they also have to sell their truck. They will not be building up the inventory of batteries as we are capable of making, but they have also to sell truck, and the charging infrastructure is coming on the

roads. Of course, many chargers have started coming on highway, but all those will be the limiting factors and enabling factors you can say.

Deepesh Agarwal:

And this is for Indian markets.

Dinesh Kumar Batra:

See, I can't comment on the Triton. It's a U.S. company which they have put up in India by acquiring this AMW, Asia MotorWorks. What they will be doing, at the moment I am not much privy to it. It's a very, it's a nascent stage and seeing our capabilities, they have given us this letter of intent so that we can put our money, and if we need to expand the plants etc., so we should not shy. So, that's why they have shared this MoU with us.

Deepesh Agarwal:

And sir, lastly, can you comment on the cash flows? Because if I see the cash flow in first half, your cash flow from operation was negative. So, how is the working capital situation right now?

Dinesh Kumar Batra:

Working capital, yes, we are able to, we have good cash we are having with us. And at the moment, when the year got closed, we had some 4,200 odd crores of cash with us, and as the large to meet the large turnover in the next two quarters, the inventory etc., we are purchasing. So, money has gone there and it will start -

Deepesh Agarwal:

So, there is no delay in the payments from the government side.

Dinesh Kumar Batra:

No, there is no delay. Only thing wherever the milestones etc., are not being achieved, and in fact, government is having a lot of money on the capital side. But because of these milestones not coming up which will be taking shape by the end of third quarter. But we are also approaching the government as they have lot of budgets in capital. So, relax some of the milestones so that, and they have shown very positive on that. I am sure in next two to three months, a lot of percentages will be realized.

Deepesh Agarwal:

If I had to assume this year's closing working capital these would be in line with the last year?

Dinesh Kumar Batra:

Yes, it should be around that only. It was 1.5 times around last year current assets to current liabilities. So, we expect it to be in the same range.

Moderator:

Thank you. The next question is from the line of Renjith Sivaram from Mahindra Mutual Fund. Please go ahead.

Renjith Sivaram:

Sir, just on that Triton thing again, just wanted to understand what will be the total investment we have to do from our end to build that capability for Lithium-ion batteries and related manufacturing setup?

Dinesh Kumar Batra:

See, so far making battery packs are concerned, we have already invested around 12 crores of rupees putting up automatic battery pack manufacturing plant and so far making the Lithium-ion cells are concerned, that's a lot of investment we will like to make once these cells become

successful, and we decide to ramp it up. Otherwise, it's always open to, like others are doing, we can keep importing cells and have our own supply chains. That, in fact, Triton is open to supply the cells by procuring their outside and supply to us. So, there, of course, substantial CAPEX will be required, and it will be in the different tranches over the next three, four years.

Renjith Sivaram: And sir, last meeting you had also mentioned regarding CAPEX for some Hyderabad Smart City, which we were planning to do. So, what is the current status? Have you put any investment in that?

Dinesh Kumar Batra: Number one, we never spoke about Hyderabad Smart City. Probably, you are referring to the UP 100 Smart Cities.

Renjith Sivaram: Yes. UP 100. Sorry. My mistake.

Dinesh Kumar Batra: Those talks are going on. Nothing much has happened. The CAPEX is required as they want to do in the do model. But now not much headway has taken place. Meanwhile, we are winning other smart cities. Sundargarh Phase 2 we have got, and the Port Blair we have won.

Renjith Sivaram: So, in terms of CAPEX, this year will be how much and next year?

Dinesh Kumar Batra: It will be around 1,000 crores. 750 to 1,000 crores.

Renjith Sivaram: This year. And next year?

Dinesh Kumar Batra: It will be in the same tune. Actually, 3,000 crores of CAPEX is already approved by our Board ongoing projects. So, this year if it comes around 1,000, next year as 1,200 we have 12, 1300 we have already completed out of the 3,000. But then new proposals keep coming. So, I am quite, you know, the same tune around 1,000, 1,200 crores will also be next year. Till this big ticket comes putting in the Lithium-ion or the fuel cell or the semiconductor or the solar, the CAPEX will remain around this. When the big-ticket CAPEX materialize, then it will be different story altogether.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citi. Please go ahead.

