



AXISCADES Engineering Technologies Limited Q3 FY 2017 Earnings Conference Call Transcript February 21, 2017

Moderator

Good day, ladies and gentlemen, and welcome to the Q3 FY 2017 Earnings Conference Call of AXISCADES Engineering Technologies Limited. 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 the 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. Gavin Desa from CDR, India. Thank you and over to you, sir.

Gavin Desa

Thank you. Good day, everyone and thank you for joining us today on AXISCADES Engineering Technologies Q3 and Nine Months FY 2017 Earnings Conference Call.

We have with us today Mr. Sudhakar Gande -- Vice Chairman and Mr. Kaushik Sarkar -- CFO.

Before we begin, I would like to state that some statements made in today's discussions maybe forward looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Results Presentation that has been sent to you earlier. This conference call is being recorded and will be archived and the transcripts will be made available on AXISCADES' corporate website www.axiscades.com.

I now invite Mr. Sudhakar Gande to begin proceedings of this call.

Sudhakar Gande

Good afternoon, everyone, thank you for joining this conference call. I hope you have gone through the Results Presentation shared earlier, which provides details of our operational and financial performance.

To begin with, we are delighted that the ACATL acquisition is behind us this quarter and to report consolidate numbers. The acquisition is highly synergetic for our Aerospace & Strategic Technology Solution business growth, expanding our target addressable market. ACATL's strong technical capability in electronics, software simulation and system integration will help us deepen our relationships with cross-sell opportunities across our target industries we cater to.

We are also enhancing our marquee customer base. With the dual offering of Product Engineering and Strategic Technology Solutions, AXISCADES is better positioned to address large domestic and global programs. The business opportunity is enormous over the next few decades given the government's focus of make in



India and our unique positioning will help us capitalize on this huge opportunity in terms of offset business and vast global supply chain opportunity.

The government's "Make in India" seeks to position the country as a hub of defense manufacturing. Aero India 2017 was another step towards this initiative. We received a strong response. We are pleased to announce that we have signed three MoUs during Aero India show. One MoU signed with Drone Volt to jointly address the growing market for drones in the Indian aerospace sector. Under the MoU, both companies will evaluate opportunities for drones or unmanned aircraft as we call UAV to address the requirements for the aerial surveillance, including disaster management and hazardous site security, etc. We further signed an MoU with E2M Technologies, a company based in Holland, for full flight and full mission simulators in the Indian aerospace and sector. In addition, we also signed an Industrial Cooperation Agreement (ICA) with Virtual Reality Media, a Slovakian company to evaluate the opportunities for full flight simulator and to address the requirements for Russian platforms, such as the Dornier 228 aircraft. These agreements will expand our product solution offering and mark another milestone for AXISCADES as one of the premier companies in India catering to the needs of the aerospace and defence sector.

Moving on to our performance in this quarter, this has been a subdued quarter on account of seasonal weakness and also continuing challenges at one of our large heavy engineering customers, resulting in sequential decline in organic revenue. I would like to highlight that we have long standing relation with this customer, which remains a key strategic partner. We are working on several initiatives and are confident that we can return to growth trajectories once there is a turnaround in the Company's fundamentals. The lower revenue also had result in negative impact on margins.

Moving on to deal wins recorded during the quarter, we added three new customers during Q3 FY 2017 in Aerospace segment each in Middle East, North America and Europe. We continue to see expansion of projects in our Airbus ODC specifically in areas of new aircraft platforms from design to manufacturing and aftermarket support. It reflects our commitment, in supporting transformation through engineering solutions for all our customers.

To conclude, the environment continues to be challenging during this challenging times we continue to make investments to grow our business organically and stay in the path of relevance to our customers. We have top class clientele who are global leaders in the respective areas of expertise. We will continue to mine them aggressively while expanding our service offerings and value proposition to them. We are seeing good traction and pipeline building in Aerospace, and Strategic Technology Solution business as well as Automotive vertical. We are confident that measures we undertake are laying a foundation of sustainable future growth.

Further we continue to pursue inorganic opportunities in select areas like embedded electronics, digital automation, medical devices, product lifecycle management, etc., to expand our scope of services and addressable market.

With that, I now hand over to our CFO -- Mr. Kaushik Sarkar who will take you through the financial performance of the quarter.

