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ಹಿಂದುಸ್ತಾನ್ ಏರೋನಾಟಿಕ್ಸ್ ಲಿಮಿಟೆಡ್
ಮುಖ್ಯಾಲಯ
HINDUSTAN AERONAUTICS LIMITED
CORPORATE OFFICE

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5th September, 2022

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Dear Sir/ Madam,

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Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of Business Update Conference Call held on Monday, the 29th August, 2022 hosted by ICICI Securities.

2. The same is made available on Company's Website www.hal-india.co.in in Sub-section "Analyst / Investors Meet" under "Investors" Section.
3. This is for your information and record, please.

Thanking you,

Yours Faithfully
For Hindustan Aeronautics Ltd

(G V Sessa Reddy)
Company Secretary & Compliance Officer

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CIN:L35301KA1963GOI001622



“Hindustan Aeronautics Limited Business Update Call
Hosted by ICICI Securities”

August 29, 2022



MANAGEMENT: **MR. C. B. ANANTHAKRISHNAN – CMD, DIRECTOR (FINANCE) & CFO, HINDUSTAN AERONAUTICS LIMITED**
MR. JAYADEVA E. P. – DIRECTOR (OPERATIONS), HINDUSTAN AERONAUTICS LIMITED
MR. ALOK VERMA – DIRECTOR (HUMAN RESOURCES), HINDUSTAN AERONAUTICS LIMITED
MR. GV SESA REDDY – COMPANY SECRETARY, HINDUSTAN AERONAUTICS LIMITED
MR. KRISHNA – EXECUTIVE DIRECTOR (PLANNING), HINDUSTAN AERONAUTICS LIMITED
MODERATOR: **MR. ABHIJIT MITRA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Business Update Call of Hindustan Aeronautics Limited Conference Call hosted by ICICI Securities. As a reminder, all participants' 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 now hand the conference over to Mr. Abhijit Mitra from ICICI Securities. Thank you and over to you, Sir.

Abhijit Mitra: Thanks, Operator, and good evening to all the participant and thanks for joining in. We are here to discuss the business update of Hindustan Aeronautics and from the management we have Mr. C. B. Ananthkrishnan — CMD, Director (Finance) & CFO; Mr. Jayadeva E. P. – Director (Operations).

So, without further duo, I hand it over to the management team for his opening remarks.

C. B. Ananthkrishnan: Good evening and warm welcome to one and all. We have just completed our AGM and we are into this analyst call today.

At the outset, it's a great pressure and privilege to address you today for this analyst call post our AGM of 2021-22. I trust your family and you are all keeping well in the midst of this unprecedented pandemic COVID-19. At HAL, we are all fighting to revive and rebuild the operations in these challenging situations.

As you all know that we had a successful year 2021-22 wherein we showcased impressive performance in every area, whether it is from revenue to operational efficiency, contributing to the wealth of our treasured shareholder significantly with the increase in the market capitalization to almost Rs. 74,000 crores as on date. This also reiterated their belief on the company and the company is marching ever strong as it has been in the past.

I would like to introduce my team which is there with me right now. Today, as I speak to you, I have with me the Director (HR of the Company), Mr. Alok Verma; Director (Operations), Mr. Jayadeva; and Company Secretary Mr. Sessa Reddy; and also, our Executive Director (Planning) Shri Krishna besides my Finance team, which is also there to assist me out.

I take this opportunity to highlight the evolving landscape in the defense ecosystem in the country, the impact of the recent changes in the geopolitical situation, and the roadmap ahead for HAL. I would just like to take a 10-minute time for the introduction on all the recent significant milestones which HAL has achieved and also the roadmap for the future.

The current financial year 2022-23 has begun quite well and HAL has posted a robust financial results in the first quarter. We have declared our Q1 results, which is available in public domain, and most of you might already analyzed the same. The Q1 results reflect the normalcy that we

have achieved in our operations compared to the previous year. It was a strong quarter and we could deliver improved performance for the various parameters including revenue, profits, EBITDA etc.

Our order book also has further strengthened to almost 84,800 crores, close to 85,000 crores on receipt of fresh orders of almost 6,000 crores plus. Our collections and the budget allocations is healthy during the current year as well, and today as on date, we are having a surplus cash balance of almost 14,000 crores, which is nothing but the working capital funding, which has been funded upfront by our customers.

Some of the significant development I would like to highlight here on the various project because since we last spoke almost sometime in May 2022. The first series production of light utility helicopter Mark 1 took to skies during July 2022 and is ready for rollout from the New Greenfield helicopter factory at Tumakuru. The project is almost complete and the factory is ready for its operations and we will commence our operations over there very shortly.

Light transport aircraft Hindustan 228 Dornier aircraft attained civil certification from DGCA during May 22 which is again a stepping stone for us to get the EASA certification for doing the export of this Dornier. Marking a major contribution towards the Human Space Flight Program or Gaganyaan, HAL has delivered the Crew Module Fairing and HEM-Thrust-transfer Structure hardware to ISRO during August 22.

The first flight of LCA Mark 1A, which is one of our flagship orders which we will have to execute and the first delivery is to happen in February 2024. It has already started and the first flight has already started and we are in line with that so that the deliveries will happen as per the scheduled delivery date.

