"Data Patterns (India) Limited

Q2 & H1 FY '24 Earnings Conference Call"

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MODERATOR: **MS. MONALI JAIN – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Data Patterns (India) Limited Q2 and H1-FY24 Earnings Conference Call hosted by Go India Advisors. 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, 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 Ms. Monali Jain from Go India Advisors. Thank you and over to you, ma'am.

Monali Jain: Thank you Aman. Good morning everyone and welcome to Data Patterns (India) Limited Earnings Call to discuss the Q2 and H1-FY24 results. We have on the call Mr. S. Rangarajan, Chairman and Managing Director and Mr. Venkata Subramanian, Chief Financial Officer. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that company faces. May I now request Mr. Rangarajan to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

S. Rangarajan: Thank you, Monali. Good morning, ladies, and gentlemen. I thank you for joining us today for the Q2 and H1-FY24 results call.

I hope you had a chance to go through the earnings presentation which is available on both the stock exchanges and on our website. Before Venkata takes us through the financial results, I would like to give you a quick rundown on some of the important updates and key highlights for this quarter. I am delighted to share that we have achieved another profitable quarter, demonstrating our steady growth.

Our revenues have increased, contributing to our company's sustained growth trajectory. We have started participating in large value tenders under the Make-1 and Make-2 categories with Ministry of Defense. This strategic move is to increase our total addressable market and increase the future revenue.

I am also proud to announce that we have already invested at least INR10 crores for our new product development in the field of radar, electronic warfare, and communication systems. Our order book during Q2-FY24 reached INR1,000 crores, with an order inflow of INR145 crores, which includes an export order of about INR39 crores. Moving on to a brief financial overview, in Q2, our revenue from operations increased by 23% year-on-year to INR108 crores.

In H1, it grew by 27% year-on-year. Gross margins remained robust at 69% and 67% year-on-year in Q2 and H1 respectively. EBITDA exhibited a growth of 36% year-on-year in Q2. In H1, it grew by 34%. The defense sector is one of the essential sectors for the government. The government has recently given the green light for defense acquisitions amounting to INR7,800 crores.

This decision aims to enhance our armed forces' combat readiness. When coupled with the government's Make in India initiative, it opens the doors to significant prospects for us. These developments provide an ideal platform to seize opportunities, enabling us to develop and provide innovative products for the defense sector.

Keeping the sectoral tailwinds in mind, we had raised at least INR500 crores through QIP to develop products in radars, EW, communications, and satellites. These products, once developed, will provide sustainable growth and possible exports. At this point, I'll pass the floor to Venkata for his comments.

Venkata Subramanian: Thank you, sir. Good morning, ladies, and gentlemen. We are delighted to report outstanding performance in Q2 and H1 FY24. Let me provide an overview of the financial results. In H1 FY24, the revenue from operations surged by 26% year-on-year and stood at INR198 crores. The gross margin for H1 stood at 67% supported by our strong revenue mix.

EBITDA grew by 33.5% year-on-year to INR69 crores, and EBITDA margin stood at 34.6%. Profit before tax stood at INR81 crores, whereas profit after tax increased by 69% year-on-year to INR60 crores. In Q2 FY24, the revenues exhibited year-on-year increase of 23%, reaching to INR108 crores. We effectively maintained a robust gross margin at 69% in Q2.

Profit before tax stood at INR46 crores, and profit after tax witnessed an impressive 61% growth, reaching to INR34 crores. We maintained a debt-free balance sheet, reflecting our prudent financial management. As of September 30, 2023, we hold over INR603 crores in cash and cash equivalents, signifying our strong financial stability and liquidity.

Overall, we delivered a strong performance in Q2 and H1 24 and are confident of steady growth momentum for the year ahead. With this, we will now proceed to the question-and-answer session. Thank you.

Moderator: Thank you very much. First question is from the line of Ashish Shah from JM Financial. Please go ahead.

Ashish Shah: Yes. Good morning and thank you for the opportunity. So, first of all, if you can just help us understand a bit more on the nature of the orders which have been received for the quarter. So, obviously, we have given the description in the presentation, but any more color in terms of what is the underlying product, the delivery timelines, etc., will help.

S. Rangarajan: We have an export order of nearly INR39 crores, which will be delivered next year. And then some of the other orders is for avionics and INR30-plus crores, which will get again delivered over the next 12 months. Some of the other orders, I think part of it will be delivered this year, part will be delivered next year.

