

Date: 14.02.2022

To  
**National Stock Exchange of India Limited**  
Exchange Plaza, Bandra Kurla Complex,  
Bandra(E),  
Mumbai -400051  
NSE Symbol- DATAPATTNS

To  
**BSE Limited**  
25<sup>th</sup> Floor, P.J. Towers,  
Dalal Street,  
Mumbai- 400 001  
Company Code: 543428

Sub: Disclosure under SEBI (Listing Obligations and Disclosure Requirements Regulations, 2015 – Transcript of earnings Call

Dear Sir/Madam,

Further to our earlier intimation regarding the earnings call to be held on February 9, 2022 for the unaudited financial statements for the quarter ended December 31, 2021, please find enclosed herewith the transcript of the same.

The transcript of the earnings call is also available on website of the Company. You are requested to kindly take the aforesaid on your record.

Thanking You

For **Data Patterns (India) Limited**



Manvi Bhasin  
Company Secretary and Compliance Officer



Encl as above



**DATA PATTERNS**

**“Data Patterns India Limited Q3 FY-22 Earnings  
Conference Call”**

**February 09, 2022**



**DATA PATTERNS**



**MANAGEMENT: MR. RANGARAJAN – CHAIRMAN & MANAGING  
DIRECTOR.  
MS. REKHA RANGARAJAN – WHOLE TIME DIRECTOR.  
MR. VENKATA SUBRAMANIAN, CHIEF FINANCIAL  
OFFICER.**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Data Patterns hosted by Go India Advisors. As a reminder, all participant lines will be in 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 Ms. Monali Jain from Go India Advisors. Thank you and over to you Ms. Jain.

**Monali Jain:** Thank you, Margreth. Good evening, everyone. And welcome to Data Patterns India Limited first ever Earnings Call to discuss the Q3 FY22 Results. We have on the call Mr. Rangarajan, Chairman and Managing Director, Ms. Rekha Rangarajan, Whole Time Director and Mr. Venkata Subramanian, Chief Financial Officer.

We must remind you that the discussion on today’s calls may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that company faces. I would also like to inform you that we have uploaded a revised presentation, you may please refer to the same for today’s call. May, I now request Mr. Rangarajan to take us through the company’s business outlook and financial highlights. Subsequent to that, we will open the floor for Q&A. Thank you and over to you sir.

**Rangarajan:** Thank you Monali. Good afternoon, ladies and gentlemen. And I welcome you to our median earnings call for Q3. We do hope that some of those who we met during the last two months are on this call, especially the new shareholders who gave us the overwhelming support during our IPO and this thing. And thank you for your trust in our company.

2021 was a significant year for us as we embarked on a new chapter in our 30 year old history. As most of you are aware, Data Patterns is one of the fastest growing defence in aerospace electronics companies in India. Over the last three decades, EBIT strong capabilities and have an unmatched competency model. Strong manufacturing capabilities built on innovations and designs and superior track record with electrification. I always say and many of you would have heard me say this. Data Patterns built, was built out of a dream, a dream to strengthen India’s critical sector defence in aerospace, product with world class products, which are far global best standards. We have over the last many years work passionately towards these objectives. With a strong focus on operational excellence and program execution. Our expertise in providing end-to-end solutions from innovation, design, manufacturing, and services gives us a unique edge in our areas of operation. None of this would have been possible without the unmatched dedication of our team members and our employees and a strong support our esteemed clients. Together, it forms a very backbone of our company. And, I would like to take this opportunity to thank them for their continued support.

Last year, we decided to take our company to the next phase of growth and embark on our journey as a listed entity. And we are genuinely humbled by the response we received from our new stakeholders. The strong support has further strengthened our confidence in our strategy,

which is focused on strengthening the long term fundamentals of business to drive revenue growth and margin expansion. As you'd have seen from the presentation and press release, which has been uploaded, we have delivered a strong quarter of growth, our revenues doubled and we maintained high margins. Before we discuss the quarterly performance in details, I would like to briefly talk about the sector environment. Over the last few years, there has been a significant trust in Make in India initiative and we've seen a strong demand for products and services. The recent budget has further strengthened the already strong positive outlook. The increase defence expenditure and higher collaboration with private sector and in R&D provides us with a unique and strategic positioning. So, before I hand over to Venkat for discussing the financial performance in detail, I would like to briefly touch upon the growth outlook.

We are confident of achieving order flow more than 500 crores in the next one year. This is give you an idea of expected revenues. I would also like to inform that we have utilize the proceeds of IPO to repay our debt fully and are now a debt free company. We are now well funded and adequately capitalized to manage our growth aspirations. Given the strong macro environment and strategic positioning, I'm confident that we are well positioned to deliver superior growth to all our stakeholders. I once again thank you for the confidence you're shown in our team and our company and look forward to this continued support. With this, I handover to Venkat who will take us through the financial performance for this quarter.

**Venkata Subramanian:**

Thank you, sir. Good afternoon, ladies and gentlemen. I hope you and your family are doing well in the troubled time. I will discuss the quarterly financial performances in detail. We are happy to inform you that we have delivered a solid quarter of growth. Our revenue has almost doubled to Rs.438 million in Q3 FY22. For the nine month period, the revenues increased 2.1x to INR 1403 million. We have been focused on improving the proportion of the production contract in our order book. As the proportion of the production contracts are increasing, there is a higher revenue visibility and consistency. While the seasonality is improving, Q4 continues to be a significant quarter of our company contributing to more than 50% of the yearly turnover. In line with the higher revenue, our EBIT DA is also increasing and it has increased to 32x to 157 million during the quarter. We continue to maintain high EBITDA margin of 36%. The cash flow from operations are also seeing quarterly consistency and we have hence been able to manage our working capital more efficiently. With reasonably evened out quarterly performances, we are having a better cash flow position and our utilization of bank limits have been considerably less resulting in lesser financing costs. As our MD pointed out, we are now debt free company and have utilized the proceeds of IPO to pay off our long term debt and the working capital debt also. As mentioned, EBIT our gross margin has always been high. It is expected to be in range of 65 to 70%, but it is not uniform, it is more dependent on the projects that we handle. It is not uniform. With this, I open the floor for question answers. We are ready to take any question answers from the audience. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** My first question to you is, Mr. Ranga you had mentioned in the presentation that more than 500 crores worth of orders are expected in the next 12 months. So, if you can help share some more details and inputs in terms of key large projects which you are expecting from this pipeline specifically some projects which could be in a ticket size of 50 to 100 crores, it will help us provide better visibility in terms of order flows. That's the first question.

**Rangarajan:** Thank you. The 500 crores these are all mostly production contracts based on earlier delivered products with some development contracts also will be there. The key contracts will be let me start with BrahMos, recently India signed an export order for BrahMos we do the launches for BrahMos, the fire control systems, we have already made the offer, the negotiation is going to happen before next two months' time we should get 45, 50 crore kind of contract. The exact value is different but around that 20 crore we should get a contract from BrahMos. Similarly, you are aware that for LCA MK IA 83 aircraft order is already ordered. We are the avionic supplier, the cockpit display is designed by us 15 years back. These orders also were to December the projects come to us as a single vendor. The negotiations are expected to happen. That is also 50 crore we should have a contract in the next two months as what told by HAL. We are also doing a large supply of EW which is one of the focus areas for Data Patterns and we have supplied to all the upgrade program. Similarly, there is a big program which is on way to be held which is Himshakti, we expect with Himshakti contract to get signed before March. Back-to-back we expect the contract exceeding 100 crores, we see a contract from the back to us, which can happen in the next two quarters. Similarly, we have some contract for RWR already we have delivered a few systems radar warning for aircrafts, some additional orders are expected for various aircraft platforms that also will be, these are executed next year itself. We are also expecting some more ground systems on EW for Precision Approach Radars we are already doing part of the common systems for the DRDO we expect some more contracts to also happen there and that also would be delivered next year itself. So, some contracts will be delivered next year. And some of them will get positioned over the next two year's time. Overall it works out the radar contract are also expected so this is around 500+ crores is expected in the next nine to 12 months time.