In significant collaborative move aimed at bolstering the Make in India campaign, HAL has signed an MoU with Safran to set up a joint venture intended for development, production, sales and support of helicopter engines to meet not only the requirements of the Indian helicopter programs, like IMRH, but also for the global market. A 50-50 partnership is envisaged with the most important thing being that IPR will rest with the joint venture within the country.

HAL has also entered into an MoU with the IAI, Israel Aerospace Industries on 4 March 2022 to convert the civil passenger aircraft to multi-mission tanker aircraft. This is part of our diversification plan, which probably we are in discussions with IAI which we are expecting it to materialize in the days to come.

An EOI has been released for the public-private partnership for the Indian Multi Role Helicopter. This is again a major program. We wanted to public-private partnership right from the design and development stage itself, the first of its kind as far as HAL is concerned, as far as the Indian Defense industry is concerned. So, this model if it works, it augurs well for the Atmanirbhar and the self-reliance vision of our Prime Minister.

I also would like to share with you what is the future outlook for HAL? It looks very stable and promising as I can say, many positive developments which will put HAL in the proper growth trajectory in the near future. It will also help not only HAL but also the ecosystem of the Indian Defense and Aerospace Industry as well.

Today, the thrust is more on indigenization. As you all know that the government's Atmanirbhar and self-reliance is more towards indigenization of the various platforms. At HAL indigenization is of utmost priority because we create the mission for mission success against adversaries wherein we need to be self-dependent and just to substantiate my statement during the last year almost out of 34 new platforms which has been manufactured and delivered, 30 are indigenously designed and developed state-of-the-art platforms which is really an immense contribution towards the indigenization and Atmanirbhar.

All the major platforms of HAL, namely, our LCA, Dornier 228, HTT-40, LCH, LUH are part of the positive list notified by MOD ensuring assured order for these platforms while over 50 LRU fitted on these platforms are also notified ensuring guaranteed order for our partners in the Indian private sector.

In fact, the third PIL, yesterday, the third PIL, that is the Positive Indigenization List has also been approved by the government which contains some about 780 strategically important LRU subsystems and components of which almost half of it, 360 are from HAL platforms like LCA, LCH, LUH and so on and so forth. This means that our thrust on indigenous development through the synergistic collaboration with the Indian private industry and assured long-term business for us and our business associates.

So, this shows the criticality and the importance which HAL attaches to the indigenization and also to reduce our dependency on the foreign OEMs in the days to come. This has been further strengthened by the recent geopolitical situation and pandemic, the quest for Atmanirbharta and HAL in collaboration with the private industry is relentlessly working towards breaking the dependency in all the critical area in aerospace segment.

Today, we have got multiple platforms indigenously designed and developed platforms. Earlier, we had more of license production. Today, we have got more of indigenous platforms in our stable almost as I have already mentioned ranging from fighters to trainers to fixed wing transport aircraft to utility helicopter, attack helicopters, and complete range of all the aircraft industry which anyone could think of. All these platforms would reduce our dependence on foreign OEMs and provide opportunities aggressively to pursue the export market, especially in the light of so much of enquiries being received in the recent past due to the changing geopolitical situation.

Also, to take care of the future, we do not want to lag on the technological front. We wanted to also be prepared for taking the technological requirements of the future like the Combat Air Teaming System, CATS, as we call it, and then the LCA Mark2, then TEDBF, that is Twin

Engine Deck Based Fighter, and the AMCA, of course, as you all know besides the IMRH program.

We are also giving a lot of thrust to our in-house research and development. As you know, almost 6% to 7% of our total revenue goes into the research and development activity annually, and in the last couple of years we have sanctioned almost projects worth 5,000 crores for indigenously design and develop, and we are also going to fund this in-house without waiting for sanctions from the government. All this would mean that our focus on indigenization and design and development and the self-reliance is of paramount importance to HAL. In fact, we have increased our R&D reserve from 10% to 15% of our operating PAT in last year to build a sufficient R&D reserve to take care of all our new programs which we plan to take up in the near future.

As far as the international business is concerned, there is a lot of optimism within HAL, especially in view of the recent geopolitical scenario and the neutral position which India has taken. The changing world order has provided a good opportunity to HAL in pursuing some of the markets which were not targeted before. There are enquiries from countries like Malaysia, Philippines, Argentina, Egypt for supply of new platforms as well as to support their existing fleets which are getting affected because of the recent changes I mean in the war scenario in Ukraine.

HAL's primary focus so far has been only to address the Indian Defense Forces and to indigenous requirements, and it was limited to certain platforms under license production, but with these changes, which is happening elsewhere in the global changes, we are now focusing more on the opportunities which are available to tap in the international market as well. We are taking a concerted effort towards increasing exports and the additional indigenous platforms have been added to the export offering list, which you all know has been the advanced flight helicopter, then Mark IV Rudra, which is nothing but weaponized version of ALH, light combat helicopter, light utility helicopter, and then HTT Trainer and all the other, I mean, apart from LCA Tejas.

In fact, we are also increasingly concentrating on International certifications like EASA and FAA to enhance our global appeal. Besides that, as soon as we got listed, we also in 2018, we are also looking at opportunities which are available in non-defense areas to de-risk ourselves from total dependency on the defense related products and the defense customers. Towards this, we have also engaged the consultant Boston Consulting Group to identify areas where HAL can diversify besides suggesting us also to improve the various strategies, business strategies apart from internal restructuring to improve the operational efficiencies.

