

**ASTRA MICROWAVE PRODUCTS LIMITED**

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To
The Manager
Listing Department
The Bombay Stock Exchange Ltd,
Phiroze Jeejeebhoy Towers,
Dalal Street,
MUMBAI – 400 001.

Dear sir,

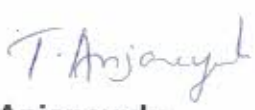
Sub: Conference call transcript.

We are sending herewith Conference call transcript held with analysts on 30th January, 2016.

This information is also uploaded on the website of the Company
www.astramwp.com.

Thanking you,

Yours faithfully,
For Astra Microwave Products Ltd


T. Anjaneyulu
Company Secretary



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“Astra Microwave Products Limited Q3 FY-16 Results Conference Call”

January 30, 2016



MANAGEMENT: **MR. B. MALLA REDDY – MD, ASTRA MICROWAVE
PRODUCTS LIMITED**
 **MR. S. GURUNATHA REDDY – CFO, ASTRA MICROWAVE
PRODUCTS LIMITED**
 **MR. M.V. REDDY – DIRECTOR (OPERATIONS & BUSINESS
DEVELOPMENT), ASTRA MICROWAVE PRODUCTS LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Astra Microwave Products Limited Q3 FY16 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. S. Gurunatha Reddy – CFO & Executive Director, Astra Microwave Products Limited. Thank you and over to you sir.

S. Gurunatha Reddy: Good morning ladies and gentlemen and I formally welcome you to this conference call. The result for the third quarter has been taken on record by the board of directors in yesterday's meeting. Probably you might have had the opportunity to look at the results. For the sake of information of all concerned, I would like to repeat the performance.

For the nine months' period, we have done about Rs 295 crore of sales and for the quarter, it is about Rs 89 crore, for the quarter. We made an operating profit of about Rs 16 crore for the three months period, whereas for the nine months, it is close to Rs 49 crore. We have an order book of close to Rs 506 crore, as of end of third quarter and I open this discussion for question and answers.

One more information which I want to share with you which I have forgotten. Today in the call I am with our MD, Mr. Malla Reddy and also with Mr. M. V. Reddy, our Director Operations and Business Development.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have first question from the line of Rahul Gajre from Edelweiss. Please go ahead.

Rahul Gajre: First I want some update on the book keeping side. We have a backlog of closer to Rs 506 crore. Can you tell me how much is domestic export or if there is any export which is remaining?

S. Gurunatha Reddy: About Rs 30 crore of export order is there in that Rs 506 crore.

Rahul Gajre: So Rs. 470 crore is domestic?

S. Gurunatha Reddy: Yes.

Rahul Gajre: In terms of revenue for this quarter, what was the break-up between domestic and export?

S. Gurunatha Reddy: Exports is about Rs 17 crore, out of Rs 90 crore of three months' sales.

Rahul Gajre: The implied intake, based on the nine-month number that you have put out is closer to Rs 80 crore. Order intake for this quarter is closer to Rs 80 crore, is that the correct number?