Atul Tiwari: Sir, again, just one question on the second half order inflow. So, about 18,000 crore is needed. So, which will be like two, three big orders which could kind of make up for it?

Dinesh Kumar Batra: Yes. Akash Prime is there which is around 4,000 crores. Himshakti is there which is around 3,000 crores. Then medium power radar Rudra is there, again, 2,500 crores. Then BMP upgrade is there, 1950 crores. EW suite is there. EW MLH is there. WLR. ADC&RS, which is 1700 crores. AMC of Akash and IACCS is 650 crores. So, many big tickets are quite nearing the completion.

- Atul Tiwari:** And sir, just, you know, though this is slightly futuristic, but you yourself I think kind of alluded to it. So, obviously, government's intent is very clear, you know, regarding promoting indigenous manufacturing of various defense equipments, and Bharat Electronics is playing a crucial role in that. So, that all of us understand. But you know, obviously, fiscal deficits are high this year, and we are headed into kind of an election season over next 18 or 24 months. And so do you see a situation where, you know, the focus could kind of shift to revenue expenditure, and we could see a period where the spending is slightly slower for next say three, four quarter which could impact your revenue growth or could lead to some build up in receivables of the company even though obviously over medium term we know that things are going to be fine even from that perspective, but over next three, four quarters?
- Dinesh Kumar Batra:** No, I don't think such possibility. Our payments are flowing in, and depending on the milestones etc., we are completing, we will be able to have the same kind of performance the last year we had.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Good afternoon, sir. First question is that, you know, you had mentioned after the Q1 call that there was 26 billion lower revenue booking in Q4 due to chip shortage issues. How much have been recouped so far into 2Q and first half? And how was it going for H2?
- Dinesh Kumar Batra:** The piecemeal answers I will not like to give, but you can see our H1 performance. They are almost the first time when whatever we planned and 100% we have achieved an impressive growth over the H1 of previous year. So, I don't think the semiconductor shortage etc., as our people have tackled it by different measures, we are going to book the 15% growth, which in absolute terms some 17,500 to 18,000 crores worth of turnover we are going to achieve. Semiconductor short is there or not, it's not going to affect us.
- Sumit Kishore:** My second question is, you know, could you help breakup the orders backlog as of September into defense, non-defense and services? And also what proportion of the defense order book is competitively bid and what proportion of contracts are on nomination basis?
- Dinesh Kumar Batra:** See, nomination remains around 80 to 85% of the order book. And major orders, again, which are in pipeline, these are on nomination basis whether it's Akash or Himshakti or Rudra. So, good amount of orders are going to come from the nomination basis. And if you 50,000, 52,000 order backlog, the non-defense is like the defense is 46,000 crore, and non-defense is 4,500 crores around. So, it remains 10% of almost the of Defense business.
- Sumit Kishore:** And the remaining would be services.
- Dinesh Kumar Batra:** Services is a part of defense or non-defense. So, that remains again 10% of our overall business whether it's a defense or non-defense. This services are included in this.