Some of the opportunity, I mean, areas diversification opportunities which are being available are civil MRO, passenger to freight conversion of aircraft, UAV, simulator, all of this for deriving the additional revenue streams.

As far as the order pipeline is concerned, we have got a very strong order pipeline for newer platforms which are expected to materialize over the next one to two years timeframe. Orders

for 70 HTT-40, 25 ALH for Army, 6 Dornier aircraft, 12 light utility helicopters, 12 additional Sukhoi 30, and 240 AL-31FP engine for the Sukhoi aircraft are in the advanced stages of finalization and are expected to materialize in the current financial year.

The aggregate value of all the above orders would be around 45,000 crores and would take our order book position beyond 1 lakh crores in the current financial year if all of these materializes. There are many more orders in the pipeline, like 80 numbers of RD-33 engines, 145 numbers of light combat helicopter, 175 numbers of light utility helicopter, 60 numbers of UHM, which is again a Marine ALH, and LCA Mark II programs, AMCA, IMRH etc., which will provide further impetus to the growth momentum of the company. These platforms also have got significant business potential, but this will all take at least three-to-five-year time span. We will be able to conclude many of these contracts.

We are also taking significant efforts to promote our international business. As you are all aware, LCA Tejas tender for supply of 18 numbers of Tejas to Malaysia is under advanced stages of finalization by Malaysian government. We are one of the top contenders towards this. We have already in the process of establishing our office in Malaysia. We have initiated the process in this regard. This is to facilitate the consultations with the stakeholders not only in Malaysia but also in all the Southeast Asian countries looking for the export opportunities.

We are also planning to open our other offices in the other promising geographies like Egypt, then Middle East and North America as and when the opportunities exist over there.

Besides the manufacturing orders, our ROH orders is continuing to contribute a significant revenue stream, and it will continue to contribute and increase the revenue stream in the coming years as well.

Another concern which all of you may have is the supplies from Russia in view of the recent conflict which is happening over there. As far as we are concerned, supplies from Russia, we are managing without much of concern. The supply chain is continuing and also with the available inventory at our disposal, we do not foresee any interruptions in our operations, and we will be in a position to continue with our operations and also to see that the serviceability of the customers is not getting affected in any way.

Of course, considering the greater predominance of the Russian origin platforms in our product portfolio, we are in continuous discussions with the Russian side to ensure that the supplies are uninterrupted, and also we are in the process of indigenization of Russian LRUs and other systems and subsystems so that our dependency in course of time from the Russians will get reduced.

Beyond business, HAL always has been a compassionate business entity both in times of war and peace. Pandemic struck. We stood or we rose to the occasion to extend all support to our HAL family and the nation at large.

Further, as a socially responsible business entity, we are also into more, we focused on to the environmental sustainability and transparent governance has been our guiding principles to conduct our business and enhancing our shareholders wealth. On the enviro, social, and governance front, we have initiated efforts to be ESG compliant company and have commenced our business responsibility and sustainability reporting as per the prescribed formats even though the regulations demand such reporting only from the next financial year. This would mean that importance which we are showing towards our ESG requirements. Almost 40% of our electrical needs from the divisions of the company during the last financial year has been met out of captive wind and solar plants among the other sustainability initiatives.

So, that's overall. I would not take much more time. I would like to conclude. I see the future holds bright promises, and the brand HAL built on a strong foundation of trusted team spirit and commitment towards excellence will continue to propel the nation towards Atmanirbhar Bharat and this Atmanirbhar Bharat and Self-Reliance Vision has opened up plenty of opportunities to HAL and to the defense industry in general within the country, and we hope HAL will ultimately get benefited out of that, and ultimately the investors will also gain from this, and for the confidence and trust which the investors are keeping, we are very thankful to you. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. [Operator Instructions]. The first question comes from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Sir, I have three questions. First is there has been news that the Air Force is not keen on LCA-Mk II aircrafts and are looking for foreign aircrafts like Rafael and F-18. So, can we just throw some light on what are the discussions you are having with the Air Force? And what is the current status regarding the developmental induction for LCA Mark II? My second question is last year provisions were pretty high at around 10% of sales excluding the one-off provisions. So, do you think it can move to around 6% to 7% this year which has been our historical range? And my third question is, we are seeing increased focus for Tejas Aircraft from other countries. So, what is the export opportunity for our other platforms like Dornier or ALH or a Trainer aircraft since these aircrafts I believe have very good capabilities and perform very well on cost basis? So, which are the major countries you are looking for exporting?

C. B. Ananthkrishnan: As far as your first question goes, that LCA Mark II status, the project is still on as far as HAL is concerned, and in fact, we are having continuous discussions with ADA, that is that Aeronautical Development Agency, and also with our customers. In fact, as we understand, the progress, the discussions for getting the CCS approval for this is also on, and the Mark II program is still continuing and the customer, in fact, we expect the first flight to happen.

Jayadeva EP: IAF has participated in the critical design review.

C. B. Ananthkrishnan: Yes.

Jayadeva EP: IAF has already participated in the critical design review of this project.

