Bharat Electronics

Operator: Ladies and gentlemen, good day and welcome to Bharat Electronics Ltd. Q2 FY27 earnings conference call, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikas Singh. Thank you, and over to you, sir.

Vikas Singh – ICICI Securities: Thank you. Good evening, everyone. A very warm welcome to the Bharat Electronics Ltd. Q2 FY27 results conference call. On behalf of ICICI Securities, I would like to thank the management for giving us the opportunity to host them. From the management side, we have with us Mr. Manoj Jain, Chairman and Managing Director; Mr. Damodar Bhattad S, Director Finance and CFO; and Mr. S Srinivas, Company Secretary. Without taking much time, I will hand over to Manoj sir for his opening remarks. Over to you, sir.

Manoj Jain – Chairman & Managing Director: Thank you. I will briefly summarize the financial highlights for H1, which means Q1 plus Q2 combined, for 2026-27. Revenue from operations increased to Rs.12,824 crore up to Q2, as compared to Rs.10,180 crore, with a growth of 25.97%. Profit before tax also increased to Rs.3,467 crore up to Q2, as compared to Rs.3,023 crore, with a growth of 14.66%. Profit after tax increased to Rs.2,589 crore up to Q2, as compared to Rs.2,255 crore in the previous year up to the same period, with a growth of 14.80%. EBITDA up to Q2 is 27.43%. Earnings per share increased to Rs.3.54 up to Q2, as compared to Rs.3.09.

The order book position as of 1/10/2026 is Rs.68,717 crore, and orders acquired up to 1/10/2026 in this financial year so far are Rs.7,334 crore. Those are the brief financial highlights for H1, which includes Q1 and Q2 combined. That is a brief overview from my side.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amit Dixit from Goldman Sachs. Please go ahead.

Amit Dixit – Goldman Sachs: Hi. Good evening, everyone, and thank you for the opportunity. First of all, congratulations on a very good set of numbers. I have two questions. The first one is with respect to QRSAM. Can you mention when we can expect to receive this order? Recently, one of the companies on its conference call mentioned that there is a possibility of QRSAM being allotted to private companies as well. Do you have any thoughts on whether our share, which we have been mentioning at around Rs.250 billion, would see a decline because of that? That is the first question, sir.

Manoj Jain – Chairman & Managing Director: As you know, QRSAM was developed jointly by BEL and DRDO. BEL was the nominated production agency, and we also invested during the design phase. A lot of learning has gone into this over the last 10-plus years. I think it started roughly in 2014. We then submitted our bid based on the RFP issued to us.

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As such, and based on our inputs also, the order is technically ours, although it cannot be stated with certainty, because there is a period of 10 to 12 years of cumulative experience in this type of complex system of systems, which we have developed over a period of time. Of course, our guru is DRDO, jointly with whom we worked, but we had deployed our R&D teams in this program from day one.

As of now, I am more than 99% confident that this program is coming to us very soon. In the future, if the government decides and the private sector reaches that level, there will definitely be chances of private companies receiving different types of orders. They may start with some missiles, as stated in some public statements, and later migrate to complex systems as well. If the private sector comes up, it will be a real win-win situation over a period of time. I hope I have answered your question.

Operator: Mr. Dixit, are you there? As there is no response, we will move on to the next participant. The next question is from the line of Mahesh Raut from Nomura India Limited. Please go ahead.

Umesh Raut – Nomura India Limited: Hi, team. This is Umesh Raut from Nomura. Congratulations on a very strong operating performance in the second quarter of FY27. My first question pertains to the Next Generation Corvette. Given that the contract was signed with GRSE and Goa Shipyard yesterday, how soon can we expect subsystem-level awards for the advanced suite of weapons, sensors, and navigation systems from you? Will those awards happen through a competitive route or on a nomination basis? Given that I believe the total ordering contract size has increased from about Rs.38,000 crore to Rs.53,000 crore, do we anticipate incremental changes in terms of the ordering size for us?

Manoj Jain – Chairman & Managing Director: One good development was that, out of the three big programs—the NGC, P75I, and QRSAM—which I think we also discussed in the last quarter's conference call, all three have significant BEL participation. At least the NGC has been cleared and was also signed by the parent PSUs, GSL and GRSE.

We are in touch with them. We were already in touch with them regarding the items that BEL has to supply to both of them. Those items, as stated, were developed over a period of time and are now technically called Buyer Nominated Equipment, but they went through all the processes of multi-vendor evaluation, capability assessment, functionality assessment, and successive additions. Based on commonality, it was decided that they would become so-called BNE.

Buyer Nominated Equipment is also a very long-drawn process. In this project, there are many buyer-nominated equipment items, and we had already submitted our BQ to both shipyards at that time. The formal orders from them will now begin formally. That may take anywhere from 1 day to 6 months. That is the variation because there are different line items. For different line items, there will be different types of negotiations or finalization of terms and conditions.

Therefore, I cannot tell you exactly when I will receive the last order for NGC, but technically it may start even tomorrow. The first order may come even tomorrow, although it may be of very small value. From small value to large value, I expect that within the next 6 months, before the close of this financial year, all these orders from both shipyards will be with us.

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Tentatively, I think we had indicated orders worth around Rs.20,000 crore. We are sticking to the same value. Based on our estimate and our discussions with these two shipyards, I think we may receive orders of this magnitude. We are expecting orders worth around Rs.20,000 crore in a staggered manner, but 99% of them will come in this financial year.

As of now, it appears that there will be no slippage of one or two line items. However, we had also hoped to receive the QRSAM order by March last year, but there were some slippages because of procedural terms and conditions, discussions, and so on. Therefore, one or two line items may slip, but as of today, it appears that we may receive orders for all the NGC line items before March.

