



“Digilogic Systems Limited  
Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to FY26 Earnings Conference call of Digilogic Systems Limited hosted by Arkavit Cap Partners. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajesh Agrawal from Arkavit Cap Partners. Thank you, and over to you, sir.

**Rajesh Agrawal:** Good morning, everyone. A warm welcome to FY26 Earnings call of Digilogic Systems Limited. Today, we have with us Mr. J. Madhusudhan Varma, Chairman and Managing Director, an ex-Air Force veteran and technocrat with over three decades of experience, who founded the company in 2007.

He has also brought his experience and expertise in developing various offerings in defense and aerospace sectors. We also have Mr. J. Shashank Varma, Chief Executive Officer and Whole-time Director, a second-generation promoter of the company with over a decade of experience within the organization and leveraging his strong academic background in electronics and wireless communication systems.

Mr. Varma now leads the organization towards its next phase of growth. We also have Sri Harsha who is the Chief Financial Officer of Digilogic Systems Limited. Before we begin, I would like to remind everyone that today's discussion may include forward-looking statements.

These statements are based on current expectations and assumptions and are subject to risk. I would encourage you to review the safe harbor statement available in our presentation. With that, let me now invite Mr. J. Madhusudhan Varma, CMD to share his opening remarks on the performance of the company in FY26. Over to you, sir.

**J. Madhusudhan Varma:** Thank you, Mr. Rajesh. Good morning, ladies and gentlemen. At first instance, let me thank Arkavit Advisors for organizing our maiden call to interact with our investors and analysts. To begin with, I will take this opportunity to give a small brief about myself first and then about the company.

As explained by Mr. Rajesh, I am an ex-veteran of the Indian Air Force with 30-plus years of experience. From the Air Force, I come with a background in radar, ground radar maintenance and operations. So, with that particular background as I came out, I joined the corporate world at various stages, worked with many companies and grew them to a reasonable level.

Then, with that vision, I started a company, Digilogic Systems, in 2017 as a firm and from there onwards, we started our journey. Digilogic Systems predominantly, we are into the TMS market Test, Measure and Simulation and our client base remains DRDO under DRDO-based production centers like BEL, BDL and you name it; we work with all these people.

Our corporate office is in Hyderabad and we have operations pan-India and we have a couple of branch offices, one fully operational in Bengaluru and we also operate from Vizag and Pune. Now, with this background, in 2025, we decided to list our company keeping in mind

our growth plans and in January 2026, we were successful in raising around INR81 crores fund and got listed ourselves on BSE SME.

We were fortunate enough to get a good set of long-term investors who believed our growth story. We would once again like to thank them and all our existing and prospective investors for their continued support. For us, consistent disclosures, giving pragmatic guidance and being connected with all the relevant stakeholders at all times would be of top priority.

We are also very fortunate to have eminent personalities to join our board as Independent Directors for guiding and giving their strategic inputs. Now coming back, now that as I just mentioned we are into the defense sector. The Indian defense sector is driven by the Government of India in a big way with lots of initiation which they have taken in at least a decade's time.

One of the main evident things which we keep seeing is about our Atmanirbhar Bharat. Under the heading of Atmanirbhar Bharat, the Government of India, as you are all aware has taken a lot of initiations and also closely monitored the growth and implementation of these schemes which they are offering to both public and private sectors.

So, due to which the Make in India concept has really taken a momentum and to make sure that the high-technology systems which get built in DRDO are monitored, maintained and serviced properly, that is where companies like Digilogic have a main role to play and we are totally equipped to address this particular opportunity.

And having said that, because of this mission-critical system development by DRDO and the technology challenges which are going on worldwide, technology development funds, which are very much available and funded by the government, in most of the activities, we are actively participating, convincing government officials and departments to make sure that they become part of our program and with which we plan our growth story.

And now that we are discussing about mission-critical systems, R&D in this particular sector becomes very critical and the kind of thrust given by the Government of India when it comes to R&D is phenomenally high because they propose and they nurture the idea within India saying that the kind of systems what we build, apart from meeting the indigenous requirement within India, we should be in a position to cater for the export market also.

If we have to cater for the export market, the quality of the systems what we build, the technology upgradation what we do and the way you update yourself in technology is very important because you should never become outdated. If you become outdated on the technology, you will never be able to export the systems abroad.

So, that is where we have a role and we very seriously take up this particular activity and do some reasonable investments when it comes to R&D within the company. And also the way government policies have come up and they started protecting the small and medium enterprises when it comes to their investments.

So, there are projects and programs which are driven seriously by India and by the Indian government and monitored, known as DCPD Design-cum-Production Programs. So, fortunately and because of all these 18-plus years of journey, we were able to become part of many of the design and production partnership programs, which will result in us being part of their production programs, in turn helping us to grow in our top-line numbers.

As I just mentioned, the kind of products which India is manufacturing and coming out with, apart from meeting the domestic requirement, they are seriously exploring the possibility of exporting these particular systems abroad. To name a few, recently you would have seen some countries like Philippines, Malaysia and Cambodia, and these kind of countries have already placed a good amount of orders when it comes to missiles on India.

And incidentally, in many of these programs we are part of it. As these missiles get exported to foreign countries, our systems also get delivered with that, so that we start getting our piece of business when it comes to the export market. So, overall, this is the basic brief of the company and we are totally aligned with the Government of India's thrust which is being given for indigenization and we have – we are over the time grown and become serious partners in many of the ongoing activities.

With this, I will hand over to our CEO, Mr. Shashank Varma, to take it forward and give you more details about the company and our other thrust areas. Shashank, can you take over?

**J. Shashank Varma:**

Thank you, MD sir for the introduction. Once again, let me also welcome all those who are present in today's call. I will give you a small brief introduction about myself. I am Shashank Varma, CEO, Digilogic Systems. I have been working with the organization since the start of my career and have been associated with Digilogic for the past 13 years now. I spearhead business development activities and oversees operations with respect to Digilogic.