C. B. Ananthakrishnan: So, we don't see as of now, I mean, there is much of visibility is there and still the project is on, and we don't see that this project will be shelved for importing them. Maybe that they may import for some for additional requirements, but this project is still on. And as far as the second question on provisions, the provisions of the last year, yes, it has been definitely, it has been high instead of 6%, which is in the normal rate which it used to be, it was around 10%.

This is basically on account of two reasons. One is that there was an accident aircraft which has happened Sukhoi. The differential, I mean, we had made a claim from insurance, but we will have to supply the aircraft to the customer. The additional cost which we will have to incur which is around 160 crores, we had created a provision for that. Similarly, there have been certain loaned items which we have taken against our deliveries to the customers because of the urgency requirement. So, we will have to replace all of those loaned items which we have estimated. It is around 270 crores.

Besides that, warranty also has gone up by another 190 crores, basically, because there was an increase in the, as and when the sales increase, the corresponding warranty liability also will increase because we will have to provide warranty support to the platforms supplied. So, that has also increased by another 190 crores, and there have been as far as the helicopters are concerned, there are again certain replacement and issues which we will have to make. So, that is again constituting another 200 crores. So, these are all the broad increases which has been there for the current year, but it may not be, especially the accident Aircraft and the loan items may not be there in the current financial year. So, all of this we should be able to continue to maintain at 6% to 7% of our total revenue as our provisions in the current year.

Aditya: Just as a follow-up, so the provisions coming out to around 6% to 7%, so our margins should from current 24%, it could go up to 26%, 27%. Is that understanding correct?

C. B. Ananthakrishnan: No, not, I mean, may not be because that last year, we had an abnormal income as well. There was a differential sale which has resulted in certain additional profits which may not be there in the current financial year, so which would mean that the margins we will still be able to maintain at 24%, 25%, but this will not probably add on to the margins. And the third question is on the platform, Tejas export opportunity.

Jayadeva EP: Export opportunity, other than LCA. So, other than LCA, we are promoting ALH and LCH because these two, ALH is already flying with our defense services. LCH is also entering services this year. It has already entered. So, based on this feedback, we are promoting these. The countries which have vested interest in these two platforms are Philippines, Nepal, Bangladesh. In addition to that, we are also pushing for Namibia, Mauritius, Vietnam, Seychelles, Thailand, and Nigeria.

And coming to Trainers, we will be pushing for HTT-40 the moment it enters the service with our IAF, but nonetheless, we would like to push our HTT-40 in advance also, But once we are comfortable with IAF operating this, then we will give a major thrust on this aircraft also. In addition to that, we are also pushing LCA as a twin seater aircraft, which is not exactly, we can't

call it a trainer. It is more of a twin seater fighter aircraft, which can operate for training the fighter pilots also. We are pushing LCA twin seater. It was also a trainer cum fighter aircraft. So, these are the major export push we are giving in our current portfolio. DO-228 also we are pushing both with Philippines, Nepal, and Bangladesh.

Moderator: Thank you. Mr. Aditya, we may request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Next question comes from the line of Vishal Biraia from Max Life Insurance. Please go ahead.

Vishal Biraia: So, my question is on the engines front. If you could elaborate on the 25 kilo Newton engine that has been tested, by when do you expect commissioning and certifications? And how are we planning to get the engines? Do we expect to use the GE 404 as only for the upcoming programs or do we plan to have the Kaveri also coming in? So, if you could elaborate a bit more on the engine program overall? Thank you.

Jayadeva EP: 25 kilo Newton engine we are in the process of developing this technology for this engine in-house at HAL. We have R&D center known as Aero Engine R&D center. We have taken up this project as a company funded project. We have done some basic tests like core engine tests, compressor tests, all the things we have done. The full engine we are integrating now, and then we will be taking up the full engine performance testing and then evaluation we will be taking up. After this, we may have to do further tests on flying test beds. So, in our current estimate, it may take another six to seven years to certify this engine.

Then coming to GE 404, GE 404 as of now we are not establishing any manufacturing facility or ROH facility at HAL right now. Right now all the engines are being procured directly from GE USA, and IAF is in the process of setting up ROH facilities at their bases, like they call it as a module level workshops. So, they are trying to establish the facilities at their bases, and we also want to augment these facilities with some production of manufacture of parts, which will be required during the ROH. We are in discussion with the GE for getting a transfer of technology for these parts so that we can participate in the ROH program.

We are also in discussion with IAF to set up a D level facility at our HAL facility also. So, this will, over a period of time, this will augment. It will give a full visibility for the ROH of engines, which otherwise takes nearly two years to get back from US if it is sent to US.

Vishal Biraia: And are you expanding the capacity for ROH for the low-thrust engines on Bangalore?

Jayadeva EP: Low-thrust engines means you are talking about Adour 871? Right now, we have Adour 871 which is fitted on Hawk aircraft. So, if you are talking about fixed wing aircraft, we have full capacity.

Vishal Biraia: For the rotary wings?

Jayadeva EP: Rotary wings, we are operating ARTOUSTE, and then Shakti and 2B2 engines which are used on ALH and Cheetah, Chetak helicopters. Cheetah, Chetak helicopters, we are fully meeting the requirements of our defense customers. ALH also we are meeting the requirements as of now, but in future with the increased number of ALH, the engine ROH requirement also will increase.