Kaushik Sarkar

Thankyou, Mr. Gande and good afternoon everyone. I will take you through the financial performance for the quarter ended 31st December 2016.

At the onset, I would like you to note that the consolidated performance for Q3 and nine months of FY 2017 includes the financials of AXISCADES Aerospace Technology, which is our Strategic Technology Solution business. We have completed acquisition of this entity in the current quarter and prior period financials are not strictly comparable.

Starting with slide eight, which captures our performance for nine months FY 2017, revenue grew 35%, year-over-year to Rs. 3,765 million, largely on account of the merger of our Strategic Technology Solution business. On an organic basis revenue growth was muted at around 2% year-over-year to Rs. 2,844 million in nine months FY 2017. Consolidated EBITDA margins in nine months FY 2017 stood at 9.5%. EBITDA margin for Strategic Technology Solution business stood at 13% whereas for ACETL it is 8.3%. EBITDA for nine months FY 2017 declined on a lower revenue and investment in leadership hiring's.

Slide nine captures the consolidated performance for the quarter ending December 2016. Total income stood at Rs. 1,103 million, higher by 17.3% quarter-over-quarter and 12.9% year-over-year led by the merger of Strategic Technology Solution business. On an organic basis revenue decline was 1.5% quarter-over-quarter in Q3 FY 2017. As indicated by Mr. Gande earlier this was predominantly on account of seasonality of our business with lower number of working days in this quarter and weakness in one of our large client in heavy engineering space. Consolidated EBITDA margins stood at 8.9% in Q3 FY 2017 as compared to 8.5% in last quarter augmented by higher margin in Strategic Technology Solution business. EBITDA margins for Engineering Services business were at 6.4% impacted by lower revenue and wage hikes implemented during the quarter, which offsets the benefit of reduction in outsourcing expenses. Profit after-tax for Q3 FY 2017 stood at Rs. 19 million.

Slide ten provides the balance sheet snapshot, the net worth has gone up to Rs. 2,873 million with merger taking effect. Debt has gone up to Rs. 796 million but our balance sheet remains strong with net debt equity ratio in comfortable range.

Slide 12, provides an update of the various industry segments and geographies where we are present. 76% of the revenue contributed in nine months FY 2017 was from Engineering Design Service while the remainder is from Strategic Technology Solution. In terms of industry split, Aerospace and Strategic Technology Solution our largest segment contributed around 63.5% of our revenue in nine months FY 2017 and 59.1% in Q3 FY 2017. Heavy engineering accounted for around 28% of our revenue in nine months and 31% in Q3 FY 2017.

To conclude, we are confident that all the measures we are undertaking will create a robust organization and will enable us to grow faster. We will continue to be focused on business model innovation and increasingly share our higher value offerings and enhancing our productivity to drive profitable growth going forward.

On this note, I once again, thank you for your participation and now request the moderator to open up for questions.

Moderator

Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Faisal Hawa from H. G. Hawa & Co. Please go ahead.

Faisal Hawa

My question is for Mr. Sudhakar Gande how are we doing on changing strategy towards a new leader and his roles because we have had like almost three CEOs in the last five years and it has not really helped much. Second question is that this new

merged entity is now showing sales of only around say Rs. 20-21 crore a quarter, so that the run rate is almost down from around Rs. 200-220 crore that it did in FY 2016 ended, so how will that really pick up and how much are we now depending on defense offset orders? If you see the last concall transcript, you had said that almost three large contracts may come through by the year end. Now, I really could not get whether you meant calendar year end or financial year end, but how soon is that going to happen? And another question is that where are there consultancy charges coming in again and again because these are like quite high and they really eat into our margins, I mean what has happened is it is almost half our EBITDA margins. So, how are we looking at now cutting down that? And fourth is are we still perusing our North American sales strategy in light of what is now happening under Trump and all that. So, can you just please answer these questions?

