## Management Discussion

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Good afternoon, everyone. A warm welcome to all participants joining this post-results earning call of Astra Microwave Products Limited. As I'm joined with my colleague Mr. Athim Cobra, Director Strategy and Business Development, and Mr. D. Srinivas Rao, our CFO, and SGA, our Investor Relations Advisors. The results and investor presentation for Q2 FY27 have been uploaded on our company website and the stock exchanges. I hope you have had a chance to review them. It was- this is my first earning call as a managing director, having taken charge on 1st October 2026.

Before I begin, I would like to thank Mr. S.P. Reddy, who had led this company for years and is now taking forward our space business through Astra Space Technologies Limited. The demerging entity. As informed, the demerger is aimed at creating 2 focused businesses, each with its own direction and growth plans. The space metrology and hydrology business will now have the opportunity to grow independently with their own business priorities and capital allocation. Meanwhile, Astra Microwave Products will continue to focus on on its core defense and aerospace business, including radar, electronic warfare, telemetry, and internal security products and solutions.

We believe this structure will help both businesses focus better on their respective opportunities and allow shareholders to see the value of each business more clearly. On defense and aerospace industry front, recent Defense Acquisition Council approvals strongly reinforce the breadth of multi-year opportunities across air defense, counter-drone systems, missiles, naval platforms, electronic warfare, and unmanned systems. Furthermore, government reforms such as updated Defense Procurement Manual, DPM, the draft Defense Acquisition Procedure introducing up to 60% local content mandates, and the earmarking of 75% of capital acquisition budgets for domestic industry provide long-term structural clarity.

Coupled with national targets aiming at Rs 3 lakh crores in annual defense production and Rs 50,000 crores in defense exports by 2029, this industry is positioned for sustained structural expansion. Moving to our consolidated financial performance, I am pleased to share that we have delivered a strong operational financial performance during this quarter. And H1 '27 has been a strong first half of the year for Astra with revenue of Rs 437 crores, EBITDA of Rs 120 crores at a margin of 27.4%, and PAT of Rs 57 crores at a margin of 13%.

Our EBITDA and PAT are the highest of yearly numbers we have ever reported. Both in absolute terms as well as margins. This performance was driven by a favorable product mix led by execution of domestic defense production orders along with better control of operating expenses. On the order book front, a key highlight during this period was securing a landmark order for the Uttam AAU valued at Rs 1,844 crores order which from HAL. Alongside critical orders, we booked for other subsystems and antenna units from DPSs like BEL and also ISRO.

As of 30th September '26, our standalone order book stood at Rs 3,937 crores, while our consolidated order book stood at Rs 4,708 crores. Including service orders of Rs 251 crores, which are typically more accretive to margins. Our standalone order book has the largest share of production orders, followed by development, AMC, and export orders. The incremental order inflows during Q2 FY27 stood at Rs 2,036 crores, largely driven by defense orders. This includes Rs 1,967 crores from Radars, Rs 36 crores from electronic warfare, Rs 17 crores from telemetry, and Rs 16 crores from space.

We have a clear visibility to book Rs 1,200 crores more worth of orders in FY27, in which we have

concluded Rs 600 crores orders and expecting those orders by next month. The increasing contribution of production orders, particularly in indigenous radar and electronic warfare platforms, provide strong revenue visibility with healthy profitability. These programs typically have multi-year execution cycles and follow-on requirements, while repeat orders in software-defined radios through our JVC further strengthen our order pipeline.

On exports and technology development, we continue to see opportunities in the existing markets supported by products and solutions developed over the years. We have received good leads from our few international customers and discussions are on for design and development of prototypes. While customer qualification and order conversion can take time, these engagements provide a foundation for expanding our international presence. At the component level, we are also seeing interest in our MMIC portfolio with inquiries and leads emerging from markets such as in US and Europe.

Which probably translate into the business in next couple of years. In parallel, we are working towards developing more comprehensive and integrated solutions as international customers increasingly look for a broad range of capabilities rather than individual radar systems. Our approach is to first establish and demonstrate these solutions in the Indian market before taking them to international customers. On the execution and operational priorities, Our experienced workforce, engineering talent, and strong institutional knowledge remain important competitive advantages.

Over the years, we have built strong R&D base, process stabilization, agile engineering, parallel testing infrastructure, and closer coordination with the vendors and inspection agencies. I would particularly like to highlight a major technological milestone achieved during this quarter. We successfully realized counter-drone radar and delivered to DRDO for the final integration and trials. This achievement underscores our engineering capabilities and commitment to indigenous defense manufacturing.

As stated earlier, we have proactively taken up design and development of small and medium-range surveillance and tracking radars. Next-generation RF seekers, wideband jammers, ammunition electronics technology, enhanced DWRs, etc. Many of them are in advanced stage of completion and expected to go to the field trials from the next quarter onwards. Our JV company, AAS Limited, has a bright prospect to grow in strategic and tactical communication segment and bagged a worth of Rs 413 crores orders And booked the sales of Rs 334 crores in the first half of the year.

With the order book of Rs 913 crores and the more than Rs 500 crores orders in pipeline expected in the next 2 quarters, we are confident of meeting the revenue guidance given, uh, in the beginning of the year, that is Rs 600 crores plus for the joint venture company. With this order book, we are hopeful of consolidate- to reach consolidated order book of approximately Rs 5,500 to Rs 5,600 crores in FY28. Going forward, we will continue to invest in R&D and production capabilities while maintaining a disciplined approach towards program selection, working capital management, and production planning.