But all of them, whatever the orders are received, they are all towards delivery of this year and the next financial year. Nature of the orders is very similar to what we have been doing. It falls on avionics, some for LCA Mark 1A requirements, and some for EW, some for radars.

And those are the areas where already we have been doing business, and that's what it is. We have also negotiated some contracts for about INR70-odd crores, and those are also the same areas of operation.

Ashish Shah: Right, sir. So, secondly, there are two particular programs in the Dharashakti and Arudhra where DL has already received these orders and we are in a preferred position for the underlying contracts and products for our scope. So, how do you see the progress in these particular programs? Do you see them materializing for us at the end of this financial year?

S. Rangarajan: It should. The inquiries have been received, we are addressing the inquiries, and as and when BHEL decides to place the order, we do expect that it should happen in the next few months.

Ashish Shah: Right, sir. Lastly, in terms of working capital, so first half this year we have seen an improved performance, we have seen a positive cash generation. So, you expect that this should continue, especially because second half tends to be good for payments and deliveries, etcetera. So, would you expect a further improvement as we go ahead in the working capital levels beyond what we have seen in the first half?

S. Rangarajan: As we have always been saying, in the next two years, we will see a gradual reduction of net working capital. It will go up quarter to quarter, you will see, or half year to half year, you will see it change, and working capital will come down as you go along, and it will be brought down as part of management initiative, and also because mix of orders which we are having is changing, and because of which the working capital cycle will be coming down. It will be happening.

Ashish Shah: Thank you. Thank you for this. I will come back if I have more questions.

S. Rangarajan: Thank you.

Moderator: Thank you. The next question is from the line of Dipen Vakil from InCred Equities. Please go ahead.

Dipen Vakil: Thank you for my question and congratulations on a great quarter. Sir, my first question is on the line of, so our 2Q revenues were largely driven by DRDO and MoD. So, how do we expect execution in the second half of FY '24? It will be driven by which project? Any new execution or any upcoming development?

S. Rangarajan: See, for the second half, we have orders on hand. So, we will be executing the contracts. We have INR1,000 crores orders on hand. All of them have to be executed in this year, this financial year, and the next financial year, most of it, at least, will be executed in the next 18 months. So, automatically, in the second half, we will issue some of the orders on hand, and some of the larger orders, which can be issued only next year.

The work is already on. Development and production has started for all of those things, so that we will deliver the contracts in time. So, that's how it is. Yes, our orders are largely DRDO and

DPSU driven today, and there may be a few direct MOD orders also we have, which will be executing one of them this year.

The other important thing is, we also got some INR60 odd crores of contracts, export contracts, which also will get, I said INR38 crores, INR39 crores, this quarter we received one. We already have an export contract for the previous quarter. So, these are about INR70 crores, I think. I don't know the exact number, but it's around that. It will be executed next year.

Dipen Vakil: Thank you for that explanation. Sir, my next question is on the lines of, so, any, like, so you mentioned about the exports. So, any update on, so where the export is coming from, from which geographies, and do we see any geopolitical situation impacting us in any way for any supply chain issues, any raw materials?

S. Rangarajan: The present export orders are in three geographies. One is from Europe. The second one is in UK. The third one is from South Korea. We have orders from there. We continue to get business from UK. We're doing business with them for some few years now. We continue to get those contracts where we design and produce for them.

We're also quoted to some other European, large European companies. As soon as that contact may also happen. Coming back to the second question is supply chain issues. At the present moment, we don't have supply chain issues because of the current war situation.

But having been hit by supply chain issues during COVID, we're a bit aware, quite aware that, take this into cognizance, and we'll see whether we can stock components, where they're going to be next six months or nine months delivery. Maybe we should stock components. We're looking at all options. As of now, we don't have any supply chain issues.

Dipen Vakil: Okay. Thank you, sir. Sir, and last question is on, so, last quarter you mentioned that the approvals for secret program was expected in a couple of months. So, what would be the status on that? You mentioned that it is there in user trials. So, have we received any update on that?

S. Rangarajan: We have participated in all the trial requirements with DRDO on this. We have completed our end work, and the systems have been actually handed over to them. They are now doing their work to take care of how, when the trials will happen. We will not be told of the trial in the last moment. So, we do know that it is getting ready. Beyond that, I cannot share any details.

Dipen Vakil: Sure, sir. Sir, thank you so much, sir, and all the best for second half.

S. Rangarajan: Thank you.

Moderator: Thank you. The next question is from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.

CA Garvit Goyal: Congratulations for a good set of numbers. My first question is on the new product development side. So, basically, we are developing new products in radar, EW communications, and satellite.

