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May 21, 2019

To
The General Manager
Department of Corporate Relations
BSE Limited
Sir Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai -400 001

Scrip code: 532493

To
The Vice President,
Listing Department
The National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051

Scrip code: ASTRAMICRO

Dear sir,

Sub: Conference call transcript.

We are sending herewith Conference call transcript held with analysts on 13th May, 2019.

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

T.Anjaneyulu
Dy.G.M - Company Secretary

"Astra Microwave Products Limited Q4 FY'19 Earnings Conference Call"

May 13, 2019

MANAGEMENT: **MR. S. GURUNATHA REDDY – MANAGING DIRECTOR, ASTRA MICROWAVE PRODUCTS LIMITED**
MR. M.V. REDDY – JOINT MANAGING DIRECTOR, ASTRA MICROWAVE PRODUCTS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Astra Microwave Products Limited Q4 FY'19 Earnings 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. S. Gurunatha Reddy – Managing Director of Astra Microwave Products Limited. Thank you and over to you, sir.

S. Gurunatha Reddy: Thank you. Good morning, ladies and gentlemen and I welcome you to this Q4 and Year-Ended Conference Call on Financial Results. I am with Mr. M.V. Reddy – Joint Managing Director.

The results were taken on record by the board of directors in the last week. We have shared the broad financial details with you through an e-mail communication along with the invitation to the call; however, I repeat some of the broad numbers:

In terms of the sales, gross sales for the year is about Rs.328 crores; net sales is about Rs.283 crores; for the quarter it is about Rs.130 crores and Rs.112 crores. EBIT is about Rs.25 crores for the year and for the quarter it is about Rs.14 crores. PBT is about Rs.16 crores for the year and about Rs.11 crores for the quarter. Net profit after the adjustment of taxes and all is about Rs.12 crores for the year and it is about Rs.7 crores for the quarter.

In terms of the order book, as we have already shared with you, order book outstanding at the end of the year is about Rs.1,167 crores, this is as of 31st March and currently it is about Rs.1,179 crores.

Cash and cash equivalents is about Rs.44 crores as of March. Working capital borrowings is almost negligible whereas the long-term borrowings is about Rs.9 crores outstanding.

These are the broad numbers I can share with you in terms of the financial performance. Now, I open the call for question-and-answer.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: On the recent management changes that happened, like three of the main promoters have kind of resigned but still associated as advisors, so it seems like the objective was to relieve them from the responsibilities and power of directors. Just wanted to understand why it has been structured like that and what are the key motivations behind these changes?

S. Gurunatha Reddy: Largely this has happened as a part of the succession planning which we are discussing for the year, year and a half. Core promoters, even though they have exited from the board, they continue to be the promoters of the company and also they continue to be the advisors to the company at least for next three years. This is the broad understanding under which these changes have happened. As a part of this transition, myself and Mr. M.V. Reddy, will be holding the joint responsibilities for running the operations of the company.

Vaibhav Badjatya: Secondly, as far as the order book is concerned, can you give us a broad breakup of the Rs.1,200 crores in terms of domestic exports and other segments and also the broad idea about the profitability of the order book?

M.V. Reddy: As Mr. S.G. Reddy has mentioned about, as on date, we have order book of Rs.1,179 crores; if we go to the classification, Defense, we have about Rs.120 crores and Space we have Rs.264 crores and Meteorology about Rs.55 crores and Exports Rs.39 crores.

Vaibhav Badjatya: So most of the orders are domestic orders?

M.V.Reddy: No, exports were Rs.739 crores, rest all are domestic.

Vaibhav Badjatya: The broad idea around what would be the profitability in terms of EBITDA margins on these orders?

S. Gurunatha Reddy: On the domestic orders, it is roughly about 40-45% and the export front 8-10%, this is gross margins, that is sales minus material cost.

Moderator: Thank you. The next question is from the line of Santosh Yellapu from IndiaNivesh Securities. Please go ahead.

Santosh Yellapu: I have two questions: First, a book-keeping question. Please share the split of revenues for the FY'19 and order inflows for the FY'19 on Exports, Domestic, Defense, Metallurgy and Space?

S. Gurunatha Reddy: Before he gives the sales number, I will give the order book how it has transitioned during the year. We have started with about Rs.458 crores and we have booked about Rs.1,002 crores and executed around Rs.289 crores, that has given a closing balance of about close to Rs.1,167 crores. In terms of the orders booked, about Rs.1,002 crores, the breakup is Defense is about Rs.88 crores, Space is about Rs.156 crores, Hydrology and Meteorology is about Rs.96 crores, Exports is about Rs.653 crores, the others is about Rs.9 crores. In terms of the sales breakup, out of Rs.283 crores what we have done in the current year, Rs.54 crores is the exports and the balance is the domestic.