**Renu Baid:** Sure. And also in the presentation you have highlighted on the precision approach radar. So if you can share some inputs in terms of how large has been the project for us and what has been the update on execution and further post execution of this radar. How does our opportunity within the radar market enhances in the next two to three years as a radar supplier rather than just being a component or subscription supplier so far?

**Rangarajan:** Actually, Data Patterns is probably the only company which designs complete radars in India. Before Precision Approach Radars which is designed 100% in India and offered to Air Force and Navy. We started our life with building tracking radars for Department of Space. Our radars track all the launch Sriharikota and Trivandrum many radars we have delivered and line of sight with 2000 kilometers we track the radar that is our first entry, more the 10 years back into complete radar systems. After which we did some coastal surveillance in radar, very large, world's largest wind profile radar on VHF so we have done a number of those including

BrahMos. And then we took up this contract for Precision Approach Radars again a tender from MOD. We're happy to say that we had a successful no cost, no commitment trial based on which we were shortlisted and we got 380 crores out of which 254 crores were delivery of the nine radar and the rest is for service, maintenance and AMC for a subsequent years. Those radars will be delivered in the next two years. The first radar we plan to deliver in March, and then every quarter we will deliver one radar, so eight radars in next two years, that is the plan. We have also created our infrastructure doubled our production capacity we have put a new facility a plant and factory which will allow us to build large systems we can bring trucks inside, get the radar mechanical inside and integrated a 10 per tonne kind of competency from just electronic manufacturing infrastructures, we have very modern infrastructure 100,000 square feet. We've also doubled our capacity now that is almost ready with facility, we will be starting to integrate radar in the next 10 days in that facility, as the rest of the facility is also getting completed. So that is the plan for the path. We are on time; we are a bit ahead of schedule. We will deliver on time the Precision Approach Radars.

And next point of the question is, where do we go from here? We have done all bands of radars and expand. You already also have an airborne for the helicopter and **(Inaudible) 14:00** application. We built a radar in delivery to DRDO which is under development from their side and flight testing. Based on which we're expecting a lot more contracts to happen not only for airborne radars, but also for the ground system we are trying to put up vital to radars and other applications where 100% of radar be designed in-house. So this is a very important aspect of our program. This is a large part of our business comes from radars earlier we were doing subsystems. Today, we also do subsystems but we also attempt to do complete radars. We have also built Doppler weather radars fully indigenously, both X-Band and C-Band is installed in Bombay and one in Chennai. With all the way from zero passing everything has been designed by us. So this is a large part of our business and we expect to put more efforts to build more complex systems going way ahead.

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

**Nitin Arora:** If you can throw some light on the product avionics as well as the EW product of Sequoia? As we have discussed earlier that product was about to get obsolete, I'm talking about R-118. So can you throw some light how's the progress there, any testing has been done now? And also if you can throw the same for the LCA as well, as the flight testing has been started, if any progress there that would be helpful?

**S. Rangarajan:** We have done many variants of the radar warning receivers with DRDO. It's a joint development lab in Hyderabad. We've done the first variant of that which is actually fitted into the early warning AWCN radar which is done by CABS in DRDO on the Embraer aircraft. So that is flying. We did both the RWA, we call it a wideband receiver as well as the alien portion, signal cross, all of them is designed and that's the first variant. Then we've done a next generation, fairly advanced version of that is much smaller, much more compact and also with a much wider range of acquisition. One unit we've done. That has been fitted with LCA and they're undergoing



flight trials now because from early warning radar to a fighter aircraft, we need to look at the software variations which has to go in that. A lot of flights have been done and we've got very good results, some more flights are expected to happen. As far as the LCA Mark-IA as of December 30<sup>th</sup> is concerned, we have order, we have done aircraft fit for all of those systems. We've also done the safety of flight tests to make it to be fitted into the aircraft for flight testing. So I expect that DRDO would carry out the flight test in the next few months, but on our side we have done this end of work which will hopefully meet all the aircraft requirements, at least we're taking care of the cooling, the aircraft engineering, those aspects have been done and the documentation has been done. How we will fit and then flight and then we have to wait for performance criteria, that's where it is. I won't be able to say exactly what will happen because that is not in our hand, but I can say that DRDO is exceedingly keen to see that Indian systems are good inside, not only for this, but all other aircraft platforms because there is an orientation to try to do more in India. And what we've done with DRDO here is world-class. So we believe that we'll meet and exceed all operation criteria, and with more flight tests i think software will become more rugged in that all aspects of air force, navy and other users are met with.

**Nitin Arora:**

If one has to put a probability here, I understand the defense business is difficult to time the orders, but generally as you are saying the response has been good on the LCA of the RWR. First is here how would you put the probability once you are seeing the flight testing because we were hearing the flight testing is very less at the ground level so far, so how would you put the probability let's say next one year?

**S. Rangarajan:**

I think we will meet the specifications because we're confident of the product we've designed and our joint working relationship with DRDO and the problem solving together their team and our team are working together. I am sure that with additional flight test, we should resolve this. A number of tests which happens in a month is something which I have no control over, but we're waiting for those things to happen. I would say the probability is fairly high but I won't put a number to this. The very fact that so much of money and effort have been spent both by DRDO and Data Patterns, it is also a measure of our confidence that we are confident of the product and there's a need. The need can be addressed by importing and pull together, but India should start becoming an equipment supplier. We can't be part supplier and manufacturing for rest of the world or their designs and for Indian purposes. Government is also of the same view and more is trying to see that value-added or Indian content should be high. Unless we start making critical subsystems and equipment which is world class in India with our IP, our idea of trying to do more in India is never going to happen. We need to bring the cost of the aircraft down, make the content of the aircraft more Indian. If we want to do that, I think only way is to try to build more and allow organization to do all the test which is necessary to meet customer requirements.. I think we are on the way and the path is there and then the requirement. Matter of fact recently air force upgrade the specification of 230. We're already working on that upgrade when we'll have the product also really meeting the upgraded specifications by April, May. So we are on par to do whatever the customer wants in terms of specifications, we're meeting that. In this volume space given by them, so we have put these systems together. The flight testing with LCA will give us enormous amount of capability to do a fighter class radar warning

receiver. Enormous amount of effort is being put by DRDO in this, especially the EW team. So I think we're going to be successful. We cannot think of why we won't be successful. The decision making is a different ball game. But all we can talk about for the technical viewpoint is that we'll be successful.

**Nitin Arora:**

Just one question if you or Venkat sir can answer it. Generally, in a very heavy quarter we are going in, any supply chain disruption you are seeing in your execution and as well as any margin pressure you feel you will face going forward, just need your comments on these two aspects?