So, what different are we doing? Like, these products, what are the new areas which existing product basket is not catering, but newer products will cater to?

Because in existing product basket, we do have different kinds of radars, like tracking radars, weather radars, and satellite. We do have the satellite bus management services. So, what is the exact difference are we going to create with these new products?

S. Rangarajan: Very good question. See, all along, our history has been with DRDO. So, we made parts of the systems, either radar, EW, or communications, whatever we do. We do parts of it, subsystems, and the entire system is designed by DRDO. But we continue to work with DRDO where we learn and build products for them. And then, it goes into, once field tested, we get products from DPSUs, like BEL or HAL, based on transfer technology from DRDO.

But what has really happened now, the market has opened up. The MoD tenders are now addressable by people like us. Instead of only relying on foreign technologies to bring the technology inside and build products in India, and address these MoD requirements, we decided we will build products here.

So, the essential difference is that while with DRDO, we're doing parts of the systems. And when it comes to MoD, we have to do the whole system ourselves. Yes, to enable this competency buildup over the last one decade or so, or in one and a half decades, we have built our own radars in non-different sectors, like wind profilers, with tracking radars, weather radars, and these kind of surveillance radars.

All of them we have done. So, then we build a competency matrix within the organization. We build end systems. We invest a lot of money and effort, not looking at profitability figures. We build these capabilities in-house. We believe these capabilities now is going to have a lot of impact on the future products we are going to generate or develop for the MoD sector.

So, in this, the difference essentially is that we build ground-up systems, addressing MoD requirements, either we make one or make two. Or is it going to be direct IDDM or buy Indian? These kind of categories of MoD. As well as some of the other contracts that are coming in, emergency procurements, all of that. For all of these contracts, we need to have products with us to demonstrate and go through a trial. Unless we build the complete products, we are not going to be ready to address these markets.

That is the idea. We took QIP funds and then tried to invest and build the products. And the product category will be similar to what we are already doing, because we require a lot of domain abilities to build such products. And ground-up domain and competency doesn't come overnight. So, we will continue to build further capabilities in areas of radars. It can be various kinds of radars required by air force and army or navy.

As well as, similar to that in EW. We have done receivers, now we do jammers, we do entire systems. So, we enhance the product category to build full systems. That is exactly what we are trying to do.

CA Garvit Goyal: Okay, that's nice to hear. Secondly, are we looking to cater only defence sector going forward? Or with our research and design capabilities, we will go beyond the defence EMS and cater to the new areas like component manufacturing for semiconductors or anything like that?

S. Rangarajan: I don't think at the present moment, we are looking at component manufacturing for semiconductor industry. See, the market here, we are in a INR400 crores, INR500 crores, IRN600 crores kind of a revenue model. The requirement in India is so large in the defence sector. And all of them have been relying on imports to address the market.

So, we have a competency model which is deep down, domain developed, capability developed over the last two and a half, three decades to build capability in this product. So, our immediate management's immediate attention is to address this large opportunity which has opened up in India.

We just got opened up and so I think we should use our capabilities to address the market right now and scale the company substantively. This is the first target which we have set for ourselves. The second is, because of the design abilities which we have done on all of electronics, the competency model built up.

We also want to look at address markets outside India going along. This can be in defence. This can be in civil sector where quality and reliability is of a sense and fairly high-end technology which will go to rugged requirements. Those are the areas where we can get specialized and we would like to address those opportunities outside India. We see that there is a large portion of our business also starts coming from export. So, this is also an idea.

We will work towards the next two years to three years' time to build the competency in the market and marketing abilities and position ourselves to address these opportunities.

CA Garvit Goyal: Understood, sir. And, sir, in Q2, 27% of total inflows were from export and specifically highlighted in the presentation as well. So, do we expect it to be in the same way for the incremental orders? And with geopolitical tensions across the globe, are you people witnessing any increasing demand from exports over and above what we were expecting earlier?

S. Rangarajan: Can you repeat the first part of the question? I have not really understood your question.

CA Garvit Goyal: I was saying, for the whatever incremental orders we got in Q2, 27% was from the export. So, going ahead, from whatever incremental order we will get in future, so the proportion of the exports will remain the same or it will change?

S. Rangarajan: There is no proportion for export. These are all one-off orders. This is not a regular requirement. We put it in some requirements. The orders are coming in. We are going to quote such requirements as we go along. Like we quoted DRDO, we will actually quote to some systems abroad. And once it is established, based on their contracts, we will get repeat contracts. This is what we would like to do.