Santosh Yellapu: Any specific reason for the increase in the receivables during the quarter-end?

S. Gurunatha Reddy: I request you to read the increase in receivables with reference to the skewed pattern of sales recorded in the current year, say out of Rs.288 plus crores or whatever we have done, about Rs.130 crores was done in the last quarter. So effectively the entire amount will be there as receivables at the balance sheet date. To a large extent that will answer why the receivables are much higher than the previous year.

Moderator: Thank you. The next question is from the line of Rahul Shah from Blueriver Capital. Please go ahead.

Rahul Shah: Can you give us how healthy will be the order book going forward and can you give us an idea of the PAT margin that you may generate in the fresh orders?

S. Gurunatha Reddy: PAT margins it is quite difficult for us to give as of now but we have already shared with you the gross margins in whatever the order book outstanding as of today. The domestic orders carry about 40-45% of gross margin and exports carry about 8-10% of gross margin.

Rahul Shah: What we want to know is that existing promoters have relinquished their respective roles in the company and we believe that probably a new group is accumulating some shares. So is there any announcing on that front?

S. Gurunatha Reddy: As you know, we are looking for a strategic partner for a very long time. So those efforts are continuing. Probably some sort of relationship may develop as we move forward. But as of today, we do not have any specific information to share with you.

Moderator: Thank you. The next question is from the line of Pragati Khadse from Nine Rivers Capital. Please go ahead.

Pragati Khadse: I actually missed the breakup of your order book. So of your order book of Rs.1,179 crores, if you could just give the details again please?

M.V. Reddy: The Defense Rs.120 crores, Space Rs.264 crores, Meteorology Rs.55 crores, Exports Rs.739.8 crores.

Moderator: Thank you. The next follow up question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: Apart from gross margin difference between the exports and domestic, do you think the intensity of other expenses which will go into exports, will pick up significantly from the domestic orders?

S. Gurunatha Reddy: In terms of the conversion cost for exports continue to be what it is today. In fact, we have told you many times. Though the gross margin in exports is very low compared to the domestic business, to execute the exports orders, conversion cost is much less. We do not see any increase in costs as far as the export business is concerned.

Vaibhav Badjatya: So now given that large portion of our order book is exports driven and there is currency always play important part when large revenue coming from that, so is there a hedging policy in place, and if it is then, can you just give us broad details about that?

S. Gurunatha Reddy: The hedging policy is that we go for a normal forward cover for a period of 90 to 180-days. That is how we are operating for the last so many years and we continue to do this thing.

Vaibhav Badjatya: The gross margin break-up that you have just provided, is it based on your current estimate or it is based on the estimate when you have submitted a bid for those projects?

S. Gurunatha Reddy: More or less it is same, the estimates made by us at the time of bidding and after the receipt of the orders.

Moderator: Thank you. The next question is from the line of Harish Shiyad, an individual investor. Please go ahead.

Harish Shiyad: My question is regarding the export order. We have got a significant orders of Rs.739 crores as of now. What is the underlying principle of having a so large order in export? And second thing, at what crucial point that we get the lesser margin in the export – there is more competition in the world market or how is this?

M.V. Reddy: Basically, all the export orders are (BTP) Built to Print orders. It is of low margin as compared to the domestic because customer is giving us the total design, document and then also they are giving us the complete test equipment, they are providing the capital equipment and also basically the risk-free kind of a business. So in this, margins are obviously low as compared to the BTP orders, that is one. And second is yes, there is a competition in this business also. So we had to compete with the top players to get this business.

Harish Shiyad: So the competition from the Indian manufacturers also in this field?

M.V. Reddy: Yes.

Harish Shiyad: What is the timeline for implementing this export order? And what will be the mix in the next year revenue between export and the domestic?

M.V.Reddy: This would be basically for two years execution. This Rs.739 crores what we have, we will execute in FY'20 as well as FY'21. To your second question, more or less the trend would be the same like, 50% from export and 50% from domestic.

Harish Shiyad: What is the revenue guidance for the next year?

M.V. Reddy: Next year would be around Rs.600 crores.

Harish Shiyad: There is one announcement about some of the promoter's category want to move out from the promoter to public category from eight or ten entities. Any rational or logic behind this?