So, to tide over this situation, we have entered into a joint venture agreement with our Safran and one HEMRO, that is Helicopter Engine MRO facility is coming up at Goa which will be operational by end of 2023. So, with that, we will concentrate more on manufacture of helicopter engines at our Engine Division in the HAL. ALH engines, ROH will be slowly will be offloading to the JV. So, our capacity will be free for new helicopter. For example, we have to scale up our facilities for LUH and LCH engines. So, that will be taken care of by this HEMRO, that is helicopter engine MRO JV.

Vishal Biraia: So, lastly, all the LCH engines would be made in-house after this in this JV?

Jayadeva EP: Yes. LCH engines will be made in-house.

Jayadeva EP: LCH engine is nothing but Shakti engine.

Moderator: Thank you. Next question comes from the line of Mr. Venkatesh Subramaniam from Logitree Investment Advisers Private Limited. [Operator Instructions]. Please go ahead, sir.

Venkatesh Subramaniam: Sir, two questions. One is during the last Con Call; you had mentioned a couple of things. One is on 25,000 crore 15 LCH plus ROH facility that will get executed this year. I just need an update on that whether we are on track on that one, sir? Number one. And second question is, aircraft engines, there was a BOF for Su-30 24 numbers and MiG-29 18 numbers RD-33 Engine worth about 33,000 crore. There was an order that was possibly expected. Can you give us an update on that, sir?

C. B. Ananthakrishnan: No, the first question, I mean, if you could just repeat the first question, what exactly is the question? First one.

Venkatesh Subramaniam: You has mentioned that there was a 25,000-crore order for 15 light combat helicopters and a repair and overhaul for the same, which was supposed to be executed in this financial year. So, I was wondering whether we are on track for that, sir?

Jayadeva EP: Yes. That 15 LCH order has already, contract has already been signed on 30th March of last year. We have already delivered last year six helicopters, and in the current year, we are the balance helicopters nine also we will be delivering. So, we are on track as far as this LCH order is concerned and subsequent to that, we also expect once this order, I mean, once these aircrafts are delivered and tested, we expect subsequent orders of LCH of almost 147 numbers which is what the major contribution. Today, the order is 2,800 crores, but what we are left with the balance helicopters 147 is what we are talking about the 25,000 crore, but that will take time.

That will come through in a span of two to three years from now. That is as far as the LCH is concerned.

The second question is on MiG-29 engine. That is that RD-33, 80 numbers. That we have already, AoN has been accorded. RFP is expected any time. Once the RFP comes, we will submit our quote and the process will be on. Maybe it will take at least maybe not in the current financial year, could be in the next financial year, the contract could get concluded.

Venkatesh Subramaniam: Along with that, there was a BOF for Su-30 24 numbers, sir.

C. B. Ananthakrishnan: Yes.

Jayadeva EP: 240 numbers.

C. B. Ananthakrishnan: 240 numbers. It is AL-31FP, which is the Sukhoi engines, 240 numbers for which AoN has already been accorded. RFP also has been issued two days back. So, we are in the process of submitting the quote, and we expect it to expedite the same so that we get this in the current financial year or at the most in the first half of the next financial year.

Venkatesh Subramaniam: And one kind of a futuristic question, sir. Over a next two to three year period or four years, whatever you think, as per your internal vision, sir, what percentage, what would international business be as a percentage of overhaul revenue, say, in three to four years time, sir?

C. B. Ananthakrishnan: In line with the vision of Ministry of Defense and our Prime Minister, that is the 35,000 crores of export business, and we are also being tasked to achieve at least 10% of our revenue should come from the export business by 2025. So, we expect by 2025, our export business, we should be able to generate at least 10% of our revenue from the export business.

Venkatesh Subramaniam: I know, sir, 35,000 crores is the export target. So, what would that if HAL has grown to grow its top line at say 10% CAGR, any numbers that you can give us, sir, broadly?

C. B. Ananthakrishnan: Broadly, we expect around 2,500 crores of exports we should be able to achieve by 2025 on a consistent basis year-on-year. This 35,000 crores what I was mentioning is for the country as a whole.

Venkatesh Subramaniam: Country as a whole, okay. And then, sir, this 2,500 crores includes all the order prospects that you mentioned, which is exports to whether it's Vietnam, Nigeria, Thailand, all that is included in this, all this prospects?

C. B. Ananthakrishnan: Yes, correct, because it is going to be on an annual basis, so which means that every year we should be able to generate 10% of our revenue from exports. So, all this is included, and all this and something more also which we are trying to establish.

Venkatesh Subramaniam: And whenever we are supplying these new engines or new aircrafts, all these new products, it will also automatically be linked with ROH facilities and maintenance for them. Isn't it, sir?

C. B. Ananthkrishnan: Yes. It includes ROH facilities, but as part of our export promotion, we also need to like how we are looking at for Atmanirbhar and Self-Reliance, the countries in which we are exporting, they also look for some sort of local indigenization to happen through the ROH activity. Of course, with the spare supply and the major LRUs will be supplied as part of our export, but the repair and overhaul activity may be taken up within the country in order to see that there is an incentive for them to continue to buy our products.