Sudhakar Gande

Faisal, let me answer one-by-one. First the question of CEO. We already formed a committee of Directors to initiate the process, which we have already initiated. I am very happy to share we are getting some interesting people. But once there is a development we will announce the new CEO we will also let you know all of you and I am fairly confident we will be able to attract and hire CEO on a long-term basis. The committee of directors is looking into various aspects and look at all the avenues to get the right candidate. We will keep you posted on this. Second question was on merged entity. We have done Rs. 20 crore revenue this quarter may be less compared to last year etc., you have to understand one thing, the Strategic Technologies (ACAT) business depends on the projects under implementation. If you look at the previous year that was at the peak of the implementation of the offset contract that is the reason the numbers are slightly higher. This quarter some of the implementations come down. So, this is a nature of this business till we gain sufficient scale. When I have three, four contracts it gets fairly predictive. But as of now, it has come down because primarily because the project has been implemented much more last year compared to this year. In that entity, we have two businesses one is what we call a part of Global Supply Chain that means there is repetitive business like Engineering Services. But the Global Supply Chain business will only come to you once OEMs are confident and comfortable as happened in the case of one offset deal which we worked on. We have taken five years to implement this \$100 million offset transaction and now they have selected us as a Global Supply Chain partner and they start getting regular business from that. So, this is one way of covering the lumpiness in the business. The third issue on the large contracts that I talked about, none of the contracts have been announced, we have not lost any contract. I can tell you that I am fairly confident at least one or two or maybe all of them we should have some role to play and I expect to hopefully before March at least on one contract the government is likely to make a final decision and the other two contracts possibly next year, may be one or two quarters I cannot exactly say, but they are in the final stages of taking the decision all the three contracts. We are very much in the race and there is no change as of what has happened earlier. Now the consultancy charges you have to understand one thing, we operate in complex technology and tasks with selective clients. When we are dealing with a large aerospace customer in a very high end area we compete with global players. Some of the areas we do not have the technical capability immediately so, have to live with this. How we do it? I will just give an example, sometimes a project needs 30 people so, I might take a large or most of them may be foreigners or we may give a contract to somebody who has a technical capability. But within six months to one year we learn that but during that period I have to pay the consultancy charges. And once we learn, our own people will be able to implement most of it. So, consultancy charges per se will now keep coming down because a lot of work has gone on this. But this is the nature of this business, you have to make investment and the benefit of that is accrued over long period of time. This is the strategy we adopted, which worked well in one of the global measures in aerospace we had less than a \$1 million revenue five years, six years back today we are doing \$20-25 million and we are now rated as amongst the best in the world I can say with pride. So, some of the strategies I agree with you,

will drag EBITDA, I do not deny, but we have to live with it and that is way companies are built. Now, the last question you asked me Faisal was on North America sales strategy. It is a very important market for us because what we have done in Europe is applicable in U.S. and under the Trump administration, I can tell you one thing, there are issues in terms of America outsourcing strategy this and that etc., but at a strategic level India and America are completely aligned there is a lot of cooperation and interaction is going to happen. So, at the macro level I do not have any issues. Micro level yes, there is some issue of delays of visa, not that we are employing 100's of Indians in U.S., we are a company which will be least affected. But if you ask me a large scheme of things, we will get benefited because there is going to be large cooperation between India and America on defense, aerospace, strategic technology, etc., we will be one of the few companies who will be benefited from that.

Moderator: Thank you. The next question is from the line of Kavita Thomas from First Global Securities. Please go ahead.

Kavita Thomas I just had a couple of questions. Sir, one is on the standalone business that is I mean excluding the ACATL impact. If I see sir, actually the top-line has been almost flattish over the nine months if I exclude the ACATL revenues. So, you mentioned is because of one of the reasons as you mentioned because of some issues with one of the clients in North America. How do we see this problem getting resolved and how do we see this business going forward probably in the next one year?

Sudhakar Gande To answer your question I agree last nine months there is a bit of flatness on account of one of the customers in North America and with another customer we have re-priced some of the contracts, these two things have been difficult part but we have retained all the customers. So, yes, there was a bit of flat growth but I can tell you coming year there will be definitely better news and we are all working for it because as a company we have to remember, if we take last four years, five years of track record we have grown every year. Last one year is a difficult year I do not deny that but because of these reasons but some of the issues have been resolved and even in North America client they have kind of restructured the Board and the management and they are working on one or two very interesting concepts, for example, they are trying to move the plant engineering into one specific state to subsidize, the state is going to be \$1 billion plus. So, relocate manufacturing units from several others states, we will hopefully involve as an engineering partner for that part of it. So, moving forward next year I am sure, we will have better news.