Our focus remains on strengthening our position in India's defense and aerospace ecosystem through indigenous product development, deeper technological capabilities, and expansion into new opportunities. With this, we remain confident of achieving our long-term targets and deliver sustainable growth and healthy profitability. I now hand over to Mr. Atim Cobra, Director Strategy and Business Development, who will provide more insight into the business outlook for the near and long term. And the strategies adopted to take the company to the next level of growth cycle.

I'll be happy to take your questions after his opening remarks. Over to you, Shatim.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**

Thanks, Ambiya, and good afternoon everybody, and thank you for being here. I miss my colleague who has taken up the responsibilities, uh, to create ASTL full-time. Uh, before I start, you know, one of our directors actually asked us to look at the guidance we have given versus delivery, what has been our track record. And then it will- then we looked at it, we found that in FY25 we had guided at a PBT of, uh, 17 to 18%. We achieved 18.5%. In 3rd quarter FY25, we guided for a top line of Rs 1,000 to Rs 1,100 crores for FY25.

We achieved Rs 1,051. 4th quarter, we guided a PBT of 18% for FY26. We got 21.8%. 2nd quarter FY26, we guided gross margins between 50 to- 45 to 50%. We got 51%. And 3rd quarter FY26, we guided Rs 1,150 crores plus for top line and we got Rs 1,163. So we have a fairly decent track record in terms of guidance. So we have guided for FY27, we are guiding a top line growth of, uh, 15% approximately. So somewhere between Rs 1,300 to Rs 1,350 is our targeted number. We are guiding for an EBITDA margin, a steady-state EBITDA margin somewhere between 26 to 28%, where we hope to stabilize.

And we are guiding to a path towards Rs 2,000 crores in turnover in FY29, plus minus Rs 100, and to Rs 3,000 crores in a few years thereafter. That- and I'll explain how we are reaching there. Our target is to be near debt-free in the next 1 year, 1.5 years. And as MV said, with order books nearing, uh, close to Rs 5,500 crores plus, and with a little bit of, uh, luck crossing Rs 6,000 crores- this is without QRSAM, the main QRSAM order, you know- we actually seem to be in a fairly good place. So for more than 3 decades, Astra has been known as a company that builds India's armed forces and scientific institutions' need quietly, reliably, and to specifications.

This morning, or this today basically, I want to share something new- a first public look at Astra Space Technologies Limited. ASTL and the plan that will carry it through the next 4 years or so. Let me start with what the demerger means for us as shareholders. When the scheme is complete, every Astra shareholder will receive shares in ASTL- one ASTL share for every Astra share you hold. We are not asking anyone to pay anything for them, so no new shareholder comes in between. Your stake in ASCL will mirror your stake in Astra exactly.

You will simply own directly and separately a listed high-tech space and weather company that has been incubating within Astra for years. This is a thought I would like to leave with you. Most investors who want a stake in the space economy will have to find it price it and then pay for it. Astra shareholders already own it. And why does this matter? It matters because space economy is entering the fastest decade in its history. Global space economy is estimated to be worth around $650 to $700 billion today, and there's a very famous McKinsey report which talks about reaching $1.8 trillion by 2035.

The clearest signal of where we are headed is Starlink. In under 5 years, it has grown to roughly 12 million subscribers served by a constellation of nearly 10,000 satellites. And here is what matters for us: constellations of this scale are never built just once. Forget the hundreds of thousands of satellites which Starlink, Blue Origin, the European consortium want to put in space. But satellites are replaced every 5 years or so, and each one of them needs payload electronics, RF subsystems, and ground infrastructure.

This is a permanent compounding demand for exactly what Astra makes. India is now opening this market to private sector. The government aims to grow Indian space economy, I believe, from about $8 billion to $44 billion by 2033, and that includes a hefty number for exports. Defense surveillance

constellations alone envisage more than 50 satellites, around half of them being built by the private industry. You would have noticed how markets value companies in this sector here and abroad. Growth businesses on what they will become, not on what they will earn today.

But with a word of caution, the global supply chains need price effectiveness. It's a function of scale which India doesn't have at this point in time. It will take some time, but I am sure we will get there with due focus. So you will find that most of the companies earning these valuations are young. Some have a prototype, a first launch, some have a business plan. But ASML has something which nobody else can buy- time. For nearly 2 decades, Astra has held ISRO certifications designing, building, and delivering space-qualified hardware for these missions.

We are happy to state that we supply an estimated 30 to 40% of the hardware in ISRO's remote sensing payloads and nearly 25 to 35% in the communication payloads. Our clean rooms, test facilities, and qualification processes have been audited, used, and proven on real missions. That tested infrastructure is what lets a sector scale quickly and safely, and in our case, it is already built. ASCL works across the entire- almost the entire space value chain. We are not in the launch business, but barring that, components, space-grade subsystems, assembly integration testing, ground stations, bus satellite bus design, satellite assembly, and increasingly space data and analytics.

The only link we deliberately leave to the partners is launch. But the interesting part is that this is a business which is up and coming with huge potential. We also have, as the other half of ASTL, a weather business, and our legacy there runs just as deep. Astra was among the first Indian private companies to build and design Doppler weather radars, our radars, wind profilers, automatic weather stations, you know, in excess of 1,700 now sit inside the networks of IMD. And short-term forecasting and long-range forecasting, we play a very critical part.