**S. Rangarajan:**

Supply pressure is there. We cannot wish it away. And this is unpredictable. See, we order the component eight months back and then suddenly the day of delivery the component becomes a back order. These things were happening. This is not uniform, this is not across the profile of all components, but some of the components we have these issues. We are addressing the component issues in two ways, whether we can look at available components and redesign some parts, if it is going to be done in less than a month's time and we have the time to do that, we try to do that and address the component of solutions or obsolescence that availability of component by replacing it with an equivalent or a different component, still making a design change internally. We're doing that also so that the delivery go odd. That is one. Second, what we're also doing is like looking at alternate sources of supply which we were very-very strict earlier, we're trying to look at alt resources to see that we address the supply requirements. The third what we're doing is shifting some orders which is going to be done next year because of component we can't do this, we are trying to pre-ship the component this year. So three ways of addressing the component issue we're doing. Going ahead what we decided is for the next year order book which we know very clearly quarter-to-quarter what we're going to deliver, we've already started ordering material, though order is going to be ahead of time, we're saying because last minute disruptions take place, we want to see the deliveries are not affected. So we decided to stop components more internally. So that ordering also is happening to see that delivery disruptions do not happen. So we largely address the problem of delivery issues by replacing one with the other kind of thing like I explained to you. That's the first part of the question. The second part of the question is spike in components prices. See, what's really happening is only a few components, it's not a large percentage, but for us even a signal component, if the equipment is not available, we can't deliver because that is the nature of the beast. So even if there's a small spike or a cycle one or two components, it doesn't affect the overall performance of the organization on the background. Second, you are all aware that gross margin is also reasonable. So as a result that few components increase prices, does not really make much dent in the overall gross margin and the EBITDA as long as we deliver the products and meet revenue expectations. So really it is not much of a concern at present moment. And when the prices are very high and we have a longer lead time, we try to redesign and look at something else to address that kind of issue. This is how we manage.

**Moderator:**

The next question is from the line of Sandeep Tulsyan from JM Financial. Please go ahead.



**Sandeep Tulsyan:** Just extending the supply chain question further, so the deliveries that we did in third quarter, were there a bit lower than what you had earlier estimated or did you face any material delays in some of these supplies? And a related question to that is you mentioned in the presentation that more than 50% of revenues will continue to be done in the fourth quarter. So, should we assume that 300-odd crores should be a reasonable target that you should need in terms of top line for this year and probably what can be the ideal revenue growth for next year?

**S. Rangarajan:** We did plan for some more delivery for third quarter. That is getting shifted to fourth quarter because like you said some of the components didn't come on time, so we need to push it to a fourth quarter. But that is not one schedule it will go into the fourth quarter but that is not a very large percentage but anyway that is what has happened. Traditionally, you have seen in the past we have Q4 heavy in terms of revenue, it goes to 70% to 80% or 85% sometimes. That's more because we have development contracts largely and that gets shipped to last part of the month. But now that the translation from development production is happening, we have order visibility and also quarter-on-quarter delivery has started happening. I think going ahead we'll do more of quarter-to-quarter delivery. Obviously, we can't have complete quarter-to-quarter on a typical production organization because our capital equipment business is last quarter heavy. So there will be a bunching of contract delivery towards last quarter. This year we expect that we've done about 40% of our business. So another 60% of our overall revenue would come in the last quarter which is the next two months which is going to happen. So this is also there. We have the orders in hand and things are on way and production is happening now. On your second question, yes, we expect that our revenue should be about Rs.300 crores is what we are aiming for to see the deliveries happen on this fourth quarter and this financial year. Coming year, I think we already have some Rs.200-odd crores which we have booked orders in the last nine months. We have particular orders on hand today as of 31st is about 577 crores, after that we've got another 30 odd crores orders. So more than 600 crores orders in hand we have. And we're also expecting some 700 crores in the next two months plus another 400 crores odd in the next nine months to go. So I think we have a good order book. Some of the contracts which we are expecting are all signal vendor orders and we expect to deliver them next year itself, some goes to the year after next for delivery. So keeping this in mind, I think we should have a minimum 30%-40% revenue growth based on financial year '22, is what we're aiming.

**Sandeep Tulsyan:** Second question is pertaining to the mix because in nine months what we have seen is in your order inflow, the share of development orders has started increasing again. So where would you want this mix ideally going forward in terms of new order intake? And again based on this, the expectation for the next one year of 500 crores, if you could give us a broad sense how it would be split between developmental and production orders?

**S. Rangarajan:** Last one year we've got a lot more development orders. Again if you look at the development orders, the size of each contract is tens of crores, it's not a 50 crores or 2 lakhs or a 10 lakh or 1 crore contract. Again, it reflects the kind of business we're doing that we're doing very large subsistence of those contracts. A very, very large portion of this done by us because our competency is that end-to-end we design electronics. So it's a very large complex system

delivery. So we've started taking those kind of contracts. All of them have a revenue potential or a production potential. So it is necessary to continue these kind of development which can give you continued production revenue in a few years from now. So we need to have this development contract and we take that. Coming back to what is an optimal mix, the optimal mix is about 70% production 20% development and 10% to 12% if you do post service, that is AMC kind of service revenue, is an optimal mix. We're trying to retain that optimal mix though the size of business is going up, the revenue is going up, we need to enhance the development also in line to see we deliver more large systems. So that is the kind of a model we're looking at and we are almost there, we are already getting those kind of contracts, a lot of them are coming signal vendor or resultant signal vendor because of the specialized nature of products and the delivery model with the competency, but we continue to try to invest on the competency model and see that IP creation is done so that end systems can be delivered from us. So that is the kind of model we are driving. We will continue to do that.

**Sandeep Tulsyan:**

Last question is on the capital requirement that you will have. Based on the capital expenditure that we have already incurred in the new site, how much more is spending to be spent from the next one-year perspective and given that you will be ramping up revenues from current 300 crores run rate to almost 400 to 450 crores kind of run rate next year, what kind of working capital requirement will be there in the company? And secondly in terms of increasing the average ticket size of orders, you're wanting to take more orders which are 100 crores plus in terms of size, are you looking at any JVs or technology tie-ups going forward because as of now everything is done 100% in-house so that this upgrade happens faster or would you want to go at a gradual pace and do it 100% in-house in future?

**S. Rangarajan:**

First is on the production capacity. We have automatic pick and place line for the electronic manufacturing and stuffing and soldering of the boards. Though we have one line, the capacity is very large and we're running one to two shifts now, so third shift we continue to operate and do through the year, I think we will be able to ramp up production of 3400 crores. But what we are also doing is, we do have a signal line now. So we're doubling the capacity in the new factory which we're building up. So that will at least give us production capacity to a few hundred crores extra that can get done. And so there is a signal point failure that also we are doing and also increasing the test infrastructure in terms of vibration thermocycling and all of them, we are creating those facilities. We have also put in a lot of test systems because now there's a lot of RF & Microwave products we do. So we increase the test system because that is necessary to finally validate all the systems delivered. Here also we spent more than 20-odd crores on equipment which is part of the CAPEX which was already declared in the IPO. So we're spending around Rs.80 crores in the next infrastructure which we are creating, but the difference is that against the electronic manufacturing which I talked about the enhancing, we're also creating a large capacity for system integration infrastructure, that is I can build full radars, I can build trucks inside in my factory, outfit the trucks for EW or radar, mobile. So we have put in mechanical integration facility, tons of metal can be brought inside, integrated, those kind of capabilities we build so that whatever design we do on equipment, the complete equipment can be done by us and dispatch for the first few pieces. Now coming to the second part of the question, we've

