Data Patterns (I)

Operator: Ladies and gentlemen, good day and welcome to Data Patterns (India) Ltd. Q1 FY27 earnings conference call. 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 the 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 Ms. Prayasi Patel from Go India Advisor. Thank you, and over to you, ma'am.

Operator: Thank you, Udhav. Good afternoon, everyone, and welcome to the Data Patterns (India) Ltd. call to discuss the Q1 FY27 earnings. We have the senior management of the company on the call: Mr. S. Rangarajan, Chairman and Managing Director, and Mr. Venkata Subramanian, Chief Financial Officer. We must remind you that the discussion on today's call may include certain forward-looking statements and must therefore be viewed in conjunction with the risks that the company may face. May I now request Mr. Rangarajan to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for the Q&A. Thank you, and over to you, sir.

Management: Thank you, Prayasi. Good afternoon, ladies and gentlemen, and a warm welcome to all of you to the Q1 FY27 earnings call of Data Patterns (India) Ltd. We sincerely appreciate your continued trust, support, and participation. I hope all of you have had the opportunity to review our earnings presentation, which has been uploaded on the stock exchanges and on our company website.

Before Venkat takes you through the financial performance, I would like to share a few key business updates and our outlook for the coming quarters. This quarter marks another important step in our long-term growth strategy, as our strategic investments over the past several years are beginning to translate into tangible business opportunities and a strong market position. We continue to witness healthy customer engagement across multiple programs, with increasing opportunities for larger-value and complete contracts. We secured orders across the electronic radars, electronic warfare, and automated test equipment programs from various customers, including the Ministry of Defence, DRDO, and BrahMos, reflecting the growing confidence in our technology capabilities and execution track record. We also continue to pursue several large opportunities that are currently at various stages of discussion and evaluation.

A key milestone for us has been the successful transition of several products from the development phase to complete system solutions, which significantly expands our addressable market and enables us to participate in larger and higher-value programs. With differentiated capabilities, we are trying to convert them into single-vendor opportunities. We are also leveraging our existing technology platforms and reusable building blocks to develop new products faster and more cost-effectively, improving both scalability and speed to market. Our order book stands at 2,654 crores, including negotiated orders, providing healthy revenue visibility over the coming years. Our international order book currently stands at 39 crores, and we continue to actively engage with customers from global markets to expand our export footprint. We also remain confident of securing around 2,000 crores of fresh order inflows in FY27, over and above the orders already received and negotiated.

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The policy environment also remains highly favorable, as the government's continued focus on higher indigenous content in procurement is creating significant opportunities across the ecosystem, including the armed forces, defense PSUs, and private-sector companies. With a strong in-house design capability and a proven execution track record, we believe Data Patterns is well-positioned to benefit from this structural opportunity. Another encouraging development in the quarter was the initial traction in our drone and counter-drone business, where we have started receiving orders. We believe that this business will become an important growth driver as demand for indigenous unmanned and counter-UAV solutions continues to increase.

Coming to the quarter, our revenue trajectory continues to remain on track. As indicated earlier, we continue to invest in strengthening our engineering talent and future capabilities, which resulted in a higher employee cost base. This is expected to remain elevated over the coming quarters. In addition, changes in the product mix also impacted margins during the quarter. These are conscious investments that strengthen our long-term competitive position and prepare us for larger opportunities ahead. Looking ahead, the outlook for the Indian defense sector remains highly encouraging, supported by a robust order pipeline, an expanding product portfolio, increasing export opportunities, and a favorable policy environment. We remain confident of achieving our full-year guidance of revenue growth beyond 20-25% while maintaining EBITDA margins in the 35-40% range. We remain committed to investing in technology, innovation, and engineering capability development while creating sustainable long-term value for all our customers. With that, I now hand over the floor to our CFO, Venkat, to take you through the financial performance in greater detail.

Management: Thank you, sir. Good afternoon, ladies and gentlemen, and thank you all for joining us today. Let me take you through the financial highlights for the first quarter of financial year 2027. Revenue from operations for Q1 FY27 stood at 116 crores, registering healthy 17% year-on-year growth driven by continued execution across our diversified defense programs. Gross profit increased 15% year-on-year to 91.5 crores, while gross margins remained strong at 78.9%, reflecting the high-value nature of our product mix. EBITDA stood at 31.4 crores, with an EBITDA margin of 27%. Margins during the quarter were impacted by high employee costs associated with scalability expansion and changes in the product mix. Profit after tax stood at 22.1 crores, with a PAT margin of 19%, reflecting a temporary impact due to uneven quarterly revenue. The company continues to maintain a strong balance sheet, remaining net debt-free with cash, bank balances, and investments of Rs. 530 crores as of June 30, 2026, providing ample flexibility to support future growth initiatives. Our order book stands at 920 crores as of June 30, 2026. With orders received in July and negotiated orders, the order book currently stands at 2,654 crores. We remain focused on disciplined execution, operational efficiency, and prudent capital allocation as we continue to invest in technology and support the company's long-term growth. With that, I would like to open the floor for the question-and-answer session. Thank you.

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 their 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 Kartik Rawat from IIFL Capital Associate. Please proceed.

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Kartik Rawat – IIFL Capital Associate: Thank you for the opportunity. Sir, my first question is regarding other expenses. While our gross margins have largely not changed much on a year-on-year basis, and despite only 17% growth in revenue, our other expenses have risen by 64%. Is there anything peculiar about other expenses in this quarter?

Management: The increase in other expenses is due to some additional repairs and maintenance costs incurred because the facility is undergoing some revamping, so we had to incur some additional expenditure on repairs and maintenance. We have also additionally provided close to 2 crores against long-standing receivables as per our policy. These two items have contributed to the increase in other expenses; otherwise, expenses are in line with our budget.

Kartik Rawat – IIFL Capital Associate: Understood, sir. Regarding revenue, in the press release you alluded to the fact that there were some temporary delays in customer approvals and that we are expecting normalization in the coming quarters. Could you provide some information on whether there was any quantum of revenue that slipped from recognition in the current quarter for this reason?