We are also looking at developing radar software and moving towards eventually AI-driven forecasting offered as a service. That's our long-term goal. Put the two together and you have something very rare- observation from space above, radars and sensors on the ground, sensors in the atmosphere, lower atmosphere, higher atmosphere, and everything fused into one platform for better forecasts for agriculture, disaster management, and aviation. It also gives us at ASTL a diversified revenue base across 2 high-growth sectors.

So we do not- we are not dependent on either one sector alone. The numbers are beginning to reflect this. We hold an order book of around Rs 900 crores in this business and a weather inquiry pipeline of around Rs 2,000 crores. Our plan, in likely case, touch wood, Okay, is about Rs 2,250 to Rs 2,500 crores of cumulative revenue over the next 4 years, with annual revenue I would expect it to reach around Rs 800 to Rs 900 crores by FY31 based on our current visibility. And incidentally, this does not include anything from the global supply chains that I had mentioned earlier.

So what are we looking at? There is a global opportunity. Demand for space-grade components and subsystems is now running ahead of what the Western supply chains can deliver. We hope that the world's largest players are looking for partners who are qualified and experienced and with scale will become cost competitive. Very few companies anywhere can offer nearly 2 decades of ISRO-certified heritage in space-grade hardware. And fewer still are in India. But our approach, like in the defense business, is collaborative, and it runs in both directions.

Outwards, we want to supply subsystems into global supply chains eventually, and we also want to treat these partners as sales channels into markets which we cannot reach alone. Inwards, we want to bring the latest tech into India so we can leapfrog into the global supply chain rather than climb

into it one rung at a time. Few conversations with global players are already underway, and we'll talk about that as something tangible materializes. So that's the overview of the space business. Now turning back to Astra Microwave itself, I think as MB very clearly brought out, our defense business is in the strongest position in our limited history.

We will reiterate that we see an order base of roughly Rs 8,000 to Rs 10,000 crores building over the coming years, and a substantial part of that is already in hand, as in we had described. Just as important is what we are now selling. I promised you that by Diwali, Astra will have 3 products of our own. We have kept the promise. We have a complete counter-drone system. We have, uh, as of- and the backbone for that is our D4 radar. We have an Astra-designed, Astra-branded bird detection radar, and we have a low-level lightweight radar with a range of about 40 to 50 kilometers, of which 25 kilometers plus is already demonstrated.

We are also developing- I must share with you- a very high potential global product which is in the new age electronic minds. But we'll talk about that as, uh, something which will happen before the end of the year. So each of these reflects a very deliberate shift. We have had always an unusual breadth. Our R&D spanned a wide horizontal range of RF, microwave, and radar tech. We are now turning that breadth into our own branded IP on radars. With in-house digital signal processing and radar data processing.

Where our portfolio has gaps, we are filling them one product at a time. And that changes what kind of a company Astra is. We are moving, as we have spoken now multiple times, from building subsystems for others to owning complete systems and the IP inside them. And that's very valuable. So let's bring this all together. If you are holding one Astra share today, you are in effect an owner of 3 distinct businesses. Let that sink in. You're actually holding 3 distinct businesses. The first is Astra's standalone defense business with a visible order base, a growing family of our own IP-owned products, and a long runway of execution ahead.

The second is ASTL, which is a space and weather company with nearly 2 decades of ISRO-certified heritage, a full-stack position into high-growth sectors, and a 5-year plan- 4-year plan that roughly triples its revenues. Through the demerger, it comes to you directly at no additional cost. The third is our 50% ownership of ARC, our joint venture with Rafael of Israel. And we had just touched upon the stable revenue base, and we expect it to close with somewhere around Rs 600 to Rs 700 crore region in revenues this year.

And it gives Astra access to some of the most advanced defense technologies anywhere. Each of these businesses has its own growth story, and each deserves to be measured against its own peers. Investors who take the time to look at Astra one business at a time, they find that the whole adds up to rather more than it is sometimes given credit for. But what ties all these things together is the way this management team thinks- a clear orientation towards growth, the R&D breadth to deliver it, and the discipline to fill the gaps in our portfolio ourselves rather than wait for others to fill We are extremely proud of what Astra has built because we are on the path towards self-reliance.

We don't, you know, okay, we should not, uh, rather than take core products from outside and then put in the boxes and call it an India-made product, we want to own the IP and the tech inside there. And we are very excited by the fact that we are doing this for the country, and it fills us with pride. We are very excited about what Astra has built and even more excited about what comes next, which we shall be building along with you. So we'll take the questions, and thank you for that.

## Questions & Answers

**Operator**
Thank you. We will now begin the question-answer session. Anyone who wishes to ask a question may press star and 1 on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. We have the first question from the line of Amit Dixit from Goldman Sachs. Please go ahead.

**Amit Dixit - Analyst, Goldman Sachs**
Yeah, hi, good afternoon everyone, and thanks for the opportunity. First of all, congratulations for a great set of numbers and very healthy margins. A couple of questions from my side. The first one is essentially on the 3 products, and congratulations for delivering them by Diwali. I just wanted to understand the market potential for these, I mean, our products, let us say, in next 3 to 5 years. And there have been an AON for like low-level radar. So are we going to participate in this also? Are you going to participate in counter-drone systems that keep on, you know, appearing?