I would also like to take this opportunity to give you a small glimpse about the major milestones that we have achieved last year. Last year was a memorable year for Digilogic. Besides our regular product offerings in TMS, we were fortunate enough to be a part of critical programs for which we have delivered four checkout systems.

These were few delivered to public sectors which are integrated and being tested with the articles as we speak. We have also received an order from a defense public sector for 250 units of deployable spectrum monitoring and analysis system. These are the kind of orders which Digilogic is proud to be a part of and these are the kind of orders that strengthen the growth of Digilogic Systems.

In terms of the financial numbers, our revenue has grown by 8.4% compared to financial year 2025. We have also shown a good order book of INR31 crores this financial year. Now coming back, this will help us achieve all our numbers and this will give us a good boost to achieve the kind of growth that we have projected for this particular year.

Our PAT last year has seen a growth of close to 33.8% when compared to financial year 2025. So, I once again emphasize that with the kind of order book that we have, which is around INR31 crores, we are on the verge of achieving all the growth that we are looking for with

respect to top line and the EBITDA and PAT margins. For future numbers, I will ask Harsha to take over. He will give us a glimpse of how the last year's numbers have been.

**Sri Harsha:**

Thank you, Shashank. Thanks a lot for that. So, before I start off, I would like to introduce myself, just a quick brief. My name is Sri Harsha CFO for Digilogic Systems and I am a qualified Chartered Accountant and Business Management from XLRI Jamshedpur. With a total work experience of 16-plus years spanning automobiles, IT, textiles, health and wellness, EPC and dairy.

I am now getting into the financials. Total income grew from INR72.19 crores to INR78.27 crores, which is 8.4% year-on-year growth. This is on account of better execution of orders and being able to turn around faster. Our EBITDA number grew from INR13.04 crores to INR15.18 crores, which is 16.5% year-on-year growth. This is predominantly because of software value additions which we were able to do and then change in product mix.

EBITDA margin also improved from 18.1% to 19.6%, which is 152 bps and then PAT grew from INR7.79 crores to INR10.43 crores which is 33.8% year-on-year growth and this is a cascading effect of the impact of EBITDA growth. The PAT percentage also improved from 10.8% to 13.3%, which is 250 bps increase.

And coming to the core cash flow from operations, this is our biggest improvement where you will see that it has gone to positive INR12.63 crores for the financial year 2026. This is predominantly because of strong operational performance, better inventory and receivables control.

Coming to our receivable levels, we are at INR42.87 crores for March 31, 2026, out of which only INR2.31 crores is greater than 180 days and we are confident of receiving the same and no chance of growing bad debts. Coming to the payable levels, we are at INR17.09 crores and most of the payables are less than one year.

And then coming to the working capital cycle, we have improved from 1.6 times in FY25 to 3.46 times, which is predominantly because of better inventory and debtors, but we are also happy about it. Coming to the debt-to-equity ratio, it has improved from 0.4 times to 0.04 times because we were able to reduce our debt and equity base has also increased.

Coming to the ROE and ROI, if these are not comparable as an apple-to-apple comparison because the increase in equity base has changed the numbers. In FY26, we have seen significant improvement in key financial metrics and are confident of consistent improvements in our financials. Now, I request the operator to open the floor for Q&A. Thank you.

**Moderator:**

Thank you so much, sir. Ladies and gentlemen, we will now begin with the question and answer session. Our first question comes from the line of Aditya Mutha an Individual Investor. Please go ahead.

**Aditya Mutha:**

Hi, sir. Good morning, sir. Sir, I have this question in my mind. So, in January 2026, in your presentation, you guided for 20%, 25% revenue growth for FY26 and the actual number came much lower than your guidance. And again, for FY27, you are guiding for 20%, 25% growth.

So, from where are you getting this confidence on delivering the guidance number for FY27?  
And what went wrong in FY26 so we missed our guidance?

**J. Madhusudhan Varma:** Yes, let me answer that. This question I will answer in two parts. First part is what has been committed, why did we miss that figure is the first question to be answered. For that, in spite of having a good amount of pipeline, last 6 months, because of this geographical disturbances whatever is going on.

As you are aware, our systems, we most of the hardware which we buy and integrate gets imported and main OEM is either US or European OEMs. So, though we had orders in hand, back-to-back orders have been placed, generally the systems which take to get landed and reaching our office takes something like 8 weeks, that is 2 months, it really went on more than double, almost it took almost 4 months for us to receive this kind of hardware in-house with which we need to integrate.

So, that has really disturbed our calculations. In spite of having purchase orders in hand, by end of 31st March, we could not deliver them just because these hardware systems which were supposed to be coming, they didn't come on time. That is point number one. That effect you can see the kind of spillovers with which we started our first week of April, which is close to more than INR22 crores is our spillover.

Imagine a scenario, everything would have gone in the right direction without this international disturbances had these items come on time, I would have comfortably closed additionally INR20 crores apart from INR76 crores what we have closed. So, visibility was very much there.

Nobody anticipated, especially this Iran disturbance whatever has come; Ukraine was anyway there, that was not really affecting us, but when it came, this particular situation came up, there was a big disturbance. So now, coming back, our confidence of projecting for this current FY27 is because we already started our year with INR22 crores as a spillover and by end of 30th May, we already have INR30-plus crores in hand.

So, my target is by September, by September I should have purchase orders in hand close to INR100-plus crores, with which our billing will be comfortably meeting the targets which have been projected. All these are based on the tenders quoted; they are in different-different stages, negotiated, something is in the pipeline.

So, that is the reason this year to make it very-very confident of meeting the targets, every quarter is what target we are going ahead, with which we will be able to do it. So, keeping 30th September as a visibility, we are confident we will be able to meet that target what has been projected.

**Aditya Mutha:** Okay, sir, that was helpful. And one follow-up. The order book has actually declined from INR46 crores to INR31 crores and the broader tender pipeline has also come down from INR200 crores to INR110 crores. So, what is driving this contraction and how do you reconcile this with the growth which you are projecting for FY27?