Umesh Raut – Nomura India Limited: Understood, sir. My second question pertains to execution growth. We mentioned in the annual report that we would grow by about 15% to 20% in FY27 at the top line. Given that we have achieved 26% growth in H1 FY27, would there be any upgrade in guidance for FY27 in terms of revenue and margins?

Manoj Jain – Chairman & Managing Director: No. Although the growth appears to be above 20% overall until H1, that is based on our strategy of making our production as uniform as possible across quarters. You may know that we generally perform better in the last quarter. Not only us, but all our partners, including our MSME partners and other partners, also have higher productivity from January to March than in other quarters.

We are trying to correct this so that we and our supply chain partners put in full effort in each quarter. We have definitely made those efforts to ensure that all 4 quarters are more even. Because of that, growth of 25% and 26% looks very good, but overall, we are currently planning for growth of between 15% and 20%, and we are expecting growth of more than 15%. If something higher comes, it will be a positive surprise for us as well, but as of now, that is what we are planning.

Umesh Raut – Nomura India Limited: Understood, sir. If you can give us some color on execution growth beyond FY27 as well, how should one look at it, especially given that the QRSAM contract has now been delayed by almost 7-8 months versus our earlier expectation? Do we anticipate early recognition from the program? In anticipation of this program, have you started any work so that we can reduce the timeline for recognizing revenue and perhaps report some execution from QRSAM as early as FY28? Any color on execution beyond FY27 would be helpful.

Manoj Jain – Chairman & Managing Director: Generally, we have this type of discussion in the April conference call, because that is when we provide more quantified details about the next 3 years and our projections. We also review our yearly plans for the next 3 years every quarter, but we will have more concrete data at that time.

Since you have asked this question on QRSAM, let me tell you that we have proactively started significant work on QRSAM, QT, and FOPM realization-related activities, keeping in mind the sensitivity of the program and the surrounding geopolitical situation. We are confident that once we receive the order, we will try to compress the timeline by a few months. As of now, it appears that we can accelerate ourselves by at least a few months.

We may gain a few months, but it is too early to say how much this will impact our yearly targets. However, we are definitely very serious about the execution of the QRSAM program.

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Umesh Raut – Nomura India Limited: Thank you very much for this detailed answer. I will get back to the queue. All the best, and Happy Diwali in advance.

Manoj Jain – Chairman & Managing Director: Thank you.

Operator: Thank you. The next question is from the line of Deepen Vakil from PhillipCapital Limited. Please go ahead.

Deepen Vakil – PhillipCapital Limited: Hi, sir. Thank you for the opportunity, and congratulations on the strong execution and margins. My first question is regarding your current order book. Can you help us with the breakup, or a slightly detailed project-wise breakup, of your order book?

Manoj Jain – Chairman & Managing Director: We have already stated that we have more than 300 projects under execution, but I will mention only some of the major projects. The top projects are as follows: Electronic Fuzes are about Rs.4,200 crore, LCA Mark 1 is Rs.3,200 crore, LRSAM is Rs.2,900 crore, BMP-2 upgrade is Rs.2,600 crore, Ashwini Radar is Rs.2,500 crore, the Electronic Warfare suite for Mi-17 is Rs.2,200 crore, and there is one export order worth Rs.1,700 crore. These are the major orders as of October 1.

Deepen Vakil – PhillipCapital Limited: Got it, sir. My second question concerns order inflow. In the first half, order inflow was roughly more than Rs.7,000 crore. How do you expect ordering to develop in the second half, and which could be the major projects that you are expecting apart from QRSAM and NGC that could help us sustain order inflow above, say, Rs.20,000 crore or Rs.25,000 crore?

Management: We are going to meet or exceed that. NGC has come through as a major project, and there are 3-4 more projects in the pipeline. The {? Shatrughat and Chamaghat ?} files have progressed considerably, and we hope to receive both orders one by one before March. We may also receive {? Hemur ?} before March.

Therefore, we are confident of receiving these 3 orders. There are also some other orders of smaller value. However, I am not sure about P75I right now as to whether it will also be cleared. As per my estimate, NGC was the first, QRSAM may be the second, and P75I may be the third. Therefore, P75I may slip to next year. I am not fully sure, but if it comes this year, it will be a pleasant surprise for us as well, because there are many line items from BEL in that program too. That is a brief overview from my side.

Deepen Vakil – PhillipCapital Limited: Got it, sir. So, right now, the major orders remain QRSAM and NGC, with P75I perhaps coming next year. Even without P75I, are we looking at order wins of Rs.15,000 crore to Rs.20,000 crore?

Management: Yes. The total is Rs.25,000 crore without QRSAM and Rs.55,000 crore with QRSAM, which was our guidance. We are sticking to that.

Deepen Vakil – PhillipCapital Limited: Got it, sir. Thank you very much, and all the best for the second half.

Management: Thank you.

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Operator: Thank you. The next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel – Equirus Securities: Thank you very much for the opportunity. Sir, my first question is just a clarification. The Rs.20,000 crore that you mentioned for NGC would include {? MRSAM ?} as well, correct? Or is this only the electronics portion?

Management: [pause] The electronics portion includes the radar as well. There is a {? MF-STAR ?} radar, and that is also part of this. The missiles are not included. Therefore, the missiles are excluded. All the electronics, which means communication equipment, electronic warfare equipment, and radars, are included. Taken together, the figure I shared with you is approximately Rs.20,000 crore or more in expected orders.

Harshit Patel – Equirus Securities: Understood, sir. Secondly, on competitive bidding and the nomination share, I believe roughly 90% of the order book currently comes through nomination. However, we have seen many private players, including Adani Defence, becoming active across radars, electronic warfare systems, and missiles, as you also mentioned. Could you tell us how much of the FY28 and FY29 pipeline will be competitively bid? How would pricing and margins in those bids compare with nomination-based orders?