Management: We cannot be specific because it involves customers, and I cannot discuss it over an open channel. We have had these issues in the past as well, where the product is ready but the inspection team does not come because its own requirement to deliver was probably delayed. So automatically, it does not come into effect. But these are all aberrations that continue to occur as long as we are dependent on them, while the order-book model and the revenue model are very closely linked. So this issue should come into the picture.

We tried to manage it through the execution of other orders and other orders to ensure that our projections are maintained, but sometimes it is not feasible because we are not a quarter-to-quarter business. We are a yearly business, and all the projects are long-term. It is not a month-on-month or day-on-day production business. So obviously, there is an impact on our quarter-to-quarter revenue.

Having said that, the important thing is to determine how to alleviate this quarter-to-quarter performance deviation. We need to ensure that the order book substantially increases to at least 3 years of our revenue projections. Then we should be in a position to say what issue we should address in each quarter and how we will deliver this. Data Patterns is aiming to build a sizable order book over the coming year or so, or 2 years, to see that we cross those 3 or 4 crore revenue projections. Then we should be in a better position to handle these kinds of problems.

I think you have to bear with me for some time until the order book starts coming in the way we want. We have invested substantially in product development and continue to invest substantially in differentiated products where we stand alone in some of the markets and which are very desperately needed by our MoD. As and when that happens, our order book will substantially increase, and we believe that our revenue projections will be met quarter-to-quarter as we go along. It is going to take a bit of time. Until now, you need to be patient with the yearly growth model that we have been following.

Kartik Rawat – IIFL Capital Associate: Understood, sir. That is really helpful. Sir, one last question before I fall back in the queue. Our negotiated orders that are not yet part of our order book now

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stand at about 17 billion rupees, or 1,726-odd crores. Could you help us with the timeline for how we should expect this to turn into order book? Should this convert into order book in the next 6-9 months, for example? What is the average conversion timeline to order book for these negotiated orders?

Management: This question was asked during our AGM this morning, and I somehow missed answering it. In any case, I would like to tell all the shareholders about this. Normally, this order book should not take this long to get converted into contracts. But in this particular situation, because it is a long and large program and there were program-related delays in finalizing the program before the order could be placed, it went through certain approval stages and took much more time. It took an additional 6 months beyond what was expected.

The whole program had been in place for more than 1.5-2 years. Because of this, some of the contracts we expected from the program, although negotiations had been completed, could not be placed. From what I am told now, it has been extended by another 2 months. Hopefully, we expect this contract to happen within another 2 months.

Some of the orders we expected were also postponed during the negotiation of these orders. We had received some negotiation opportunities, but they went into protracted negotiations, which are also now coming to an end. So we hope that some of these orders will get converted in the next few months, according to my estimate. Actually, they should have come today or within a week or 2 weeks, but perhaps they may come in another 2 months, to be on the safer side. The order book is there, and we have already negotiated these contracts. These are all long-term, larger contracts, and that is why the negotiations and delays are happening.

On top of that, as we also said in the opening remarks, other than the contracts that you are seeing outside the order book, we are also pursuing some very large single-vendor contracts to the extent of another 2,000 crores, which we expect to happen during the course of this financial year. I think orders have slowly started growing in the way we want. We believe that the order book will grow substantially in the coming years.

Kartik Rawat - IIFL Capital Associate: Understood, sir. That is really helpful. I have no more questions. I will fall back in the queue. Thank you.

Operator: Thank you. The next question is from the line of Rishika from Goldman Sachs. Please proceed.

Rishika - Goldman Sachs: Good afternoon, sir. Thank you for the opportunity. Could you please share an up... [inaudible] ...update on the testing of jammer pods for Su-30, along with the revenue contribution you are expecting from this in the medium term? That is my question. Thank you, sir.

Management: As for that product, it is doing well at the development stage. Customers have reviewed the product. We have shown them the product, and they are quite happy with the progress we have shown so far. We are going through the qualification exercises to fly approximately 250 Su-30 aircraft. I believe that should happen before December, and we should have the first trials starting by then. There may be a few months of flight trials. Once the requirements and specifications are found satisfactory, I think the commercial position should

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begin after that.

Management: I cannot, and I do not want to, outguess the situation. I have a number in my mind, of course, because you know what we are working on; otherwise, we would not invest money. But I do not think it is appropriate to discuss a future order that has not yet come as an inquiry and say how much business we expect in the order book. There are 2 types of contracts that we are expecting. These are all around {? 12,000 crores ?}, and at present we hold a unique position in these contracts. We may not disclose the exact value at present. But as soon as the contracts happen, I expect that these contracts should start happening within the next 2 years. Then it will be the right time to announce them.

We have already started looking at these opportunities, and we took money from the {? QIP-1 ?} to fund the development of this program.

Management: We are confident that our integrated approach, based on our subsystems and multi-disciplinary engineering approach—building the pod, building the system, building the electronics, and building the algorithms—is working. It is a complex system, and it needs to go through flight trials. But we are taking it as a challenging business because we need to scale our business substantially in the coming years. That is why we are doing deep work on this kind of product development, which will be of larger value and is on a path to maturity. We are on that path.

Rishika - Goldman Sachs: Thank you, sir. Secondly, could you please share some more color on why we had lower margins this quarter and how you expect this to pan out in the coming quarters for FY27?

Management: Actually, we did not have lower gross margins. I do not know, because the gross margin was higher than what was probably recorded in the first quarter of last year. But what happens is that the overheads remain high because, whether we deliver products or not in this quarter, we continue to spend on R&D expenses, which is probably one of the highest levels of spending in our industry. We also have travel expenses, write-offs of certain items based on other costs, depreciation, and all of these expenses.

Management: Basically, the issue is uneven revenue across quarters. You have to look at it annually because the revenue was not distributed evenly across all the quarters, while expenditures remain almost the same quarter-wise. The contribution from gross margins is distributed over the higher costs, and the margins appear lower. Otherwise, we are confident of achieving the full-year EBITDA margin target.