S. Gurunatha Reddy: Most of these people are friends and relatives of core promoters who joined them way back in 1991. Some changes are happening in the overall promoter category. They express their desire to be declassified. In fact, these people are not involving in the day-to-day operations of the company. All the eight or nine people put together hold about 2.8% kind of.

Harish Shiyad: We will have to obtain the SEBI approval also before moving them to the public category?

S. Gurunatha Reddy: Yes, there is a process. Initially the letter of request is placed before the board. Board has accepted that. We have intimated to the stock exchange. Now this request will be placed before the members in the forthcoming AGM. Once the members approve it, then we have to formally write to SEBI. It is a process. Probably it may take about six months.

Moderator: Thank you. The next question is from the line of Keerti Jain from Sundaram Mutual Fund. Please go ahead.

Keerti Jain: Sir, first is next year what is our expectation with regard to domestic order flow sir?

M.V.Reddy: Next year the order flow should be around Rs.500 crores, in that Rs.100 crores we are expecting from exports and Rs.400 crores from domestic.

Keerti Jain: So when we are talking, our blend would be Rs.300 crores next year domestic and Rs.300 crores exports in the revenues?

M.V.Reddy: Yes.

Keerti Jain: So then gross margin should be around 25% only you said sir, maximum?

S. Gurunatha Reddy: In the domestic business, whatever we are projecting about Rs.300 crores, there are at least about couple of orders where the gross margins are higher than the average gross margins what we have shared with you. We have shared with you that it will be around 40-45% but there are a couple of orders where the gross margins will be slightly higher than the 40-45%. As a result, for the year ended '19-20 we are expecting the ratio will be around 42-45% overall company level at a gross sale of about Rs.550-600 crores.

Keerti Jain: No sir, because Rs.300 crores will fetch only 8-10% margin, so if I assume 550 into even 40%, we require Rs.220 crores kind of gross margin and …?

S. Gurunatha Reddy: I do not want to get into the specifics of the higher gross margin business in the domestic. That is the reason why I am trying to be as indirect as I can. There are good amount of domestic orders where the margins are fairly high. As a result, it will average it out and we should be able to deliver around 42-45% of gross margin.

Keerti Jain: With regard to FY'21 any targets we have kept in mind given the order flow you are expecting and given the export order which is already planned at around Rs.370 crores? FY'20 you have spelt out around Rs.550-600 crores revenue.

M.V.Reddy: I will repeat again; for FY'19-20, that is for the current year, what we have given you the guidelines is overall revenues of Rs.500-550 crores and for FY'21 overall revenues should be Rs.600 crores.

Keerti Jain: Both years we expect 50:50 kind of mix correct sir?

M.V.Reddy: Yes, that is what I said.

Keerti Jain: Given that our revenues will move from 280 which will happen over next two years, do you believe that we will continue to be net debt-free company?

S. Gurunatha Reddy: Yes almost, we do not have any immediate plans for long-term borrowings. Current long-term borrowings is just around Rs.9.5 crores though there will be a minimum capital expenditure of about maybe Rs.10-15 crores kind of thing. Therefore, more or less we will be a debt-free company in terms of the long-term debt.

Keerti Jain: Sir any guidance or anything which you will share about the Rafael JV with regard to the Night Vision products which we do, what would be our profit target we have for F'20 or F'21?

S. Gurunatha Reddy: Joint venture is not into Night Vision products; joint venture is into manufacture of some defense communication subsystems called Software Defined Radios. It will go commercial starting from September of this year. In the first year probably, it may be doing about Rs.35-40 crores of revenues with the gross margin of about 10-15%. It has an order book of close to Rs.140 crores as of today which will be executed as I said from September to next year ending kind of thing.

Keerti Jain: Then any update with regard to the other Night Vision related products sir?

M.V.Reddy: Night Vision products we have just initiated dialogue with one of the companies. We are yet to finalize.

Moderator: Thank you. The next question is from the line of Rahul Peecha from Multi-Act Equity. Please go ahead.

Rahul Peecha: Sir, we have mentioned that we plan to raise funds and you said that the long-term debt will not go up. So we are planning to dilute equity?

S. Gurunatha Reddy: Yes, probably, as of today, I will not be able to say very clearly. We have some plans to have some at least one or two joint venture companies. If those discussions fructify, then probably we may have to raise some equity related funds, not for the present operations. So at that point of time there may be a small dilution.