Management: [pause] Whether it is nomination or competition, the margins will be more or less similar. In nomination, we do not receive higher margins.

The way we win, or the reason we win, is based on the uniqueness of our product and the indigenization content developed over a period of time in our technology. That is what differentiates us from others.

Let me tell you again that whatever nomination you see today actually began with multi-vendor competition. We became L1, and only when the product proved suitable for the next ship or the next order did they move to {? BNE ?}, buyer nomination, or nomination. Therefore, very little nomination in this domain has happened for other reasons.

It was based on the capability developed over a period of time, indigenization, and the other benefits that we passed on to our customers. Because of that, we are still retaining some of the so-called nomination status. However, the uniqueness definitely comes from our R&D, our indigenization, and the unique solutions for their customized needs that we have understood over a period of time.

That is definitely a unique selling point for us. With that, we will remain competitive and will have similar margins, let me assure you.

Harshit Patel – Equirus Securities: Understood, sir. Thank you very much for answering my questions. I will come back to the queue.

Operator: Thank you. The next question is from the line of Amit Anwani from PL Capital Limited. Please go ahead.

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Amit Anwani – PL Capital Limited: Hi, sir. Thank you for taking my question. I have one clarification. You said that we currently have roughly Rs.8,000 crore of inflow, and that this year's base order, including {? Shatrughat, Chamaghat and Hemur ?}, is expected to be Rs.20,000–25,000 crore. Is the Rs.20,000 crore from NGC over and above the base orders we are expecting, and will it come in phases?

Management: [pause] No. The NGC order was included in the Rs.25,000 crore. At the beginning of the year, we clearly stated that, including QRSAM, we would have Rs.55,000 crore, and excluding QRSAM, Rs.25,000 crore. A major portion of this Rs.25,000 crore will be NGC.

As I said, if we receive all the NGC orders before March, we will definitely deliver a positive surprise to all of you. However, as I said, the process may take 6 months. From November, December, January, February, and March, some order may slip to April. That is our estimate.

If that happens, we will still be comfortable with our other orders in hand, and we are definitely going to cross Rs.25,000 crore. But if all the NGC orders are received before March, then we are definitely going to cross Rs.25,000 crore excluding QRSAM.

That is why we are retaining our guidance, and we are confident. We are putting all our efforts into bringing together all these line items, including the 8 to 10 different NGC line items. We are confident, but from a guidance perspective, we still want to stick to Rs.25,000 crore and Rs.55,000 crore only.

Amit Anwani – PL Capital Limited: Right. If this happens, then you will exceed the target by a large margin if the NGC orders come in the next 4 months.

Management: [pause] Certainly, certainly, certainly.

Amit Anwani – PL Capital Limited: In terms of the timeline, what will be the timeline for NGC execution for you, and also the timeline for the few large orders that you highlighted as part of the order book, including the {? Fuzes ?}, LCA, and BMP? That would be helpful.

Management: Except for {? Fuze ?}, which has only about 6–7 years remaining, all the other orders are typically for the next 3 years. They will all be executed within that period, which is 3 to 3.5 years.

NGC also has an execution period of around 4-plus years after receiving the order, depending on the ship construction plan. It depends on GRSE and GSL. I hope they are taking assistance from many MSMEs and other vendors to speed up the production and integration of all these electronic systems. They may ask us to prepone the deliveries.

In that case, we may have to supply over the next 3–4 years. However, we do not foresee any challenge in producing these line items because all of them are already well within our production pipeline. There are no surprises.

If they want to prepone the deliveries, we can definitely execute them. However, that will depend on when we receive the confirmed order in the next few months. Only with that order will we know the exact delivery dates, what they have negotiated with their principal customer, and how much of the timeline they want to pass on to us.

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Hopefully, 3 to 3.5 years to 4 years is the maximum execution timeline for my NGC orders.

Amit Anwani – PL Capital Limited: Right. My second question is on drones. There has been a lot of discussion about a very strong pipeline. Where are we in terms of the work toward counter-drone systems, which I believe you also discussed? I wanted to understand how Bharat Electronics is developing its drone-related products, such as kamikaze or counter-drones. Could you brief us on the drone side and any prospective drone pipeline that we are looking at?

Management: As you rightly said, this is one of the major business growth areas for any company, including BEL. There are many other private sector companies and startups in this area, but there is scope for each one of us.

You may have seen from recent conflicts how many different types of drones are required. There are surveillance-related drones, kamikaze drones, drones with ranges of 1,000-plus kilometers, drones with ranges of 2,000-plus kilometers, and so on. There are also drones that counter other drones and drones that capture other drones. There are hundreds of use cases, including logistics drones.

There are very good initial products in the market. However, these initial products have to be converted into reliable supply-chain-based products with sufficient hardening. BEL is working with many startups and also has its own in-house programs to provide reliable and trustworthy solutions that can operate in forward areas or in jamming-area environments.

We are working very closely with 6-8 startups at present. They have developed excellent technology, but we are carrying out the ruggedization and further strengthening required to make it more robust. We have also started bidding. We have received a few orders this year, but those orders are of the order of Rs.50 crore or Rs.100 crore.

I am looking at some larger orders over the next 1-2 years, of the type that we can discuss in an investors' call. We do not even want to discuss orders of Rs.50-100 crore in an investors' call, and you may also not be interested in those types of orders.

However, I am confident that next year we may receive at least 1 or 2 large orders based on the 6-8 major leads and major tie-ups that we have developed with the startup community. I am confident that this will generate very good business for us in the years to come.