Our budget process is fairly close to the target. It will vary from quarter to quarter depending on the level of turnover we achieve. It is very much in line with our internal targets. If revenue in one quarter is one-fourth of the annual revenue, then the margins will be the same. Since revenue is not equally distributed across the quarters, you are seeing these so-called EBITDA margins coming down. That is not the actual situation, because gross margins are very healthy. That is the actual fact.

Rishika - Goldman Sachs: Certainly, sir. Thank you.

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Operator: Thank you. The next question is from the line of Dipen Vakil from Philip Capital. Please proceed.

Dipen Vakil – Philip Capital: Thank you for this opportunity, and congratulations on a decent execution. Sir, my first question is on order inflows. We have negotiated contracts worth 17 billion, {? 17 billion ?}. Of that, I believe that last quarter we mentioned that HAL had an order of more than, say, {? 10 billion ?}. Whenever it gets converted into the order book, what would be the execution timeline for that order, considering that it is one large order from a single client?

Management: This varies with the contract and with the customer's delivery requirements. In the case of HAL, for example, the delivery of aircraft is currently spread over 3–5 years. Although the order is given in one lot, execution takes place over a period of time. That is one situation. If it is a project order where the values are high, project execution may take about 18–24 months, and the project has to be executed within those timeframes.

Management: If it is a small subsystems order from DRDO, deliveries are faster. But large contracts take a longer delivery time based on the actual application and the demand for what has to be developed, delivered, integrated, and accepted. So this actually varies from a few months to perhaps 2–3 years. Unless we go into every product order, I cannot answer this question correctly.

Of late, I find that HAL also wants fairly decent delivery over a period of 2–3 years. We had actually expected much longer delivery delays, but they are saying that this is being negotiated.

Management: Whatever we have discussed regarding the negotiated orders does not include the HAL contracts. We are in discussions on those matters, and negotiations are in progress. I have found that many people are asking questions directly through an investor portal regarding the statement that we are L1 in one large contract. I did not comment on it because we are still negotiating a single-vendor contract, which is an {? Indian initiative ?}. As soon as it happens, we will announce it on the stock exchanges.

Dipen Vakil – Philip Capital: Understood, sir. It is interesting to hear that this is in addition to the 17 billion of negotiated contracts. That is helpful. My second question is on the counter-drone business and the export business that you mentioned are gaining traction. What would the product portfolio look like that will be gaining traction? Are we supplying complete platforms, or are we looking more at a subsystem role for the counter-drone business as well?

Management: We are not in the platform business as of now. We are in the sensor business. There are 2–3 areas where we can participate in counter-drone systems. One is active detection, which is radar-based. We build the complete radar in the required quantities for the counter-drone requirements of operators. It is fully developed, and we have a unique product that meets everybody's requirements. It has not yet been operationalized in India. It is mostly imported now. We believe we have a good order pipeline, and we have already started receiving contracts. As we go along, we expect a much healthier order book in active detection.

Management: The second is passive detection for counter-drone applications, based on RF intelligence and communications intelligence. We decode what is happening in the drone and then locate where the drone is and determine the direction of the drone. This is another area. We have

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already developed some first-cut products in electronic intelligence. We are further modernizing them to suit market pricing, and that is also almost ready. We expect contracts to happen in that area as well.

Management: The third area is not only detecting the drone but also carrying out a countermeasure, such as jamming. We have products built for jamming to ensure that signals are jammed specifically in communications. This is also a cross-section of products that we believe will cover the entire application. Some of the applications are also very diverse because, in the case of kamikaze drones, the requirement may be to target the drone until the end as a projectile. In that case, the direction-finding radar and the rest of the systems are required as well. Therefore, the requirements vary from very small to very large, and the market is producing requirements across this range.

Management: The MoD is also starting to place orders with multiple vendors to experiment with different systems in each case. A number of them have started approaching us for suitable sensors for all these applications. We are working with them, and I think these contracts should start getting finalized in the next 3-6 months and should begin to grow. This is regarding the counter-drone area.

Management: On exports, we have continued to build infrastructure over the last few years for radars and airborne radars for a UK company. We have now started receiving our first product. Last year, we received an order for the design of an antenna for an airborne application for a fighter aircraft system. We will deliver it within the next 6-8 months. There is also a lot of interest from the same organization, which is a very large multinational corporate in Europe. In other areas, they have also approached us for many of these systems, and they are very keen to see how they can use these systems because the timeframe we are discussing is much shorter than what they expect within their own organization, particularly in Europe, where there are manpower shortages, sudden contract requirements, and the need to scale up.

Management: We see a lot of opportunities being created for us based on our competency in building products and our very short delivery timelines. I expect that business also to develop over the next few months. This multi-million-dollar business should start getting established. A third area we are also looking at is obsolescence management and upgrades for airborne systems. In that area as well, we expect contracts from very large OEMs in the US to start coming in as exports.

Management: Our normal business has been with DRDO, the MoD, and the public sector. That is what the business has been so far. We now want to venture into new markets through exports, where we carry out product development, our IP goes into their requirements, and the market sizes are becoming much larger. There, I can expect a type of annuity business rather than only project-based business. We are very keen to build an exports group to address the market, and I think that over the next 2-3 years, substantial scaling of the export business will also begin.

Dipen Vakil - Philip Capital: Understood, sir. One last question, if I may. Can you comment on your acquisition of SD Advance and what it is targeted at, including the type of products and how it can increase our market opportunity? Are we targeting it mainly for MiG-29 upgrades and Su-30 upgrades, or is there a much wider application for this acquisition?

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Management: It is a technologically sound company. It is a small but very sound and innovative organization. We are building this sensor and radar business, and we also have requirements for radio and electronic intelligence as well as radar. In one area, we were already receiving contracts with them, and we are getting the product developed from them, which is working very well for us. It is also supplying Bharat Electronics and other organizations. These are advanced subsystems for aircraft systems, electronic warfare, and so on.

The important point is to see whether we can enhance these capabilities and mold them into the larger requirements that we have in India and abroad. In both India and abroad, along with our sensors and part of the systems, these are complementary requirements. If we can combine these capabilities, we can provide a complete system rather than only part of a system. Customers are much happier because they can take a full contract rather than only part of the system.