**J. Madhusudhan Varma:** Yes. Now, in this particular projection what you are talking about, they are still there; it's not that it got deferred. Only thing is because of the fund allocation whatever is happening by Government of India, priorities have changed. Because priorities have changed, allocation of fund coming to the particular labs, they got readjusted.

So, keeping that in view, that INR200-plus projections what I put, they still stand good. Only thing is that might get delayed by few months, maybe 6 to 8 months, which might spill over to subsequent financial year. But opportunities are not lost. So, this INR100-plus what projection I am giving this year are the ones where total budget allocations are done, in many cases tenders are out, for few cases we already submitted our tenders. Keeping that in view only, this projection is given. Whereas balance projection whatever is there in the earlier projections, they are only getting pushed to subsequent year.

**Aditya Mutha:** Okay, sir, okay. So, I'll get back in the queue. Thank you.

**J. Madhusudhan Varma:** Okay. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Divyansh Thakur with Finterest Capital. Please go ahead.

**Divyansh Thakur:** Yes. Sir, congratulations on a great set of numbers, sir. So, I had the same questions, but just to follow up on that, sir, we have seen these geopolitical tensions and nowadays there have been many wars Russia-Ukraine, there is this Israel and everything. So, what all steps are we taking to mitigate the impact so from the next time the order that we are placing doesn't go from 2 to 4 months, it comes down? Are we internally looking to take some steps for that?

**J. Madhusudhan Varma:** Yes, that mitigation process is already taken care of. See, in this context, what we need to understand is it is not that we are only losers; even our OEMs are also losing business. So now that they have gone through this cycle, now they themselves proactively finding a way to root the shipments in a direction where it might take maybe a week or 10 days more time, slightly maybe 1% or 2% costlier, but it will reach on time to us.

So, without any kind of apprehensions. So, that this particular effort whatever I am talking about is mutual. We are also trying to give them advice how to take this product out at the earliest and also, they have their own way because supply chain is spread world over. It's not that they have only one route of doing it.

Earlier what used to happen, whatever is comfortable, whatever is cheaper, they were trying to follow that route. Now that this kind of situation has cropped up, they are trying to explore the supply chain throughout the world so that supplying to India defense market, what is the best way, most of the OEMs they are seriously doing.

Why because 40% of the hardware which they sell in Asia goes to India. That is the kind of consumption we have. So, it's a big number for them. It's not that we are only in trouble; they themselves are in trouble. So, proactively they are taking action on that, and we are trying to find a way. Hopefully, this particular year, this kind of situations would have totally taken care of, and we are already seeing this effect happening. I hope I answered your question.

**Divyansh Thakur:** Yes, sir. It's really great to hear. So, I also wanted to ask the segment that we serve in, who all are our competitors in the tender process domestically, internationally, if you can name some?

**J. Madhusudhan Varma:** Okay. For this, you need to give me two minutes to explain. See, basically, I don't deny that competition is not there; competition definitely exists. If you have attended my initial investor calls, I made it in most of the calls I made it very-very clear. It's all depends upon the approach what we follow.

See, this particular business goes in two stages. One is a prototyping and subsequently production. That's the reason I mentioned in my call DCPD Design-cum-Production program. So, when it comes to prototyping design, that is where we generally get exposed to the competition.

Once design is proven, we become partners in the DCPD program, subsequently everything goes on a nomination basis because we have been recommended as the suppliers in that production manual itself. That goes on a nomination; there we don't find any kind of competition.

But when it comes to prototyping, yes, we need to compete, we need to be cost-effective, we need to win the case and prove. Once you prove, migrate yourself into DCPD program, from there onwards, you have a visibility because that's where the numbers are. Where numbers are there we are less exposed to competition. Where we are competing, most of it is going to be prototyping.

**Divyansh Thakur:** So, sir are there any names for it? Any names if you can highlight?

**J. Madhusudhan Varma:** Names means, for example, Data Patterns. Data Patterns is a big player, is there, is very much there in this line and is one of the competitors. Similarly, Zen Technologies. See, now that we are into simulators, Zen also does simulators in a big way. Okay. So, in our segment, these are all the two main comparison what I can give. They may be bigger players, but we compete, we compete with them in whenever it comes to prototyping, we compete with these kind of companies.

**Divyansh Thakur:** Okay, sir. That's really great to hear and that's all from my end and all the best for the future numbers.

**J. Madhusudhan Varma:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Shruti Malpani from Aarth AIF. Please go ahead.

**Shruti Malpani:** Hello, sir. Congratulations on the good set of numbers. Sir, can you elaborate more on the new subsidiary that was incorporated, like do we have any order book that's been there or the kind of growth we can see from there?

**J. Madhusudhan Varma:** Okay. When it comes to the subsidiary which has been established there, this is futuristic plan is what we have in place. But when it comes to role profile and the contribution what this

subsidiary could do, we are very-very clear about it because this is what there are some gaps within the organization, within the profile of our present operations.

Now, way forward, we are going to fill those vacuums and start growing in those lines. Now, this particular subsidiary is going to be specialized when it comes to RF systems. RF systems are mainly catering for radar, electronic warfare and communication systems. So, whatever we are going to address under this particular subsidiary.

We are going to build subsystems to fit into these kind of main systems. So, we have the expertise, we have the client base and with that confidence only, we went and started this subsidiary and this is going to be a reality in a year's time, probably 8 to 9 months or 1 year it takes for us to build systems and start demonstrating. And when it comes to growth potential, it is good. I can say at this stage all I can say is it is going to be really good.

**Shruti Malpani:** So, sir, like we may expect any kind of revenue from it in FY28, not in 27?

**J. Madhusudhan Varma:** Yes.

**Shruti Malpani:** Okay. Sir, my next question is regarding, so there was a slide in the PPT which said that you are doing some custom-built single board computers which are in advanced stage for deployment. So, does this relate to the DCP, like we've won at the design stage and now we're official production partners for it?