Moderator: Thank you. Next question comes from the line of Abhijit Mitra. Please go ahead.

Abhijit Mitra: Thanks for taking my question, and the question is, you know, on the naval news front that we are seeing. So, there's again, we can see a rediscussion starting out on the second aircraft carrier and at the same time we are seeing probably a push from, let's say, a Boeing or a Lockheed sort of push through F-18 or F-21, you know, as a part of the aircraft-based carrier group. So, is there a loss of share that you fear because I think this discussion was pretty much shelved, probably, I think after the CDS discussions again are resurfacing. So, what's your thought on that?

C. B. Ananthkrishnan: While we would not like to comment that whether Airbus or the other foreign OEMs would like to push their products, but we are quite comfortable with the visibility which has been available for as far as the HAL products are concerned and as we have already listed it out, many of the programs which is being taken up by HAL at present was always with the, I mean, sort of MoD sanctions. So, we do not foresee any problem.

As far as our programs are concerned, our programs will continue to keep, we keep supplying to the defense customers. Maybe to augment the defense needs of the country, if there are going to be additional procurement, as of now we will not be in a position to comment on that, but our HAL supplies will continue to be in the same way in which we have been doing that in the past, and many of the programs, it's all big-ticket programs where the order book and anticipated order book position will be quite huge in terms of lakhs of crores. So, we don't foresee any competition or any sort of setback because this when foreign OEMs are trying to pitch in their products.

Abhijit Mitra: Just to rephrase my question, is there any replacement in our stable for MiG-29K or that's only LCA Mark II as and when that comes through?

Jayadeva EP: We are working on TEDBF. That is the Twin Engine Deck Based Fighter aircraft which ADA is spearheading.

Abhijit Mitra: And what's the time frame for development?

Jayadeva EP: It could be around 5 to 6 years.

- Moderator:** Thank you. Next question comes from the line of Harshit Patel, an individual investor. Please go ahead.
- Harshit Patel:** Sir, my first question is on the ALH front, advanced light helicopter. So, how many units are up for execution in FY23? I think with the execution of this many number, I think we will complete the execution of old contract, right? And when do we start manufacturing for the new contract, I mean, these 24 numbers for which AoN has been received? Also going ahead, do you have any visibility as to more AoNs and more orders will come in for ALH or this will be the end of the program?
- C. B. Ananthakrishnan:** ALH has been one of our flagship programs and one of the most successful programs. And we foresee that the demand for ALH will continue. In fact, the initial discussions with the customers, they are always very much positive and optimistic as far as the continuation of procurements of ALH from HAL. As far as your question on the current year supplies, 9 ALH is pending. Nine will be delivered in the current year in 22-23. And as far as the 25 ALH for which the RFP has already been issued and then we have also submitted our quotation, we are in the process of final negotiations, and we expect that the contract once concluded, we expect the deliveries to commence from 23-24 onwards, and we are expecting it to get it get completed in two-year timeframe, that is 23-24 and 24-25.
- Harshit Patel:** I think the second question is on the Dornier front. So, you mentioned about getting new orders for 6 units of Do-228. So, what is our manufacturing plan for FY23 and '24? Also, what is the per unit price of these aircrafts? Also related question would be any visibility do we have in terms of the upgrade order from Indian Navy? I think you have previously mentioned about getting an order over 2,500 crore from Indian Navy for the upgrades of this aircraft.
- C. B. Ananthakrishnan:** Dornier 228 six numbers is what we expect the RFP to get concluded and for the 22-23, for the current year, we are counting four numbers of Dorniers to be delivered. We are waiting for the contract. We have already commenced the production of the same, and the products will be the four, platforms will be four aircrafts will be ready in the current financial year so that the moment the contract gets concluded, we will be in a position to deliver that and the balance two will be delivered in 23-24. That is the current financial year four number, and the next financial year two number.
- Jayadeva EP:** Navy upgrade. The mid-life upgrade of Navy, that is actually we have already submitted the budgetary quotation to the customer. They are taking the internal approvals, and once that is done, then RFP will be issued.
- Harshit Patel:** So, this six numbers that you mentioned the contract for which we will get in due time, so this is which customer, sir?
- C. B. Ananthakrishnan:** IAF. Indian Air Force.