The same applies to counter-drones. Fortunately, over the last 3-4 years, we have established ourselves as a reliable supplier of high-end counter-drone systems. By high-end, I mean systems that also have hard-kill options.

For the hard-kill option, we are now adding microwave DEW based on our own in-house efforts as well as our efforts with DRDO. We have received very good leads from some foreign countries as well. We have successfully demonstrated our counter-drone solutions, which are quite unique at the global level and also very cost-effective.

We are hopeful of receiving good export orders very soon because very good development and trials have been completed. We hope to receive good export orders for counter-drone solutions.

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Overall, drones and counter-drones are definitely one of our most focused areas. After missiles, arms, and ammunition, our second-most focused area is drones and counter-drones. We may give you a very pleasant surprise during Aero India as well, when we may launch a few products. Let me assure you of that.

Amit Anwani – PL Capital Limited: Thank you, sir, and all the best. Thank you.

Operator: Thank you. The next question is from the line of Pinakin Parekh from HSBC Bank Limited. Please go ahead.

Pinakin Parekh – HSBC Bank Limited: Thank you very much, sir. My first question is again about QRSAM. Of that Rs.30,000 crore order, what, in your estimate, would be the value of the core missile manufacturing that could potentially be opened up to the private sector? BEL will not be manufacturing the missiles, correct? It will be manufacturing the systems around the missiles.

Management: [pause] At present, we are not manufacturing large missiles, although we have also started manufacturing a few missiles. However, we are not manufacturing the QRSAM missile, let me tell you. The QRSAM missile was developed by DRDO jointly with BDL.

You should actually refer this question to BDL and ask how it will take up this challenge. Based on the information available in the public domain, I believe the QRSAM missile was not included. They mentioned the names of 4-5 missiles that DRDO is opening up to the private sector. It may take the private sector some time to absorb these programs.

I do not think the QRSAM missile was included in that list. However, you should specifically ask this question to BDL because, as I said, for us, QRSAM is a system of systems with large complex radars, communication systems, and interconnection of all these launchers and missiles.

As of now, BDL is the design partner for DRDO for the QRSAM missile. If DRDO changes its plan or something else happens, I do not know as of today. If other companies develop those missile capabilities, they may be allocated that portion. However, BEL will definitely also come forward because, over a period of time, BEL has acquired sufficient knowledge and infrastructure for manufacturing missiles.

Let me again assure you that reasonably good infrastructure is available even for manufacturing QRSAM missiles.

Management: If the government decides, we are capable of manufacturing QRSAM missiles as well. However, at present, we are the DCPP partner for DRDO for the LRSAM and Pralay missiles, and we expect some orders for these 2 missiles in the future.

There are also 3-4 other missile programs that are strategic in nature, and we are involving ourselves with the design agencies for those programs. These 2 programs have already entered the public domain, where we are the formal DCPP partner.

We are definitely making missiles one of our focused areas of development because, as you may know, electronics accounts for 60% to 70% of a missile. Sixty to 70% of the cost of a missile goes into missile electronics. The remaining cost goes into 2 other major components.

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Therefore, the biggest component of missiles is electronics, and we have now demonstrated our strength in this area.

Pinakin Parekh – HSBC Bank Limited: Understood, sir. Continuing with the QRSAM program, you mentioned earlier in the call that you do not expect the private sector to participate in this first {? 30,000 ?} crore order, although it may do so going forward. Do you see the QRSAM program, or variants of it, coming through repeatedly over the next few years as India builds out its air defense system beyond what is currently on offer?

Management: Definitely. We said earlier that whatever we receive will be the first order. Consider the history of the Akash system. We received the first order roughly 20 years ago. After that, we received multiple series of orders. We have already received 3-4 series, and 2-3 more are in the pipeline.

Every 3-4 years or 5 years, there is a technology refresh and some additional enhancement to the same technology. Based on the political and geopolitical situations, there will also be requirements for further strengthening.

You have all seen the recent conflicts. The 2 major areas required by everyone in the world are drones and counter-drones, and missiles. These 2 markets will definitely be very large, and we are also working seriously to capture as much as we can in these 2 domains.

Pinakin Parekh – HSBC Bank Limited: Got it. Thank you very much, sir.

Operator: Thank you. The next question is from the line of Subramanyam Yadav from SBI Life Insurance. Please go ahead.

Subramanyam Yadav – SBI Life Insurance: Thank you very much, sir, for the opportunity. If you can update us on the AMCA project, I believe the bid submission date was at the end of October. Can you give us some color on that?

Management: AMCA is one of the prestigious projects for us. As we stated earlier, we submitted this bid jointly with L&T. L&T is front-ending the consortium, and we are providing full support on a 50:50 consortium basis.

We have already submitted the bid. Based on our internal estimate, it is a very competitive bid, so we are hopeful of becoming L1. After the technical evaluation, the price bid will be opened. We are hopeful that we will be L1, and in that way, our joint work with L&T, a private sector company, will be a very good model of public-private partnership for this program and many future programs.

We are now also aligning ourselves with this type of public-private partnership. You can ask L&T about its experience in its investors' call; I have no issue with that. Our experience of working with L&T has been excellent, and they have been very accommodating. Both sides sat together multiple times, and I hope we have provided a very optimum solution or optimum bid to the agencies. We are confident that we are going to win.

Subramanyam Yadav – SBI Life Insurance: When can we expect the outcome of this bid?

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Management: [pause] Pardon? Can you repeat that?

Subramanyam Yadav – SBI Life Insurance: When can we expect the outcome of this bid?

Management: [pause] Again, this is only a matter of estimation because the decision lies with the other side, and DRDO has to decide. As you know, ADA is the agency that floated this RFP to select one of the partners.

