



“Premier Explosives Limited  
Q3 FY17 Earnings Conference Call”

**January 27, 2017**



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**Moderator:** Ladies and Gentlemen, Good day and Welcome to Premier Explosives Limited Q3 FY17 Earnings Conference Call, hosted by S-Ancial Global Solutions. 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 '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pradip Seth from S-Ancial Global Solutions. Thank you and over to you, sir.

**Pradip Seth:** Thank you, Stanford. Good afternoon, everyone. Thank you very much for being on the call. And I apologize for the slight delay. So, I on behalf of S-Ancial welcome you for the Premier Explosives Q3 FY17 Earnings Conference Call. We have with us Mr. C. Subba Rao on the conference call. My I request Mr. Rao to walk us through the initial remarks and then the call can be open for question-and-answer session. Over to you, sir.

**C. Subba Rao:** Thank you, Mr. Pradip. Sorry that there was a delay in the commencement of the call, that is from my side. The other thing is, actually Mr. Chowdary may not be able to attend also, that is the other thing which is different from our usual call. But anyway we will start it and let us try to complete it as quickly as possible because we are right in the middle of a partnership Summit arranged by CII with the Government of Andhra Pradesh. We are here to explore some opportunities in propellant business, but anyways that is in a very preliminary stage.

With this, I will start by saying about the financials for this quarter. Our turnover is Rs. 55.45 crores this quarter compared to Rs. 48.05 crores. Profit after tax is Rs. 2.30 crores versus Rs. 1.85 crores a year back and we are expecting the year to end with Rs. 225 crores out of which Rs. 65 crores will be defense that includes services income. So now I open the call for the questions. Thank you.

**Moderator:** Thank you very much. Ladies and Gentlemen, we will now begin with the question-and-answer session. We have the question from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.

**Ranjit Shivram:** Sir, just your guidance for FY17 is Rs. 220 crores of revenues, am I right?

**C. Subba Rao:** Yes.

**Ranjit Shivram:** And sir, in this PPT you have given the defense order as Rs. 112 crores, so which project is majorly in this, in terms of Aakash or some other project, if you can help us?

**C. Subba Rao:** Yes, Akash is there and some numbers of LRSAM, few numbers of Astra and the latest one which we have announced on BSE and NSE is Rs. 33 crores for countermeasures that is called as chaffs and flares. So all this put together is Rs. 112 crores.

- Ranjit Shivram:** And sir, any expectation on this Pinaka?
- C. Subba Rao:** Pinaka, of course is still there. In recent days another test was conducted and it was successful, basically that is guided Pinaka. This should translate into production but is still some time away, but that will be shared may be between ordinance factory, Premier or any other competitor. That we will know when ultimately the tender comes through.
- Ranjit Shivram:** Probably it will take one more year from here to translate that into orders, is that right to understand that?
- C. Subba Rao:** Yes, it will take time but we have already supplied some 36 numbers during the last one or two years, that is whatever the test is going on they are used for that testing purposes. Now actual production should start then we will know how many they will give. But yes, what we hear is the number should be a good enough number for Pinaka.
- Ranjit Shivram:** And sir, regarding this LRSAM we are hearing that the negotiations are almost done with BEL and IAI, so in that context there can be a huge order BEL will get for LRSAM. So in that and the opportunity for BEL as an order is pegged at around Rs. 12,000 crores to Rs. 13,000 crores. Will we be the major supplier for that LRSAM which BEL will be manufacturing?
- C. Subba Rao:** You are saying Rs. 12,000 crores, is it?
- Ranjit Shivram:** Yes, Rs. 12,000 crores which BEL is supposed to do.
- C. Subba Rao:** Yes, Rs. 12,000 crores could be the value of entire LRSAM systems which includes complete missile kind of thing and then whatever the launchers and all those things perhaps.
- Ranjit Shivram:** So how much will be the propellant part of that?
- C. Subba Rao:** Out of the total cost of any missile, the element of propellant will be very small, maybe 1% - 2%, or 5%, that kind of number only. Most of the money goes to launching vehicles, seekers, electronic systems, all those things will take the major chunk of the value.
- Ranjit Shivram:** But we will be the front runner whenever that happens for that LRSAM?
- C. Subba Rao:** Yes, whenever that LRSAM or any missile we are already qualified, like LRSAM, MRSAM, QRSAM, maybe Pinaka then Astra. So whenever these things start getting into induction certainly we are there.
- Ranjit Shivram:** And we also get to hear that Akash for Army - that order also is expected. So there also what are we hearing, any timelines which you are hearing when that order can get finalized?



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- C. Subba Rao:** Yes, I mean for army it is there, in air force it is there and navy I think last time we heard is they are modifying that for navy also. But these are the things, timeline is difficult to say but certainly maybe one year, two year's kind of time, may not be much longer than that.
- Ranjit Shivram:** And sir finally this decline in this quarter revenue, is it just an aberration and going forward defense will continue to grow or you see there is a delay in terms of the overall project pace in defense, is it something which we have to worry about?
- C. Subba Rao:** Yes, whatever the small decline that is there because of some of the products require raw material confirmations either from the BDL side or from the quality inspection that goes on, so there were delays on that front. But overall BDL shall do the target whatever the number of Akash, so I hope by fourth quarter some of decline in third quarter could be compensated in the fourth quarter.
- Ranjit Shivram:** And sir, just touching upon the explosives, it has been a good growth for this quarter and this nine months. So how do you see that overall business, can we continue to grow at this 20% run-rate and what are we hearing from Coal India and other subsidiaries, if you can throw some light on that?
- C. Subba Rao:** Yes, explosives will continue at the same rate compared to previous year, that rate will continue.
- Ranjit Shivram:** And in terms of tender finalization by Coal India, you are not seeing any delay, it is going as per their normal pace?
- C. Subba Rao:** Coal India, whatever orders from or them is already there. Then once the tender period comes to an end they have to float and we have to submit our quotation and how much we will get. Again that is like a running race, this is every three years or two years depending on the Singareni Collieries, Neyveli Lignite and Coal India, these are the two year, three year contracts. So they will again float the tender and we have to start again.
- Ranjit Shivram:** Actually, if you can throw some color which is driving the growth, is it Coal India or non-Coal India?
- C. Subba Rao:** It is Coal India, as well as Singareni Collieries that is in Telangana.
- Moderator:** Thank you. We have the next question from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijith Vara:** I have two questions, sir. One is, if you could provide some timeline on the subsidiary which was planned and also the CAPEX for the same.
- C. Subba Rao:** Sorry, CAPEX for?