We thought this was the right approach: to build an ecosystem that can feed each other's capabilities and grow into an overall solution. That is the reason the acquisition was undertaken. We need to do a lot more work to bring this company from where it is today to a much larger scope of business. We have many ideas regarding the capabilities that the promoter of the company has. We want to spend more time ideating with him and invest in the company to create the infrastructure, develop long-term plans for these small contracts, and build a sustainable business model for exports as well.

At present, it is too early because the SPA was finalized only a few days ago, and we need to spend more time working on the strategy. I believe it is a good company, and we believe it is an important acquisition to support that company as well as ourselves. This will allow us to provide a complete product offering and also explore export business that we can conduct directly through them as well as through us, so that we can increase our business.

Dipen Vakil – Philip Capital: Understood, sir. Thank you very much for answering my questions, and all the very best for FY27.

Operator: Thank you. The next question is from the line of Dilip Prasad from Investec Capital. Please proceed.

Dilip Prasad – Investec Capital: Good afternoon, sir. I have a couple of questions. First, can you broadly highlight the larger platforms that you are focusing on participating in—not as a platform, but more as a system or subsystem developer—and not from a near-term perspective, but over the next 3-5 years? Where can we participate and contribute? Second, I wanted to hear your view on the Himshakti project. We were going to receive a few orders. Have we received those, or what is the status of the project?

Management: For the larger platforms, there is the AMCA program and larger LCA programs, including the Tejas program. There are larger development tenders.

Management: As a sensor developer, most of these existing platforms are currently of imported origin. We believe we should make a mark by providing our products and subsystems in areas such as radar warning receivers, communications intelligence, electronic intelligence, ESM, IFF, radio relays, SATCOM, downlinks, radar links, and many other areas where we can work as a full-system

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provider to make an indigenous contribution to these large programs. Of course, regarding the larger platforms, we are engaging with 2-3 companies. One is HAL, and the other is DRDO. Both are associated with the larger platforms that will come in numbers as we go along.

The market is changing from manned to unmanned systems, so there are many more opportunities to come. The same will also apply outside India. If we can develop a combined system in India along with the platform, there is a huge source of exports. These are exciting new opportunities. We already have existing competencies in products that are flight-proven, and we need to adapt them for the particular platform in mind, either through HAL or with them. This is one area we are looking at.

We are also looking at smaller drones for many other civilian applications where we can outsource the systems. We are continuously receiving calls from various UAV manufacturers asking how we can provide sensors for their aircraft. We are exploring all these opportunities. The competency exists, and there is mutual benefit from providing our products to customers with a very fast turnaround time. These are areas where we can participate in terms of platforms.

We are also now looking at trying to build these kinds of products for newer platforms. We have already started discussions on providing very modern systems for larger platforms such as those of the Navy, as well as for some of the aircraft upgrades that India is undertaking. The same sensors we are discussing in terms of ESM, RWR, and radar can be provided for those applications. Again, we are looking to address those markets.

The first system being requested from the SPJ is one such requirement. An electronic warfare suite is being developed for the Super Sukhoi platform, which involves {? 270 aircraft ?}.

There are multiple systems being developed for the Super Sukhoi aircraft. We are also taking up a number of airborne Netra-2 and other projects, such as MMA and similar programs, where we believe our sensors can go directly into the programs we are targeting and provide world-class systems. At the product level, we have addressed markets and demonstrated that we can provide these products to various customers. There are a number of such applications. It would take a lot of time to go through all of them, but I have given you a flavor of the high-level business. There are many more areas that we can explore for these applications. All these products work together in applications.

Regarding Himshakti, I think we delivered the initial products. The requirement is now also for SMS, another program that Himshakti is discussing with us. I cannot tell you whether this is the RFP and whether we will do something back-to-back. I do not yet have the complete data with me. But yes, discussions are ongoing for some of the products that have been proven in Himshakti.

For LCH, they are also speaking with us to see whether this can be fitted on the next-generation platform. In the meantime, we are also upgrading our technology systems and adding more value, not only in terms of hardware and software but also through new RF content and world-class antennas. We now have an antenna division that can design these antennas. We can provide optimal solutions and end products without depending on other companies, and provide them for the applications, delivering a much better product for the platform.

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We also have diagnostic capabilities and have undertaken a great deal of development in all these areas over the last few years. Development is still ongoing for some newer-generation programs in communications intelligence, RWR, and similar areas. We are not waiting for contracts; we are ahead of them, building products before their time. We expect that, with the technology edge we have, we should be able to convince the customer and the end user that these are the appropriate products for their requirements. But I cannot commit exactly when the contracts will happen.

Dilip Prasad – Investec Capital: Understood, sir. Lastly, regarding the Hawk radars that you have developed, have we found any application for them or any way to monetize what we have built? Could they find their way into Su-30 upgrades or some of those larger platforms? Are there any discussions with customers in India or indications of how we can monetize this product?

Management: We have developed the hardware for both MiG and Super Sukhoi. However, we need the software for them. The original concept was to obtain the software from somebody else, but that did not work out. We went ahead and developed the hardware to world-class standards. We are in discussions with DRDO to see whether we can collaborate with them to put it together. We are also in discussions with the Russians and the OEMs regarding the relevant components to see whether both sides can proceed. I cannot say very clearly which option will happen faster.

We expect that within the next 2-3 months, we should get some breakthrough in this area, where the software for our systems can be ported and we can then proceed to flight trials. We have also invested in a next-generation Hawk program and a next-generation radar that will be based on a world-class, production-oriented line. We are also going to develop the aircraft software. As soon as the first contract comes, we will be ready with the second and more advanced systems of that nature, which will also be available to provide a technology edge to the end customer. We are waiting for this to happen.

In the meantime, we are also developing our own software. We have started developing our own software on various platforms, using UAVs as a platform for our trials, which is what some of our vendors or customers want us to do. We are proceeding with that as well. Once we develop the complete system, we will not be dependent on any organization or technology to drive our business direction. We have also initiated that effort.