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- S. Gurunatha Reddy:** Instead of three months, I have the number for nine months. About Rs 296 crore of orders have been booked in the nine months' period.
- Rahul Gajre:** Recently where have you got recent orders from?
- S. Gurunatha Reddy:** Recent orders are mostly all domestic only.
- Rahul Gajre:** Can you give us some update on JV side, JV and the Singapore subsidiary, what is happening on those businesses?
- S. Gurunatha Reddy:** The Canadian JV probably we will be signing the shareholder's agreement in the first week of February. From thereon, we will be working at marketing and other related issues, whereas with Rafael, we had some issues to sort out, which got resolved in yesterday's board meeting. Probably in about months' time, we will be signing the shareholder's agreement with them and later on, the actual activity will start.
- Rahul Gajre:** Activity is likely to ramp up in FY17?
- S. Gurunatha Reddy:** Yes.
- Rahul Gajre:** And something on the Singapore subsidiary?
- S. Gurunatha Reddy:** Singapore subsidiary, people started working on that. The full-time CTO 4.10 has joined from 1st of January and couple of products have been identified and they have just started the activity.
- Rahul Gajre:** On the industry perspective, now that the Rafael deal is very close, I'm talking about the 36 aircrafts that we are looking at purchasing and some activity that has picked up in terms of integrated air command control order which has been given out to BEL. So could you help us understanding what is the likelihood or the portion that it could come to company like you?
- M.V. Reddy:** Good morning ladies and gentlemen, this is MV Reddy. I think probably this is first time I'm coming into the conference call. Coming to this MMRCA deal, 36 numbers when we are in that particular deal we have been talking to Thales and we have discussed about some of the subsystems, which goes into the radar and electronic warfare systems. So probably we will be in the components area in this particular deal. But exactly the amount of business and all, it will be decided only once the contract has been signed in Tier I as well as in Tier II. So we have to wait till that time to know about exact business how much we can get from that MMRCA deal and that business will come mostly from the Tier I like BEL and HAL.
- Now coming to the integrated system into the BEL, it is at a very initial stage. Yes we add in the subsystems, we have some subsystems to be offered to them and we are working with them. We are working with BEL for that.



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- Rahul Gajre:** One more thing I wanted to just ask you, how is the pipeline looking for you right now, something over the next 18 months?
- M.V. Reddy:** Basically another three months, we are likely to book another Rs 200 crore worth of orders, 50% from the export segment and 50% from the domestic segment. With that, probably we should be able to carry forward for the next year, orders worth more than Rs 600 crore for the next year. This probably will be the backlog for the next year, so out of that we are planning somewhere around Rs 500 crore turnover for the next year revenue and next year in 2016-17 again, we will have a clear picture of close to Rs 550 crore worth of order booking. So that in 2017-18, we should be able to target close to Rs 650 crore turnover. That is what actually we have the figure.
- Moderator:** Next question is from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.
- Ranjit Shivram:** Just wanted to know like you mentioned that you will be having Rs (+200) crore order so can you just throw some color regarding the margin like how will be the margins for these orders so what is a likely kind of bottom line? Will the bottom line also grow in line with the top line, any color on that?
- S. Gurunatha Reddy:** The Rs 200 crore orders, which we are likely to book in the next three months as I said, 50% from the domestic front, which will have a fairly good bottom line as you have been seen in the last three years. Whereas the second 50% will be as usual in the export side, the margins are less. But the balancing probably, it should be both orders put together, we should be able to make it at least (+12%), the bottom line.
- Ranjit Shivram:** This year FY16, is there any change and regarding our guidance what we have previously shared?
- Malla Reddy:** No change. We are still continuing whatever guidance we have given in the last con-call and plus-minus Rs 10-15 crore kind of numbers, but I don't think there will be any major change.
- Ranjit Shivram:** Regarding the QIP which we have carried out and we have now good amount of cash, so how are we planning to deploy these and which areas we are looking in terms of investments for growth?
- Malla Reddy:** The first thing is of course the creation of our test facilities and facilities at Bangalore, where the work has already started. Next major amount will be investment into two JVs and the 100% subsidiary in Singapore. That he has already explained in the current state so as things start moving in the money will be deployed there.
- Ranjit Shivram:** Any break-up in terms of how it will be, for test facility, how much we will be putting and JV how much?