**J. Madhusudhan Varma:** Okay. Now, let me answer it this way. See, as I told you in my starting of the discussion, as a company, we continue to invest on R&D. Okay. Now, this single board computer whatever we are trying to build is a part of R&D approach. And when you see any system being built, there will be an RF which is one part, second part is baseband.

So, we are in the process of building systems on a baseband. Ultimately, when we start building a main system, we want both expertise should be within the same umbrella of Digilogic so that we'll have the total control on the system. Building this expertise won't happen overnight; we need to do over the years.

So, this is almost kind of what I can say, this is almost 1.5 year old or 2 years old activity and there is one senior guy who is driving this total team, it's an eight-member team. And this as of now, it's totally under the R&D initiation of Digilogic. So, this is not part of the new company what whatever we are talking about. It's not part of new subsidiary; this is part of Digilogic but as a part of R&D.

**Shruti Malpani:** Okay. So sir this is like a backward integration for what you were just mentioning about the new subsidiary, wherein we can use systems over there for the subsystems, correct?

**J. Madhusudhan Varma:** Yes, you can say that. Subsequently, both of them together only we are going to build the main system. Because this particular segment will have its own identity, it's not that it's going to get merged with any subsidiary. This particular section will have its own identity.

**Shruti Malpani:** Okay. I'll join back the queue for my balance questions. Thank you.

- J Madhusudhan Varma:** Okay. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Chintan Parikh with Vyom Capital. Please go ahead.
- Chintan Parikh:** Yes. So, I'll continue from, you know, the person who asked the question before me. I hope I'm audible, Yes?
- J Madhusudhan Varma:** Yes, I can hear you. Please go ahead, Chintan.
- Chintan Parikh:** Perfect. So, sir, the first question is on Abhedhya which we have created why we have created a separate company, sir?
- J Madhusudhan Varma:** Okay. Now, as we were, so I request our CEO to answer this question. Yes.
- J Shashank Varma:** Yes, hi Chintan, this is Shashank here, CEO Digilogic. Yes, with respect to Abhedhya see, right now Digilogic is mainly into TMS segment -- Test, Measurement, and Simulation, right? So, now we are trying to also build technology within the organization where we can handle various radar, EW, and, you know, communication systems as well.
- So, under TMS, as and when there was any kind of a requirement where we had to build antennas or, you know, gaps with respect to building up-down converters, we always had to rely on our partners, and sometimes that brought in some good amount of expenses for us as well. So now, because we have the capability and the right kind of people in-house, we have started developing these units within the ecosystem of Digilogic
- So, how this is going to help us is in two ways. One is existing setup where requirements come up for radar and EW or RF components, we will reuse the systems that these guys are building in-house. The second one is we'll also start looking for opportunities where we can build complete components of radar, such as maybe transmission, antennas, or exciter basebands.
- We'll start looking for opportunities and we'll start working with the customers to pick up these opportunities. So, this is going to be a new vertical altogether, and this is going to help us build this particular technology within the umbrella of Digilogic. I hope that answers your question.
- Chintan Parikh:** Partly, Shashank. My question, I mean, why new company? Because wouldn't that make it harder for us to qualify for the tender directly under Abhedhya?
- J Madhusudhan Varma:** Yes, Yes, let me answer that question to you. See, basically, the focus on TMS -- Test, Measure, and Simulation, of Digilogic will continue. The reason why we should have Abhedhya as a separate entity is the kind of people who are going to work on that, the kind of infrastructure which is required on that, the quality of the expertise, both when it comes to design expertise which is required under that heading is going to be totally different.
- The person who is developing testers, the person who is developing simulators cannot sit and develop a subsystem which can go on radar or on a communication system. So, and also, the infrastructure what is the kind of test equipment required, the kind of lab what has to be built, it has to be totally different.

And I will go to an extent of telling you the kind of salaries what I need to pay to these kind of people is going to be totally different when it comes to TMS market. So, clubbing these two people in the same company and running it parallelly is not a good idea. With that only, we decided that RF segment should be totally separate and it has to be grown that way because this is going to have a reasonably good potential.

Not many RF companies in India who have proven their mettle. So, we have to have this as a separate segment so that focus will be more on that and accountability also will be there in that because there is a very focused thrust which management is going to do on that. Hence, mixing it under the umbrella of TMS is not a proposed solution; hence, we have gone separately a company.

**J Shashank Varma:**

Just to add to that, with your question with respect to how as a new organization they will qualify for the tenders, this is the main strategy, strategic reason why we have decided to invest and build our product first, then start quoting for the tenders. We are going to show the capability of Abhedhya by demonstrating these products, showing the performance of these products, and then convince the customers to work with us to participate in these tenders. That's the strategy that we will be working with.

**Chintan Parikh:**

Right. And my next question is on the SBC. So, for the SBC, are we, so I mean, I saw the announcement that we are in the early stage of deployment. So, my question is that how are we compared to some of the other foreign players like Curtiss-Wright or Abaco with respect to our SBC performance in, you know, high, let's say, high temperature, both on the, let's say, desert or a Siachen Himalaya type, situation? If you can help us understand along also with the cost aspect with the foreign players, Yes?

**J Madhusudhan Varma:**

Okay. Yes, now, that's a good question actually. See, it's like this. Foreign players building an SBC is also there, definitely there is a market. But again, there is always a cost factor over there because the kind of, let me take an example of Curtiss-Wright, maybe I don't know whether you heard about, there is a company known as Curtiss-Wright.

Now, Curtiss-Wright has an SBC, and the SBC which we are going to build is going to be of the same quality and probably this will have more features than that, which is more suitable to our indigenous applications. And having said that, how do we qualify this to work in different environment? That's what we are all about.

We are going to build everything from the scratch, starting from PCB, starting from the component, the kind of design what we are going to do, everything has to be as per mil-grade systems which have been driven by the textbooks, and there are some guidelines given by these textbooks, based on that it will be built.