It will take a few more months before we determine the correct path forward. But yes, we are determined to ensure that these products work and fly. We are putting in the effort to modernize the systems, learn from mistakes, correct them, build additional software capabilities, and undertake a whole range of other activities to ensure that this project is successful. However, it will take some more time before I can provide more information on when success may be achieved.

Dilip Prasad – Investec Capital: Understood, sir. Thank you very much.

Operator: Thank you. The next question is from the line of Kavish Parekh from 361 Capital. Please proceed.

Kavish Parekh – 361 Capital: Thank you for the opportunity. Sir, do we have an update regarding BrahMos? We have been supplying fire-control systems for it and have also been working on development orders for seekers. Could you provide any color on the timelines for receiving

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commercial orders for these seekers?

Management: We expect the seeker order to happen this financial year. However, approvals and quality testing take time. The product is ready. The first quantities for quality and testing will go for flight trials soon, and the contract will happen. We are in a quality range of our own, and commercial orders should happen. We believe this should happen this year. We had expected it earlier, but there have been delays. In any case, we expect this to happen before the end of this year. A significant part of our projections for this year relates to order intake—not revenue, but order intake for this year.

Kavish Parekh – 361 Capital: Do you have any comments on the development of new subsystems for BrahMos? If we do that, what incremental value share are we targeting to gain? Lastly, BrahMos has seen increased interest from a few countries, and we have also heard from other suppliers to the program about ramping up capacity for their respective components. How are we placed to meet the growing demand for BrahMos?

Management: Once you develop a product, various vendors that have developed products for the BrahMos missile for DRDO and BrahMos together are already receiving contracts for the pieces they have developed. I do not think it is easy to change the supplier, redevelop the systems, and qualify them. Therefore, I do not expect much change in that regard. When volumes increase with more orders from them, back-to-back orders will come to us, which is what we expect. We will deliver those orders. That is one part.

Second, we are also discussing the next-generation BrahMos. If the next-generation BrahMos happens and they do not select us for some other programs related to it, we will be very happy to see our subsystems in BrahMos increase as well. We have the capability, but whether it will happen or not is still a matter of estimation. The capability exists to do a whole range of activities. Over the last 20 years, we have built phenomenal competency at Data Patterns across domains. We can deliver with a very fast turnaround time depending on market requirements. That is all I can say today.

Kavish Parekh – 361 Capital: Understood. Thank you very much, and all the very best.

Operator: Thank you. I request all participants to restrict their questions to 2 questions per participant. For more questions, please rejoin the queue. The next question is from the line of Nilotpal Sahu from JM Financial. Please proceed.

Nilotpal Sahu – JM Financial: Good afternoon, sir. Thank you for the opportunity. Am I audible?

Management: Yes.

Nilotpal Sahu – JM Financial: My first question is on the existing order book of 2,600 crores. Can you provide some color on how much of this relates to production and what portion would be development orders?

Management: I have not classified it in that manner to give you a direct answer. In fact, we have a classification in terms of... [inaudible]

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Nilotpal Sahu – JM Financial: Sorry, sir, could you please repeat that? I could not hear you.

Management: No, I have not classified it that way, and I do not have the immediate answer. But Venkatesh will look into the orders and provide you with the data. Do you have a second question?

Nilotpal Sahu – JM Financial: Certainly. Secondly, regarding the order prospects of 20–40 billion, these would include the potential HAL order as well as the BrahMos seekers order. Is that understanding correct?

Management: Yes, the BrahMos seeker is also a potential order. Until the contract comes through, everything is only potential.

Nilotpal Sahu – JM Financial: Are these included in our prospects for the 20 billion of single-vendor orders that we are targeting?

Management: Yes, they are.

Nilotpal Sahu – JM Financial: The HAL order would also be included in the same prospect?

Management: I believe so. Some portion of it will be reflected in that additional order, the additional 20 billion that is included, and not as part of the negotiated business.

Nilotpal Sahu – JM Financial: Understood, sir. Can you also highlight some of the prospects currently under development, apart from BrahMos, where you expect conversion to production orders over the next 2–3 years? It is fine if you do not mention the quantum, but could you broadly discuss the product lines?

Management: We have spent a substantial amount of money developing space, air-defense, and boundary radars. These are very well appreciated by customers. These products have been delivered, and they are of very strategic importance in India. There is a drive from the customer base for multiple such contracts to be executed across India to ensure that we are protected from space, air-to-air, boundary, and similar threats.

I expect substantial business in the next 1.5–2 years from such contracts, running into a few thousand crores. We have established competency in electromechanical systems, cooling systems, electronics, software, and everything put together. We will be the first company in India to build the complete radar. This development has been and continues to be well received by customers. I believe some more orders will happen. This is a very exciting time for us. There are already inquiries in the area of modified versions of systems that have already been delivered for air-defense applications.

There are a number of contracts that we expect from this area, which I have not included in the 2 billion or whatever 50 billion we discuss. We expect that, because the inquiries have not yet come, we have not included all of those items. Once they happen and we proceed to the full business stage where the contract is received, we will announce it.

But yes, we believe we are reaching a larger business proposition, with an addressable market of more than 40–50 billion, or order prospects of {? 4,000 crores ?}. I am showing only about {?

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40-42... 40,000 crore plus ?} as the market we are trying to address with our products.

We are looking at a very large product mix and many complex systems. That is the direction in which the company is moving today. We are entering a very large business as we go along, and we believe we will be successful. Of course, these are all future opportunities. But some of the products we are discussing have already been developed, so we expect large contracts in all these areas as we move forward. We are expecting substantial growth in the coming years based on contracts already executed and products under development. I do not want to be specific about which products are under development in an open forum at this stage. But we have a very clear vision of the markets we want to address.

Nilotpal Sahu – JM Financial: Understood, sir. Thank you very much.

Operator: Thank you.

Management: Every product we deliver has substantive potential for {? several thousand crores ?} of business for the company as we move forward.

Nilotpal Sahu – JM Financial: Understood, sir. If I may ask one last small question, what is the capex plan for the next 2 years?