- Moderator:** Thank you. The next question is from the line of Kevyn Kadakia from Sundaram Asset Management. Please go ahead.
- Kevyn Kadakia:** So, I just wanted to check you mentioned, you know, you have got 30 billion, 3,000 crores of CAPEX, which has been approved by the Board for ongoing projects. But for some of the, you know, big ticket that you mentioned like, you know, for solar module, semi-fab for fuel cells, like what will be the additional, you know, kind of CAPEX that would be required, the quantum for each of these?
- Dinesh Kumar Batra:** Number one, probably I have, you know, could not hear you correctly. But on my side, I would like to say it's a 3,000 crores total approved CAPEX, out of which 13, 1400 crores have already taken place, and 1,000 crores we are expecting happening this year. And now this big ticket, these are still being discussed, evaluated at different levels. We will see when it comes, and we are quite capable of raising funds from our internal accruals as well as being zero debt company have quite a big leveraging power.
- Kevyn Kadakia:** But is it possible to just give some quantum on, you know, what would be the approx size for some of these that you mentioned?
- Dinesh Kumar Batra:** Will you say it again? I'm sorry.
- Kevyn Kadakia:** I am saying is it possible to just give the quantum of, you know, CAPEX that could come for some of these, you know, projects?
- Dinesh Kumar Batra:** I can tell you the projects, but exactly what amount this see LRSAM we are doing, there is some around 350 crores is happening there. But quite a chunk has already happened. Then this Advanced Night Vision Factory, which is in Andhra Pradesh, Nimmaluru, that is nearing completion. Then the Nagpur, we are setting up a ammunition complex. That is underway. Then in Telangana, Ibrahimpatnam where we have land-based systems factory, we are putting up quite good chunk is going there. And then capital infrastructure investment we have done for EVM and EV pack, which major deliveries will be starting next year. Of course, some amount of 400, 500 crores supplies will be going out this year also. So, these are the major projects on which it is going, of course, there is a D-29. That order is already there. So, we have put up an investment. (FSPU 00:45:41), that is the fiber optic gyro-based system we are making, there also is a good chunk is going. So, these are the major areas out of 3,000 crores where ongoing CAPEX is taking place. The super component test facility we are setting up at Hyderabad with an investment of some 104 crores. That's also underway now.
- Moderator:** Thanks for, you know, the elaborating and clarifying. And specifically, so for these, for the solar modules or the semiconductor fab that is it possible to share right now?

Dinesh Kumar Batra: It's difficult because still approvals have not come from Ministry. If it comes, then there is a, you know, to the extent of 2,500 crore to 3,000 crores we need to invest. But I don't know how this will be taking shape, and so far the Ministry has not recorded its approval to us.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Good afternoon and thanks for the opportunity, sir. Just at the onset would like to congratulate you for your term at Bharat Electronics today being your last working day.

Moderator: Thank you, madam.

Renu Baid: So, many congratulations for all the good work that you have done. Two small questions from my side. One, at the Defense Expo, one thing was very clear. Apart from large programs, there was a lot of trust on consumable items, arms and fuses. So, if you can just share some update in terms of where are these with respect to our projects where you were doing investments, and what kind of revenue can we expect from the investments that you were doing with fuses and arms, ammunitions? And second for more of a bookkeeping question here. For the first half, can we have the revenue split between defense and non-defense revenues, and also for exports and services revenue split?

Dinesh Kumar Batra: So, first, arms and ammunition as regarding our investment going on, so as I told, we are building up a ammunition complex at the 200 acres facility, the land which we have acquired. So, this is going on, some around more than 150 crores, which will already land we have paid around 110 crores, and already we have a fuse manufacturing facilities at our Pune factory. Now we have already won 100 odd crores of order this year for fuses through the revenue route, and our, the participation which was for 50 lakhs fuses to be supplied over 10 years, and I am happy to share that we have crossed. This has taken four to five years.

Now we have completed all the trials, and we have been declared successful in the trials, and very shortly, this price bid is to be opened. And I can't say there is another company also ECI who is in fray. Finally, we too remained in fray, and there are other private companies, they have fallen on the during the various trial, field trial, digital trials etc. But I am quite hopeful that we are in good position to win this order. And if it comes, it will be very big the tune of 4,000 odd crores.

And not only this. We are already manufacturing long-range glided bomb and many other made to programs we are participating. Very recently we had signed an MoU for this Hammer, which is Raphael France where this is a range extension kit for the bombs. And also, we have signed an MoU and pursuing this case of 30- and 40-mm ammunition. So, there are many programs going on in the arms and ammunition, and we are acquiring our own ammunition complex. Till now we were outsourcing those magazines etc. So, I am quite hopeful this segment will be a good revenue or not for us for the long time to come.