Kavita Thomas Okay. But is there a guidance you could provide in terms of the growth coming in at least at a high single-digit or low single-digit. It is not a quantitative number but some guidance that could provide as to how do we see our business performing excluding ACATL.

Sudhakar Gande Sorry, I cannot provide the guidance that is the policy of the company. But anytime we have anything to share we will be happy to share with you.

Kavita Thomas Okay. Sir, actually on the margins of the ACATL business, sir you have mentioned in the presentation that the nine months margins has been 13% while the margin in the third quarter was 20.8%. Could you just help me understand how do the margins vary so much in the business?

Sudhakar Gande Margins of this business - in some places when we are bidding for some projects, we have to invest money. But this is a very tricky business so, just to tell you sometime you invest will take five years to win a contract, sometimes the investee will get two years of contract. But once the India defense, etc., there is a serious client like today I can say with pride AXISCADES is definitely one of the company's

that look with pride company born out of India and which evidence on the company we have one project large aircraft training recognition system, it is a global tender we won against companies all over the world several companies participated, so today we are recognized but when we are bidding for some of this project there will be expenses involved and there will be man power, there will be software, hardware, subcontracting, some of the players will work with us. So, there will be some aberrations in this business a little bit here and there. But once they start working on four, five contracts, simultaneously under implementations, we will be in a position to rationalize and predict like our Engineering Service Business may be my guess is you have to wait for one year so that we will have a better understanding and we can predict these things.

Kavita Thomas But still sir, I mean I am still unable to understand why there is such a big difference where in the third quarter the margin is some 21% by over the nine months it is just around 13%. So, how should we read it?

Kaushik Sarkar See, it is depends on the projects to projects, right?

Kavita Thomas Right.

Kaushik Sarkar A particular project has ended and a new project has started.

Sudhakar Gande See, sometimes what happens is when there is a project completion, we bill it stage wise concept to various execution milestones, there are certain margins kept at the end of the project, some specific important delivery will happen, the moment that delivery will happen, we will get that money, so that particular quarter may be margin may be higher. So, that you have to live with it.

Kavita Thomas Okay. And talking about the standalone margin that is excluding ACATL there also overall if I see the margins have fallen from 14.7% to 6.5%. So, now considering that this main customer which we are facing problems has restructured his Board and there are a lot of things that they have done. So, how do we see margins in this business now? In the coming months or whatever in the coming next one year?

Sudhakar Gande See, yes, next one year the margin should definitely improve because more or less the worst is over even with this customer it may take another one or two quarters we will come to know exactly. But two reasons for the margin one is the specific customer we talked about there was issues and that is now under resolution and another customer which is very important customer of ours, we need to re-price because there was a rebid of the entire contract. So, we won again the international bidding. But today, that gives us access to more business in future. For these two reasons, we have come down this year but I am fairly confident in the coming quarters you will see some positive different growth.

Kavita Thomas But do we see reaching back to the 14.7% levels we had earlier?

Sudhakar Gande Our endeavor is to reach those levels because finally this business at the end of the day this business margins will be anywhere 15% to 18% on steady state but we are still a mid-sized company, so we need some more time to grow to the level where this abrasion can be absorbed but in long-run good business, good industry, 15% to 18% is almost certain and unlike other industries like software other thing, this is not easily replaceable, it is difficult to connect client and very difficult for a client to kind of get rid of us, possibly the stickiness is very-very high here.

Kavita Thomas Okay. Sir, lastly just two more questions. Sir, about interest, I mean the interest in this particular quarter was around Rs. 3 crore I mean is it because of all the debt that is there in ACATL or it is more working capital intensive, how is it?

Kaushik Sarkar The ACATL business is very capital intensive. So, a lot of working capital requirement are there. For that there is a debt and for that we are paying interest.

Kavita Thomas Okay. And why are the tax rates so high, sir? I mean, do not we get benefits on the defense projects something like that?

Kaushik Sarkar No, we have been conservative as of today, we have not taken any benefits. We will see going forward.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar Sir, my question pertains to ACATL where in mean you said like they are two stream of business the revenues, one is the revenue which is repetitive in nature and there is a deal based. So, coming to this repetitive business, so what is the like opportunity or yearly run rate that we can expect out of this repetitive business? And secondly, on the deal based business what is the potential size of opportunity that we have on the three contracts we have bid in?