Typically, and again this is my estimate, the technical evaluation may take 2–3 months because we have submitted a lot of details. Technical details were requested, and all 3 consortiums have submitted them. Since it is a large project, I expect 2–3 months for the technical evaluation, after which they may open the price bid. Hopefully, we may receive a positive surprise before the end of March.

Subramanyam Yadav – SBI Life Insurance: Okay. Thank you, sir. Thank you very much.

Operator: Thank you. The next question is from the line of Jyoti Gupta from Ashika Institutional Equities Limited. Please go ahead.

Jyoti Gupta – Ashika Institutional Equities: Thank you very much for the opportunity. I have a couple of questions. First, following the approval of 8 Next Generation Corvettes, how much of the estimated {? 70–75 thousand ?} crore program opportunity could accrue to BEL through combat management systems, radars, electronic warfare suites, and communication equipment? When should we expect the first order to materialize, and what would be the likely timeline?

Second, we know that a lot of work is taking place in fixed-wing HAPS. What is BEL's role in the Indian Air Force high-altitude pseudo-satellite program, particularly in communication and surveillance payloads? It appears that this will be one of the most important technologies in the future.

My third question is regarding the small platforms or contracts that we have received, specifically the low-level lightweight radar order worth Rs.770 crore from the Army. Does this radar have additional export potential, and could the program lead to follow-on orders for deployment across additional Army formations?

Finally, regarding the Rs.1,251 crore ground-based mobile ELINT system that BEL has secured from the Indian Army, is this a standalone deployment or part of a larger networked electronic intelligence program? Could there be additional orders for similar systems?

Management: [pause] You were supposed to ask only 2 questions, but I have noted all the questions. There is no issue for me, although others may object. Your first question is actually a repeat question. I had answered that the different NGC line items, which you have also mentioned very clearly, may take anywhere from 1 day to 6 months.

I cannot state the overall timeline right now because we are in discussions with both GSL and GRSE. We had already held similar discussions in March. In fact, in March, we thought we might receive the order. Considerable preparatory work has been completed. Based on that, I am saying that it may take 1 day to 6 months for the different line items to be converted into confirmed purchase

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orders for us.

Regarding HAPS, it is a very good program with multiple applications. However, based on my understanding, it is still maturing. It is not yet a mature solution. It is still developing.

There are multiple technologies involved. DRDO is developing one, a CSIR laboratory is developing another, and there are also some Indian companies in the race that claim to have this capability. We are closely monitoring all of them.

I believe that we still do not have a mature product. This is our assessment. We may be wrong, but our assessment is that it is still maturing. Therefore, we are being careful in selecting the right partner so that our development risks are minimal and our probability of winning is higher in that program. We are in the process of selecting the right partner for HAPS.

Regarding the Rs.770 crore project, we are going to execute that project quickly. There was a similar order earlier as well, and based on that experience, we are confident that we can execute it.

Strategically, we do not disclose whether we are going to export a product by name until we receive the order. Therefore, I have no comment on whether we can export this radar. I hope you understand that.

The same applies to GBMES. We have received a very good and strategically important order for GBMES from the Army. However, its deployment is always kept confidential in these types of electronic warfare programs.

Let me tell you that all the products we provide are generally very agile. They can meet different terrain and other requirements. Nowadays, we always provide networkable solutions. That is our basic principle. Every product should have AI and a networkable feature, meaning that it can be networked into a larger system.

For the last 5 years, whatever programs we have been developing, at least these 2 features have been included in every program. Without them, in today's war scenario, no one would want to purchase our equipment.

These 2 features are always included in our products. How they will be exploited or not exploited will depend on the end user. That will definitely be a strategic matter that the end user will keep to itself. They do not even disclose to us how they are effectively using the systems in operations. That depends on them. We do not dictate or control them. Let me assure you of that.

I hope I have answered all 4 questions.

Jyoti Gupta – Ashika Institutional Equities: I just wanted to ask whether there could be additional orders for this because, right now, we see [inaudible]?

Management: Yes. For all electronic warfare programs, you may be seeing a very significant increase in requirements because the overall environment has become very hostile from an electronic warfare perspective.

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Technology has changed significantly in the last 5 years as well. You may have seen the transition from 3G to 4G, 4G to 5G, and 5G to 6G. That is only in communication. The same applies to radars, where technology is changing very quickly. Electronic warfare is mainly used for jamming radar and communication systems.

Once the technology changes, the requirement for these types of electronic warfare systems continues to increase.

Jyoti Gupta – Ashika Institutional Equities: I want to understand whether these systems are agile in a hostile environment. Is the technology agile enough to interpret or withstand a changing hostile environment, or is it [inaudible] standalone or is there a significant development requirement?

Management: Again, you are asking a strategic question that I will not answer with respect to this project. However, I will tell you in general that all the projects we supply are highly agile, highly networkable, and highly deployable across different terrains. Done.

Jyoti Gupta – Ashika Institutional Equities: Thank you, sir. Thank you very much.

Operator: Thank you. The next question is from the line of Ajinkya Jadhav from Krush Portfolio. Please go ahead.

Ajinkya Jadhav – Krush Portfolio: Thank you for the opportunity. My first question concerns the MoU that BEL signed with Midhani and BEML for an Advanced Fueling and Control System for heavy-duty combat vehicles. What is the status of this program, and has it moved from the development stage to commercial procurement?

Management: This was a very challenging futuristic project. Developing this type of critical technology is a significant undertaking. Our role was mainly electronics, Midhani's role was mainly materials, and BEML's role was mainly the basic engine control system.

We completed our first-level study and found that we are capable of developing this technology. However, the technology requires much larger investments. Those investments would need to come partly from us and partly in the form of grants.