But I would not like to do a projection at this point. Because we do not know the projection on their side. So, we do not know what to project here. The important thing is, we should engage the foreign OEMs with products from India. And we should seek such products. This will, I think, in the longer term, be very good for India and for Data Patterns. So, this is the effect we are trying to do. We are not trying to project anything. But the intent is to do more as we go along.

CA Garvit Goyal: The second part, due to any geopolitical tensions, are you able to detect any increased demand from exports?

S. Rangarajan: No. It depends when they build the system. They do not change the supply chain so easily. It takes a long time to change the supply chain. Because you go to the qualifications and things like that. So, they cannot immediately change the supply chain. If you want to change something on the existing product and introduce new things, it will be a three- or four-year cycle.

So, you need to start working with the supply chain. If the development initiative is done, if the case contracts are validated, if two systems are together, once the trials are over, they can place orders. So, it is a long-haul kind of a change. I do not think that because of geopolitical issues, immediate change will happen. Even if it were to happen, it will happen over a period of time. This is what I expect from my understanding of how systems are built and delivered.

CA Garvit Goyal: Okay. And lastly, on the Pinaka side, the final trials for Pinaka are completed successfully. Have we participated to be a supplier for these products? Or are we expecting orders from it in the upcoming three to four months? And going by that, what kind of order input do we expect in the second half of this year?

S. Rangarajan: No, we are not involved in the Pinaka system. So, I cannot answer. To come back to the previous question, there is a movement for Western countries to look at India seriously. To try to look at it as a supply chain. So, a lot of inquiries and interests have come. Presentation people have come visiting us. So, that interest is visible. So, I think we should grab their interest, address some of the opportunities and scale the business. This is what we are trying to do. But on Pinaka, we are not involved in Pinaka.

CA Garvit Goyal: Understood. And sir, in the second half, what kind of order input do we expect?

S. Rangarajan: We have made the guidance. We said INR45 crores for this year's order intake. So, whatever is expected, we expect to address that. We have got some INR45 crores orders already in the last quarter. I think we will expect the next to come in the next two quarters. There has been a bit of a delay, but the contract should happen. As predicted, the contract should happen. And we will retain the guidance which we have given in the initial calls.

Moderator: Thank you. If you wish to ask a question at this time, then please press star and 1. The next question is from the line of Abhishek Agarwal from Naredi Investment. Please go ahead.

Abhishek Agarwal: Okay. Good morning, sir. I congratulate on a good set of numbers. The first question is, is the announced EBITDA margin you attend in Q2 is sustainable in Q3 and Q4 FY '24?

S. Rangarajan: Okay. I think our overall gross margin will be slightly better than last year's EBITDA. It is slightly better. So, towards the end of Q4, EBITDA goes up rather than going down. This is how it is because the revenue goes up and our operation cost is lower. Typically, that's what happens. So, I believe we should be sustainable EBITDA margins going ahead. And if you look at last year's financials, we expect based on the order mix, it should probably be a bit better than last year's.

Abhishek Agarwal: Okay. And second question, how many orders you have already bid and what is your success rate and what will be the order book at the end of financial or FY '24?

S. Rangarajan: We can't give you exact numbers. That is why we say on an overall level, how much we can order to expect this year. And we are in line with whatever we projected earlier. But exactly what value will be there is something which I don't want to guess today. Maybe towards the next quarter end or something we have a much more clearer idea of where we are, we can give you guidance.

But it will be like I said, the order info before FY '24 this year. Already we have something, the rest of the order should come. And based on guidance and whatever we deliver this year, the order book can be discussed maybe next quarter.

Abhishek Agarwal: And what is our success rate if we bid for INR100 crore orders? So what do we get from INR100 crore orders?

S. Rangarajan: This is again very dependent. Because there are some quotes which go to the lowest quote, which we know we may or may not win, but we participate. So we don't really consider those contracts as our contract, because we are also one of the guys who quote there. But there are certain contracts which we want to have because it's our capability which we have built up. There we expect 100% contract. And that is how we build our business.

Based on the capability and based on competition and what we have, that is how we build. So we are more strategic in nature. We are not actually building, though we do quote because the tenders come, we quote. But we are more very strategically poised. So I can't really give you a percentage on lost sales and percentage because mostly it will be on the relevant tenders it comes on the quote. We don't consider them as a lost sale actually. So conversion, on where we want, our conversions are very high. Wherever we want to get the contracts.

Abhishek Agarwal: Okay. And sir lastly, the EBITDA margin is higher in development contracts compared to production. How much percentage is more than production?