Rahul Peecha: So you mentioned that there is a JV order book of approximately Rs.140 crores. So that is over and above our current order book or it is included in this order book?

S. Gurunatha Reddy: No, it is separate, we are not including the JV order book in our order book.

Rahul Peecha: Any update on Akash 7 Squadron?

M.V.Reddy: Probably you are aware of this. BEL is yet to get this order and it is in the final stage what we understand from a customer. They are expecting this particular order by June end or July. I think probably by August, September, we should be in a position to bag this.

Rahul Peecha: What would be the approximate quantum of this order?

M.V.Reddy: This would be around Rs.100 crores.

Rahul Peecha: We are building that in our domestic order book no?

M.V. Reddy: Yes.

Rahul Peecha: The current order book that we have, the execution timeline should be roughly two years, right?

M.V.Reddy: Yes.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: This export, is it chunky, is it with fuel parties or something or is it the general spread? Can you also share some segment industry sector, some color on it?

M.V.Reddy: Basically on the export front, most of these orders were radar systems. Whatever the microwave modules we are manufacturing TR modules, we have been supplying these modules to the OEMs and the large we got is almost I would say 70% of this we have bagged it from one company in Israel and rest 30% spread over with other companies.

Nitin Gandhi: Similarly, Israel or some other countries offer some significant scalable opportunity here, what is the sizing of this business?

M.V. Reddy: Going forward probably this BTP business are like offset business may come down. As all of you know that Government of India is going towards "Make in India" under IT BPM category. So the buy global option is a last procurement option. Maybe going forward I think after a couple of years this offset business may come down drastically. Since we are into the supply chain, we are getting additional opportunities for their global supply.

Nitin Gandhi: I missed JV order book.

M.V.Reddy: We have received orders of Rs.140 crores as on date for JV.

Moderator: Thank you. The next follow up question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: This JV company with Rs.140 crores order book, do you think in the next one or two years this JV would be profitable or it would still need some scale to make it profitable?

S. Gurunatha Reddy: We are expecting by end of next financial year, it should be profitable. That is by the time it executes its full existing orders.

Moderator: Thank you. The next question is from the line of **S** Mitra from RMCL Private Limited. Please go ahead.

S. Mitra: I have three, four questions. First question is that this year order inflow of Rs.400 crores domestic portion, can we get more details on this like how much is the Akash what are the other expected order flows?

M.V.Reddy: Around Rs.132 crores from the Radar and Rs.39 crores from Missiles and Telemetry put together and around Rs.36 crores from Electronic Warfare and in Space we are expecting about Rs.120 crores and exports Rs.100 crores.

S. Mitra: Would our working capital requirement be much higher once the domestic revenue picks up?

M.V.Reddy: Most of these orders are repeat orders kind of a thing like as I mentioned Akash orders which we have already executed, so we have all capital equipment and working capital. Also I think it is not the major this thing because we have better margin.

S. Mitra: So working capital would not go up significantly?

S. Gurunatha Reddy: Yes, in fact, if you see last two years, more or less we have done the domestic business only, but the working capital utilization is almost bare minimum.

S. Mitra: We have cash, so the cash is slowly getting utilized. So FY'21 or FY'20 towards the end there will be some higher working capital requirement or not?

S. Gurunatha Reddy: Yes, probably 2021 we can discuss little later, but I would say that utilization will be bare minimum, I do not say that it is the steeply rising immediately. Once the cycle starts even though the mix maybe domestic versus exports, the liquidity position will improve a lot. Therefore, the cash management will be much easier compared to earlier days. As a result, working capital borrowings will be minimum.

S. Mitra: Sir, two small accounting questions: One, this year employee cost was down like last year there were Rs.23 crores, this year is around Rs.17 crores. So any decrease in employee cost?

S. Gurunatha Reddy: Absolutely, employees cost actually has gone down. We have not provided our eligible commission. Consciously, we have decided not to draw our commission. As a result, the directors' remuneration has come down by about Rs.3 crores. So that has direct impact on the overall employee cost shown in the financial statement.

S. Mitra: The year-end 31st March balance sheet which has been given out in Q4, the investment in JV standalone is Rs.16.5 crores whereas in consolidated level it is Rs.14.5 crores. So could not make out of that front. If investment JV for that Rafael JV, the standalone I can understand is Rs.16 crores for which we have earlier disclosed at the BSE. But when you go into consolidated, why come to Rs.14.5 crores, that if you can explain that bit?

S. Gurunatha Reddy: Probably I have to come back to you, but immediately I will not be able to answer that. Probably you can communicate with me through an e-mail, we should be able to give clarification on this.