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- Malla Reddy:** In terms of the deployment and areas of deployment, it remains same like what we have shared with you, at the time the issues are opened. The only thing is the deployment will happen gradually and slowly as we progress and absolutely there is no change in the areas of application of the funds.
- Moderator:** Next question is from the line of Ketan Gandhi from Gandhi Securities & Investments. Please go ahead.
- Ketan Gandhi:** This is regarding project Uttam, how it is progressing?
- M.V. Reddy:** We have started supplies of these subsystems, that is T/R modules and in fact for the proto array, we are almost completing by next month. Coming for the balance systems also, we have recently concluded the PLC. We are likely to get this quarter also probably by next month, so that's progressing well and we have targets to complete the entire project by September or so.
- Ketan Gandhi:** We don't have any threat from Israeli EL 2052 that missile which news item appeared in the newspaper?
- M.V. Reddy:** I don't think so because the DRDO is very keen to complete this particular project in time as they promised to the services. I think we don't have any threat as of today.
- Ketan Gandhi:** So for Tejas Mark-2 you don't think so any issue will come up?
- M.V. Reddy:** No I don't think so and the DRDO is trying their level best to push in the indigenous version to the LCA Mark-2.
- Ketan Gandhi:** In project of Brahmos NG, we were supposed to supply some system where we and DATA Patterns were the competitors, any progress on that?
- M.V. Reddy:** No, in fact is it was decided long time back almost about 4-5 years back where ECL and DATA Pattern share this particular order, notwithstanding to that the Brahmos with mini-Brahmos we have MoU to develop the seekers and that project is on and we are working with Brahmos.
- Ketan Gandhi:** Any timeline on that?
- M.V. Reddy:** We will be making the first seeker by 2017.
- Ketan Gandhi:** And opportunity in that?
- M.V. Reddy:** There is good opportunity; in fact, Brahmos is projecting good number of missiles in that particular category. I think we should be able to get a clear picture probably by end of this year.



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- Moderator:** Next question is from the line of Vaibhav Gupta from SKS Capital & Research. Please go ahead.
- Vaibhav Gupta:** Wanted to get an idea about the capex plan because you have done the QIP recently, so you can give an idea about what is the current borrowing and the cash number that you have in the balance sheet and the CAPEX plan.
- S. Gurunatha Reddy:** In terms of cash on hand, the entire money whatever we have received is with us. The capex plans, majorly there are four heads what we have communicated. One is the R&D center at Bangalore is about Rs 50 crore, the investment into two JVs and investment into subsidiary. So these are the four areas where the capex will be going in.
- Vaibhav Gupta:** How much are we investing in the JV?
- M.V. Reddy:** One JV, it is about Rs 20 crore, the Israel JV and the other JV with UBS Canada....
- Malla Reddy:** 20 million, not our investment - total investments into the JV is expected to be about 20 millions.
- Vaibhav Gupta:** So about \$20 million.
- S. Gurunath. Reddy:** Yes.
- Vaibhav Gupta:** Our guidance for FY16 is Rs 420 to 450 crore of revenue and Rs 60-62 crore of PAT, right that is the correct number?
- M.V. Reddy:** We have given guidance of Rs 420 crore.
- Malla Reddy:** Rs 420 crore and nearer to last year's profit that's what we said, not 62-63 number. I don't think I have given, very near to last year's profit.
- Moderator:** We have a follow up question from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.
- Ranjit Shivram:** There is lot of activity in terms of sonars and submarines, so how are we placed in terms of capturing some orders from there because in Feb, BEL has indicated that they will be receiving the LR-SAM orders from Mazgon dock and in FY17 also, they will be also receiving some seven more systems for that? So will we be supplying any components for that, is there anything out there for us?
- M.V. Reddy:** No, basically sonar and submarines are a totally different segment altogether. If you see our business.