All 3 companies are currently sitting together to determine how to fund this project. Since the required investments are large, although the technology has to be developed, we are looking at technology development funds or other funds from the Government of India to develop this critical technology.

It is currently in the stage of finalization, but we have jointly completed the work of understanding the technology, its complexity, and the type of investments required.

Ajinkya Jadhav – Krush Portfolio: Understood. My second question concerns the indigenization of the materials we require. Are there any special alloys or steels that we still import which can be indigenized with the help of Midhani and local players? Is there scope to increase the percentage of indigenization with the help of local players for the [inaudible]?

Ajinkya Jadhav – Krush Portfolio: [inaudible] requirement particularly [inaudible] and [inaudible].

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Management: I understand your point. However, this is more relevant to HAL and other companies, including shipyards, because they use these materials much more extensively. For us, electronic material is more important than mechanical materials such as steel or alloys.

In our products, the material cost of these items is barely 1% or 2% because our products are mainly electronic. Whatever small requirements we have are always shared with Midhani, and most of them are also shared on the Srijan portal so that indigenization can be carried out.

However, because our volumes are not high, I do not know what priority the private sector or Midhani is assigning to this. As such, this is not very critical for us. In an electronic system, these mechanical subsystems are not that critical because multiple alternatives are available to us.

For an engine, however, material requirements are much more demanding than our electronic packaging material. For us, mechanical items mainly play a packaging or systems-engineering role. In an engine or aircraft design, their role is 10 times more significant.

Therefore, the challenge of material indigenization for us has shifted to the indigenization of electronic materials. We have left the remaining materials to Midhani and the private sector through the Srijan portal.

Ajinkya Jadhav – Krush Portfolio: Understood. I have one more question, if I may, on the NGC. What will be the new suite of sensors compared with the earlier Corvette that we will be supplying, in terms of sonar or radar? Could you throw some light on the new systems that we will be fitting?

Management: For every new program, some changes always take place because technology is changing. Defense electronics technology changes very quickly, so there will be some changes.

The product name may look the same to you, but within it there is technological upgradation or additional value addition that continues to be incorporated. Therefore, we cannot say that we are manufacturing exactly the same product as in the previous order. There are changes based on the requirements, and that is a continual activity.

All types of electronic warfare sensors, radar sensors, and communication equipment are part of every ship, and they are also included here. The type of equipment may look the same, but from a technology perspective, there is continual upgradation from one program to another.

Ajinkya Jadhav – Krush Portfolio: Got it. That answers my question. Thank you, sir.

Management:

Operator: Thank you. The next question is from the line of Mohit Pandey from CT Research Private Limited. Please go ahead.

Mohit Pandey – CT Research Private Limited: Good evening, sir. My first question is on QRSAM. Given that there has been a delay, is it possible that the actual size of the order could be greater than Rs.30,000 crore? I understand that the Rs.30,000 crore figure was first mentioned more than 1 year ago, and costs have increased in the interim. Is that how it may play out?

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Management: We also generally hope that they provide escalation after the conclusion of the price. However, typically, as part of the government process, they do not provide escalation for 1 year or 1.5 years because, if the project is delayed significantly for various reasons, we have to absorb the impact.

Therefore, we may not receive any escalation. If we are fortunate, we may receive escalation for 6 months. If that is approved, it would be very good and would be positive news for both you and me. However, as of now, I expect the Rs.30,000 crore order to come to us.

Mohit Pandey – CT Research Private Limited: Understood, sir. My second question concerns the missiles you mentioned earlier in the call. I understand that you have an old MoU with Tamil Nadu Industrial Explosives and MIL as well. Are there plans to enter the ammunition or explosives business for the missiles?

Management: Yes. We have formally declared this, and it is also included in our annual report. Tamil Nadu Explosives Limited is now owned by BEL, and it will remain with BEL for at least the next 30 years.

We have already made a good investment there, and we have also started some missile integration activity there. We have a very good understanding with MIL as well, so we can receive some support for ammunition.

At Tamil Nadu Explosives Limited, we currently have only a hot-integration facility, not an ammunition facility. We currently have ammunition integration capabilities, but we do not have an ammunition manufacturing facility.

For that, we are dependent on MIL and Solar. Several other companies have also emerged, including 2-3 more private sector companies that can supply ammunition to us. We have a very good understanding with a few of them.

We are not currently present in ammunition manufacturing as such. However, if it is strategically required and there is a business demand, we can develop that expertise because we have a reasonable amount of knowledge in this area as well.

At present, our main focus is hot integration, which means integrating the ammunition into the missile. That itself is a significant technology, and it requires substantial safety and security features and infrastructure. Therefore, we are currently focusing more on that instead of developing ammunition manufacturing capabilities as such.

Mohit Pandey – CT Research Private Limited: Understood, sir. My last question is on execution. We delivered 26% revenue growth despite a tough base. Were there any particular reasons for such fast execution even though the order backlog was down year-on-year?

Management: We are not worried about the order book right now because, as we have stated, we have more than Rs.68,000 crore, and hopefully we will receive more than Rs.55,000 crore before the end of the year.

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We wanted to execute as much of the order book as possible. For some orders, we have now started tracking our on-time delivery score, and we are improving significantly. Whatever we had committed to our users, we are bringing forward by another 1-2 months. That is why you have seen this performance.

Secondly, as I said earlier, we wanted to correct ourselves and provide a more uniform output in every quarter. We wanted to make that correction instead of loading ourselves in the last quarter and creating uncertainty for all of you. We wanted to make the output more uniform.

Therefore, the performance is a combination of that correction and our faster execution speed. We do not want to delay anything now. Whatever delivery commitments we have, we want to bring them forward by 1 or 2 months. We do not want to move them in the other direction.