already built the capital necessary, infrastructure necessary to scale to 450 or 600, 700 crores we have that. But having said that, what will happen is the CAPEX requirement will also depend on the kind of products we get in terms of contracts where we can do 100 crores, 200 crores, we can do a radar contract, I don't have to put additional capacity because the capacity we created for power will be adequate for us to take it. But however if some of the radars have to come and manufacturing has to happen and a few hundred crores comes picture, then we need to have automatic testing and testing infrastructure to be created. So this will be order specific. We need to set up a line for producing. Since everything is designed in-house, we create our line, we create automatic tests because that is one of the key competencies Data Patterns has. So we create our own process and integrate and test and validate. But we need to spend that CAPEX; it may be about 5% to 7% of the contract value that will also come part of the contract itself we will be spending from that. So we are not overly worried about the CAPEX portion. We've got general CAPEX infrastructure created to scale the company and meet all our requirements. Specific to contract, we may buy a few equipments and integrate that. That again while we get the contract, we can do this and we'll have time to do that as part of the contract that we model itself. So we don't have an issue. So that is second part of the question that this infrastructure and scaling is happening.

**Venkata Subramanian:** On working capital, currently we have bought 53 crores of fund-based and 153 crores of non-fund-based facility. Out of the IPO process we have cleared all our fund-based limits and for the next one year we have estimated our working capital requirement to be around 250 crores which we have already started dialoguing with the bankers. We will be requiring more of non-fund based and we'll be finalizing the banker.

**S. Rangarajan:** Since now that IPO money is available, working capital is going to be from internal fund-based, the non-fund is more only what we would be doing more than 200-odd crores. It is going to be debt less as far as working capital is concerned. I don't think we're overly worried today because the requirements, fund-based is going to be very, very. Non-fund is going to be there but that adequately can be taken care of based on the balance sheet size we have. So that could not be a problem. The fourth question is on sizing of orders and scaling of business is what you talked about. All of us would like to get 100 plus crores orders. We want to aim to do that. But we are not having many 100 plus crores orders. I think the coming year we should get at least 100 plus crores order in the EW domain and then there will be 50 crores, 30 crores these kind of orders, a few of them is going to come into picture, some 50 crores, 70 crores, these orders will happen. But this is the eclectic mix which we will have because we have a product profile which is large. So we will continue to address all those markets with the product profile. So all of us would like to do the same product, Rs.1,000 crores is always good, but that is not practical in the kind of market space you're operating. That is why we have 450 engineers doing design and trying to build products for future. So it is going to be eclectic mix but the general direction and competent product is going to be radar, EW, fire control systems, communications, avionics, the satellites and test systems and something similar to that and then number of those systems required for air, land, water, underwater, etc., So that area will go. We are continuously increasing our IP content so that the end systems can be delivered by us. So that is where we go. Fifth part is can

we do organic growth, are we trying to build up collaborations with outsiders? We are talking to a number of companies in Sweden, Germany, Europe. They are an advanced stage. We have already started doing co-development with such companies, a very large multinational where we do the hardware here, we take some of the competent software which we don't have, address it not only in the Indian market but the global market, joint development we are doing, we may even sign a MoU with them shortly to see that. Already, the development is undergoing. We're also doing a lot more development for one UK company which is again a very large \$30 billion plus kind company, we're doing avionics for them, the airborne radar signal process design. The 100th unit is being delivered now. They're quite happy with this. So they've given us another three more different kind of contracts which we have developed and delivered. So we expect that also value of proposition to grow. On top of that, we're also looking at scaling our capability and addressing more opportunity in India if we were to collaborate with them to make those opportunities. But all this will happen provided there is an Indian content requirement which government of India wants, we address the requirement and the opportunity can be fully addressed by us here. So there are thoughts, there are discussions, but we cannot give you a revenue proposition or something at the present moment. This is the level we're doing. We're also looking like I told in the IPO that we have a competency model which is unmatched, that means we build across the stable electronics, we do embedded software, we do all OA, we do system engineering, we do mechanical engineering and product engineering. So we are thinking that why don't we actually look at a service model and build a service model as either a division of Data Patterns or a separate entity funded by Data Patterns, a wholly-owned. This is something which we are discussing internally and we take it to the board with right opportunities. We want to incubate such opportunity to see that the capabilities is also looked at from a completely export model rather than looking Indian model which is not the product model, which should be a service model. We need to bring in some competent org with people with that. So that also we are already trying to understand. This incubation I think we will take it up after this quarter is over. Everybody's bandwidths are fully on delivery now. So after this quarter, next year we want to look at those kind of models and incubate it so that at least two years, three years from now we have a successful initial revenue model and a customer base with which we can rapidly scale that business. There is a huge opportunity and we have a competency model in this availability. We need to build a market model for it and also delivery mechanisms which will be necessitated for a software or a service model. So this is the present thinking where we want to go.

**Moderator:** The next question is from the line of Santosh Yellapu from Asian Market Securities. Please go ahead.

**Santosh Yellapu:** I had two questions. First, I would like to get a clarification with regards to the procurement. As you said earlier that we would opt for different sourcing and try to work on a different alternatives to ensure that the delivery timelines are not getting pushed. So any time if we change the configuration of the product or the design slightly also or even the components, won't we need the approval of the DRDO and won't that further delay the process?

**S. Rangarajan:** What we are trying to do is wherever we can address, we have the two, three months' timeline and we still don't have visibility of component delivery, then we can go back to a drawing board and see the minor corrections are done. What happens in the directions of minor, we will come to an understanding of what is the test criteria we need to do, address that, make that test, of course, there's cost attached to all this, but in the interest of delivery model because everybody in the electronic market is unhappy, users as well as the production agencies because they can't meet their schedules and their need is not addressed. This is a different environment. We go back to the customer and talk to them on an approach model. Once we come to a conclusion that is acceptable to both, then we do the test. At no point in time, can we deliver a product which is not acceptable to customer or meeting environmental criteria and quality standards. That is not possible. So within that realm of all of them, when you come to a conclusion, we can see whether we can do this. So this we are doing at our cost initially all this is working, we may take to the customer and see what else. So we're trying to do that. Some other area what we're doing is okay last year what we're going to deliver, we're trying to pre-deliver those things. Here the customers also want to deliver, so if the component doesn't come then we postpone it to next quarter, so both we are doing, but not at the expense of quality or process.

**Santosh Yellapu:** If we look at the order book, what are the top five orders and what's that exact status as of now and when they would be getting delivered?

**S. Rangarajan:** Today, let's say, we have Rs.600 crores orders, out of which Rs.250 odd crores is par, that will be delivered over the next two years. The next Rs.350 crores again will be delivered somewhere in the next two months, Rs.150, 160 crores is going to get delivered in next two months, DHEM will be delivered next year and a little bit of that will follow the year after next. So all of them in the next two years is what is the plan for delivery of all this. We expect another Rs.500 crores order. Again, most of them will be delivered in the next two years.

**Santosh Yellapu:** Actually, I was trying to understand what percentage of the current order book is getting impacted because of this rework or redesign on the raw materials procurement side? In that context, I am trying to...

**S. Rangarajan:** We have addressed the requirement. We will be delivering on time and we have taken all corrective actions necessary so that the component availability is not affecting us at least for the orders on hand position. We have addressed the issue because we had the orders about a year back. So when the components did not start coming we started taking corrective action long back. And daily we are monitoring on available components and delivery mechanisms and accordingly we are repositioning our delivery model. But I think we are almost on top of the problem now at least contracts on hand.