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- Malla Reddy:** They are all selling, microwave communications, especially in sonars and submarines.
- M.V. Reddy:** We are not into those product categories.
- Ranjit Shivram:** But we are there in that MR-SAM that Akash project, we are supplier.
- M.V. Reddy:** I agree, we are there in Akash, we are there in MR-SAM, we are even LR-SAM so in all these projects where the missiles are there we have been doing basically the electronics for the missiles so we are there in those projects.
- Ranjit Shivram:** But not in terms of sonar or in terms of...
- M.V. Reddy:** No we are not in sonar and submarines.
- Moderator:** We have next question from the line of Salil Desai from Premji Invest. Please go ahead.
- Salil Desai:** In Q3, what orders did you get if you can give some idea on which products or which projects?
- S. Gurunatha Reddy:** In Q3, we have got some orders, most of them are from domestic, we have DRDO and some of them are basically from public sector units like BEL, mostly in the radar and EW segments.
- Salil Desai:** Largely defence or there will be some?
- S. Gurunatha Reddy:** Yes most of them are in defence, very few orders are from space.
- Salil Desai:** When you expect a large order in Q4, are there any particular targets that you are looking at in terms of again projects or products?
- S. Gurunatha Reddy:** Actually most of those projects whatever I said is Rs 200 crore, some of them are already, the negotiations are completed and we likely to get those orders in this month itself. Most of them are from EW and radar segments and some of them are in the proposal stage, those cases also probably we will get closed by March. So keeping all those timelines we have given the plan of Rs 200 crore order booking for next couple of months.
- Salil Desai:** To understand it correctly, part of these are already in the negotiation stage so which you think will closely that like where you have confidence and then some of them should get closed by March.
- S. Gurunatha Reddy:** Yes.
- Salil Desai:** On the JV, when will these become operational in the sense that when is the investment phase over and what is the target in terms of supplies or deliveries to the customers?



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- S. Gurunatha Reddy:** JVs for the first, maybe 16-18 months, they will be doing work on business development and marketing. For the revenues could arrive only after maybe two years' time, not before that.
- Salil Desai:** You must have done at least some study of the market to see where there is an opportunity available or is it just a product gap that you are trying to fill and might be complete like, any detail in the market there?
- S. Gurunatha Reddy:** No, the products have been identified even before the JVs, MoUs have been signed. Actually the JVs have to target for this business, the products have been identified not only the market has been identified. But the JVs have to go out and start marketing these...
- Malla Reddy:** You know the business booking cycles in defense, sometimes 3-4 years, so the initial activity has to start. Without that just like that we can't get orders.
- Salil Desai:** A two years' timeframe is what you are looking at before maybe you can start from orders coming to?
- Malla Reddy:** Hopefully in two years, we will have some revenues that is what we are expecting. But otherwise from RSPs to order placing, there are people taking 10 years in some of the cases.
- Salil Desai:** But hopefully with the new DPP that timeline gets shrunk or you are not very confident on that...
- S. Gurunatha Reddy:** Yes.
- Moderator:** The next question is from the line of Ketan Gandhi from Gandhi Securities & Investments. Please go ahead.
- Ketan Gandhi:** We were working on two products; one is MVMR radar and that plan landing, what is status of that?
- M.V. Reddy:** That is one precision approach radar you mean?
- Ketan Gandhi:** Yes.
- M.V. Reddy:** That is basically the NCNC trials are scheduled in the month of April and we are almost 80% through and then 20% the testing and integration phase is remaining and that we will complete by March and we are all geared up to meet the schedules at NCNC as per customer demand.
- Ketan Gandhi:** And what about MVMR, mother velocity measurement radar?
- M.V. Reddy:** So mother velocity radar, we have already made one unit and we have carried out the first phase of testing interest range. Almost 80% results we got it, 20% tweaking is required and



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that is going on now in our factory. Most probably by February and we should be able to come out of all those technical issues and then we should be able to supply all three members by month of March.

Ketan Gandhi: I have heard that you said we are also taking part in Barak 8 that is LR SAM, I heard it correctly because previously we said no, we are not there?

M.V. Reddy: No, Barak is basically the optical guided missile which we are talking about that Rafael missile...

Ketan Gandhi: LR SAM.

M.V. Reddy: Basically in that we have some subsystems where we have been supplying to them and the guidance part is we are not into that.

Ketan Gandhi: So we are supplying subsystem for microwave?

M.V. Reddy: Yes that's right.

Ketan Gandhi: It is 8X8 switch metrics or something else?

M. V. Reddy: No, it's different.

Moderator: Next question is from the line of Abhijeet Mitra from ICICI Securities. Please go ahead.