Moderator: Thank you. The next question is from the line of Santosh Yellapu from IndiaNivesh Securities Limited. Please go ahead.

Santosh Yellapu: What are the products in the pipeline as of now or where do we stand, first? And second, what are the new products coming up from the Bangalore R&D center that we started sometime back?

M.V.Reddy: From Bangalore center, we are building up the radar systems over there and we have taken up development of board detection radar and that is almost reaching the final stage of completion. From Hyderabad R&D unit, as we mentioned in last investor call, this is what we have taken up as a proactive development are almost reaching final stage of development. These are the major products which we can say that have been developed in last couple of quarters.

Santosh Yellapu: Is Rs.740 crores is consol order book or standalone order book number?

S. Gurunatha Reddy: It is a standalone order book number.

Santosh Yellapu: Of the export order book of Rs.740 crores approximate as of now, if my understanding is right, it also includes the Rs.140 crores of Rafael JV order? Can you give some color which are the orders that are sitting in this Rs.740 crores order? I am able to reconcile which exports orders are sitting in this order book apart from the ELTA order that we won in Q1.

M.V.Reddy: From ELTA we won two major orders and also, we have one direct order from Rafael.

Moderator: Thank you. The next question is from the line of Rahul Peecha from Multi-Act Equity. Please go ahead.

Rahul Peecha: Few quarters back, there was army order of roughly Rs.9,000-10,000 crores that was doing around. Is there any update on that order and what could be our quantum share if we get any from that order for Akash?

M.V.Reddy: For Akash army I think it has not been finalized yet. Once this gets finalized, definitely we will have our share.

Rahul Peecha: That will be via BDL, right?

M.V.Reddy: Yes, via BDL and BEL. BEL manufactures radars and BDL will manufacture missiles for this particular program. So, we will have orders from both BDL as well as BEL.

Rahul Peecha: What would be the rough percentage share in those orders?

M.V.Reddy: Right now it is difficult to give you that particular percentage.

Moderator: Thank you. The next question is from the line of Sudhakar Prabhu from Netesoft India. Please go ahead.

Mehul: Mehul from this side. Can you provide us the other income breakup? You are showing other income as Rs.25 crores.

S. Gurunatha Reddy: The other income major is export incentive; it is about Rs.11-odd crores what is received by us in the previous year. Apart from that the profits made by the company in its investments in mutual funds, interest received on fixed deposits and margin money deposits.

Mehul: Export incentives keep on coming us as we export higher?

S. Gurunatha Reddy: Yes, exports incentives are given at the rate of 2% of the exports made and they keep coming as and when we do the exports. We are doing close to Rs.300 crores in the current year. So, once the exports get completed, probably following year you can expect those incentives to come in. There is a process involved. It is very difficult to commit in terms of the timeline but definitely in terms of eligibility, yes, we get about 2% incentive of the exports.

Mehul: Sir, can you provide us the EBITDA margins for FY'20?

S. Gurunatha Reddy: EBITDA margin is something where I am not very comfortable to give out, but let us discuss on the gross margins only, that is where I would like to end.

Moderator: Thank you. The next follow up question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: I got some understanding that the current team have sacrificed Rs.3 crores for the last year is the revenue compensation. Can you share some more color, how is it structured and are there any ESOP plans or other things so that we can model in our earnings that going forward if at all we get back to whatever like previous year earnings of Rs.70, 80 crores PBT?

S. Gurunatha Reddy: Basically, there is no separate structure as such. The promoter directors used to draw about 2% the profits made as a commission and executive directors like me and Mr. M.V. Reddy we used to draw 1% each. But if you see the history of the commission drawn by us, at no point of time we have drawn these commissions to the maximum eligible amount. We are always drawing about 40-50%. The same thing is continued in the current year looking at the overall performance of the company. And we have not drawn any separate structures to compensate whatever the reduction that has happened now. We continue to draw the same percentages of 1% each.

Nitin Gandhi: Any ESOPs are there?

S. Gurunatha Reddy: No such.

Nitin Gandhi: For JV, will we be needing beyond Rs.100 crores investment which you are planning, wish to raise equity?

S. Gurunatha Reddy: As I said, the discussions are going on with a couple of companies. Probably more details we can share with you as those discussions progress. But as a concept, that is what I can share with you as of today.

Nitin Gandhi: I hope it works out to some scalable big opportunities for everybody's benefit. Wish you all the best.