**Santosh Yellapu:** From an export point of view, barring the UK-based client of ours, what all initiatives are we taking, it means we have some plans to pursue opportunities from the international markets, have we thought on that front, Now I think the IPO is done, any more thoughts on that side how to tap or pursue the opportunity there?

**S. Rangarajan:**

We've already put a consultant in place for the engineering services model. They have given us an offer. That is being considered. So it will take us a few more months to get the decision and how to go about, exactly fine tune the business and then go ahead. So we expect to start after a few months but we have already initiated proposals regarding. We're already also talking to outside India, to multinationals to see how we can collaborate and work share on a competency model as well as the market model which opportunities are coming. I've already started talking to the heads of public sector enterprises, see where collaborations are possible where we need to address the requirement of Made in India requirements, what are the areas. So we're going to continue to engage on discussions with them. All their technical team, our technical team to see that we can address the requirement to add value in India. So as the government initiatives are there, so we've already started doing that. Third, what we already started doing is looking at the private sector space. The strategic partner model which is going to come in and a lot more is going to come in industry today rather than import and integrate which government is very clear. So from that model, we are also seeing whether can we create an ecosystem here, the platform is going to be done, can you build the equipment here. Typically, what is happening when you do a platform here, all the equipment is imported and integrated. But once you do that the value add or the Indian content is going to be very low. They do this because there are no equipment supplier in India who have these kind of fairly high and world class systems because the specifications are not moderated, it is actually world class specification. Nobody is going to buy a second hand or second order specification. So we need to be able to address the specifications and give it within a timelines which is required by the customer and the supplier thereof. So we are trying to see in our area of electronic intelligence, EW, in radars, data links and com areas where we have a competency model. We are trying to see can we build the full equipment and see that we become a source rather than a multinational foreign company. That also I think first order that started coming in, radio relay is airborne. We just got the first order about a week back. Again, we're developing it, not because of one-off systems we'll make money, more towards build a product model which will go into an ecosystem. So we are trying to drive that kind of business to see that we do "Make in India." All this will come with a revenue proposition, small revenues will happen now, but the larger revenues on large contract wins by those companies, back-to-back the equipment orders will come. It will take a few more years but that is the direction which the company has to take. If you want to be a different equipment supplier, you need to look at long term investments and long-term model and a sustainable business model which will build based on the product competencies you build and the approved products that you can deliver. So this is the approach we're going to take. The fourth thing we want to do is slightly different from others like I've always been saying we want to get into space, go for a satellite, we put in seven, eight years of effort to build our own small Nano satellite, ISRO buys all the Nano satellite parts from us for the ground station as well satellite parts. We want to build a slightly scale model a small satellite, micro satellite. We have the capability. The market is latent. It's still approached market has not come. So recently we've also become part of a consortium from IIT Madras who make a space program where Agnikul would do the rockets and the launcher and Galaxy is trying to build some software based on some satellites in there and then the other people and experts are all joint together. Lovely bunch of young guys who have a lot of competency and tremendous amount of vision and passion and they have come out.



So we decided that we will also be part of that consortium. So we are trying to become part of the consortium where we bring our maturity model on design, on avionics and systems and engineering. We do a concept model which they have. Hopefully this will all match. We want to think slightly different from other organizations. We want to build our competency on India, build the systems in India, they've got some funding, so we should be able to put the products together. But can we take it global? Can we address Indian requirements? These are questions which is being asked. We want to provide part of the answers for all of them. So that also we've done. So we're thinking on various levels on collaborative work which will not diminish our competency or a product but gladly enhance the product application what we have. The common base of competency is same, the product engineering is same, but we need to create our own markets which is not dependent only on government and MoD business. So towards that we are trying to see what collaborations have come. Can we do it alone or can we have some partners? So a whole lot of thinking is going on and we are trying to do all of them one at a time or sometimes together. So this is where the direction and path is.

**Santosh Yellapu:**

The allocation towards DRDO's CAPEX for FY'23, I think it is somewhere north of Rs.10,000 crores. So what type of developmental programs from the radars, avionics and the EW space which you are expecting to work with DRDO labs for FY'23? What is our interest or where do you see the opportunities from the developmental orders?

**S. Rangarajan:**

An example, last month we issued a contract for Rs.27 crores. This is going to be a next generation alien system which has got a very wide bandwidth. We've already delivered that kind of bandwidth for (RWR) Radar Warning Receiver. The same thing now is put into an alien platform. This is we are designing it as a very small footprint hardware which will be delivered in the course of '22-23 and I expect that now can be positioned for air, sea as well as ground application. So this is a common backbone which can be put into very many applications and it's going to be really modern with a very wide range. So things are like that. Once we start in, then it brings its own product into various sense of end applications. So that is what we're doing. We got an order which we're delivering next month is for the planes and desert next generation com receivers. This is one of the six gigahertz, it's a world-class specification. If your design meets all of them, again, though it's meant for a ground application, we have designed it such a way that you go for extreme temperatures 71 degrees operation, high vibration levels. We've made it a form fit function for all of those requirements. So EW is a very large part of what we do and we're trying to build the product competencies across the domain of EW from HF to 40 gigahertz. We're also collaborating with a German company multinational to see whether our hardware can be taken and their advanced software can be ported to this. So we are building a product for them which will be shipped out to them for integration and testing so that this can be offered for an Indian context or outside India also where rugged products are available. So we will be focusing in both DRDO and outside DRDO on this. Also, I told you we are trying to collaborate with the OEMs in India for surveillance systems and things like that where parts developed for DRDO can get modified and that can be put into various other ecosystems. So this is a kind of plan we are having. EW is one part. The second part is going to be on radar. Multiple kinds of radars are being designed by DRDO, full systems. Again, we have got a competency

model which can do from antenna to signal processing, everything we can design ourselves. Just because you can design, not that all orders will happen to us, but we have a competency model to address the requirement of DRDO and there is very, very large radars are being planned, not only for ground, but also airborne radars have been planned. We believe that we should be part of that radar subsystems and big systems. If we manage to get those contracts, this will be very large value jump and the requirements of few numbers, thousands of crores is required. So our focus is to build a competency to address the requirement to give a faster turnaround time and delivery time to customer. So if that works and we will get, I think that scalability will happen. So these are two areas what we're doing. Third is in communication. We're doing with DRDO the next generation airborne radio for fighter aircrafts which India is importing today. If this is successful, they want to give this to various kinds of platforms. We will deliver these projects for the next two months. We're delivering the first few systems and this is going to go for flight testing now. Then there will be aircraft specific systems people do and the requirements are fairly large numbers. The fourth area is whatever we've done in terms of EW and alien, put it into various kinds of platforms and have them flown to give the acceptance criteria for that particular aircraft or airframe, it is necessary to the customers, are very keen that it is actually flying in their platform rather than saying okay, it can be fitted anywhere because there are issues of interferences in an aircraft platform or EW and radar interface signature. So we need to see that as an equipment it is fully flying there and meeting the desired performance requirements. So we have a number of plans and we've done a lot of work on product development. There's a lot of opportunities opening up. I think we'll address all those options as we go along. Again like I said in the Rs.500 crores, additional orders will come from BEL because they are getting an order back-to-back, it is our systems gone, the original system design, so we get the back-to-back order. LCA is another such example where cockpit displays we have designed. We have already designed systems for LUH. If they get a production order for a light utility helicopter, we get a large part of that, all the cockpit displays is designed by us there. So number of such programs are there. If repeat orders come, this will help us scale the business.