So I just wanted to get, uh, the, uh, the opportunity size as you see it now, uh, for our products, these 3 products actually, and when you expect their full potential to be materialized, subject to, of course, the amount of orders.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, yeah. Uh, hi Amit. Um, see, the products what, uh, been mentioned, uh, 3 products. One is the bow detection radar, and other one is the low-level lightweight radar and the counter-ruin radar. So bow detection radar, yes, I mean, it is ready and the demonstration is going on. And the market size is just- we are started participating in RFPs. The first RFP, we have submitted the bid, and we are expecting more inquiries from the domestic and as well as the export market. Overall business, we expect roughly around, you know, for this particular radar alone, close to around 200 to 300 crores in next 2 to 3 years.

And coming to the LLR, that is low-level lightweight radar, this particular radar is being developed against the requirement, the QR being given by, you know, Army and the these things. So we have developed this and we will be ready. Yes, we are, we are going to participate in the demonstrations in forthcoming tenders. And this potential for this particular product, we have visibility of, you know, at least close to around, you know, 1,000 crores in next 5 years timeframe, as this has a lot of applications to serve in the Indian defense market.

The, the other one is counter-drone. Uh, yes, we have made the complete solution ready and we have demonstrated, uh, in a couple of the customers. And the radar, as we mentioned earlier, we took TOT from DRDO and we have optimized that to suit the you know, the customer requirement in specific and also to make it more competitive. So that way, uh, we started building this radar. Now we participated a few inquiries, and all that- those inquiries probably, you know, will get translated into business.

Of course, again, they are all competitive bids. Uh, we are hopeful that at least we'll get minimum 30% of the overall, uh, the market what it is opened up. So I think the potential is huge for this. As we know, I mean, I think we projected somewhere around Rs 3,000 to Rs 5,000 crores in next 5 years timeframe. So this is what the market it is. But technology keep changing, so we also working towards that. And right now we are offering only with the soft kill solution, that is with the jammer,

but also we are working for hard kill in years to come.

So this is what our overall, you know, the strategy to, you know, for this particular- these 3 products.

**Amit Dixit - Analyst, Goldman Sachs**
Uh, sure, sir. Just, you know, a subpart to it. This counter-drone system, you know, a lot of people have developed the soft thing system. How do we differentiate our products? Is it in terms of the frequency band or something else? Or the number of birds we can detect at one time. Yeah,

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
I mean, let me answer this, guys. There are a few things here. First, we are amongst very few guys who have our own complete independent radar, number one. Uh, this becomes a very crucial, uh, differentiation when you look at hard kill options. Your, you know, drone technology itself is changing very, very fast. You have drones which are now fiber-guided, there are drones which switch off their RF comms. Okay, so the radar becomes extremely crucial in tracking the incoming and aligning your hard kill options in case the soft kill options fail.

So we have got, uh, uh, remote weapon firing systems which we are integrating in our radar. We have got, uh, servo platforms with mounted guns which are being integrated with the radars. And we have, uh, kamikaze drones which also will be integrated with this, right? So this is a fairly comprehensive solution, but I think on the soft skill part also it matters a lot because there are the drones which cause damage, real damage, will not be on advertised standard frequencies. So you need to have that ability to not only detect, uh, best of class so that you have adequate response time, but also identify frequencies which are non-standard frequencies.

I must share with you that Astra has the product which can capture within the specified band any frequency and then try and negate that. I think as a comprehensive solution combining both these things, we are- we can compete with probably the best right now.

**Amit Dixit - Analyst, Goldman Sachs**
Uh, no, that's great. Thanks for the elaborate answer. The second question essentially was on working capital. If I look at cash flows of operations that have been impacted in part by inventory buildup, so, uh, just wanted to understand how this will look, you know, by the year end, or is it at the inventory buildup that you are, uh, doing, uh, in, uh, in preparation for the execution possibly in FY20. Yeah,

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Right, that we are gonna be 1,300 to 1,350 the year end, which implies that our next 2 quarters will actually have a lot of deliveries to be made, which is the reason why inventory buildup is what you are seeing. Our cash realization actually has been very nice at this point in time. So we are looking at not only, uh, you know, a free cash flow generation, significant free cash flow generation, but we are also looking at our receivables as well as our inventory to be, uh, more or less in line with, uh, what the sales are.

And net debt is our target in the next 18 months, so which means Amit,

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Adding to that, uh, see, uh, we, we have seen in the geopolitical situation there are few components

which they have increased the lead time to deliver. So what we did is, uh, for the execution of even the first quarter of the next financial year, we started stockpiling those components so that even the quarter-wise, you know, we should not have any impact on those deliveries. That is the reason, uh, probably this inventory has slightly gone up as compared to the last year.

**Amit Dixit - Analyst, Goldman Sachs**
Okay, so if I compare, let us say, FY- hypothetically FY27 inventory, end year inventory, with FY26 end year working capital cycle- I'm not talking about inventory here- so will cash conversion cycle go down, uh, from 334 days that we reported, or will it be steady at the similar levels because our activity levels are also going up.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
We are working towards to maintain around 362-370 days. Uh, this is what our target is to, uh, make it. Maybe in future, like as we go into these systems more, I think probably it may go further down. So right now our target is to bring it down to around 350 by the end of the year.

**Amit Dixit - Analyst, Goldman Sachs**
So that's very clear, sir. Wonderful, and thank you and all the best.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Thank you.