Sudhakar Gande First thing let me explain one important aspect of this business. When you work with a global major or OEM as a part of offset contracts etc., all these companies, 50-100 years old, billions of dollars gone into building into those company, they are all large companies in the world. So, when you begin as an offset partner for them they do a lot of evaluation for taking you in. Once you become an offset partner, you work very closely with their teams, teams in India, teams in Europe, U.S. wherever they are. So, over a period of time they develop confidence and become comfortable with the services or the products what you have given for the offset contract and then they will allow you to bid for global supply chain. That means, the first part of the contract India related, the second part of contract anywhere in the world they are executing, I will just give an example, say it is developing automated test bench which we had done for one of our large customers, which involves integrating electronics and mechanical is difficult, integrating both these things is not easy it is tough job. So, few companies can do it we are one of them. And once they have seen that, they have told us okay, fine, can you be a part of our global supply chain. So, then now today I can bid for these kind of projects anywhere in the world it is like for eternity, I mean they keep supplying these equipment for years all over the world. So, the name of the game in this, I should able to deliver India perfect and win their confidence which we won in the case of one particular major European client. And today, we are part of global supply. I cannot give you exact number but several millions of dollars for several years not just one year, two years. So, that is point number one. Point number two is specific transaction, see most of the offset bids what we have normally work is of large size, size could be \$50 million plus kind of size we normally bid and these normally gets implemented over a period of five years, it would be sometimes four years sometimes six years, okay. Now what happens is getting the first deal is most difficult which we have achieved, we have delivered and offset contract by absolutely prestigious guys in last five years. So, today in the industry we are recognized because of that that, we are able to win a second client. Second client is able to sign with us in all less than 2.5 years where the first client took almost 4.5 years because second guy looked at what we had done for first guy. So, it is easier to get client I would not say very easy but a little easier for us. And again, there is hardly any competition, not that some 100's of companies in India can fight for this business. There could be hardly few. So, once you are in, you are in a long haul.

Pankaj Kumar Okay. Sir, in this offset business normally there would be a lot of bought out component so where the margins would be relatively lesser if I am wrong, is that right understanding?

Sudhakar Gande It is an interesting question. See, in offset contracts there will be various kinds of things, the offset contract could be for building a product. Product they may get 60% suppliers from my country, I am giving an example, there margin is going to be less, sometimes they say I want this product out of which 10-20% available from country that is to build domestically means they are willing to work with you because they will put a team to work with you. So, for example, an offset contract involving a very specialized kind of software, the margins are very high, simulation the margins are very good, pure putting forth parts together bringing from those countries our margin are less. But all depends on your smartness. But I can tell you this opportunity is huge, if you look at all the number of contracts signed by Indian government runs into tens of billions of dollars just in France we signed more than 10; with U.S. more than 15; with Russia almost 10; so all this contract is 30% minimum offset and this is not that the 10 guys are competing, you have to work with one guy, two guys and it is enough for everybody.

Pankaj Kumar Okay. So, once you get order, let us suppose particular project you have worked and post that you get a global supply order which is repetitive kind of business. So, in that case they do not look for other parties also it is just they nominate or it is based on competitive bidding?

Sudhakar Gande It is an interest question. What happens is they will allow you to bid, it is not automatically given to you. But usually what happens is, you get into the exclusive club of three, four guys, a very small number. Automatically in a country like India you have enough brains, enough man power here, so, your ability to price, your ability to deliver, your ability to scale up is very-very high. Just to give an example we became a part of global supply chain of one company, okay because of offset contract. Our capability today is to build about 1.5 units, on a five, six months basis that means even if we get 100 units I cannot deliver because you need supplier, you need smaller guys working with you integrating, etc., now the same global supply chain of this company now they are working with us, how do we increase this, this 1.5 so how do you make it 5, 6, that means 2-3, fold increase.

Pankaj Kumar Okay. And sir, just to know about the scalability of this business, right now we had done some in the past we have done Rs. 200 crore of business so what is the potential size of work that we can do with the current resources that we have?