We are putting in all efforts to bring our execution track record close to 100% as early as possible.

Mohit Pandey – CT Research Private Limited: That is encouraging to hear, sir. Thank you very much, and I wish you all the best.

Management: Right.

Operator: Thank you. The next question is from the line of Atul Tiwari from JP Morgan. Kindly go ahead.

Atul Tiwari – JP Morgan: Thank you very much, sir. I have one very quick question, although I do not know whether it has already been discussed. QRSAM has obviously been delayed multiple times. Can you provide some color on what has caused the delay, and are we still on track to receive it over the next couple of months, before the close of this financial year?

Management: The delay is not very significant. We were optimistic last year and said, with a high degree of optimism, that we might receive it by March. However, we knew as early as January or February that the complexity of the documents was very substantial and that the process might spill over.

As CMD, I was optimistic, as I always am. Internally, however, we also knew that it might be August or September at the earliest. Therefore, it has not slipped by that much.

I had expected that we might receive the QRSAM order around the time of the NGC order. In any case, when large orders are involved, decision-makers also need their own time. They have to sit together and consider each project one by one.

We are hopeful that we may receive a positive surprise at the next CCS meeting. Therefore, we are not alarmed by the delays at present.

As I said, we are compensating for part of the delay by taking advance action for FOPM realization. We have made some good proactive investments related to QT and related to realizing this with our supply chain partners as well.

In this particular project, we have received very good support from our supply chain partners, whether they are from the public sector or the private sector. Whether they are a large private

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company such as L&T or a small MSME vendor, they are all making investments on their side so that FOPM realization, or First-of-Production Model realization, can take place ahead of time.

That itself is very good news for all of us. It is once again a good model of public-private partnership in which the private sector, including around 200-plus MSME partners, will participate. Approximately 70% of the orders we receive will be distributed among these 200-plus MSME partners.

They have already made reasonable investments on their side. Based on this strong ecosystem and the confidence they have in all of us, I am hopeful that the delay of a few months in acquiring the order will not translate into a delay in execution. We will execute even faster than the users' expectations.

Atul Tiwari – JP Morgan: Thank you.

Operator: Thank you. The next question is from the line of Sahil Karia from White Pine Investment Management. Please go ahead.

Sahil Karia – White Pine Investment Management: Thank you for the opportunity. Could you give us some color on the Virupaksha order that is expected to come, including the timeframe and the order value that we are expecting?

Management: We have received this order as a development order only at present. Production orders will take time. Overall, obtaining sanctions and qualifying a radar for an aircraft is a significant challenge.

This challenge applies not only to Indian companies such as HAL or LRDE, but equally to foreign companies as well. Let me tell you, as I am also an R&D engineer, that the most difficult aspect is the airborne-platform qualification of any technology.

Radar is a very critical sensor for an airborne platform such as the Su-30 or LCA, and it takes its own time. At present, we are executing the development order and providing our AAAU to LRDE. Integration and other activities will then be carried out by them.

The overall timelines are being decided by LRDE for this program. We are confident that we may receive production orders for this radar around 2028-29.

Sahil Karia – White Pine Investment Management: Thank you, sir. My next question concerns the missile seekers that we manufacture and develop. Could you give us a list of all the missiles for which BEL supplies the seekers? I believe that, for some key missile programs such as BrahMos, BEL does not supply the seekers. Also, for the ATGMs that we manufacture indigenously in India, could you give us some color on the seeker programs and the quantum of orders that we can expect going forward?

Management: There are mainly 2 types of seekers: RF and IR. We are involved in both IR and RF seekers.

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As you correctly observed, we are not currently involved in the BrahMos seeker. We are involved in some other missile seeker programs, such as Akash, Astra, and others. We are not involved in BrahMos at present, but we also understand the technology for the BrahMos seeker.

Therefore, we proactively started developing that seeker as well. Each seeker program has different bands, different sizes, and different specifications. We now have the capability to develop these seekers ourselves.

The seekers currently in use were actually designed by DRDO, which was our guru. However, BEL developed the system engineering and some of the critical components in BTS mode.

Over a period of time, we have developed the confidence to develop these types of seekers end-to-end ourselves. We are working on that. If I am not mistaken, ATGMs typically use IR seekers.

IR seekers are also used for various applications, and we have significant strength in designing IR seekers. Our first IR seekers also originated with DRDO, but we are developing our own strength in IR seeker design.

We have a very good manufacturing setup for these IR seekers at our new factory near Machilipatnam, at Nimmaluru. There, we have created [trails off]

Sahil Karia – White Pine Investment Management: That is encouraging to hear, sir. Thank you very much, and I wish you all the best.

Management: Right.

Management: We have created very good, state-of-the-art, Industry 4.0-compliant infrastructure for manufacturing these IR seekers.

Overall, we are increasing our role across different missile programs. We are involved in all 3 categories: DRDO-designed seekers, DRDO-designed and upgraded seekers, and seekers designed by us.

Let me tell you that seekers also account for a significant portion of the cost in many missile programs. Seekers account for 20% to 30% of the cost of a missile. They are a very critical and among the most expensive components.

Therefore, we are targeting a high business volume. As I said, there are huge requirements for missiles and drones in India and abroad, and every missile nowadays will have a seeker.

If you have missile business of X, the seeker business within that would typically be 0.2X to 0.3X. That is all I can tell you.

Sahil Karia – White Pine Investment Management: As a follow-up, what could be our seeker capacity? How many seekers can we manufacture at our facilities in a year? Could you give us a rough idea?

Management: We can easily manufacture more than 1,000 combined IR and RF seekers at present. If the need arises, we can scale this up by another 2-3 times.