Management: There is a general amount that we are going to spend. We are spending money on product development. We are also planning corporate capex of perhaps 200 crores or more. We expect to spend more than that over the next 2 years on infrastructure upgrades, which we have already started. We are financing this through the construction of car parks, clean rooms, integration facilities, and other infrastructure. In the latest contracts, because of the volumes that will come into the picture, we have to set up production assembly lines and test equipment for in-process testing. These include reliability testing, and the expansion is also largely intended to meet the requirements of our exports.

Management: A whole range of investments will have to happen. We have already started the investments. We have started the foundation work for the building, and we have placed orders for some of the infrastructure equipment. A lot of this consists of in-house machinery. The larger investments will happen over the next 1-2 years as we move forward because we will carry this out in parallel with our order expectations, keeping execution in mind. We cannot do it sequentially; we are doing it in parallel.

Management: Substantial investment will come, and it will move into 200-plus and {? 150-200 crores ?} at a minimum. It could be even more than that based on the requirement. Today, we are also investing a significant amount in servers because of AI. A lot of investment is also happening in computer servers and AI infrastructure to support the AI-driven initiatives that the company has taken up very seriously. These are the investments that will be made in the coming 1-2 years.

Nilotpal Sahu – JM Financial: Understood, sir. Thank you very much.

Operator: Thank you. The next question is from the line of Arnab Bhatt, an individual investor. Please proceed.

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Arnab Bhatt – Individual Investor: Hello, sir. Am I audible?

Management: Yes.

Arnab Bhatt – Individual Investor: Sir, I wanted to understand something. There was a question put to you approximately 1 or 2 years ago regarding space, and at that point I believe you had specifically deferred it. What is your position now in that area? I believe we are seeing some traction in that sector. Does our position remain the same?

Management: We have discussed this. We have the capability to build different satellites, but we need an order book or an indication of a contract for us to start investing in this area. We have the money and the competency to do this. We have taken money to invest in building satellites. We are actively carrying out basic design work. However, whether it will be commercialized and taken forward will depend on our interaction with the government, whether funding will be available, and the actual need.

There is a need, but it has been postponed because the space departments are mostly constrained by funding. Now, many startups in the space sector...

Management: ...are doing everything free of cost because they are receiving funding, and because they are receiving funding, they are trying to develop these kinds of space systems and satellites. We do not want to follow that model. We would like to have a revenue model and a bottom-line business as we move forward. The capability exists, but we are still unsure about what investments will happen from the government. Based on that, we will take a decision. Give us another 3-4 months to decide how to proceed with this. That is where we are now. As and when some clarity emerges, I will definitely come back to investors.

Arnab Bhatt – Individual Investor: Thank you, sir. My second question is about the acquisition. I understand that this is a form of backward integration for our business, but we will not bring any value to this subsidiary in terms of the business aspect, since they are capable in material science. How do we plan to grow this particular ceramic company from here? What is our position on it? How do we plan to do anything regarding its business?

Management: Competition for any company does not arise only from technology. Competition also comes from revenue growth, bottom-line business, processes and tooling, validation, reaching customers, and addressing markets. Many factors come into play when a small company is isolated. It is very difficult for such a company to address or even access the market, and it mostly quotes on a lowest-quote basis and incurs significant losses. This is what happens with many SMEs.

You need to help the company graduate from that situation by giving it access to markets. We also have access to investments, so we can prevent cash-flow issues and carry out business development for new markets, broadening the company significantly. I believe we will do that for this company by reaching larger market audiences, achieving export successes, and addressing bigger and larger requirements, which will happen substantially in this case.

We will bring in the investments necessary to ensure that we can deliver on the promises made to the customer. We will also bring in a whole range of other processes that we have developed over

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many years, including process controls to ensure that mistakes do not happen, quality consciousness, QC procedures, and inspection systems. These will help us complete the process faster, including commonalizing and standardizing the entire system. This is where we can add value, and we will bring substantial business to this company as we move forward. This is our belief. I believe we will do this. It will take some time, but I think we will do it.

Arnab Bhatt – Individual Investor: Thank you, sir. Just one last question. Can you upgrade...

Operator: Sorry to interrupt you, Mr. Arnab, but can you please rejoin the queue?

Arnab Bhatt – Individual Investor: No, I had no further questions. I was done. Thank you.

Operator: Thank you. I request all participants to restrict their questions to 2 questions per participant. For more questions, please rejoin the queue. The next question is from the line of Krishank Shah from Dam Capital. Please proceed.

Krishank Shah – Dam Capital: Thank you for taking my question. I wanted to understand one thing regarding the development of the Hawk-based radar that you mentioned. As I understand it, Astra Microwave is a DC-PP partner for it. I wanted to understand what we are trying to do there.

Management: The Hawk radar is ours; there is no partner. No, the Hawk radar is ours. What I am trying to say is that Astra was the DC-PP partner.

Management: Astra is not a DC-PP partner here. Astra was a DC-PP partner for the initial version, not for the existing variant that we are discussing. They may be supplying one part of the antenna, while BEL works as their customer and supplier. They are developing the products and have an independent development team from DRDO working in parallel. That is the situation. It depends on whether we can qualify our product and receive a contract, or whether we do not qualify and they qualify and receive the contract. It is a competition.

Krishank Shah – Dam Capital: To clarify my understanding, is DRDO going to develop the software and Astra is going to develop the hardware, with the integration being done by DRDO? If you are developing the Hawk radar, would the software ultimately have to come from DRDO, if I am not mistaken?

Management: I am saying that this is one option. The other option is that we can develop the software and integrate it ourselves. It can also come from another country. So it is a complete product offering. The Air Force does not, in itself, mind where it comes from. It is willing to provide us with the aircraft platform on which to fly and qualify it. That process is yet to go through. The requirement has to arise.

It is not specific that only one option will happen or that only the other option will happen. The market is open. It is up to us to prove that our product is capable and to prove to customers that it performs better than others. Then we will receive a contract. That is what we are trying to achieve. We are not necessarily going head-to-head with anybody else; it is a parallel path that we are designing.

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Management: We are developing the full system here. Every other part is also being developed, not just the antenna. This includes the signal processor, the complete link systems, the data-compression machine, and everything else. We are developing the entire system, including the radome, with the other partner company we have. We can develop a whole range of components as an internal system, and this remains either a standalone option for the end customer or one that maintains flexibility. There are advantages to both options.