**Operator**
Thank you. We have the next question on the line of Pinakin from HSBC. Please go ahead.

**Pinakin - Analyst, HSBC**
Yeah, uh, thank you very much. So my first question is that when you mention the order book of Rs 3,937 crores, this includes the orders of- in the space segment of Rs 900 crores, right? So once the demerger takes place, uh, the Astra standalone order book will come down to Rs 3,000 crores? Like for like?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, actually it is including space segment orders, but it is not 900 crores what you have mentioned. Uh, space segment, you know, the order book is 220 crores, uh, as of date. And, uh, so yeah, uh, metallurgy- let

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Me clarify every other confusion here.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah,

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
We said 900 crores would be the expected year-end order carry-forward order book. Right, not, not the current book that we are speaking about.

**Pinakin - Analyst, HSBC**
Okay, so carry forward as of FY27, March '27 end?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Yes, please.

**Pinakin - Analyst, HSBC**
Okay, uh, so the way we have to look at it is that when you're talking about Rs 5,000 crore order book, the starting point is Rs 3,700 crore for Astra X of Space going to Rs 5,000 crore, or this Rs 3,900 crore going to Rs 5,000 crore? So

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
If we do, let's say, Rs 6,000 just for number's sake, if you do Rs 6,000 crores or Rs 5,600 crores, whatever is the number you take, subtract from that Rs 900 crores, which would be the carryforward order book for space and radar.

**Pinakin - Analyst, HSBC**
Got it, got it. Uh, and second, just going back, uh, to the, uh, AAU radar delivery, uh, given that we still don't have any line of sight of when HAL will start, uh, deliveries of the Mark 1s, when do you expect to start delivery of your orders for radars, uh, to HAL? What is the as of now, the visibility that you have?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, actually, uh, HAL wanted us to deliver about 4 numbers by March 27th, which in fact we mentioned even the beginning, uh, in fact while signing the contract itself, that, you know, we will try to make it. But, uh, 2 numbers we have committed to them, and 4 numbers, although we are trying to deliver, but definitely 2 numbers, uh, we would be delivering by March 27th. But as for the contract, uh, we need to deliver 12 numbers by March 28th. This is the first milestone of this particular contract, and we are gearing up towards that.

**Pinakin - Analyst, HSBC**
So just trying to understand that the first 4 obviously, uh, would be for, uh, you know, HAL would be, you know, stocking it up as an- in their inventory. Uh, is there a risk that the March 28th 12 numbers gets pushed out because HAL's own delivery schedules is now years behind what it originally was planned.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
We don't think so. You'll have to ask HAL, but we, we don't think so. We have a very clear-cut delivery schedule which has been given to us, and we are geared up for that.

**Pinakin - Analyst, HSBC**
So just to clarify, last question is that you will be stock, uh, you know, ramping up your supply chain, building up inventories, keeping that in mind that you have the supply of 12 numbers by March 20th? Got it. Thank you very much.

**Amit Dixit - Analyst, Goldman Sachs**
Okay,

**Pinakin - Analyst, HSBC**
Cheers.

**Operator**
Thank you. We have the next question on the line of Nitesh Rege from Crisp Capital. Please go ahead.

**Amit Dixit - Analyst, Goldman Sachs**
Hello, thank you for the opportunity. So my question- sorry to interrupt you, Nitesh, your audio

**Operator**
Is very low. If you could come off the speakerphone and closer to the microphone. Uh, it's still a bit low.

**Amit Dixit - Analyst, Goldman Sachs**
Uh, just a minute. Is it better?

**Operator**
Yeah, this is much better.

**Amit Dixit - Analyst, Goldman Sachs**
[Foreign Speech] long term scalability right so with R Karen sorry Nitesh

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
I can't hear you man hello

**Amit Dixit - Analyst, Goldman Sachs**
I think this voice is

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Too low maybe Nitesh

**Operator**
You can go off the speakerphone that would help

**Amit Dixit - Analyst, Goldman Sachs**
I am on my handset I'll just rejoin my speakerphone

**Operator**
Already [Foreign Speech] oh we have

**Nitesh Rege - Analyst, Crisp Capital**
Thank you for the opportunity, sir, and very good, uh, good to see such great results. Um, the first question is on the counter-drone system that we have built. Uh, is there a player as part of the TOT from DRDO in the counter-drone product that we have?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, sorry,

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Is that a TOT from

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
DRDO? Yes, you are right.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Yeah, we have. Yeah, absolutely. Is there

**Nitesh Rege - Analyst, Crisp Capital**
Any other players got the TOT from DRDO for the same product?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, actually, uh, in fact, the earlier TOT was given to 7 companies, uh, apart from Bell, but, uh, only as of today, apart from Bell, we are the only company who've been, uh, making the product with the TOT from DRDO,

**Nitesh Rege - Analyst, Crisp Capital**
Right? So it is sort of that you are selected out of the 7 companies, your product is kind of qualified for- no, no,

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
No, no, it's the license, see, was given to the 7 companies, but You know, whatever may be the reason, but other companies were not, uh, started, but we, uh, made it and we started the delivery. We

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Have demonstrated our counter-drone radar and booked sales in that successfully out of the 7 companies to whom the TOT was given.

**Nitesh Rege - Analyst, Crisp Capital**
Understood, sir. And, and so you mentioned that the potential for this counter-drone is about 30 to 50 billion in the next 4-5 years. Is that correct?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Okay, the- I believe the entire counter-drone space, the Government of India itself, uh, has- there are indications and reports that they are talking about 30,000 to 50,000 crores. Okay, so, uh, that's an estimate depending on when they have the money, what is procured, and at what point in time. But that's- it's a global product here, right? Okay, wars are now being driven by drones, right? Okay, uh, there's a huge civilian side of the business which will come up. There's a huge military side of the business.