- Harshit Patel:** And any visibility on the civil version for it, the Hindustan 228? I mean, previously, you have mentioned that you will be manufacturing some units even without a contract so that you can sell them in the open market. So, is there any visibility on that front?
- C. B. Ananthakrishnan:** As you know that already we have two aircrafts of ours is flying as part of the leasing arrangement in the northeastern states with Alliance Air. So, we are also planning to make an additional two numbers and keep it ready on the civil front because we have got the civil certification also done so that once the aircrafts are ready, we expect that there will be a good visibility, especially when the two aircrafts which we have leased it out is performing quite well. So, we expect additional orders to come through. In fact, some of the state governments are already in talks with us for these Dorniers to be sold to them. So, we are going ahead with our program for producing an additional two number, six numbers, not two certified aircraft in the current financial year.
- Harshit Patel:** What is the per unit price of this aircraft? And how does it compare with the IAF contract that we will execute?
- C. B. Ananthakrishnan:** No, we cannot compare this with the IAF contract because there are so many additional optional items, mission equipments which are required for the customers. IAF, and in fact, for the Navy, the requirements are, I mean, much so that the prices will always be very high there, but for the civil aircraft, our price is expected to be around 60 crores.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint and in order to ensure that the management is able to address questions from all participants in the conference, please limit your question to one per participant. Should you have more questions, we request you to get back in the queue. The next question comes from the line of Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** Just wanted to, you know, recheck. You mentioned there will be order infuse of 45,000 crores. Now does it include the ROH and spares number which you generally have of around 15,000 crores like last year? Or is it excluding that? And secondly, this means that the Sukhoi order of 12 units which you are expecting in FY23 has been cancelled or it will be pushed to maybe FY24 or FY25?
- C. B. Ananthakrishnan:** The 45,000 crores orders which we were mentioning is only that of platforms that is the aircraft. We doesn't include the ROH requirements. ROH orders will be in addition to these platforms. That answers your first question, and the second question as for this Sukhoi 30, 12 numbers, still the requirement is on. In fact, we are also having discussion sometime next week to see how to conclude that. We expect that if it is through, it should be coming in the current financial year so that the deliveries can start in the next financial year. This again, the contract is still to be concluded, and the discussions are on with the defense customers.
- Moderator:** Thank you. Next question comes from the line of Rakesh Roy from Indsec Securities and Finance Limited. Please go ahead.

Rakesh Roy: Sir, my first question is related to your Fighter Jet Trainer HLFT-42. Sir, India is already using Hawk system, sir. So, why we need this one? So, from where we see demand for order for this HLFT?

Jayadeva EP: This HLFT will be something like all metallic aircraft. See right now we are proposing LCA as a trainer also in addition to being a fighter aircraft, but HLFT will be a low cost alternative to LCA with all metal aircraft, and then it will not be a fully fly-by-wire system. So, it will be power assisted controls. So, it will be something like a cost effective solution for fighter aircraft trainers. For example, instead of operating twin seater fighter aircraft, you can operate this with the full facility of getting trained on all the virtual training. It will have virtual training modes.

For example, it can simulate any fighter aircraft within the fleet of the, for example, IAF. You can have a Mirage, Rafale or anything you have, you can simulate on this platform, and this platform also will be a higher speed aircraft. So, it will give the physical feel of the speed also along with the virtual mode of all the displays, weapon delivery, everything it can simulate. So, it will be a cost-effective training solution for the defense customers, and it will have all the indigenous systems like, for example, almost nothing will be imported except maybe for the engine in the current scenario. All other display systems, everything, flight controls, everything will be based on indigenous system. So, it will have high indigenous content and the maintainability of this aircraft will be much superior compared to other aircraft and cost effective.

Moderator: Thank you. Next question comes from the line of Abhineet from Emkay Global. Please go ahead.

Abhineet: Just on this 45,000-crore platform order that is if you can just breakup into the four, five orders that you indicated, I might have missed it?

C. B. Ananthkrishnan: 45,000 crores is for the current pending orders which are there. In this as you are aware that 83 LCA Mark is around 36,000. It's anticipated contracts for which RFP has already been issued and which was in the course of completion. This includes 25 numbers of ALH, 12 numbers of LUH, and 240 engines AL-31FP engines, additional Su 30 is 12 numbers, and HTT-40, 70 number. So, this totals up to 42,000 crores of future anticipated contracts which will all get concluded in the current financial year or at the most in the first half of the next financial year.

Moderator: Thank you. Next question comes from the line of Sachin from InCred Capital. Please go ahead.

Sachin: So, my first question is on the ROH. You had a very solid growth on last three years, and last year it grew by 40%. So, can you help me with two to three large platforms contributing to this ROH in FY22 and in this last base, how we will be looking at growth in next couple of years on ROH front? That was my first question.

C. B. Ananthkrishnan: ROH major platforms which are there for ROH is one is that Sukhoi, it's around 20 numbers. Jaguar, it is around 13 numbers what we are planning for '22, the current financial year. Mirage is some nine number. Kiran Mark 1A and Mark II put together is around 21. Hawk is 9, Dornier

228 Numbers ALH some 41 numbers, and the Cheetah, Chetak put together it is around close to 40 numbers. These are the major platforms. And similarly, the engines for all these platforms also will form part of our ROH requirement. So, all put together, the ROH revenues alone from these major platforms and related engines apart from accessories and Avionic is expected to be around 6,900 crores, almost close to 7,000 crores.

Moderator: Thank you. The next question comes from the line of Aditya from Securities Management. Please go ahead.

Aditya: Thanks for the follow-up. Two questions. Sir, there are countries like Malaysia and other African countries which have Su-30 as their main fighter aircrafts. So, what kind of an opportunity does HAL see for ROH and upgradation of these aircrafts? And do we have to take permission from Russia before taking these orders? And second is earlier we used to talk about upgradation of Su-30. So, what is the current status now?

Jayadeva EP: Countries like Malaysia and Egypt, they have heaviest interest in HAL offering support for ROH of Su-30. Yes. As you rightly said that we need to take permission of Russia because we are governed by ToT agreements with Russia saying that we will be servicing only the Indian Defense, that is IAF. When we have to offer our services to other countries, we need to take their approvals and in principle, they have agreed that they will be giving it to us. So, we are in the process of finalizing what sort of support that these countries need. Once it is finalized, we will approach Russia for their blanket approval, and then we will be able to service those countries.