Abhijeet Mitra: You mentioned that they are still looking at Uttam for Mark 2, so what was the reason for equipping SOP 18 as well as all this Jaguar upgrade with ELM-2052 if we are close to having a breakthrough with air-space based SA out there? Second question I have is, what do you feel is the development lifecycle time of a Ka-Band SA seeker and where exactly you are? I think we are getting different feedbacks from different persons as to how quickly you can make that. Thirdly follow up of the last question, have we shown our capability in MF-STAR for the MR SAM variant? Do we have the capability of creating that fire control radar as well as the air surface search radar? Can we expect any orders from that over the next 2-3 years or its still in the books and nothing has happened on that yet, if you can throw some light on all these issues?

M.V. Reddy: The first thing which in fact I understood from the KA-Band seeker, the development is on and we have already realized the key subsystems, that is the major subsystem of that seeker, that is a T/R module. We have completed the development and the other portion of seeker is going on. We are targeting by 2017 March we should be able to demonstrate this Ka-Band seeker to the user. So this is what actually with that particular target we are working on it. This is one question and the second question you said fire control radar. That particular fire control radar we have been working up with BEL and DRDO and most of the subsystems, we have started



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development into that. Definitely we will be able to see the indigenization of this new fire control radar by this year-end, 2016 end so that what actually we have this timeline. The first question I think I have not heard properly probably you can repeat that.

Abhijeet Mitra: I think we have already given out contract of ELM-2052 not only for SOP 18 but for also those Mirage upgrades which we are having. So then do you still feel confident of that DRDO is close to reaching anywhere making the aircraft based SA?

M.V. Reddy: Yes basically the DRDO, in fact recently we had meetings also in DRDO. So their program started bit late but now is gearing up. Initially there were some issues related to the complements for the T/R module and all now which we have developed successfully, indigenously the core chips so with all that now the T/R modules are ready for those kind of SA radar. I am sure the way the speed this Uttam project is being taken up definitely this will be ready by 2017 March. They have kept the target to demonstrate the ADA so they should be able to make it through.

Abhijeet Mitra: And just one more clarification on the seeker side, you said you are working on KU-Band or KA-Band?

M.V. Reddy: We are working in KU-Band. KA-Band initially there was discussion though we have started some development activities in the T/R module but now the user is going towards the KU-Band not KA-Band. KA-Band, they have some issues to be dissolved. Probably that may be addressed in couple of month's time. But now we are taking up KU-Band on top priority.

Abhijeet Mitra: All this Brahmos from...

M.V. Reddy: Brahmos is an X band not even KU-Band, various QSM and Akash Mark 2 version whatever we have plan to develop this seekers, these two are on KU-Band.

Abhijeet Mitra: So this movement from RCF to this KU-Band, it will create a disruption in the supply chain or you feel or you feel the transition will be smooth for Akash?

M.V. Reddy: No we have our T/R modules developed in this particular frequency band, so we don't have any issue to realize the seeker.

Moderator: We have next question from the line of Megha Hariram from Pi Square Investment. Please go ahead.

Megha Hariram: It's just the clarity on the Thales that you mentioned in the last one of the answers, I just missed that part. If you can just repeat that again for me please.

M.V. Reddy: I think one of the investors probably has asked on the MMRCa. How are we in this particular deal so as we know Thales is a supplier of radar and EW systems for Dassault aircraft which



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India is buying the 36 numbers and in that we are into this--our core product line is in radar and EW—so we would be probably in the business of the components and subsystems to the Tier I whoever has been identified as a radar and EW system manufacturer. So we have been discussing with Thales very closely and they have seen our facility and the discussions are very much on to become a potential supplier of these competence and subsystems for this particular program that is what actually I mentioned.

Megha Hariram:

So what is the order that we can expect from them in case it works out?

M.V. Reddy:

Probably you must have seen in the media though the contract MoU has been signed, even the cost as on today from Tier I itself is not finalized yet. So unless the government finalizes the cost of the aircraft, the down level to the components may take another two years to work out in commercial.

Moderator:

Next question is from the line of Umesh Ganani from JM Financial. Please go ahead.