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As you may know, seekers are similar to radars. An RF seeker is similar to a radar, and an IR seeker is similar to an IR camera. Technologically, they are more or less similar.

We have a good technological understanding of this subject. Because we have large infrastructure for radars and IR-based sensors, it can be converted very quickly to meet seeker requirements.

Therefore, from an infrastructure perspective, we do not have any bottleneck for either type of seeker program. If and when the need arises to scale up, we are ready. We do not see any challenge. At present, we definitely have a combined capacity of more than 1,000 seekers.

Sahil Karia – White Pine Investment Management: Okay, sir. If I could ask one more question, do we expect a significant amount of orders in the EOIR segment for drones as well as for the directed-energy weapons that we are developing?

Management: EOIR is also a very strategic and important technology to have. Over a period of time, we have developed significant strength in EOIR.

As I said, EOIR is required for seekers, cameras, drones, and multiple other applications. We have several programs through which we are increasing our presence in this EOIR segment.

The critical technology is under our control except for the detectors. The basic detector is still not completely under our control. We are working jointly with DRDO on it, and very good progress has been made on the basic detector.

Apart from the detector, we have very strong capabilities in all other subsystems, including signal processing and optics. Therefore, we can make multiple types of solutions based on these critical technological components.

I do not see any challenge in that. However, there are challenges relating to the detector, which we are overcoming jointly with DRDO.

Sahil Karia – White Pine Investment Management: Regarding directed-energy weapons, are we involved in RF DEW, such as high-power microwave weapons, or laser weapons? What types of directed-energy weapons are we developing?

Management: Both. We are developing both types of weapons—microwave-based and laser-based.

The original laser technology comes from DRDO, and the microwave technology also currently comes from DRDO. However, we are exploring other options, including our own in-house options, to develop different types of directed-energy weapons.

This is an ever-changing field. Every 6 months, some new technology emerges. Although we are supporting our DRDO colleagues very well, we felt that we should also develop some in-house capabilities.

Therefore, we have undertaken proactive R&D in both domains through our own in-house teams. We have also seen some good startups emerge in these 2 niche technology domains, and we are working jointly with them as well.

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Overall, we have all 3 approaches, and we are confident that we will soon offer some good solutions to our customers in addition to what we have already offered them.

Sahil Karia – White Pine Investment Management: Do we expect any orders to come in, or any— [cut off]

Operator: Sorry to interrupt, Mr. Karya. I request you to join the queue again for more follow-up questions.

Management: Ma'am, please let us take the last question.

Operator: Yes. The next question is from the line of Mahesh Rao from Nomura India Limited. Please go ahead.

Mahesh Rao – Nomura India Limited: Thank you for the follow-up opportunity. My question is more strategic. What strategy could the Indian armed forces adopt given that we are seeing multiple cybersecurity-related threats in other sectors, both currently and potentially in the future?

We have historically supplied a very large installed base of defense electronics products to all the armed forces. How do you see this opportunity developing for BEL over the medium to long term? At the same time, could you also give us some color on the possible upgrade of the IACCS system that the Indian Air Force is considering, as well as the expansion of IS to further nodes?

Management: You said you would ask 1 question, but you have actually asked 3 questions. I will try to answer as much as possible since this is the last question.

As you correctly said, cybersecurity is the need of the hour. However, as a technology, we understood this need at least 25 years ago. We opened basic research in cybersecurity at our Central Research Laboratory 25 years ago. We created a group, and it started developing niche technologies that form the underlying technologies for this domain.

Today, let me assure you that, for all the C4I solutions deployed in the field, the cybersecurity component is developed in-house by BEL.

There is also significant demand for cybersecurity solutions in the non-defense sector. In the defense sector, we already have very good solutions in place. However, technology is changing and networks are evolving in the non-defense critical-infrastructure space, which includes many areas.

That is where we are focusing as an additional business opportunity. That is why we created a new SBU, Network and Cyber Security, as a separate SBU at our Bangalore complex around 2 years ago, or 2.5 years ago. It has started delivering very good results in the civilian domain as well, particularly in cybersecurity-related areas.

We currently have good orders in execution. I think we are executing orders worth approximately Rs.400-500 crore in the civilian cybersecurity domain. There are also opportunities and strong leads in the pipeline that could convert into business worth thousands of crores.

We understand the importance of cybersecurity in the civilian domain. In the defense domain, cybersecurity does not appear as a separate line item; it is an embedded package within our C4I

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solution and forms part of the overall C4I solution.

We are definitely present in this domain, and there is a good growth opportunity.

Regarding the next version of IACCS, [hesitates] I want to avoid answering because it is strategic in nature. However, let me tell you that we have already developed the critical technologies that our users are expecting for the future IACCS.

I hope I have answered as much as I could. Thank you.

Mahesh Rao – Nomura India Limited: Thank you, sir.

Management: Thank you.

Operator: Thank you. As there are no further questions from the participants, I will hand the conference over to the management for closing remarks.

Management: Our closing comments are the same as our opening comments. [pause] We are going to meet the guidance given at the start of the year. We are working toward that.

We are targeting revenue growth of more than 15%, although there may be some positive surprises, as you have indicated. However, at present, we are confident that we will achieve growth of more than 15%.

We are targeting EBITDA margins of around 28%. We are targeting order inflow of a minimum of Rs.25,000 crore excluding QRSAM and more than Rs.50,000 crore including QRSAM. We are targeting R&D investment of more than Rs.2,200 crore and capex of around Rs.1,200 crore. The defense-to-non-defense business mix will typically be 90:10.

We are going to meet the guidance that was provided. We are confident of meeting that guidance. Thank you from me and from my team, including the Director Finance and our Company Secretary.

Operator: Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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