Once this system is built and populated and board wakes up, we have to put this under different qualification tests to make sure that this particular SBC functionally works in all the environments. It could be minus temperatures, it could be plus temperatures. Actually, this range varies from minus 20 to plus 85 is the range we are talking about. The system will be qualified to work on that. So, that's how system works.

- J Shashank Varma:** And just to add to that, Chintan, we are trying to build this technology in-house, which means this technology can be used for other segments also. It could be used for TMS, it could be used for radar systems. So, idea is to have control on the technology first, then bring it to market. So, that is one of the strategies that we are following, and that's the reason why we decided to go ahead with this development. And we are already seeing a lot of traction with respect to the requirements.
- Chintan Parikh:** So, the announcement said that this is, you know, close to deployment. So, does that mean our testing of our product, our SBC, into extreme environments has already been done?
- J Madhusudhan Varma:** No, not yet. We are in the process. What will happen is first you need to design-develop, functionally prove it, then we will take it for the environment test. Once it is environmentally tested, then only I will take it to field. This happens in three different phases. As of now, we are in the process of demonstrating it functionally to various clients who could be the potential users of this particular system.
- Moderator:** Mr. Parikh, just to confirm, have you done with your question? Mr. Parikh, are you still there? As there is no response, we'll move forward to the next participant. Our next question comes from the line of Maitri Shah from Sapphire Capital. Please go ahead.
- Maitri Shah:** Yes, hello. Am I audible?
- Moderator:** Yes, you are. Please go ahead.
- Maitri Shah:** Yes, hello. Good morning. A few questions. Firstly, you mentioned that once we kind of migrate to the DcPP programs and move into production, we'll get a much wider look at how the revenues will scale up. So, just a question on how many projects currently are we qualified to then move on to the DcPP side?
- J Madhusudhan Varma:** If you say how many, number-wise probably it could be probably, I don't know, five to six are the main programs where we are already part of DcPP. But there are many prototypes we already proven, which are going to go for production. So, that way it's an ongoing activity. It doesn't stop anywhere because the more protos you make yourself qualified, then you start signing up as a DcPP. And DcPP is an ongoing program. As new variants come and DRDO or public sector start signing up DcPP, we become part of it -- So, both the things are parallel. It's not that as I enter into DcPP, I am starting participation in prototyping. It keeps continuing like that.
- Maitri Shah:** Correct. So, I'm assuming that once our Udaan program, the facility kind of starts we'll ramp up these programs to a much higher scale of production. So, how do you see across the years, your margins kind of shaping? Because currently most of our order book is on the prototyping side, and then we once move on to a higher percentage coming in from production revenues, medium-term, how do you see your margins scaling up, how do you see your revenue scaling up over the next, I would say, like 2 to 3 years?
- J. Madhusudhan Varma:** Regarding margins and financial things, anyway, my CFO will come online, that is the time he will explain. But role of Udaan, as you rightly pointed out, is what I want to tell you at this

stage. That particular infrastructure whatever is going to come up is mainly to cater that production programs only. Okay. So, obviously, when I start doing a production program, supplies are already taken care of, margins are very clear.

Invariably, we have seen the production orders executed reasonably giving us good profitability. In detail information is something which my CFO will share with you. But the purpose of starting this facility is to cater for that only. Under this facility, as you are aware, you have seen the, I hope you've seen the presentation.

It will have the electronic manufacturing, environmental testing, and also, we do the total ATE and checkout production in that place only. So, that is almost four times bigger than what I already have it here. That means, if I am doing in a 6 months' time, six systems are getting built here, so I will be in a position to do 20 to 25 systems in six months' time in that particular facility. That is the kind of ramping up infrastructure what we are trying to do, mainly catering for my DcPP program only.

**Maitri Shah:** Yes, and lastly on, you mentioned that you will be focusing on gaps that your core business kind of has. So, we're now getting into RF as well and we're developing technologies on that side. So, any other investments you're looking at or will be focusing on a new kind of technology that you want to enter other than RF and the TMS?

**J. Shashank Varma:** Yes, let me take that question. So, yes, we are continuously doing a lot of investments in R&D, and we are in the process of bringing out some more new products. So, once these products are successful as per the specification, we will probably, get this information out to you. But yes, under the R&D section, there are at least two to three new products that we are investing on.

**J. Madhusudhan Varma:** Just to add to that, all R&D whatever we are trying to do are done with a good amount of market survey, and mainly the inputs taken by our very senior client base, who will give a some kind of looking forward picture, what kind of product will have what kind of numbers and where are -- which are all the programs these kind of things can be inducted and where are the gray areas defense and aerospace is finding.

So, keeping this information only, we zeroed down on the kind of investment what we would like to do. Based on that only, we'll take it forward. That way, every investment in R&D what we are trying to do is driven towards particular journey, and obviously, we are going to have a logical entry into the programs with this particular technology which is getting developed indigenously within the company.

**Maitri Shah:** Okay, that's great. Also, one clarification if you could give me the split between your prototyping revenue and then your production revenue, or do we actually do, do we really have any production revenue as of now or it's still in the pipeline and not started yet?

**J. Madhusudhan Varma:** See, numbers-wise anyway our CFO will comment on that, but percentage-wise, I can always tell you. Generally, in this kind of business, see, as I told you in the starting itself, our client base is defense, DRDO, and production agencies. That means I work with the DRDO mainly on prototyping, I work with production public sectors, defense production public sectors, to handle the production orders.

So, when it comes to percentage-wise, it will vary somewhere -- something like probably 30% could be prototyping, 70% could be production. That's how the graph goes. So, regarding specific numbers, next call when Mr. Harsha takes up, rather Harsha will be in a position to address, we'll ask him to point.

**Maitri Shah:** Correct, currently we have 30% prototyping revenues that is what you are saying?

**Sri Harsha:** But in the share of revenue between the various products, it is already mentioned in the presentation, but just to reiterate quickly, ATEs is about 17% and checkouts at about 22%, and then measurement equipments set about 49%. So, that is how the lion's share of the revenue comes in.