Sudhakar Gande See, in this business what happens is you need some very highly skilled select number of people, okay, so let us say Rs. 150 crore always be there because they are all very rare commodities, okay. But in this business what happens is a lot of work, some part of good part of work we also source because there are a lot of smaller companies who work with us for example there is one offset contract we have implemented there are more than 12 Indian suppliers who work with us and these 12 Indian suppliers have man power more than 1,000 people and track record of some of the companies 20 years, 30 years. So, I do not need to restart the whole thing, I had only identified, luckily we have excellent data base, we have mapped more than 200 countries in India on technology in aerospace and you must know cities like Hyderabad, Bangalore, these are a lot of small-small enterprises, a lot of professional competent fellows come out of the company like HAL, Bharat Electronics, Electronics Corporation, they set up their own companies but they cannot go beyond a level, they are capable but they cannot take risk, they do not have financial capability nor the ability to take risk. We constantly evaluate and this will work with us. There are 12 guys work with us in one program now whenever, I get a global supply chain contract for that product, all these 12 guys will work with

me and there is no brainer first time they will evaluate second attempt team comes as these 12 fellows please go and visit them come back. So, they take the risk on you as an integrator and capability risk they will evaluate if they are not comfortable. I do not know what you know, if you look at a typical aircraft 80% of the aircraft is outsourced. Airbus and Boeing do only 20-25% in their factory, ~80% outsourced.

Pankaj Kumar Okay. And last question is what is the sustainable margins in this business?

Sudhakar Gande See, all this as I say Engineering business anywhere 15-18% Aerospace, Defense, Strategic Technologies comfortably 15-20%, sometimes 25% but these all ranges because historically what happens even do not bid for projects unless the margins are very good. But it takes time sometime it may take one year it may take two years, okay. So we will only bid where are pretty confident we have the capability and we have decent margin.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani Sir, if I were to ask you the decline in margin to be apportion to lack of growth due to a client specific issue versus the higher cost that we have spent on project uncertain charges how would you apportion that in terms of broad backup?

Sudhakar Gande See, that will be difficult to give exact numbers because we will not be able to give you, Point number one. But point number two, I want to explain two things here. The margins is affected by three things, one is specific customer that we discussed about. Second is along with that we have to re-price one of the absolutely prestigious client when we won the contract for next three years we have to re-price that affected the margins to some extent now we are recovering from that. Because once I get the contract then I know areas to improve upon and I am using the same contract in other areas which is not bound by the contract. And third issues, although we have made some serious investment in U.S. and Europe in terms of say man power and some of those results are going to come this year. So, my cost side my margins affected by this three specific parameters. And I am pretty confident, I am sure that next year some of this business will definitely come, I am very happy to share with all of you one of the initiatives we have done last year was embedded electronics. Now in embedded I am very happy to tell you at least we added three customers in embedded. So, I know this is one growth area for next year where we are going to drive that growth process. Same thing on medical side, one of the most important part of the medical business is you have to get a certification saying that you are fit to market medical electronics capability, for that you have to get a certification. The certification comes by building on medical electronic product which is internationally accepted by the process so, we have worked closely with select product and the product has been now certified. That means AXISCADES as a company can go to Johnson, can go to J&J or Striker to say that I want to provide Engineering Services to you and they will first ask for certification, we will show the certification. And we are just happy to inform you, just we won one large client, we just won a small contract from them for the medical electronics, so there are the two things also going to drive the growth next year.

Amish Kanani Sure, sir. And sir, one clarification, the direct expenses line item in the presentation and in three months and nine months that have come. Is it because of the new entity merger, ACAT related entity?

Kaushik Sarkar It is material cost that is coming straight from the ACAT business.

Amish Kanani Okay. That is explained by that.



Kaushik Sarkar Right. And the project consultancy cost you have seen quarter-over-quarter it is going down. And overall, if you see for the ACATL business the cost has been flat for the last two quarters for the margins to impact for the top-line as of today.

Amish Kanani Okay. Yeah, so that Rs. 92 million and Rs. 85 million is not very different from Q3 of 2016?

Kaushik Sarkar Right.

Amish Kanani Sure. And sir, is it possible to give us some idea about the MoU that we have signed which seems to be more in the similar term and...