- Santosh Yellapu:** What is the receivables and inventory outstanding for Q3 and the corresponding number?
- Venkata Subramanian:** As of December '21, we have a receivable outstanding of about Rs.122 crores and an inventory of about Rs.106 crores. December '20 we had a receivable of 95 crores and the inventory of almost the same level, 106 crores.
- Moderator:** The next question is from the line of Vishal Srivastav from Svan Investments. Please go ahead.
- Vishal Srivastav:** Can you share product wise for the key products the revenue share for this year and the growth prospect of these key products two and three years down the line?
- S. Rangarajan:** See, what happens is it's not a signal product or two, three products which gives you regular income year-on-year or quarter-to-quarter. Every product or a program for example, Par nine systems we're delivering, that is an order specific contract. After this contract unless we get another contract for similar requirements, you will not be able to project it. So these are program-

specific. Though underlying parts and competencies are similar, it has to be for a product where the equipment animal is different. So, it's difficult to give exactly the way you're asking. I can say that 50% of our contracts are in radars which we will deliver. Some 20-25% is in EW, avionics and other systems, rest fire crone systems of another 5%, 7%. Like that I can give you. But not quarter-to-quarter because what happens every quarter, product delivery changes. So we don't look at it from that angle because we look at how much product, look at total order book is this much, what is the next business happening, what is the development what we need to do so we address that business. So we look at it slightly differently from the way you're asking us.

**Vishal Srivastav:**

I was asking actually for the year FY'22 the product mix for example, avionics, EW systems and radar exports to some extent. So the mix in this way and going forward how you are seeing the growth trajectory in next two, three years period for these products?

**S. Rangarajan:**

This year more than 100 crores are going to be in EW. Large part is going to be more than 30% in EW because we got a good order last year before last, Samyukta upgrade which we delivered completely this year, plus more than 50 crores of RWR and alien 75 crores we delivered. We have more orders of that which is undergoing deliveries of comment and other thing. So maybe 40%, 45% is going to be on EW and then maybe some 25%, 30% is going to be on radar and the rest are so many other parts which we do. But this year has been more of EW, last year has been more of radar. It is not uniform, but this year we have a lot of EW part of our overall delivery model...

**Vishal Srivastav:**

Going forward how are you seeing growth prospects in a few of these products in two or three years down the line?

**S. Rangarajan:**

Yes, we do because next two years our EW and radar both of them will be a substantive part of our business based on what we've earlier developed and production orders are coming back-to-back from Bharat Electronics. The second is airborne systems we are doing in EW which is all unique which is directly going to aircraft, aircraft testing is happening. And if the orders happen, the orders happen through HAL because they are the integrator of the system. So we expect that to happen over the next two years. It may not happen next year but we will probably get more orders for more aircrafts to be delivered on next year and flight testing will happen. After one year of flight test, I think the contract should kick in. It all depends on urgency of that program for air force, army based on which back-to-back the contracts will happen. But there are sizable business and this will be an annuity business it happens because they can't actually put down all the aircrafts and upgrade it. So based on the upgrade requirements how many they can bring down to upgrade, it'll go five, seven years of delivery but it is sizable revenue on a predictable yearly basis you'll get. So that's a good thing. We're also using the same things for other applications which is today surveillance UAVs and things like that, different kinds of platforms are coming in play. We're trying to re-adjust all these systems for those kind of requirements so that the air force or army has a requirement. Industry is now trying to build platforms. So we're trying to do that. Then the third generation UAV is the planes in the certain mountains. A large requirement has come up. Again, we have become the design agency with DRDO, building all

the basic products and receivers for all of them. So once that is successfully tested in the ground I expect that again Bharat Electronics should get the final integrated order. Back-to-back we should get the order based on funding and when it happens. But a number of flavors of that is going to go with the number of programs. And we made it very small footprint with enormous competency that we can put it without change in form factor we can put in various kinds of platforms. So that is the program. The radar orders again we've done most part of Ashwini Radar then RS Duga is another radar, eight enquiries have come from air force to Bharat Electronics. Once they get the order back to back, we should get some business back to us because we've done some group receivers for them for each radar, some electronics has gone into, so we'll get set. So like that whatever we've done five, seven years back repeat orders will also start coming from next year onwards. That also will scale up other than the new products we're talking about which will help us scale the business.

**Vishal Srivastav:**

What was the investment that we had done in this year, and next year your expectation?

**S. Rangarajan:**

We are already spending about 80-odd crores on CAPEX. We started spending it last year before the IPO. So now that we have repaid all the loans taken from them. So that is getting over in the next four or five months, I think the building construction is over. Maybe even subsequent to that, we will outfit all the equipments that we have. Facility is almost 90% complete. So we are doing that. We are also buying some land additional to see that we have more land available for growth, that's also there because in all our land now we've built, we have a built up facility now. Another three acres right next to us, that's also we are taking the money now and buying the land on SIPCOT government. So this is the CAPEX, which we have already planned, and we're going ahead with that. We don't anticipate additional CAPEX immediately. If at all it is going to happen, the large contract comes and we need to build some test equipment for getting the line and also delivery, if you want a very fast delivery model, then I need to quickly test and validate and ship, then it necessitates some equipment to be brought in and we integrate or we design some, that will be part of the program requirements. And that will be handled out of the existing program. That program costs itself it'll get handled. We don't have to put additional infrastructure specifically. So very minor additional CAPEX we done year-on-year unless there's a really large contract, we are quite well equipped to handle large contracts now.

**Vishal Srivastav:**

If I understand 80-odd crores over a period of FY'22 and '23, so, maximum of this Rs.80 crores will come in FY'22 and some portion will roll over to FY'23?

**S. Rangarajan:**

Half and half because unless the building is ready, the equipment can be installed. We bought some equipment which is necessary which is not building facilities, use it for production now, that has been come for 20-odd crores we bought. The facility itself was Rs.20-odd crores so that facility construction is happening now, almost everything getting completed. The rest of the equipments are on order. And once the facility is completed only, we need to build a foundation, put all those things and put the equipment there. So that'll happen around June, July timeframes. But we're comfortable in that. We have additional facility infrastructure already with us. So we are only trying to scale. When production scale, I need to have a test infrastructure to address

that scale which is happening. So future only we have bought all the infrastructure and we are putting CAPEX for the future deliverables.

**Moderator:** The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

**Sanjay Awatramani:** Sir, I just wanted to know the margins which we will be sustaining and what are the margins we are expecting next year, if you could highlight something on that?

**S. Rangarajan:** Our typical EBITDA is around 40-plus percentage. We will continue to do that. As long as we scale revenue the way we are saying, our EBITDA will be upwards of 40%.

**Sanjay Awatramani:** If you can elaborate on the distribution side, I mean, from the development contracts, from production contracts and from services, that will be much helpful?