**Maitri Shah:** I was asking about the production revenue, so how many of the -- how much of the revenue is coming from the production side because I'm assuming that revenue is on the recurring side as well because those contracts are much longer.

**J. Madhusudhan Varma:** Yes, again, probably we'll come back to the same point. Your point is how much of prototyping we do in a year, and how much of production orders what we cater, right? So, Digilogic with 18 years of experience, we have entered into many programs, and some programs are already gone for production, some projects are in the process of getting validated.

So, whatever projects -- program which is yet to go for field trials and get validated and gone for production, we continue to be calling them as a prototyping. So, on that basis, what I can make a statement is, if you see my revenue, 30% of the revenue could be from a prototyping, 70% could be from production orders. That's how the split goes.

**Maitri Shah:** Okay, got it. And lastly on the export, you mentioned in your opening comments, you want to focus more on the export side. So, are we focusing on the export from the TMS side?

**J. Madhusudhan Varma:** No, no, no, I think I think there is a small correction there. As on today, as on today, exports what when I say, when somebody like BDL gets an order from a foreign company, they export the total system to that company. My system goes along with that. It's not that, I am going to sell to that foreign company; I will sell it to BDL, BDL in turn will sell to them.

So, my system which we have considered and delivered to BDL goes to foreign. But when it comes to export market, yes, Shashank is the person who can comment better on that. He has definitely serious plans about it; he is talking about it.

**J. Shashank Varma:** Yes, so we have a couple of tie-ups with OEMs and yes, foreign companies such as Sperry and Eirad. So, we are in discussion and evaluation with these companies to help us reach the Tier-1 companies like Airbus and Boeing. So, yes, the MOUs are already signed, and we are in the evaluation phase for exploring our technologies to be included in their supply chain.

**Maitri Shah:** Okay, that's great. Yes, thank you and all the best.

**Moderator:** Our next question comes from the line of Shruti Malpani with Aarth AIF. Please go ahead.

**Shruti Malpani:** Hello, am I audible?

**J. Madhusudhan Varma:** Yes, we can hear you. Please go ahead.

**Shruti Malpani:** So, sir, the revenue split has changed drastically this time between the products compared to FY25. So, can you elaborate on how this might -- if that has contributed to the higher margins and what kind of target mix can we expect or like in from the previous participant, so automated test equipment and the checkout systems, they've fallen like from 44% to 22%. So, can you comment on that? Yes.

**Sri Harsha:** Yes. So, what happens is, one, in measurement equipments what it's majority of the software value add that happens, wherein not a lot of material cost goes into it. So, that's the reason why we were able to attain much better margins. And coming to the ATEs and checkouts, if you see in terms of value, it is still more or less it was the same, but just because the measurement equipment has also come on par with each of these line items, so that's the reason, the share has changed slightly different.

**Shruti Malpani:** Okay, noted. Sir, what has been the revenue split between B2B and B2G for this financial year?

**Sri Harsha:** Sorry?

**Shruti Malpani:** What has been the revenue split in percentage terms between B2B and B2G?

**Sri Harsha:** We don't have any B2C.

**Shruti Malpani:** No, B2B and B2G. Government and private.

**Sri Harsha:** So, you have to understand, even though, if there is one or two transactions of B2B, but the ultimate eventual customer is B2G. So, if I have to answer your question, it is 100% B2G. It's just that the routing could be in a different fashion, the way what JMV sir was just mentioning wherein there is an order received by BDL.

But we will bill it to BDL and BDL will in turn bill it to the ultimate entity. So, in the same fashion, we will have one or two transactions wherein we will bill it to a different business entity, that entity will ultimately bill it to the Ministry of Defence or either of the DRDO labs. So, it will be a B2G transaction only.

**Shruti Malpani:** Yes, sir, I understand. So, like in FY25, we had 15% from B2B. So, like does the numbers stand around the same?

**Sri Harsha:** Yes, one second, just hold on, I'll just check. So, it would be more or less the same.

**Shruti Malpani:** Okay. So sir, my next question is, so I saw that the finance cost is being capitalized from the cash flow statement. So, what is the borrowing amount for the same that this has been capitalized and what is the average cost of capital for it?

- Sri Harsha:** See, the finance cost that has been capitalized is predominantly for the guest house that is currently under construction. So, since whatever is the pre-construction cost that can be capitalized, so there is the amount of finance cost that is getting capitalized. The rest of the finance cost is getting charged off to the P&L.
- Shruti Malpani:** Yes, sir. So, what would be the borrowing amount for the guest house part that has been capitalized?
- Sri Harsha:** So, the total exposure for the guest house would be somewhere in the range of about INR2.1 crores. But we haven't drawn down the entire amount yet.
- Shruti Malpani:** Okay. Yes, and the cost of capital?
- Sri Harsha:** The cost of capital is REPO Plus 2.5.
- Shruti Malpani:** Okay. One last question I had. So, like the order book that you have for INR31 crore, so how long until this converts into revenue? And at any given point in time, how much visibility does it have with respect to the order book, like for next how many months?
- J. Madhusudhan Varma:** Could you repeat your question, please?
- Shruti Malpani:** So sir, the order book that you have for INR31 crores as of May '26, so how long until this, you know, converts into revenue for us or, you know, how long until you complete the order book? And at any given point in time, how much visibility do you have with respect to order book for like for how long, for the next two-three months or longer?
- J. Madhusudhan Varma:** Yes. Okay. So, now, this INR30 crores plus, what I have seen is by 30th May. So, these are all the orders which are already in hand. Execution is happening, probably in two months' time by by August, most of this gets, will get billed. That is point number one. Point number two is the orders opportunities which we have negotiated, which are in the process of receiving orders is something is happening already, and there are some tenders which we have quoted.
- Now, all these activities which are happening, we are expecting them to get converted to purchase orders. All these purchase orders should be available with us by October, September-October, by September, by end of September, that is H1 ending, we should have all these purchase orders in hand.
- From there onwards, execution starts. So, our execution cycle, if everything goes fine without any kind of issues when it comes to geographically any kind of disturbances which we have already more or less fixed it now, it should be something like two to three months. In three months' time, we should be in a position to build them, and it takes a month or so for us to go and execute and complete the installation commissioning.
- By end of March, we should be in a position to collect the money for the billings what we do somewhere in August-September-October, September and October time. So, keeping this in view, the tenders what we quoted, which are already negotiated, orders in pipeline are totally

streamlined, and this time especially our target is by September we should have the total visibility which we have.