Sudhakar Gande I will take 2 minutes on this because in this Aero Show I am very happy to say that we have received very good response a lot of visitors to our stall, the facility what we have demonstrated there and we have signed MoUs in this Aero India and all the three are very-very specialized high technology companies from Europe. One is fDrone Volt. Drone Volt is a company which makes drones or what we call UAS, unmanned aircraft. Drone Volt is one of the few companies which is considered as one of the brains because what happens in UAV there are 100 of companies make drones all over the world, out of which may be one or two really have design capability like for example, we do get automotive sector anywhere in the world whether it is Hyundai most of these are eminent either from General Motors or Ford some model or other, then they modify it. The same way if you look at UAV manufacturing the original design manufacture in U.S. or Europe. So, this Drone Volt is one of the few companies which has a design capability we met this guy almost 18 months back, we have been discussing with him and finally, we had a huge opportunity to bid for one of the contracts in the Indian market that is where we decided to work together. We have started working on the contract then he says why do not we have a MoU on the larger scheme of things I said, fine. So, Drone Volt is a technology company based on UAV. Second company we have signed an agreement is E2M Technologies, okay. This Drone Volt is based out of France. E2M Technologies is a Dutch company and again very specialized company which work on full flight and full machine simulators, okay. And we are now working with them to bid for three specific opportunities in Indian Aerospace sector on the simulation side, and again this is a Dutch company it is a 20-year-old company, very specialized technology and they looked at our company, our is one of the companies they would love to do it and they came all over and did it. Third company is a company called Virtual Reality Media and this is basically simulator for aircraft whether it is defense or civil this building is similar to very interesting work, it is very specialized and with and they can do only x number of pieces in year. So, these guys Virtual Reality Media is one of the few companies which have that capability CAE or L3 in U.S.. They have the capability particularly with Russian platforms because what happens in this company like Virtual Reality Media they will get something call data pack that means the manufacturer, Russian Dornier 228 Aircraft they will give the data pack to this guy, that have a lot of data about the aircraft and this is not available to anybody else. If you get a simulation for Dornier or Mig, etc., you can only go to one or two guys nobody else because they got all the data about thing. So, this are one of the few companies which is very strong on Russian platforms and as you are aware even today 70% of Indian defense is based on Russia for the last 50 years. So, we have signed an agreement with this guy, we are working with them on specific opportunities like Dornier Aircraft and two, three other things which are coming up. The interesting point to note is all these three companies are in different parts of Europe, highly specialized and all are 20-25 years old kind of companies and they want to come to Indian market they have chosen us to work with us. And each of them going to be very specialized area we are going to be jointly with them and I am sure, there will be some good news in the years to come.

- Amish Kanani** So, sir, is it possible to quantify the opportunity that these MoUs will kind of look at on a quarter...
- Sudhakar Gande** Let me give an example of Drone Volt. Look at UAV business, in the country, the UAV business has two parts, one is defense one is civilian. Now look at civilian, today Power Grid Corporation announces that they want all power insulations to be covered by UAVs and drones, why? A human guy sitting there will sleep one day or some terrorist may come and attack from there. Drones work 24 by 7, all 365 days, if one drone goes, the next drone automatically comes and sits there. So now Power Grid Corporation, Nuclear Power Corporation and any industry insulations, etc. The same we look at defense requirement, the border security post, coastal guard and your high sensitivity insulations. So these are very sensitive areas all this is going to come under drone. The requirement of drones are very high and with this company we are now bidding one specific project the size could be close to Rs. 500 crore, it is under process, government will issue RFPs, etc. But there are a lot of operations going to come up.
- Amish Kanani** The first one is as big as Rs. 500 crore is what you are saying?
- Sudhakar Gande** Yeah, just announced the RFP, they are talking about close to something around Rs. 100 crore here and there but that is a number, that is what they want it is only the first contract and this guy got exactly a product for that requirement to install somewhere in India Pakistan border.
- Amish Kanani** Okay. And sir, what will be say our proportion of design capability of that kind of work can go in a typical way we have in drone sir?
- Sudhakar Gande** Yeah that is very interesting question. What happens is the design part of UAVs are little smaller but it is required, for example, my agreement with drone will be any design modifications to Indian requirement will be done by me, point number one. Point number two, any global requirement of a design I should be preferred partner after our capability were demonstrated then they will give you.
- Moderator** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Sudhakar Gande** Yeah, I would like to thank all of you again for your participation and support. We look forward to interacting with you soon. Thank you very much.
- Moderator** Thank you. On behalf of AXISCADES Engineering Technologies Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.