If there's a drone, there has to be a counter-drone system, right? So it's a mega business. I'm scared to put a number onto that.

**Nitesh Rege - Analyst, Crisp Capital**
Understood, sir. And then lastly, on the margin front, uh, I mean, this quarter we've reported, I think, all-time high gross and EBITDA margins. And in the next 2 years, as we all know that, you know, a lot of the fixed cost loading is largely behind us. We've done a lot of CapEx. So we might expect some operating leverage playing out in the next 2-3 years. So in that light, what is our expectation? I mean, I know you've guided for 28-26% margins. I mean, is there an upside risk in FY29 because the execution will pick up potentially from the Tejas order?

So operating

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Leverage, right? Okay, I don't think our fixed cost base will go up dramatically, right? So there is a huge- most of the business which comes in will flow, uh, post that straight onto the bottom line. And, uh, you know, it should be a disproportionate amount, right? But on operating margin front, we are comfortable guiding you to 26 to 28. If it becomes better That's the upside, you know.

**Nitesh Rege - Analyst, Crisp Capital**
Right, sir. So thanks for answering my question. I'll get back. Absolutely,

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Pleasure.

**Operator**
Thank you. We have the next question on the line of Nitesh Regge from Crisp Capital. Please go ahead.

**Amit Dixit - Analyst, Goldman Sachs**
Uh, hi, sir. Hope I'm audible.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Yeah, yeah.

**Amit Dixit - Analyst, Goldman Sachs**
Uh, thank you for the opportunity. Uh, some of the questions mainly on the long-term scalability. So can Astra scale to, let's say, Rs 10,000 crore sustainable recurring revenue, uh, through our existing radar and EW businesses, or will we need to expand into newer segments such as, uh, you know, electro-optics, missile seekers, and integrated defense systems?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
We are actually participants in all these spaces that you talk about, right? But if war is- you know, my favorite sentence on this is, war is now beyond line of sight. So radars and EW will play a very, very critical role going forward. War is now tech. Right? And tech has a short shelf life. So each and every company- by the way, it's not only Astra- each and every company operating in this space will, will get substantial business opportunities, provided we are able to create products and combine various technologies to create products which meet the needs of the battlefield.

So yes, the answer is, uh, if you are reaching Rs 3,000 crores, right? Uh, all these other initiatives that we are talking about, that gives us a window of opportunity to not only develop them but to also develop on a global basis, by the way, the marketing alliances which need to be in place, the qualifications which need to be in place, the relationships which need to be in place for marketing these products on a global basis. So that's the whole plan. And if, you know, let me put- give, give a number to it.

And this is a number derived from Claude, by the way. When we feed in the features of our electronic minds, right? Okay. It's amongst the best in these electronic minds which we are developing. India is developing, by the way. Okay. And I think that number itself comes in excess of $750 million annually. That's the current demand that we speak about. Okay, now it pales into comparison what we have as a revenue base right now. You know, each of these product lines which we are developing, right, be it the counter-drone systems, be it radars, be it electronic warfare systems, be it electronic mines, you know, each one of them has substantial business opportunities going forward.

How much we can capture, how much we can define, that's a That only time can tell, right?

**Amit Dixit - Analyst, Goldman Sachs**
Okay, sir. And, uh, you know, what additional capabilities, uh, do we think, uh, we, you know, we need to develop, you know, to become like global defense electronic players, which, uh, like Elbit or Hensoldt? And, you know, an extension of partnership, JVs, uh, acquisitions, something we are exploring to expand our TAM and exports?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
I think it will take us time. I think it's attitudinal shift which is required. More than anything else in these kind of businesses, right? I think we are on the cusp of a multi-decadal opportunity. So your question needs to be answered in terms of the time frame that you are referring to, okay? One day, obviously, we will compete with the best in the world. Many companies from India will do that, okay? But in what time frame will we achieve it, right? There are gaps in our technology framework overall in the country, by the way.

Which needs to be filled. The timelines need to be accelerated. In fact, I was- we were listening to the podcast recently, yesterday, uh, right, talking about AMCA having been started in 2006 and '07, right, guys? And the first prototype we are talking of is 2035, right? And he was being hammered on the question that why is it that it has taken so much of time to come up to where we are today. Right. So I think it's any answer, it's an attitude issue, right? Okay. What we expect and how we deliver.

But I think as a private sector, I think we can tell you safely we have limited constraints, right? And we have the best of breed guys who are working with us. I think people, you know, with talent like, you know, an ability within the company and the leadership of ability I think we should be in a position to fill up the gaps which we have and in a defined time frame get the output we want. I think we are limited by our ambition. Not only Astra, a few other Indian companies I can say, you know, it's a sector which is doing amazingly, poised to do amazingly well.

How much we capitalize on it, that's a function of our ambition and our abilities. There's no clear answer to what you are saying. I wish I can give you a more definitive answer, you know. But

**Amit Dixit - Analyst, Goldman Sachs**
No, sir, that's, uh, thank you so much for answering my questions. I'll fall back in the queue if I have more questions.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Thank you. And will you want to add anything to this, please?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, actually, uh, in fact, I mean, uh, there is ample opportunity for India. In fact, uh, adding to the, you know, government policies of [Foreign Speech] today we been seeing the indigenization in segment by segment product by product like now many of the sensors have been indigenized so this is a pil potential for Indian companies to grow today Miss Ratim said this a technological gap is there in India mean But it's not too far away now. I think it's a matter of a year or 2 so that, you know, we can build those products and go to the international market.