We are trying to see whether we can make an offer that also provides an advantage to DRDO, so that we can work together to build a faster program product that meets the end specifications. This is what we are trying to advance based on the technology. Let us see where it goes.

Krishank Shah – Dam Capital: Understood. Thank you very much, sir. Good day.

Operator: Thank you. The next question is from the line of Abhijeet Singh from Systematic. Please proceed.

Abhijeet Singh – Systematic: Thank you for the opportunity, sir. My question is on the naval program. There has been a lot of capex happening on the naval side. Do we have plans to increase our share coming from the naval program? Correct me if I am wrong, but currently, if we look across the 3 services, I think our exposure to the naval segment is comparatively lower. What is our plan going forward in terms of development and production, and participating in production programs on the naval side, given the substantial market and the significant capex happening on naval platforms?

Management: We hope to work with DRDO on naval platforms to develop some of the systems. For example, we are currently developing parts of systems that are used by the Navy. We work with DRDO on sonar subsystems and various communications links to sonar buoys. All this has been done and has been procured through Bharat Electronics. We are also building other products for airborne systems for naval applications. That work is also ongoing.

Management: We have also received some initial orders from DRDO for a platform for which we are developing the radar for naval applications. 2 radars for naval applications are also being developed, and the number should multiply as we move forward. Our radars are hardware designed by us, with the software developed by DRDO. The requirements are for approximately 30 systems for the boats involved. We hope that we can win that contract.

We are therefore participating on the basis of sensors. We are also trying to reach out to the Navy regarding electronic intelligence, which we can develop directly with them. We are going to start a dialogue with them about upgrading aircraft and fitting some sensors on naval platforms, and about what we can do going forward.

Management: We are also speaking with the Navy regarding its MiG-29 and other aircraft, where cameras and heat seekers are required. We are trying to reach out and upgrade their existing cameras to meet their applications. There is an advantage in accessing some of the newer flight trials and tests once some contracts are completed. We are naturally doing similar work with the Air Force because similar requirements exist there as well. We are doing a whole range of activities.

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Management: On the basis of sensors, and across all these areas, we will see whether more opportunities can be created. We now have a naval officer in Delhi working with us, whose task is to determine whether we can identify opportunities in our areas of expertise. We will identify a few opportunities and pursue them.

Abhijeet Singh – Systematic: Lastly, regarding the 20 billion of order-inflow prospects that you mentioned for the current year, what is the risk of those orders being delayed? These orders would be linked to some of the larger projects that we are expecting as part of the subsystems we intend to provide. What risks do you see regarding the 20 billion of orders being delayed to FY26 or beyond if there is some delay in negotiations at this point?

Management: The tenders are already out. We have already addressed the tenders and submitted our bids. That is why we have mentioned a 9-month timeframe for these contracts to happen. We believe these contracts will happen well before that.

Management: What we have not projected to you, and what is in the pipeline, relates to tenders that have not yet been issued. We expect a substantially larger business if tenders start being issued based on products already delivered. The tenders have to happen, which is why we have not projected it. The pipeline we are looking at in terms of the market is actually more than 40 billion to address the global market, where products equivalent to ours address this market. As and when things come closer to the tender stage or there is clarity or orders happen, we will start announcing them to the market.

Abhijeet Singh – Systematic: Thank you, sir. Thank you for answering my question.

Operator: Thank you. The next question is from the line of Bhavya Gandhi from Bajaj Alternate Investment Managers. Please proceed.

Bhavya Gandhi – Bajaj Alternate Investment Managers: Thank you for the opportunity, sir. I wanted to understand the market size or addressable market for our key products, if you could help me understand that. My second question is regarding the counter-drone business that we are pursuing. What could be the total revenue or order potential over the next couple of years? That is all from my side.

Management: Since we are starting to invest in these products, we can address a market value of about {? 30,000 crores ?}.

Management: Based on what we have already developed, repeat contracts represent another {? 10-12 or 15,000 crores ?}. So we address a market of about 40,000 crores. We have a roadmap for when this will happen, but it is premature for me to discuss it now because it has not reached a stage where I can disclose these details. But that is the market size.

The idea is to take the IP, begin product development, and grow this company from a small company into a large company. We are doing this by developing differentiated products in-house with our own money, taking them through trials, and convincing customers that the products work well so that their immediate needs are addressed. That is the idea with which we acquired the IP and are spending money in this area.

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We continue to spend money from our yearly earnings on building products for the immediate and next year's customer requirements, so that we can reach a position where we can address this market with differentiated products that outperform what the customer wants. We are continuously doing this. The addressable market size is fairly large, and we are also looking at whether we can address markets outside India, which could be even larger as we move forward. We want to look at both the civil aviation and defense markets.

We are putting together a team to address those markets with our engineering competency. The idea is to build substantial scale and size as we move forward and grow the business as quickly as possible. It has taken us many years to reach this point. We expect that over the next 1-3 years, we should do multiple times what we did last year. We expect this to happen with a much larger order book, because a much larger order book gives us the confidence to invest ahead and enter other areas.

We have set very ambitious targets for ourselves, and I think we are on the right track to reach and achieve those targets.

Management: With AI coming in, we are investing significantly in AI to modernize and modify product development and processes within the organization. We want the technical skill sets to be much stronger so that we can target products, programs, and processes that address large markets through accelerated product development and delivery. These are the initiatives we are pursuing. The size of the markets is very large, and we are trying to build products for those markets.

Management: The second question was about drones. This is at a very early stage. {? 17th floor ?} We need to build a number of players in the market. Some of them are speaking with us. Let us build a few systems, deliver them, and evaluate their performance. Then I will be able to answer the question regarding the size of the drone business and where it is going.

We are again trying to use the building blocks we developed earlier in product development for drones, and also expand the size. The numbers are going to be large. We need infrastructure for production, and we have also started establishing production and calibration infrastructure so that we can enter the market as the contracts happen.