- Renu Baid:** But any targets we have like for FY25 or in the next five years, what kind of revenue would this segment or category can generate for us?
- Dinesh Kumar Batra:** Yes. See, LRGB itself is some 240 crores, and next year it will be delivered or so far fuses is concerned, this must be giving 100, 150 crores every year. And other programs, when they become reality, then it will be much more than this. Now regarding the sales breakup what you are asking, regarding sales breakup, the defense was around 5,700 crores. Non-defense is around 400. Services is around 700, around 800. And export is around 60 to 70 crores.
- Moderator:** Thank you. The next question is from the line of Kirthi Jain from Canara HSBC. Please go ahead.
- Kirthi Jain:** Sir, with regard to order book, sir, when we say we will achieve 20,000 crores order book, despite that our order book will be flat on a YoY basis at 57, 58,000 crores. When do you expect the order book to grow from 57,000 levels to 65, 70,000 levels, sir?
- Dinesh Kumar Batra:** The point is if our order book remains the three types of the turnover we are doing, the excess orders to keep in order book, then those are not delivered in the way. It will not affect much. And as so far what you have asked as I am saying at the flow in of 20,000 crore, it's remaining flat and growing slightly, like this year I expect to close at around 60,000 crores on 31st March. But when it is more than 20,000 crore, which is my pessimistic estimate, then this will grow further. And the QRSAM take place. It will grow further. But this much confidence I am giving that we are having enough to grow at the rate of 15%.
- Moderator:** Thank you. the next question is from the line of Dhruvesh from JM Mutual Fund. Please go ahead.
- Dhruvesh:** Sir, of last four, five years and after considering the seasonality, I observe that our operating cash flow was negative for first half. If you can help us understand what led to a weak operating cash flow before taxation? Thank you.
- Dinesh Kumar Batra:** No, the current year as we address, we were just telling you some time before, the operating cash flow because we have put more on the inventories which are required for the second half production, so that is how it is.
- Dinesh Kumar Batra:** And even just I would like to add on to overcome this semiconductor shortage, so we have gone for to ensure that we should not fall short of, we have built up the inventory for those.
- Dhruvesh:** Understood. So, it's primarily a conservative inventory buildup and no delay of advances or any sort of from the government giving funds?

- Dinesh Kumar Batra:** No, no, no. In fact, if you see our cash and cash equivalent at the end of the period of the all three cash flows for investing and financing and operating activities, this has gone up. We have 1,078 crores whereas ended previous H1, it was 772 crores.
- Moderator:** Thank you. The next question is from the line of Harshit Patel from Equirus. Please go ahead.
- Harshit Patel:** Thank you very much for the opportunity. Sir, my first question is on the MRSAM program of Indian Air Force. So, could you explain what would be our scope of work in the sense that what could be the total size of orders across years? What will be our work sharing that which will be the other players in the defense ecosystem who will also be participating? So, if you can throw light on this whole MRSAM project, it will be very helpful.
- Dinesh Kumar Batra:** No, I won't be able to throw at the moment.
- Harshit Patel:** Sure, sir. No problem. Sir, coming to my second question on the LRSAM program, so you have earlier shared that there will be a phase two of this program. So, what could be the potential order value for the next phase? Which are the naval platforms on which it will be integrated? And given that we have already achieved very high localization levels while executing phase one, what could be the localization levels well we will execute it the next time for the new field?
- Dinesh Kumar Batra:** Yes. On the same question and I am asking my colleague director to answer it.
- Bhanu Srivastava:** Good afternoon. This is Bhanu Srivastava, Director (OU) of BEL. This LRSAM projects we have already given proposal for a new generation Corvettes, which is around 8,000 crore. That is in pipeline, and that MOD is actively considering that Navy is working on that. Apart from that, there may be a requirement on NGMV, but it's not sure whether they will go for indigenous solution or imported one. So, as of now what proposal we have given to is around 8,000 crores.
- Harshit Patel:** What will be the localization levels when we will execute for this 8,000 crores proposal?
- Bhanu Srivastava:** It will be around 50% of indigenous content.
- Moderator:** Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.
- Sandeep Tulsian:** A very good afternoon. Sir, a couple of questions on the Trial EV order that we are going to get. Sir, that company is going to do some CAPEX of close to 11,000 crores in India. So, how well it is funded given it does not have much of a background what we could find on that, so if you did some due diligence on that part? Secondly, the quantities you mentioned 37 lakhs for battery packs is it factoring in some 20, 22,000 kind of vehicles? Or is there a different or a higher number that we factored in terms of vehicles that we will supply? And thirdly, if margins for this order are in line with the company level margins or they are over, you know, based on whatever assessment we have of our manufacturing right now?