**S. Rangarajan:** What happens at the company level I'm telling you, all the development mode typically what we do because we have competition in development cycle, as a policy as all along we've been actually developing products and observing development costs, we only work on production costs to see the DBF, we have a competitive model there. But having said that, what we do in development is we try to develop building blocks. That's the approach which we follow. we try to make modular building though this particular equipment, some design is necessary, we try to make it modularize it, so the next generation or next product we should do, we try to use this development, already developed a building block to take it on the next system. So, we try to appropriate development cost for many programs. This has been the model for last 15, 20 years. We continue to address that. Having understood the overall implementation, we try to see, can we make reusable libraries and software, reusable firmware, reusable products blocks, so that not only do we have reduce the development cost per se, but also to have reliability built in because once it is validated, and you put it together, we have enhanced reliability and acceptance is only faster. We can also deliver the equipment faster. So, it has many advantages. And since we are observing development cost, we try to build what is similar products available abroad one-on-one. We try to build that. So even if they want to buy, we have an equal product brand in India. So that is the model. Okay? This is for development itself. And as far as the question on development production, on service, the gross margins and things like that, it's similar to development and production, since we absorb development costs, development production actually, it is almost similar, unless we very aggressively ported in development time, then the gross margin comes down and then the production cost is less. Whatever production we get, the gross margins are already finalized, because this has been designed seven years back, five years back, so we have the exact cost model in all of them. So when you get repeat orders, the production contract is all in the similar lines I am talking about 65% to 70% gross margin will be there and material. But there's more because unless other companies who buy and integrate and do development for a few pieces here or some part of it, actually, whatever other people import, we have designed ourselves. So we work on a component model in all of them, and there is a lot of development costs incurred, which is not really recovered, it gets recovered over the delivery models of number of systems. So that is all it looks as if we've got a very high gross

margin. That is because they've not recovered those costs in the previous years. And we funded all those in earlier years. So that is what is visible today. When it comes to production orders, it comes to similar margins we have. On service, of course, our margins will be slightly more because unless there are failures and repair, electronics and material costs goes in. We try to ensure that the failures are minimal. But there is a cost of transportation, travel because we need quarterly visits, test, validate, some equipment we maintain on service, some spares maintain because in uptime guarantee we don't want to get the customer down. So we've enhanced our service guys, we have more than 45 engineers grouped in servicing. We are gradually increasing number of people to see that they can address the territory of all India and we also position ourselves differently, we have some people positioned in North India, we have positioned in Trivandrum and Bangalore. So we have tried to position ourselves as the nearness customer and support. So those are the costs really come into picture. Not material cost there. But all of them like I said, production development, we are almost similar in cost.

**Moderator:** Next question is from the line of Nihar Dave from AKD Securities. Please go ahead.

**Nihar Dave:** Sir, as you commented that 60% of your revenue is likely to be booked in Q4, so would it be fair to assume that this ratio of 60%, 65% revenue booking that you will do in Q4 will continue for the next at least two years or will that ratio come down?

**S. Rangarajan:** I don't have the plan for next year in front of me, but we have made the plan for Q1 what we delivered in Q2 FY'22, I have to look at it, at the present moment I don't have access to the plan. But largely some 50%-plus will happen in the last quarter, because all said and done, even though quarter wise some deliveries are happening, I think bunch of delivery over the last quarter, because we do have a portion of development contracts get pushed in the last quarter. That happens either way. Second also because not all deliveries customer want in the first quarter, second quarter, they also require. And suppose we get the order starting this year beginning, it takes eight, nine months to deliver the system. So even BrahMos, we get the order by March, we can't deliver in the first two, three quarters, because component lead times are six to eight months' time. So we need to plan that and then deliver it. So finally, when the customer wants, it gets pushed down to that particular quarter. So there will be a bunch of it. Exact nature, I have the production plan and the order book, I'll look into it and get back. You can do one-on-one call with me to do that later. But generally speaking, there will be quarter-to-quarter but then there will be bunching up towards the year end.

**Nihar Dave:** You've been enjoying this industry-leading EBITDA of say 40% plus, and about PAT margin or 20% to 23%. So over FY'23 and FY'24, do you see that maintaining or getting better or coming under pressure, how does it look like as we sit today?

**S. Rangarajan:** If the revenues go up 30%, 40%, our EBITDA will go up, our PAT will go up. It's a question of trying to get the revenue up, get the order and deliver the order, because my cost model is already firmed up and I delivered the first pieces three years back. So, what we get to customer is there is a year-on-year escalation cost is also brought into the pricing as per standard terms and norms,



then there is exchange rate fluctuation which is also brought in, because electronic components are imported, there is a US dollar, pound or euro come into picture. So, when we do fresh contracts, this is all brought into picture and this is in line with out of costing model which is there. And if you were to buy, let's say a processor module from US, they are going to pay it at a price. Only thing is I wish the processor here, so I paid the raw material costs. We don't have an equivalent in India. So, they are looking at an imported model and that is where our pricing also works out. So, having said that, there is escalation and that happens. So, going ahead, if the revenues going to go up, our EBITDA for the next two years at least because this is based on previously delivered products, we will have this. The fresh orders what we do, competitive into models, that's a different ballgame. But the question is '22-23 '23-24 as long as revenues are going up, I think this percentage, whatever EBITDA, PAT we're talking about, we should meet and exceed the numbers.

**Nihar Dave:**

I just wanted an update if it's possible. We were supposed to receive some 200 systems contract order from Leonardo, UK, if I'm correct. So, could you throw some light on that?

**S. Rangarajan:**

Not 200, we have delivered 100 systems. They are saying that they will give us some orders. So this is supposed to come this quarter, next quarter, we want to have a fresh set of orders, you already have some 13, 14 crores orders, which is still there, which we will deliver over the next few months. But they're going to increase the number of orders for two, three programs, they have told us that will happen. So the discussion has started. I think we should get the order. But it may not be 200 systems, but it may be some numbers, exactly, I'm not sure, but some more numbers, and there are two or three variants of this orders will come. We are also trying to enhance the cooperation with them by building other products for them and inquiries also coming to us in the next two, three weeks. So we want to really engage that. We will do an Indian development model and deliver forward for that. So we're trying to see what we can do with Leonardo.

**Moderator:**

The next question is from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:**

Just a follow up question on competition. If we can get some comment, as the company is now looking to scale up in terms of larger integration orders, the radar program, and EW systems, how is the competition in the system integration type of market for Data Patterns, and do we see the competitive intensity beefing up from some of the other domestic private sector players?

**S. Rangarajan:**

Competition is always there. We have two, three kinds of competition. On the MoD business, we will have competition with all the large corporates. Now, smaller companies are also trying to quote them, but largely it's large corporates. Large corporates will have back-to-back arrangement with the multinational OEM and that is how the competition would be. So that will continue to be there, but we're not actually taking our numbers any kind of future contracts or enquiries. Whatever we're doing now in the next one or two years' time is based on what we've already done and where we mostly will get signal orders. They are not competitive kind of orders. In the next 500 crores I am saying very few of them will be at competitive pricing or a