S. Rangarajan: Actually, this is a misnomer. This is the idea that development contracts have a better margin than production. It's not actually true. In our case, I think, it is largely similar to development or production because we don't charge for development. Even in development contracts, the development over time is not really charged to customers. Because all of them, we try to take the lowest quote price.

And we start developing much ahead of the contract itself. So a lot of capability buildup happens over many years. And then we write off the development expenses and the revenue expenses, what we've been doing all along. So when a production contract comes, it is actually, they consult or they try to say, what is the development contract, what contract price we have. And that is taken as a basis. So normally, there is no difference between development and production contracts in our case. There may be variations and exceptions in there. But largely, it should be remaining the same.

Abhishek Agarwal: And lastly, in H1, we get 35% of total revenue and 65% in H2. This trend is going to continue going forward. Because I am asking, in FY '23, our revenue is INR453 crores and we maintain 25%-30% remaining gross. So in FY '24, we get around INR550crore, INR560 crores revenue. And H1, we get INR198 crores. So the remaining, we get INR452 crores, INR198 crores. So a good INR352 crores revenue, we are doing in H2.

S. Rangarajan: We are getting overall guidance of 20%-25% overall growth from last year to this year. We will try to address that and retain that growth. And we are also attempting to reduce the seasonality and try to increase, you know, make it more quarter-to-quarter EVL. It's not been practical. We've done a fairly good job, considering a few years back, almost everything will come the last quarter. We have now reduced the last quarter sales because of visibility of contracts with us.

Try to, you know, deliver in quarter one, quarter two also. Yes, there is a last quarter bias will be there. Last quarter, the last half year, second half bias will be there. But then I'm going to reduce the bias and we're trying to really see whether that can be brought down going ahead. So, we have already given a revenue projection guidance. We try to stick to that.

Moderator: Thank you. We move to the next question. That is from the line of Mudit Kabra from Elara Capital. Please go ahead.

Mudit Kabra: Sir, any sense on the opportunities for Data Patterns from the Su-30 radar and any other electronics upgrades program, which is expected? And any quantum or ballpark number on the opportunity size from here?

S. Rangarajan: These are all things which are about to happen now. We would like to address them, participate in these programs. But at the present moment, we can't really say which portion we will get a contract, where we are going to be. We don't know now. We understand this is happening. We are also interested in participating in it. I can't tell you anything more at the present moment.

Mudit Kabra: Got it, sir. And secondly, are we seeing or expecting any kind of slowdown in tendering or approvals in the defense space prior to elections? Has it started to kick in or are we expecting any kind of slowdown?

S. Rangarajan: No, see, in the space we are operating, we are not seeing any difference. What we hear sentiment is, like you people say, we all hear the same sentiments, but I've not felt it in our tendering. And we are not in very large value ticket games, INR10,000 crores, INR20,000 crores. These kinds of tickets may get postponed. The smaller contracts probably tend to go ahead. So it's only a few more months.

And we are quite busy doing what we have on order of hand. And that is some of the opportunities you talked about just now. So let us see how it goes. But we can't take a position on this. We really do not know.

Moderator: Thank you. The next question is from the line of Dipen Vakil from InCred Equities. Please go ahead.

Dipen Vakil: Thank you for the follow-up opportunity. Sir you mentioned that the competition with the opening up is increasing. So I wanted to ask you, where does RS lie in terms of products? So which product, which major product do we have, which have less or no competition and which could possibly be the single vendor contract for us?

S. Rangarajan: See, everywhere there is competition. India is a large country. And everybody, there is a lot of capability within India. Everybody will compete. So I cannot say which products will have no competition with single vendors. So we look at case-to-case opportunities and see if we address all the opportunities ourselves, then we'll be better priced, then we give a better timeline to deliver to the customer.

And the customer then decides, yes, we need what we have. And maybe he decides on a single vendor opportunity, make a single vendor case. We'd be happy to address them. But ahead of time, we can't say which will be single vendor. It's very difficult, especially in a normal call like this.

Moderator: Thank you. The next question is from the line of Ashish Shah from JM Financial. Please go ahead.

Ashish Shah: Yes, thank you for the repeat opportunity. So my question is on the Donor Upgrade Program. So there, you know, we are in the free or in a preferred position for certain systems on the government side as well as the government also recently approved the upgradation of the avionics for the Donor. So is there any role that we are envisaging ourselves in the future? If you can just give some color on how the upgrade program is progressing?