Coming to the next upgrade of Su-30, it is still under discussion stage with IAF about the standard of preparation, about the scope of work. We are discussing with IAF. Basically, it will be obsolescent management as well as new systems like new weapons, integration of new weapons other than Russian weapons. So, we are in discussion with them right now. Basically, all the mission systems, mission computers, Radar, Radars will be upgraded or with the new radars, mostly indigenous radars being developed by DRDO. So, this more or less the full mission systems and the weapon delivery platforms will be upgraded.

Moderator: Thank you. Next question comes from the line of Rakesh Roy from Indsec Securities and Finance Limited. Please go ahead.

Rakesh Roy: Sir, my one question is regarding, sir, are we working on any multi-role transport aircraft for defense Air Force?

Jayadeva EP: Multi-role, no.

Rakesh Roy: Transport aircraft?

Jayadeva EP: No, initially, we had the discussions with Air Force for supply of multi-role transport aircraft in collaboration with the Russians. But as of now, the project is being shelved and then right now we are not operating on any multi-role transport aircraft. And in fact, it was flowing from an

IGA, Inter-Governmental Agreement, but now that there are no plans to proceed with that. So, the product is coming to a close after that. In fact, the JV what we opened also is getting closed for this purpose.

Moderator: Thank you. The next question comes from the line of Abhineet from Emkay Global. Please go ahead.

Abhineet: For the current year, you indicated prospects of around 45,000 crores. You were also mentioning that over a 3 to 5 years perspective, what could be the order value one can look for, sir? And what are the platforms for that?

C. B. Ananthakrishnan: For 3 to 5 year, we are looking at additional major contracts will come from your LCH because LCH, today, they have given only an LSP order, that is limited series production of 12 numbers. So, we expect another 145 numbers, which is the approved AoN that should come through. Apart from that, LUH, again, we are expecting another 175. Today, LOI has been issued, the Letter of Intent has been issued for 12 numbers of LUH. Once this gets converted into order, when we supply that, there will be a visibility of another 175 numbers. This doesn't include the Kamov helicopter because there is also a rethink on whether we will go ahead with Kamov, in which case an additional 200 numbers of LUH also will get added to this 175 number. So, that visibility we will get it probably in the next 3 to 6 months period.

Then apart from that, that marine one helicopter that UHM, which is around 60 numbers, that is again a major program, which we are expecting it to come through in the next 3 to 5 years horizon. Of course, HTT-40, now out of 106, 70 numbers only is getting concluded immediately. The balance 36 numbers also it should come through. All this put together, the platforms which we are expecting in the next 3 to 5 years horizon without Kamov additional 200 numbers with only 175 numbers of LUH should be in the order of around 60,000 crores.

Moderator: Thank you. The last question comes from the line of Abhijit Mitra. Please go ahead.

Abhijit Mitra: Just to clarify a few things. You said possible ROH execution of 6,000 crores for the full-year FY23?

C. B. Ananthakrishnan: No. Let me clarify. That is only we are talking about platform and engines. It doesn't include accessories. In fact, I was making a statement there on to avoid this confusion, that it doesn't include accessories and avionics which will add up to another 7,000 crore. So, 6 plus 7, almost 13,000 crores should be our ROH revenue.

Abhijit Mitra: And just to understand, I think, initially, at the beginning of the call, you clarified what is the situation of supply of spares from Russia? And how is the payment being made now?

C. B. Ananthakrishnan: Yes. There are some initial hiccup as far as the payments is concerned because arrangement was not getting sorted out. But in the recent last week, we have made some payment through the Indian that rupee payments which we have made to the Sberbank, and then probably the

arrangement will continue. Now it looks like this is an issue which has been sorted out now because it is not only HAL. In fact, HAL payment is not much. There have been other major Russian payments which has to be made. So, this arrangement, if it goes through, then we will not have any issues related to payment.

And as far as the supplies are concerned, as of now we are getting the supplies from the Russians notwithstanding the payments have not been made, but we are also in discussions with them to see that the future also even if there are going to be some payment interruptions, the supply should not get, the uninterrupted supply chain should continue, and we are hopeful that Russia being a strategic partner to India all through, they will continue to supply all these parts which are required to maintain the fleet serviceability.

So, as of now we don't anticipate any major issues as part of the supply from Russia is concerned. We also have got sufficient inventory to take care of the current requirements, current financial year requirements.

Abhijit Mitra: And just last clarification to the inventory levels have not dropped. So, those inventory levels are maintained as of now.

C. B. Ananthakrishnan: Yes. Inventory levels now we have reached more or less the optimum levels which I don't think any further reduction in inventory is possible. Probably, we may also have to increase our because especially we are now strategically thinking in the light of the recent geopolitical happening which has happened which is also we were somewhat tentative on our supply chain. We wanted to build up the inventory so that the future in case of uncertainties we will not get into any issues.

C. B. Ananthakrishnan: Thanks. I think it is really great talking to you, especially immediately after the AGM, and I hope that the continued support from all of you would keep HAL in good stead, and we also assure you that the performance of HAL will continue to keep continuing growing and we look forward for many such interactions with you in future as well. Thank you.

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