tender. This will be repeat orders which we have to get. So progress already we have done. So that is the kind of basis with which we put infrastructure not on a tender basis. So that is very risky. So we will not do that. So there's a very confident kind of an order book is what we're putting infrastructure and people. So that is one. But competition exists for new contracts, they will be from large corporates for MoD, on the DRDO front, we have a number of competitors, we did RF microwave, earlier it was only Astra Microwave, now, a number of other companies also want to get into this to compete on that area. Not all of them will be successful, but the competition is trying to bring in more infrastructure and then try to quote low and get contracts to their companies. On the digital, we have Vishal we have Coral, we have other organizations coming in competing with us on that. Some of them what they do also is also they represent US companies and European companies. So they buy the module and some customization goes to that, kind of competition is there. Other smaller companies are there to actually build from scratch, design and also do. So, competition is across the board. What we are trying to do is try to differentiate us as a competition with a competency model which is unmatched. So, we try to build across the stable, build up domain competency, for example, if we take a radar, we build the 1 MW, the transmitter is designed by us. Nobody else design 100 kV, 60 kV, switching modules we design. We design all of signal processing ourselves which is imported by others. We do the software in that. Similarly, the domain in EW, emitter classification, the software, library creation, everything is designed by us. So there is a differentiated model with respect to that. So on a one-on-one competition, we say there's no individual company who can do all of them. But what happens is just because we have products and competency, it doesn't mean we will get an order. Again, that's going to be on a marketing model or sale model, because this customer then say okay, I'll make it into 100 different parts and buy it, then you are at a common place and everybody is competing. But if we add all the total and says, although 100 comes to one company, then I don't have a competition. So, we work between one and two. So, we gain some, we lose some. So, that is a model. So, we try to put more on capability and build the entire product. If customer is accepting that for faster delivery, then we stand a better chance of winning the contract. So, this is the business we are in. We try to build differentiation, build IP and competitive business on a system level. We would like to say that we can compete with the foreigners. Actually we look at MoD. It is not the Indians who are competing, they are going through the Indians, but actually the products are coming from Israel, from Europe, from Russia, from various kind of organizations. So, in all fairness, we say, if I want to be the equipment supplier in India in defense equipment, I would have to look at them as competition and also as collaborators, both happens. So on a product model if you want to compete in that particular segment, somebody is buying and integrating it or making work share and building it here, we have to look at them as the competitor on the cost and also the value addition which is done in India as a cost and see how do we sustain ourselves. So it's a very complex game, but we are slightly ahead of the game in terms of competency. We need to utilize that competency model to see that we get the revenues which we deserve.

**Renu Baid:**

What is the mix for our existing backlog and the order inflows that we are expecting 500 crores with respect to signal vendor projects and competitive bid-based projects?

- S. Rangarajan:** I don't know whether we immediately have signal vendor classification all orders. I can probably make it available. You remove the Rs.254 crores, it's a tender order which we bought on par, if you remove that, on the Rs.600 crores order book which we have now, the other Rs.350 crores, at least 250 crores, more than 50% 60% will be signal vendor orders. That much I can tell you. Similarly, on next Rs.500 crores orders I am expecting, I think more than 400 crores will be signal vendor orders because these are all parts we already done before and then the expected orders coming into picture. Exact value, I don't have in that, maybe we can take our database and have a look at which is signal vendor and competitive and make a number and share it with Go India, that's possible. This is an approximate thing which I have.
- Moderator:** The next question is from the line of Deepak Sahoo, an individual investor. Please go ahead.
- Deepak Sahoo:** My question is how you see Data Patterns from now on a five year point of view?
- S. Rangarajan:** We would like to scale it go up more than 1,000 crores business minimum with either our products or collaborations or even looking at inorganic growth, but we want to scale.
- Moderator:** The last question is from the line of Chinmay Deshmukh, an individual investor. Please go ahead.
- Chinmay Deshmukh:** I was watching your IPO presentation, the one which you took with the individual investors meeting. You were telling there was a radar that you have designed and there was a tender, which will come out for it in the future. So, you said that 30% you designed all the electronics in the radar and you have designed the whole radar also. So, if another guy gets the order, you will get the electronics order. So, how are we on that front, that tender has been offered?
- S. Rangarajan:** Budget recourse have been taken by Air Force. It's for 18 radars. They have to move the file for what is called as AON and get an approval of funds. After which tender will come. I expect in the year '22-23 the tender should come and they should finalize. This is the expectation what has been given to us. We have not projected that next year or year after next because the tender has to come before we can make a projection. For the next two years, we have not projected that. We have projected year after next one more such requirement which is radar for Arudhra where the enquiry has already come to Bharat Electronics. We expect that Bharat Electronics finalize the contract in next nine months. Based on which back-to-back we should get an order, maybe in '23-24 we can have some deliverable on that. But still AON has not come but we expect this to happen in the next one year.
- Chinmay Deshmukh:** I saw your order book majorly it is derived of radars only. So if we consider the three years after 2023, do we have newer products which will give revenue as comparable to radars or are we focusing on the radars only?
- S. Rangarajan:** We will get because if you take the Arudhra for example, at least around Rs.3 crores of orders we should get on Arudhra. If we get Ashwini if it does happen in the next one or two years, which is more than Rs.500 crores of business from Ashwini 18 radars are there. We've also

developed and delivered an airborne radar for helicopter and other platform. That is being flight tested now. We expect some variation of that. The next generation radars we expect the order to come from DRDO, where they will put the software and we will do the radar itself. We expect something to come and we want to deliver it next year. I expect signal vendor radar for that which we will deliver. So we are trying to do this. Plus what's happening is DRDO's own program for early warning radars, enormous program which has been approved for six based on HP19 systems. The number of radars are going to be required. There is a naval requirement which DRDO is doing Multiple aircrafts they want to do a naval what is called as maritime surveillance radars and EW systems going to go. EW, already our systems are flying in all that. We expect next generation we were doing to find and then there are radar opportunities also there. As long as we get some part of the contract or the contract, we will also scale. There is a number of ground based radar tenders are coming up I've not projected any of them because it's all tender situations. So unless we get the order, we don't know, there is no probability here, either zero or one. So we've not projected all of them. There are a huge number of orders and enquiries are expected. But we will work towards winning those contracts. But we have not considered it for our projections. Projections are considered based on signal vendor contracts, and what already developed where there's a measure of surety that this product will happen. Only that has been considered for our projection, or where we are very uniquely positioned, we have taken the position. But there are a number of opportunities. So it will scale. Requirements in India is very large, it will scale. So radars is an important area. We're also designing our own radars for make to programs, we will develop our own radars, based on the competencies we have done. We reengineered some of the parts, try to do that to keep the cost low in terms of development and see if we can give a requirement. And also I talked about collaborative work with partnership model. There again, we can do the equipment, while they do the platforms or a weapon system. These are all in discussion stage. If it culminates to an MoU and an arrangement between us, this is what happens in international arena, where the ecosystem is done. And if India starts doing the ecosystem and we become part of the ecosystem, then more predictability will come by six years down the line in all of them. But that is the kind of timeline. But for the next four, five years, we need to do with what has already been done in the last few years. What we're doing in the last two years, which is going to get into production with the next one or two years which will keep us going in the middle term. As longer term directives have to be much, much different, the strategy is different and the competency model and partnerships are going to be worked out to see the longer-term directives, whatever Mr. Deepak asked me on five years from now, what do you want to do, we need to have different kinds of directives to do that. That is where we wanted an eclectic mix, our service model, product model, consortium model, partner model, all of them we want to do both in India and outside India. We need to build up strategies to see that we address larger markets and have a visibility over four, five years how to scale this business.

**Moderator:**

Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Rangarajan for closing comments.

**S. Rangarajan:**

First, I thank all of you for patiently listening to this. This is our first post-IPO call after Q3. I'm very happy to say that we've done reasonably well. We are fairly confident of the future going ahead because we have orders on hand and we believe we will get additional orders, expected to see that we can scale the business as we go along. I wish to thank all the investors who take an active interest and built up this company. I'm very grateful to them for having reposed their belief in Data Patterns. We will do our very best to see that we scale the company and meet your expectations. Thank you very much. In case you have any further questions, please do send the questions to Go India and we will have all of them addressed as early as possible.

**Moderator:**

On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.