S. Rangarajan: We have some contracts on the Donor Upgrade Program from DRDO. It is progressing well. We're doing some of the EW systems for Donor. We have some EW systems here for DRDO. And also a radar, a surveillance radar we're designing for them. So these two are being developed and deliveries are happening as per schedule requirements. So we are waiting to watch. Once it is flight tested and contracts are placed by Navy to HAL, back-to-back, these orders should come. These are fairly high-end systems that are being designed with DRDO.

So we're quite excited of this opportunity. And we believe that this should be rectified. If all things going well, our side and DRDO side meet Navy requirements, I believe that this should be a good opportunity for Data Patterns. But only the next one year we'll know. Once it is installed in flight and post-trials, we'll get an idea, size of business.

And when we have an idea of size of business, when it will happen, we'll know only after a few more months. But yes, this is an exciting requirement. And there can be a lot of other what do you say, what are the product development done for these requirements? There can be other areas where such products can also be repositioned. So we are excited and we're working on these opportunities.

Ashish Shah: Yes. So specifically on the avionics side, are we, you know, do we have a product that we can offer or are we in that fray for the avionics side of the fleet program?

S Rangarajan: Yes. The radar is one. The EW, the ESM, as we call it, Electronic Surveillance Systems, the comment and mail-in, all that we're involved fully. So those are two things, areas. We've also developed a radio. I don't know if that is going to get used or not. We'll develop that. This is in some portion of the -- what is called an [AESP, part of ISS 0:35:24]. That also we are delivering some systems there.

So a few packages like that we're designing, developing there, and delivering to them. So I think this is the essential upgrade will consist of such programs. The last part of the upgrade is what I understand. I don't know anything else which we are upgrading. We are not sure. This is all we are doing.

Ashish Shah: Got this. Thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Arvind from Value Quest Investment. Please go ahead.

Arvind: Congratulations on a fantastic set of numbers, sir. And happy Diwali well in advance. A couple of questions. The first one was regarding the deployment of the QIP funding for the MOD orders and the build prototype building. There was a there was some vision for satellite side orders as well. So some color on this, whether we are actively pursuing, whether there has been any interest in that?

S Rangarajan: Okay, see, we talked about four areas of utilizing QIP funds and development. First is in radars. Second is in EW systems. Third is in communication systems. And fourth is satellite. We have proceeded with development detail design in programs in radars as well EW. And some work has also been initiated in the communication systems. This is work in process now. We did design a product development initiative. Budgets have been allocated and we're going ahead with development.

Satellite fundamental design has been done at a very broad level, but more work is needed. We're trying to build a team to build this. There's a bit slower than the other three areas. But yes, all four areas we are looking at. Initial work will come in the first three areas and products will start appearing. Testing for testing in the next few months' time. But the satellite will take a longer time. One, because components for the satellite also takes a long time to create. And also, we have not actually started the full design of the satellite yet.

Moderator: Thank you. The next question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Thanks for the follow-up. I want to ask the -- what is the order pipeline currently for which we are in the bidding process? And what is our success ratio for that bidding?

S Rangarajan: Come again, I didn't understand your question.

Garvit Goyal: I'm asking on the pipeline, basically, for which we are currently in the bidding process. And what is the expectation? Like, what is the success ratio? Or do we expect from that bidding process?

S Rangarajan: See, the bidding happens weekly. You know, daily there is some tenders quoted. And we don't try to take that into cognizance and say until we're very sure some contracts will happen; we need to position. We only project that to the market or internally to our board. So, we have given you a revenue projection on order and next year expected contracts. We do have a pipeline based on so many contracts already we have developed with DRDO. We expect to create contracts to happen. But the exact timing of the contract, we are not very sure. And the value is not very predictable at the present moment.

As when the tender inquiry comes to us, at that time we will be able to tell you what really is happening. But we do have a INR1,000 crores, INR2,000 crores kind of revenue pipeline. This is all based on previously developed orders and executed orders. And the orders which we are actually developing now and the programs which have been initiated both from MOD as well as in DRDO. Based on those kinds of programs, estimated can be about a INR1,000 crores, INR2,000 crores of pipeline for our products. But very granularity in this is at this present moment is very difficult to give and timing.

Garvit Goyal: So, can't you give any color on like what kind of ordering flow can we expect in FY '25?

S Rangarajan: Probably towards next quarter we should be able to give you. Let us do this this quarter and maybe some of the contract inquiries are the tenders supposed to happen. Since it has not happened, I do not know when it will be published and when we will get the order. And it has been the last six months we have been expecting something but there has been some delay. So, let us get some idea on the contract and then we will be able to tell the market.