Umesh Ganani:

I had related question on this. When you were giving some visibility or guidance for next year about Rs 500 – 550 crore of order intake and revenue, I was wondering whether any of the deals from Thales and related orders were included in that. So maybe the note clarifies that its time, so my question was one just to clarify whether that includes the Thales related orders from the Tier I supplier? Second was when you were giving the visibility of this order flow for next year, which are the areas where you seeing the orders you are very close to getting, as you said the cycle times are so long but when you were giving some number it means you have some fair visibility of you getting that? So which are the areas where you are getting orders and the point was is there any upside surprise that one can see based on the lot of activities and lot of projects going on?

Malla Reddy:

The first one, till now the country has not placed the orders on the aircraft suppliers. So that has to happen, they have to place the orders on the Tier I suppliers of radars then they have to place orders on Tier I suppliers in India, they have to place the orders on us. I think it will be 2 to 3 years away for us. Please don't expect anything will happen in next six months or one year.

M.V. Reddy:

No we have not taken this business in Rs 500 crore, it is not included in that.

Umesh Ganani:

What are the areas where we have a visibility and this order visibility that you have?

M.V. Reddy:

Only we can say the areas, we cannot mention the customer and all because it is confidential so what we can say that most of the orders what we have taken up for the next year of order booking is from the radar segment as well as the EW. Some orders we are likely to get from the space, there are approvals for the repeats of satellite which in fact they have launched three years back so that we are likely to get some orders for the next year. All put together these are



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all clear opportunities in front of us so all those things we have taken when we go for the next year order booking.

Umesh Ganani: Will that be largely domestic or there is a component of export?

M. V. Reddy: Yes, in that close to Rs 400 crore from the domestic and Rs 100 crore we have taken from the export.

Umesh Ganani: Is it possible to discuss what kind of margins, will we be able to better the margins of this year or it will be similar levels of this year margins, any indication on that?

M.V. Reddy: Margins level will be the same as present year because in this year also to a large extent we have been executing domestic orders, so more or less we can follow the same margin levels for the next year.

Umesh Ganani: Rs 550 crore is the revenue that you said or order intake that you said?

M.V. Reddy: No, Rs 500 crore will be the revenue for next year.

Umesh Ganani: Rs 550 crore is the order is what you are saying?

M.V. Reddy: Rs 550 to 600 crore worth of order booking plan is there for next year.

Moderator: Next question is from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.

Ranjit Shivram: Just wanted to know like what kind of revenues are we looking or what kind of products we are looking at in that JV and the technology will be from JV partner or we will be also sharing some technology, how is it if you can give some clarity on that JV part?

Malla Reddy: Which JV?

Ranjit Shivram: Both the Israeli and the Canadian.

Malla Reddy: For both the JVs, initially the technology is coming from the overseas partner. We are not providing any technology.

Ranjit Shivram: What kind of products is it?

Malla Reddy: One is in the broadcasting and satellite, the other one is in defence communications area.

Ranjit Shivram: Probably it will be really farsighted but what kind of revenues are we looking at from these investments if not now?



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- Malla Reddy:** Defence communications is a big area. The numbers are mind-boggling in terms of billions of dollars, the total requirement per annum. But it's a long way so I don't want to share numbers now itself. I told initially for us to get some idea of when we will book the orders, how much we will book the orders, it will take at least one to one and half years to commit the number. But the numbers are very large. If that becomes a reality, the JV maybe 3-4 times Astra.
- Ranjit Shivram:** Regarding this MMRCAs, it's a government-government contract so what is the offset clause, is it 30% offset clause or is that yet to be decided?
- Malla Reddy:** We are hearing 50%. We don't have any other information other than all of us have on papers, nothing special we get but as of now we are hearing 50%.
- Moderator:** That was the last question from the participants. I would now like to hand over the floor back to the management for their closing comments. Over to you sir.
- S. Gurunatha Reddy:** Thank you ladies and gentlemen for your participation and we look forward to talk to you again at the end of fourth quarter. Thank you very much.
- Moderator:** Thank you very much sir. Ladies and gentleman, on behalf of Astra Microwave Products Limited, that concludes this conference call. Thank you for joining us, you may now disconnect your lines.