S. Gurunatha Reddy: Yes, we are working towards that. Let us hope that we will succeed.

Moderator: Thank you. The next question is from the line of Satish Varrier from Sundaram Mutual Fund. Please go ahead.

Satish Varrier: I had a couple of questions from my end. The first question is as your export contribution is going up significantly in next year order book as per your guidance, so what is the impact on the employee cost in other overheads? Will there actually be further investments in those areas? And second question is I just wanted a clarification in terms of earlier somebody asked in terms of your gross margins on a consol target which you are looking at in revenue of Rs.500-550 crores. At a consol level you are looking at 40-45% gross margin is it not?

S. Gurunatha Reddy: Yes, at a consol level the gross margin what we are aiming is about 40-45%. In terms of the overheads and other expenditure going up because of the exports, we see slight increase but it is not going to be significant and most of these additional manpower that is required, we are planning to hire it on contract basis so that the expenditure will be specific to execution of this particular project, we do not see any major spike in those expenditure overheads for execution of these projects.

Satish Varrier: This employee cost and other expenses both put together is Rs.98 crores. How it will move then next year, some range estimates?

S. Gurunatha Reddy: Probably it may go up by about 10-12%.

Moderator: Thank you. The next follow up question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: This export incentive of around 2% of export value, is this included in your gross margin forecast on exports of 8-10% or is it over and above that?

S. Gurunatha Reddy: It is not included.

Vaibhav Badjatya: Adjusted for this, the margin would be in the range of 10-12% for exports?

S. Gurunatha Reddy: Yes, as I said no, receipt of export incentive is a long-term process. But the incentive that is going to come in, but it is really difficult to factor in terms of the timelines. That is the reason why we are not getting into that.

Moderator: Thank you. The next follow up question is from the line of Keerti Jain from Sundaram Mutual Fund. Please go ahead.

Keerti Jain: What would be the estimated tax rate for next two years?

S. Gurunatha Reddy: Right now, the only concession what we are availing is about weighted deduction for the R&D expenditure, this is gradually getting reduced. Therefore, probably I feel that we may be around 28-30% going forward for next two years.

Moderator: Thank you. The next follow up question is from the line of Santosh Yellapu from IndiaNivesh Securities. Please go ahead.

Santosh Yellapu: Just a follow up on that domestic revenue split sir number for FY'19, is it ready?

M.V.Reddy: Rs.135 crores from Defense, and Rs.50 crores from the Space, and about Rs.55 crores from the Meteorology and Rs.50 crores from the Exports.

Santosh Yellapu: One small clarification. Of the Rs.1200 crores split of order inflows, just to reconcile, Domestic is Rs.88 crores, Space is Rs.156 crores, Meteorology is Rs.96 crores, Exports is Rs.653 crores and Others is Rs.9 crores, am I right sir?

M.V.Reddy: Yes, that is the order book.

Santosh Yellapu: To some other participants when we gave the split of product wise between the domestic business, Rs.139 crores for Radar, Rs.36 crores for EWS and Rs.39 crores for Missiles, what is the spilt related to sir?

M.V.Reddy: I think the split what we have given is the target for the current year, that is FY'20. The one which you got a figure earlier is for the previous year, that is FY'19.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.

Vaibhav Badjatya: In terms of gross margins, you have indicated that generally the gross margins are between 40-45% range on our current order book, but next year there might be some domestic order which might be of higher margins. So, would it mean that in FY'21 whatever domestic order that we execute would be on significantly lower margin?

M.V.Reddy: Yes, more or less there will be a taper down because these are specific orders what we have currently which has the higher margin, but the orders what we have stated to you for FY'21 will have lower margin.

Moderator: Thank you. We take the last question from the line of Santosh Yellapu from IndiaNivesh Securities. Please go ahead.

Santosh Yellapu: I just wanted to get a sense of the current order book excluding exports of the Rs.440 crores. Which are the orders which are working for the first time? What is the value for these orders approximately?

M.V.Reddy: It is difficult to give you the numbers of orders which are for the first time and then to the production orders. Probably I think we can give you the details separately. Approximately if you want me to tell, I can tell you that out of the orders which we have, I think close to about Rs.120 crores worth of orders we are working it, that is for the R&D in nature, the rest all in production.

Moderator: Thank you. Sir, that was the last question in queue. You may go ahead with your closing comments.

S. Gurunatha Reddy: Thank you for your participation and look forward to talk to you again at the end of first quarter.

Moderator: Thank you very much, sir. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.