Garvit Goyal: Understood. And lastly on the Boeing India extension plan. So, just to understand a bit about the avionic side. So, can't we supply the avionics to Boeing India?

S Rangarajan: No. We have not supplied anything. It is Boeing India expansion plan?

Garvit Goyal: No, actually I was asking from that side because Boeing India has set a plan of INR10,000 crores yearly target for increasing the sourcing from India. So, that is why I was asking whether we are going to supply anyway to Boeing India going forward?

S Rangarajan: We would like to supply a lot to Boeing India but at the present moment we don't have an indication exactly which one is being supplied. So, this is a long-term game. We will not be able to discuss that at the present moment. Yes, there is an interest in a lot of OEMs, foreign OEMs. We need to build that, make offers and all that but this is a longer-term play.

Garvit Goyal: Understood, sir. Thank you, sir. And all the best for the future.

S Rangarajan: Thank you.

Moderator: Thank you. The next question is from the line of Abhijeet Singh from YES Securities. Please go ahead.

Abhijeet Singh: Thank you for the opportunity. Sir, my question is on the radar side. So, we have talked about enhancing our capabilities in terms of radar systems, moving up the value chain which would enable us to participate directly in the MOD vendors. So, what are the exact radar capabilities that we are working on? And by when can we expect production orders for these complete radar systems coming into Data Patterns?

S Rangarajan: So, we have already done tracking radars. We have done surveillance radars. We have done weather radars. We can do, so all of them we have a competency. We can do fire control radars. So, fundamental competency exists in the company to build these radars. Of course, the size and scale depending on the application will change and say which portion we can do, which we don't have. We need to address based on the specific opportunity. So, we have a competency which is fairly wide and in all this we do ground-up design. All of the electronics, software, mechanical, engineering, all of them we build in-house. So that there is possibility.

So, but when this will fructify into a contract, production contract is at this present moment not very clear. What we are trying to do is use the funds raised to build against specific requirements in the market and what we expect the requirements to happen. We are a bit ahead of the market requirement, build these capabilities because when the tender comes we will not have time to demonstrate. So, we need to do a whole lot of stuff much before this requirement comes for a trial. So, this is what we are trying to do.

Be ahead of the curve, build the products and be ready for the demonstration requirements. And once that comes, then based on the tender process only we will know when the contracts will happen. But we are of course looking at the next three years, four years. We should get production orders. At least aiming for maybe three years from now, four years from now. Some contracts should trickle in before that. So, this is how we are trying to have a mix of products which will come and trickle in and give you a revenue potential over the next five years to seven years, 10 years. That is the kind of long-term play which we are looking at.

Abhijeet Singh: Right. So, I mean, my question was more on the defense radars. So, you are saying that the capabilities that we already have for like we have built the weather radars, the Doppler radars. So, all those capabilities will come in handy when we try to make a product for defense application, is that what you are saying?

S Rangarajan: No. What we are talking about capabilities, for example, search, surveillance, and search radars. It is required for defense. Fire control is required for defense. Some of the airborne systems have search and weather put together. The ground-based system is just weather requirements. And so, we look at radars. We have a capability to do a mix of radars for defense. The size of the radars and the application may vary depending on the platform. And we wouldn't -- so that is where I am saying.

But the basic competency is there. But if you want to demonstrate a INR1,000 crore radar, I can't do that overnight. No, you understand what I am saying. So, we can build a INR500 crores radar and demonstrate. It may not be possible. The competency and elements may be with us. But it is very risky to invest that and show NCNC trial and find that you are not L1 data. So, we need to look at what the market says opportunity which can be addressed not just by competency but also as a measure of risk on investment. Whether it is worth taking the risk we need to address because it is public money. So, it is just not competency.

We have a lot of competencies. We have built a lot of capability. So, we have been very prudent in what markets to address. We have a success ratio as we see can be very high because of uniqueness, built-in price model, cost model. So, a lot of things happen in this. Capability exists. For example, recently, we went and did some bought technology from ISRO. This is for synthetic-aperture imaging radar. They have done a very small radar a few years back. So, the technology is very old.

We wanted to actually build the electronics can be far superior to the electronics -- technology. But the SAR imaging is one thing we have not done until now. We said, let us buy the knowledge base, change, put that into future radars which were designed, build the capability into our radars to see customer can be a complete capability can be exhibited.

So, what we do is try to build all the gaps, knowledge gaps we have, build the domain which is necessary ahead of time. And this is what we have been doing all along, all these years. So, this has to be a long-term kind of investment model, which is what we are doing.