**Amit Dixit - Analyst, Goldman Sachs**
Okay, so thank you. Thank

**Operator**
You. We have the next question from Shirong Kapoor from Jefferies. Please go ahead.

**Shirom Kapur - Analyst, Jefferies**
Hi, sir. Thanks for the opportunity and congrats on a great set of results. My first question is just coming back to your margins. You know, this quarter particularly, we saw very strong gross margins that you mentioned that you had a favorable product mix. You know, just looking at the numbers in terms of your overall defense contribution as well as, you know, contribution from products appears to be similar quarter on quarter, yes, yet there's a significant gross margin improvement. So just to understand, you know, is this- are we- is this going to be volatile on a quarterly basis?

Are we seeing, you know, is there sort of a steady-state gross margin number you have in mind? And just to clarify on the EBITDA margin side, you said 26% to 28%. Is that just for FY27 or going ahead as well?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
I think over the next 2-3 years, it's a comfortable assumption to make. Right. But as you very rightly said, this time there were a lot of production orders. Where- so we were able to capture a higher EBITDA margin, but we are comfortable guiding in a state of 26 to 28% where we believe that we will be able to deliver, uh, without upsetting the apple cart.

**Shirom Kapur - Analyst, Jefferies**
Right, sir. And just secondly, on, uh, your order flow, so last quarter, you know, you highlighted a few major orders that you're expecting as part of the overall Rs 8,000 to Rs 10,000 crore order base that you're looking to build, which included, you know, around Rs 700-800 crores from QRSAM, Rs 500-700 crores from your JV partner, another maybe Rs 3,000 crores from, you know, the Sukhoi-30 program. So just to understand on timelines for this, so QRSAM, you mentioned your nautics earlier, you mentioned it could come by FY27 end.

Uh, but are you seeing delays on that? When could this get pushed towards on the QR SAM order?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
You guys all talk to Bell, but I'll have immediate-

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, no, actually, uh, probably, uh, got a, yeah, this thing from Bell. But anyway, Bell is hopeful of getting this contract by any time, uh, from December to March. I think they should be in a position to get this contract. And as and when get this contract, definitely, you know, uh, we will have a contract in place in the next, uh, after 3 months. But before that, yeah, uh, Bell took advance action as a- for FOPM, for which we have received orders, and those orders are in execution phase in, uh, this quarter and next quarter.

This is the Q3 and Q4. It is a small quantity for, uh, FOPM version of QSM, but But for the main contract, as and when they get contract, I think within 3 to 4 months we will have the contracts in place.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
So in all probability,

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Uh, execution will start for QSM, I think, uh, maybe in FY28, uh, last quarter, or maybe in FY29.

**Shirom Kapur - Analyst, Jefferies**
Right. And just on the, you know, the, the orders from the JV, um, partner, about Rs 500-700 crores that you were expecting, is that expected to come this year itself or over the next 2-3 years? And similarly for the Su-30 program, you know, when can we see some of those orders come in?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
For JV partner, actually, as we mentioned, as of now they have order book of Rs 900 crores and they are expecting another around Rs 1,200-1,300 crores Rs 1,500 crores in next 6 to 8 months timeframe. And, uh, next about a year or so, they have clear visibility for another Rs 1,500 to Rs 2,000 crores. So all in all, they have a good order book visibility for next 2 to 3 years. And, uh, on the execution front, this year they will be doing it around Rs 600 crores as mentioned in the guidance. And next year we're targeting around Rs 1,000 crores as far as the JVC is concerned.

And your next question, uh, engage you the next question

**Shirom Kapur - Analyst, Jefferies**
On the Sukhoi, uh, program itself. Yeah,

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
The Sukhoi program, uh, we are in the- we are partner- we are, uh, party to the DRDO programs, uh, as you all know. Uh, we are in both the radar as well as for the EWC And both programs are going on well as of now, and we have delivered the hardware for first prototype of radar of our AAU to DRDO. The firmware and software integration is going on, and hopefully by next year I think, you know, DRDO should be in a position to, uh, you know, commission this radar and all. So from our side, we are on track as both the radar as well as then the EW should consider?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Well, let's say the answer is question, I think if I- calendar year '29, calendar year '29 is when you should be looking at these orders.

**Shirom Kapur - Analyst, Jefferies**
Understood, sir. Thank you so much and all the best.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Thank you.

**Operator**
Thank you. We have the next question on the line of Sahil Kariya from White Pine Investment. Please go ahead.

**Amit Dixit - Analyst, Goldman Sachs**
Thank you for the opportunity. So on the, uh, on the previous call we have guided that 12 units are to be supplied, uh, by September 27th and thereafter 25 units annually. But now we have pushed that timeline to 12 numbers by March 28th. So is there a supply chain issue or execution issue?

**Unidentified Speaker - Unidentified Speaker, Astra Microwave Products Limited**
No, it was always- anyway, can you please share?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
No, actually that timeline what we have mentioned is the before signing the contract, there's a call I think we mentioned. Now, uh, the as per the, you know, discussions with the customer, this is what the schedule being, uh, you know, worked out and this is what we are towards because the, uh, there was a delay in the signing the contract and placement of the order. So based on the schedule, we worked, we worked out the revised timeline and by March 28 we should complete between numbers.