Probably when we sit for the H1 call, we are going to give you more clarity on that. And projections of whatever we have given 25% to 30% is happening, and I really don't have any kind of hesitation to say that we are going to meet those projections.

**Shruti Malpani:** Okay.

**Moderator:** Thank you, Shruti. I'm sorry to interrupt you, but please you may re-join the queue for more questions. We have a lot of participants. Thank you. Our next question comes from the line of Ankur Gulati with Genuity Capital. Please go ahead.

**Ankur Gulati:** Yes. Sir, a quick question. We are working on multiple programs. So, if you can help us, you roll forward three-four years, what kind of share of business all these programs can scale up to, the existing programs? I'm not talking discussing the Devan aerospace thing, but on defence and all that stuff. If you can give some ballpark figure?

**J. Madhusudhan Varma:** Yes. Now, let me talk about our segment. For see, every segment of I will take an example to be more specific about missile programs. The missile programs where we are already established, there are some prototyping happening, there are some productions are happening. So, when it comes to production side, the main contribution in a missile program is going to be mainly on the, it's a capex side for them, it's going to be either ATEs or checkout systems.

So, in the total allocation of budget for a missile program, this particular segment covers maximum of 4% to 5% of the total allocation. For example, missile program is allocation for that particular program is INR300 crores or INR400 crores is what has been allocated. For this particular testers which are supposed to go with that, it could be 5% to 6% what has been allocated.

So, this is something if I'm talking about DCP program, that is totally taken care of, it's only question of time. When they plan to place the PO and when they want to negotiate, when the order to be given to them. Now, the obligation on them is as they deliver the squadrons to the forces, either Air Force, Navy, or Army, along with these forces, our systems also have to travel along.

So, that's how they start planning their procurement plans. Hence, what are the projections, what are the kind of visibility we have year on year are going to be based on this. So, percentage-wise, your question is it will vary somewhere 5% to 6% of the total program what they are working on.

**Ankur Gulati:** But sir, just to clarify, 5% to 6% is the total demand.

**J. Madhusudhan Varma:** If you can be slightly louder please?

**Ankur Gulati:** 5% to 6% is the total demand for product you are making, but there are other manufacturers of the same product, right? So, we don't have 100% share of business. So, out of 5%, what should we work with?

**J. Madhusudhan Varma:** Exactly. Now, this is where I was, once again I want to go back to the same subject. Any program for that matter, if we have we are already signed up as a recommended partner when it comes to a particular checkout system in that program, that segment has to come to us because these are all validated testers I'm talking about.

Because when it comes to validation, there are some agencies MSQA, these kind of agencies are there who have to validate the hardware and software. Unless this agency validates, it will not be easy for them to accept it. So, that's how we take an entry into DCPD program. If that program is taken a shape and budget is allocated, they are going for production, these particular segments have to be purchased from us on a nomination basis.

So, I'm only talking about that particular segment. I'm not talking about other see, like me, there could be three or four or five different people who are nominated as DCPD partner for a different segment altogether. There could be onboard system which somebody is supplying, there could be some kind of actuator systems where somebody may be supplying, whereas I am supplying ATEs and checkouts. So, we being up-front in that, it comes on a part number to us. Once it comes as a part number, it's only question of time. So, that percentage I'm talking about that.

**J. Shashank Varma:** Just to add to that, we are already as Chairman sir was initially saying, we are already a part of four critical DCPD programs, which means our system has been deployed and customers are already using and we've gone through the complete cycle of configuring a system for a missile or an aircraft system.

Now, keeping our experience in mind, there are customers who come back to us and tell us, Okay, boss, now that you've already gone through the complete cycle, we would want you only to be a part of this system. So, on nomination basis, those kind of thing, those kind of customers are also there for any kind of mission-mode projects where they looking at our experience, come to us directly. So, that is also we've seen that we've received, you know, certificates from DRDO asking us to be direct part of the supply chain.

**Ankur Gulati:** Fair enough. And if you can just give similar views on the other program, please?

**J. Shashank Varma:** Ankur, you need to be a little louder, so we can hear you.

**Ankur Gulati:** If you can give the similar view on other programs as well, please?

**J. Shashank Varma:** No, this is the case with all the programs. Either most of the people look at our experience and come to us, or we might have to, you know, have whatever critical technology that we offer, we might have to work with the customer and make sure that that technology is integrated into the program and that is bought out in the tender.

So, that's how we function with respect to newer programs. But the programs which we've already delivered and which have gone into production, we are already a part of supply chain and generally, you know, our name is put into the government document and that document only has to be followed with respect to supply chain of that program.

**Ankur Gulati:** Last question, amongst all these programs, what is the minimum number of approved vendors and maximum number of approved vendors? I am just trying to understand market share we can get in the worst-case scenario?

**J. Madhusudhan Varma:** See, Ankur, market share you asked me, I have already given a percentage of share. Okay? Now, the point is, if you want to really understand this, you have to slightly go beyond. See, any missile, technology-wise if it is same, right? There will not be changes except the range. Range is depending upon the rocket motor which gets fitted.

But other than that, electronics, the kind of structure, everything will be the same, right? There will not be any change. Let any country make it; it's going to be the same. The way an aircraft is there, let any country make it, aircraft is an aircraft which is supposed to fly, which will have required subsystems which are sitting on that.