But to answer your question, yes, all the military radars, we can do a fair amount of military radars from in-house capabilities. But the timeline to demonstrate may vary depending on the complexity or size of the radar.

Abhijeet Singh: Right, sir. Understood. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Praveen Desai. As an individual investor, please go ahead.

Praveen Desai: Good morning, sir. And congratulations for good results. My question is that we have a huge amount in our kitty from IPO as well as FPI. So, why we are very much slow in utilizing that amount, which is lying in our kitty? So, what is the reason behind it? Please?

S Rangarajan: Okay. There are two reasons why we took this money. One is to build the infrastructure. Second is build the products. Now, there are two ways to do this. Incrementally go to the market and take as we require. Or take between all the projects we want to develop in the next two years to three years and then take it. We have taken the second option. Raise money which can be invested in the next two years to three years. Build the products because you can't go to market incrementally with small value. It's not possible.

And it's not that we are not investing. Once the financial clearance is there and money is available with us, then only the programs can get kicked off. So, all the programs we talked about during QIB, this is all separate groups have been identified, asked for their responsibility. They did design work and started. A number of products in each of the categories which is required by MOD. And there is an urgent need for those kinds of products. Some have come out in tender. Some yet to be tender. The requirements are real. So, addressing the requirements, we do this.

And the third point, we need to also understand such products cannot be designed in three months and five months. And the money spent is not going to be done in three months to five months. It will be taken a year to two years before these kinds of products can be developed and demonstrated. So, there is a timeline for this. And we need to have the money and see that the timelines are up. And the expenditure will happen over the period of the project or program.

The other part is the infrastructure. Not only do we have to develop the products, but we also need to build a testing equipment and validation tools. And also, the production infrastructure in terms of orders to come, that also has to be done gradually. So, the money has been taken to even create the infrastructure on which case the production happens. We also have the infrastructure to support the production. Even this kind of large infrastructure and testing equipment is necessary. It cannot be done overnight. It takes an enormous amount of time to create it. It takes a couple of years to create infrastructure.

So, this is what incrementally we started doing now. The plans are on to see how we build this capability in-house in India and the products in India. We still know it has not been done. Whatever we are trying to do is something the first-time which India is going to do, at least on the kind of specifications we are trying to bring, and complete competency in a single company doing all those products. It takes time. But we have kept the targets very high. We know that we can do these products. We have the competency model already established. But we have to get to go ahead doing it.

We have raised money towards this. We will not be able to spend it overnight. It has to be spent very carefully over the next two years' time. And there is a cost audit, and there is a Deloitte is our Statutory Auditors now. We have had discussions on how the expenditure has been classified. A lot of things are happening in-house. But we are doing it the right way. I think we have done the right thing taking the money, and because opportunities have to be addressed only with orders -- only with products. India buys, MOD buys, and asks you to show the product before you even sit down selected to commercial bid opening.

So we need to have the products. Nobody has the products in India, so everybody relies on products from abroad. Do a workshare arrangement with foreign OEM, and then demonstrate the products with most of the things coming from abroad. We are trying to do something very different. You require a long-term investment model to do this, because the game is going to be long-term.

And we believe by doing this, and bring technology in India, it is going to be capable. Also, the bottom line is far better than we buy and integrate from others. It also gives us a competent to cost model to address the market here. We have taken a slightly harder way of looking at things. Build competency, build technology in India, compete with the foreigners, and address the market. This will require long-term money and long-term investment, which is what we have done.

Praveen Desai: Yes. Got it, sir. Thank you very much. And wish you all happy Diwali. Thank you everybody.

S Rangarajan: Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants. I would now like to hand the conference back to the management for any closing remarks. Thank you and over to you.

S Rangarajan: Thank you. Thank you all for listening in this conference call, Q3 conference call. What I would like to reiterate is Data Patterns is investing substantially in building products, international world class products for designing and developing. This is to see that to address Indian markets and also future markets out of other than India in export markets. But we need to have a start to build very, very high-end products for various kinds of critical applications in defense.

And we have selected those applications and started the development work. I think in the next one year to two years' time, you will see a lot more progress going ahead. This is a long-term game and we need to invest longer term and adjust our deeper pockets to build big systems. I think we are on the right path. We are very confident or upbeat about what we are doing. I hope we are successful, but we are working on it to build a bigger company in the coming years.

Thank you very much for the patience. Thank you.

Monali Jain: Thank you.

Venkata Subramanian: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Go India Advisors, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.