**Amit Dixit - Analyst, Goldman Sachs**
Okay so sir going forward like it would be 25 units annually and 12 units annually only.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah actually so around 25 units initially to begin with in FY 29 and then there after we go to 33 to 34 units

**Amit Dixit - Analyst, Goldman Sachs**
The JV product, that is the SDR that we manufacture. Uh, so like I've been looking at the orders that we have received is majorly for the airborne, uh, SDRs, uh, that we, uh, like we have one order for the airborne SDRs and recently we had participated for some SDR for the Army, uh, which was given to Alpha Technologies Private Limited. So like could you just give us some color like, uh, where do we, uh Like, where are we behind in the ground-based SDRs or the SDRs for the Army?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, um, this particular radar is basically a MANPACK version in VHF band. Uh, this radar is being completely developed in our joint venture, uh, with the indigenous waveform design and all. It was

successfully gone through all the trials except the last trial. Where we had some software bug issues and there were few parameters we couldn't demonstrate within the time frame in the last trial. So that is how actually we missed that initial first phase of that particular, you know, the procurement.

But however, subsequent to that, the user have witnessed the, uh, the test after we fix those issues, and now we are ready with the total product product, and we will be there in the next phase of procurement. Already discussions have begun for the second phase of procurement. We are- we will be in the race.

**Amit Dixit - Analyst, Goldman Sachs**
So could you just give us the bifurcation, any color on like what is the addressable market for the airborne SDRs and for the, uh, manpack SDRs that we are looking forward to?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
The market size is huge. In fact, uh, most of these SDRs, both in airborne as well as ground, are all getting into the IDDM, uh, category. And, uh, this potential is- in fact, next 3 years we have been seeing a market of close to around Rs 5,000 crores minimum for airborne segment, and for the ground segment also close to Rs 3,000 crores, uh, will be there for next 3 years.

**Amit Dixit - Analyst, Goldman Sachs**
Okay, thank you, sir. Thank you so much.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, thank you.

**Operator**
Thank you. We have the next question from the line of Manish Maheshwari from Equity Network Office. Please go ahead.

**Amit Dixit - Analyst, Goldman Sachs**
So, uh, just a follow-up question with, uh, I mean, from the previous participant who had raised question on the working capital. You said that you are expecting a significant free cash flow generation. So can you quantify that? What is the kind- what is the quantum of free cash flow that That, that we- I mean, that we are going to generate, that we will be generating.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
We- I think last year we did in excess of 300 crores.

**Amit Dixit - Analyst, Goldman Sachs**
Correct.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Uh, somewhere between 250 to 350 should be the target, I guess.

**Amit Dixit - Analyst, Goldman Sachs**
This is, this is something that we're going to exit with, uh, FY27 exit will be with 300 crores, right?

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
I'm saying somewhere between 250 to 350 crores should be there. It depends on, guys, it depends on the exact number at this point in time, right? That's a rearview mirror number, but that's the range where we expect we should have- it should land.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Um, Mr. Srinivas will give you more light of it. Yeah, yeah.

**D. Srinivas Rao - Chief Financial Officer, Astra Microwave Products Limited**
So you've seen, right, receivables is more or less, uh, 200 days is there. We are rigorously working towards the collection early or else at par. We are expecting 150 to 300 crores in between operational surplus. In between, even we are using little bit for the CapEx also. Those are the high interest costs which we are using from the surplus. But more or less, by year end, we are expecting CC limits, working capital limit is going to be zero. That is our target area. We are working towards debt-free on the working capital.

**Amit Dixit - Analyst, Goldman Sachs**
Okay. Yeah, thank you, sir. The second question is with respect to order book. Our order book is about, at a consolidated base of sub-5,000 crores. I mean, consolidated order book is what we are sitting on right now. Are there any, any, any, I mean, any, any slow, slow-moving order or something where the revenue recognition is taking some time or there is a delay at customer's end or something? Is there any specific order or maybe a few orders which are, which are actually, I mean, where the execution is slow?

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
No, actually, uh, as you know, the few contracts like Uttam which has an execution cycle of 4 years. And similarly, there are few contracts which we have an execution cycle of 2 to 3 years. Based on their requirement, they have given us the execution timelines. Accordingly, we worked out the execution phase. Otherwise, there is nothing of that, you know, we are behind the schedule.

**Amit Dixit - Analyst, Goldman Sachs**
Cash conversion cycle is also very- I mean, it's on the higher side, right? cash conversion 370 days and we are attempting to, short of, endeavoring to, short of, you know, bring it down to, to what number this is 350 days 350

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
We have said we will try

**D. Srinivas Rao - Chief Financial Officer, Astra Microwave Products Limited**
To bring it to 350 days see we are telling optimistically so even rigorously we we are geopolitical issues or maybe some other issues is impacting us. Otherwise, we are going to be targeting 350

**Amit Dixit - Analyst, Goldman Sachs**
Days. Okay. All right, sir. Thank you so much.

**Operator**
Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Reddy for closing comments.

**Maram Venkateshwar Reddy - Managing Director, Astra Microwave Products Limited**
Yeah, uh, thank you. Uh, with this I conclude the call. Uh, if you have any further queries, please contact SJ, our Investor Relations Advisor. We sincerely appreciate your continued trust, support, and participation. Thank you everyone for joining us today on this evening call. Thank you.

**Atim Kabra - Whole Time Director and Director, Strategy and Business Development, Astra Microwave Products Limited**
Thank you.

**Operator**
On behalf of Astra Microwave Products Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.