- Dinesh Kumar Batra:** See, number one, your first part of the question better Triton can answer it. I cannot answer on their behalf that how many trucks and all they will be manufacturing. They have given us a order visibility of 8,000 crores over the next two years once the first off model gets proven in all the aspects.
- Sandeep Tulsian:** Are they funded to sustain this order of 8,000 crores?
- Dinesh Kumar Batra:** No, they are not funding. Only thing like first battery order when they gave us, they have given complete 100% advance, and when we will negotiate this further battery order, there will be certain amount of advance they have to give. Besides that, it's our own investments going to be. Regarding your question of margin, I previously also told it will be negotiated. And of course, we will try to build up at least not the company margins of the defense business and all, but we don't do any business less than 10%.
- Moderator:** Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** Thanks for the opportunity. Just two questions from my side. Can you give an update on the anti-train collision system, ATCS which you are working, and what's the update there, and what is the opportunity size there?
- Dinesh Kumar Batra:** Yes, opportunity is unlimited. This is called TCAS, that is Train Collision Avoidance System. This at the moment we are with the Delhi Metro on this. Once it gets inducted, the sky is going to be the limit. All these metros and then the main line there was, it can be, you know, adapted for the main railways as well. Now just to give you like how other metros are coming when first we were having with Delhi Metro, two, three days back we signed with Chennai Metro for supplying PSDs, that is platform screening doors. So, it will find a very good market. Beyond it, it will be very premature on my part to say it.
- Harshit Kapadia:** So, what stage are in this conducted? So, is the trials are over or few more trials are required or are in the approved stage, and approval is taking time? Any color on that?
- Dinesh Kumar Batra:** No, at the moment I will not be able to say more than this.
- Harshit Kapadia:** And lastly, sir, you had mentioned few quarters back, you are looking to raise your service revenue to 25% of the overall revenue. Right now, we are at 10%. So, what could be the drivers here and any projects which you are envisaging?
- Dinesh Kumar Batra:** Yes, the big systems they are coming for AMC, like this year we are going to receive AMC for Akash and ISCCS, and more and more our product support centers which are emerging over the different parts of country. So, that is giving us the hope of raising it to 25% over the two, three years.

- Harshit Kapadia:** And what were the value for Akash and ISCCS?
- Dinesh Kumar Batra:** AMC, it will be around some 500, 600 crores.
- Harshit Kapadia:** Each?
- Dinesh Kumar Batra:** No. The total orders of AMC on these two parts which will flow in this year. Akash and IACCS maybe around 650 crore odd.
- Harshit Kapadia:** But that would not help you to reach, you know, 25% revenue share.
- Dinesh Kumar Batra:** No, we are thinking at 15% going to touch 18,000 or 17,500 crore to 18,000. And again, it will be 10, 12% only. Thank you, Mr. Umesh.
- Moderator:** Thank you. Sir, any closing comments from your end?
- Dinesh Kumar Batra:** Closing comment I would like to say that whatever guidance we have given, we are on the track and seeing our H1 performance, all whatever we have planned, we are able to achieve. And all the guidance what we have given, I'm holding at the end of H1.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of PhillipCapital (India) Pvt. Ltd., that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.