We believe that contracts worth several hundred crores will happen during the course of this year, but that is not projected as revenue for this financial year because these are new opportunities and the inquiries have not yet come. We believe the inquiries will come, and we should pursue the business based on our expectations. In any case, this is the future, so we cannot comment much on exactly when it will happen. We are working toward product development in this area and making the products available to customers immediately.

Bhavya Gandhi – Bajaj Alternate Investment Managers: Sir, this 40,000-crore addressable market, over how many years would it be spread? That is my question regarding market addressability.

Management: I do not want to comment on this because I have no control over when the market will develop. We will not discuss it at present. It is sufficient to say that we are gearing up. Some products are ready, some are already ready, and others are getting ready. To gear up for substantial scale, we need addressable markets.

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It is easy to say that billions of dollars are being spent and that {? 2 lakh crores ?} is being spent by India on defense. That does not mean that I can obtain {? 2 lakh crores ?} from that market. That will not be possible. We need addressable products where we can research and develop technology and products that meet requirements, giving us a competitive edge that we can convert into business.

I am looking at how we carve out this addressable market, what products are necessary, and how we can address it. We started this some time ago; it is not something we are starting today. We started earlier with new technologies and applications emerging, and we are trying to adapt our competency and knowledge base to address new markets that we did not think were possible 2 years ago.

Many things are opening up today. We are very excited, like a startup, to see that we can develop these products for these markets, but this time with the conscious understanding that it is a business. We need to earn from it, not just build products and satisfy customers; we also need to generate a bottom line.

There were earlier periods in my life when developing the product was more important than the business. Today, I cannot do that at this company. We are more responsible to our stockholders, so we are mindful of all these considerations and are making clear plans and decisions on how to address markets, scale the business, and achieve a much larger increase in revenue and bottom line.

That is the expectation and the direction in which we are moving. The direction is clear, and the commitment is clear. We are working diligently and honestly, and I do not see why we cannot obtain the contracts we are pursuing.

Bhavya Gandhi – Bajaj Alternate Investment Managers: Understood, sir. Thank you very much, and all the best. That is all from my end. Thank you.

Operator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

Management: Thank you. Thank you all for joining us on this Q1 conference call and investor call. I am very happy to answer any of your questions within the restrictions of what I can say. I have been more than open with most of you and have expressed my views to you and answered questions in much greater depth.

The only impression I want to leave is that, first, we have built substantially different technologies and multidisciplinary technologies over the last {? 4–5 years ?}. We have built and delivered defense radars, which involve enormous mechanical engineering. These radars were 100% designed by us. We have more than 100 engineers in mechanical design in the company. We also have electronics engineering, accurate positioning for very large platforms involving moving mechanisms of more than 140 tons, all designed by us, as well as cooling systems and many other components. We have developed the systems-engineering capability ourselves.

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We have built a competency model not only in electronics but also in electromechanics, systems, and applications. We have created infrastructure in terms of people capability, production, and testing infrastructure to address the markets as we move forward. All these products have substantial requirements coming up over the next 2-3 years. I believe our customers will look at us very favorably based on our execution, as well as the quality and reliability of the products we have delivered. I believe they will come back to us for more such requirements, which is what we are hoping for. We are also building the infrastructure to address those requirements as they arise.

The second area is that we have undertaken substantial investment in aerospace electronics, processes, and communications, all of which are maturing. Electronic warfare in particular is maturing to a very advanced stage, where we are going through qualification and check testing and expect significant business from our customers. Regarding the unit-structure requirements that we have to address, we will make our best effort to meet and exceed customer expectations going forward.

There are also other required programs outside India, and we will address those markets as we move forward, perhaps another 6 months to 1 year from now, once the products become more acceptable globally. We should then be able to address those markets. This is another area where we are building substantial growth.

The third area is AI. With AI coming in, we are trying to build a whole range of products and capabilities and fine-tune our product technology. We are increasing product capabilities across all these areas and plan to develop a range of exciting products over the next 1-1.5 years to address new markets, which could also be worth several thousand crores.

India is changing, and markets are changing worldwide. India is also catching up and changing. Indian entrepreneurs are starting startups, and companies are being established. This company was one such organization where we launched an outstanding product. There are many companies in India, and we are trying to work with them, including OEMs and platform suppliers, to see whether systems can be developed together. These are some of the other exciting initiatives we are pursuing.

We are not waiting for contracts. We are developing products, taking them to trials, completing the trials, and getting them ready so that we are prepared when the contracts happen. These products will be required in significant numbers as we move forward because aircraft and other systems with much lower costs and redundancy are being made available. The market and applications are changing, so we want to adapt ourselves to those applications based on the common scientific foundation of what we have already done. With the availability of components and new technologies such as AI and ML, we want to remain abreast of all these developments and build world-class products very quickly.

The fourth area we are focusing on is exports, to secure new opportunities that we had not previously considered very seriously. We are now looking at them seriously because people who have come here from the US, Europe, and the UK have all found that our capabilities and processes are very good, and they are inclined to engage us in specific programs. I expect this to start in the next few months and to expand. Once we achieve success, we should be able to see several more successes ahead.

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We have also put together a team to look at these markets and determine how we can contribute through faster delivery, faster turnaround, and world-class subsystems and products. As and when our products become ready, we can also sell them for weaponized and non-weaponized applications and in other markets, ensuring that we are competitive and reliable in these products.

The idea is to build complete subsystems and take them global wherever possible, while focusing on the very large Indian market, addressing that market effectively, and then taking the products global so that scale can be achieved. We are very conscious of what we are doing, very determined to do it, and very happy with the support shareholders have given us throughout.

With this kind of shareholder and investor support, we believe the sky is the limit. We can do a great deal. The team is eager to do this with the funding, capability, infrastructure, development capability, and processes that we have built into this system over so many years. We believe we can take these products forward, build products for the country with great enthusiasm and passion, achieve larger scale, develop larger products, and take them forward.

This is our dream, and we are living our dream today. We will move through this as quickly as possible. Thank you very much for listening to me and to us. If there are any further questions, we will be happy to answer them here, and we will be very pleased to answer any of your questions later on.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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