Now, keeping that in mind, we are specialized in building ATEs and checkouts. Now, when I talk about a DCP program, if I'm establishing that particular program, I'm addressing only that market. I'm not going to compete in that market in that particular segment for an onboard computer or a missile interface unit or a inertial, there are people who are already certified.

When missile goes for production, I only get my business only for ATEs and checkouts. For a onboard computer, what we will get? For a inertial navigation system, why we will get? It's not that it's only Digilogic; there is an ecosystem working on that.

**J. Shashank Varma:** So, just to add to that.

**Ankur Gulati:** Sorry, go ahead, please.

**J. Shashank Varma:** Is that okay?

**Ankur Gulati:** Yes, that's fine. I'll fall back in queue. That's okay, we'll fall back in queue and maybe connect later offline. Thanks a lot.

**J. Madhusudhan Varma:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Achuth, an Individual Investor. Please go ahead.

**Achuth:** Hello, sir. My first question is on Project UDAN. So, is it, are we expanding the capacity? Is it the same product we are making in Project UDAN or the products are different, sir, in Project UDAN?

**J. Madhusudhan Varma:** Project UDAN is a totally different program altogether; it is a part of our expansion plan. Under Project UDAN, Digilogic will take a shape of a manufacturing company. See, we

continue to be as a TMS company, that we are not going to dilute; we'll continue to be TMS people. But apart from TMS expertise, we are going to get into production, that is manufacturing capabilities.

Now, under Project UDAN, we have manufacturing capabilities, we'll have environmental testing capabilities, we also will have ATEs and checkouts. So, when it comes to capabilities, it is going to have much more, but segments also we are going to address in a different way. Once Project UDAN becomes reality by mid of 2028, we will start getting ourselves recognized as a manufacturing, electronic subsystem manufacturing company apart from TMS. That is how Project UDAN is going to help.

- Achuth:** Okay. And what is the peak revenue we can make from this project, sir?
- Sri Harsha:** Sir, can you please repeat the question?
- Achuth:** How much revenue? How much revenue you can make from Project UDAN once it is commercialized?
- Sri Harsha:** Yes. So, this is something that we have already intimated via our presentation in the month of Feb, but just to give you a sense, we are anticipating somewhere in the range of INR11 crores to INR13 crores in FY29, and then INR28 crores to INR30 crores in FY30, and INR57 crores to INR61 crores in FY31, and so on. I mean, that is what we are anticipating it will be.
- Achuth:** Okay. And what is your current, how much revenue you can make at max with current, sir, with current capacity in, with the current setup you have in simulator?
- Sri Harsha:** See, with the current setup, we anticipate it can go anywhere up to about INR150 crores, INR160 crores with the current setup, with the current facilities that we have. So, that's the reason why we are also looking at Project UDAN as well because this will help us expand our existing capacities and also address the new capacities, new opportunities and as well.
- Achuth:** Okay. Sir, one last question I have is on the revenue side. Since last three years, I think since 2023, revenue growth is very normal, sir. Like if you compare even with big companies like ZenTech and Data Patterns, the comparison you gave, they are growing at very good CAGR even on the very large base. We are on very small base and we still not able to grow similar to the bigger companies. So, what is the reason for it, sir?
- J. Madhusudhan Varma:** Okay, let me take that question, my dear. It is like this. When it comes to Data Pattern or Zen Technology for that matter, the number of years they are in the industry, it is there is no comparison with Digilogic. That is point number one.
- Point number two is, the moment you get into subsystem and production only your numbers will grow. That's what exactly we are trying to do because your observation is very right. The moment you start becoming a manufacturing company of subsystems, that's where your numbers will gallop. Take the example of Data Pattern, take the example of even Zen Technology also, initial 10 to 15 years, they would have been struggling like this only.

But you have to establish in the industry first, understand the market, and do the R&D required the way it's supposed to be done, then get into a system level. The moment you get into system of, what is it subsystem level like a manufacturing, that's where the numbers will come automatically. This is what I am trying to give as my projection.

Year '28 to '29 onwards, the revenue which will start generating from UDAN will start getting added to this. That's how numbers are going to grow. Most of these numbers are already given in our presentation; once you go through, you will get a clarity on that, okay? So, your observation is again I am telling you, it's a very good observation.

This is how the industry grows, especially in defence market. You need to sustain, you have to be alive to serve the market. So, this will not take over probably in two-three years' time you cannot become a billion company kind of that; that is not possible. Because it's all totally organic.

All the companies which have grown big have gone through this cycle, and Digilogic is no different. We are also going through the same cycle. That is the reason UDAN is coming up. The Project UDAN is meant to do this; this is what is going to give us a face shift and we are going to get into the new orbit altogether.

**Achuth:** Okay, sir. And the current order book, I mean, you will be able to execute the complete order book by September this year, sir, current order book?

**J. Madhusudhan Varma:** Yes, Yes, whatever projections are given, we are going to meet that. There is no doubt about that.

**Achuth:** Okay, sir. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, due to the interest of the time, that was the last question for today. I now hand the conference over to the Management for the closing remarks. Thank you, and over to you, sir.

**J. Madhusudhan Varma:** Okay. Thanks for joining the call and taking your precious time to understand what we are into. And coming back to our growth plan, as I explained to you, it is totally committed plan, we have total clarity, and because of my exposure to the defence and aerospace market, the kind of market survey what we have done, the total investments which are going to happen in this, both in R&D and Project UDAN, is going to take us in a much better level and more commanding position in the market.

With which, once again, I want to thank all the investors who have shown interest in my company and invested, and futuristic people who are going to come also. It's a my commitment to them personally also. I'll make sure that your investments will be taken care and you will not be disappointed. Thank you very much for the joining. Thanks a lot. Have a nice day.

**Moderator:** Thank you so much, sir. Ladies and gentlemen, on behalf of Digilogic Systems Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.