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- Abhijith Vara:** For the subsidiary, has there been any finalization?
- C. Subba Rao:** Yes, we are still waiting for the clarity on the technology collaborations, it will still take some more time because various models are there. Predominantly one is called as teaming arrangement in which they will give the technology and we will be setting up the manufacturing facilities and performing production with their technical support. The other thing is joint venture. Joint ventures normally take a longer time for the reasons of whatever the supply of defense is there it requires industrial license and also to get our physical assets like land. So all that will take time, so it will be depending upon what is the preference of Premier Explosives as well as what is the preference of the partner. But some of the orders if they have to be executed fairly quickly like one of the RFI that was already floated by government, the Ministry of Defense, if something is to be done urgently may be everyone may prefer the teaming arrangement. But if there is ample time then there is a question of joint venture to come, but with different partners different kinds of discussions are going on out of these two options, but we are still to sign then only we can say it is over.
- Abhijith Vara:** Any broad timeline sir, will it take about six months or one year? And the discussions are pending at your stage, is it, not at the government stage?
- C. Subba Rao:** No, it is actually tripartite. Basically foreign OEMs they will want to make a deal after knowing what is happening from the government's order, because they do not want to commit the technology or investment until there is a clarity from the MOD in the shape of RFI and ultimately of course tender. So, until that time it will be like submitting the tenders with the understanding that once the order is in the name of the so and so and RFI in the name of so and so they will give the technology. So those kinds of discussions are going on. We have to say there is no delay as such from anybody it is the normal process for this kind of business.
- Abhijith Vara:** Second question sir is, you have won about Rs. 27-odd crores in the previous quarter Q2 from BDL, the supply of booster grains and this quarter also you have won about Rs. 33 crores from air force. Both are to be supplied within a year, right, but still the execution does not seem to have picked up what the order book suggests in defense actually. So this Rs. 112 crores of order book you have now, how many months do you think it will be skipped over, including the delay as per the current understanding you have?
- C. Subba Rao:** That will take one, one and a half year to complete that.
- Abhijith Vara:** So my question precisely is, let us say if you are targeting to do about Rs. 55 crores this year only from defense, excluding services, so next year you will have to do about Rs. 90 crores just to exhaust the defense order book over one and a half year?



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- C. Subba Rao:** No, BDL let me check because normally it is a longer period, but we will check on that. But yes, you are right, Rs. 90 crores is a fairly big number compared to this year, but out of that Rs. 33 crores is certainly a one year contract - that is next financial year that should finish.
- Abhijith Vara:** No, sir even BDL it is written in the press release which you have submitted to the exchanges that by June 2017 it has to be exhausted, the Rs. 28 crores from BDL. In the press release to the BSE, NSE it is mentioned.
- C. Subba Rao:** During?
- Abhijith Vara:** June 2017.
- C. Subba Rao:** It has delayed by maybe, but it may not go beyond the financial year at least, if not quarter-to-quarter some delay can be there, but this cannot be delayed by financial year, that will be done.
- Abhijith Vara:** So Rs. 90 crores has to be achieved if you have to stick to the timelines?
- C. Subba Rao:** Yes, let me check the balance what is going to be at the end of March.
- Abhijith Vara:** Okay. Sir, this question is on the EBITDA margin, was there any limiting factor this particular quarter, usually your EBITDA margins were improving year-on-year but this particular quarter it suddenly came down again, was there any limiting factor to that?
- C. Subba Rao:** There is nothing, the limiting factor depends when it is commercial explosives business it depends upon what quantum of domestic raw material we consume and how much imported material we use. So those are the factors that will come overall in the percentage.
- Abhijith Vara:** Sir Final question, any guidance for the next year top-line and EBITDA margin? This year you said about Rs. 220 crores, next year would be how much growth, any budget you have?
- C. Subba Rao:** We have to really make some realistic number, but certainly Rs. 220 crores this year and Rs. 260 crores kind of thing should be possible.
- Abhijith Vara:** And EBITDA margin, sir?
- C. Subba Rao:** EBITDA margin, it should improve slightly but some of the staff cost and those things may be increasing because of the new products and all that we are hiring more number of people. But it should be an improvement only from 9-odd so far in this year to 10 kind of a thing we are expecting.
- Abhijith Vara:** Sir, this staff increasing, this is for which facility?



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- C. Subba Rao:** In the defense actually it is for the production as well as like preparation for whatever is happening on the defense front. Some preparatory cost will be there, though it may not turn into for this product that kind of thing may not be there, but to make the people ready for whenever that comes in.
- Moderator:** Thank you. We have the next question from the line of Jasdeep Walia from Infina Finance. Please go ahead.
- Jasdeep Walia:** Sir, in the last call we said that LRSAM and MRSAM are in the final stages of being inducted by the army, could you tell us about the status of the same?
- C. Subba Rao:** No, that is still similar status, we are still waiting for the order to be confirmed by MoD.
- Jasdeep Walia:** And sir, you were in the advance stages of signing a technical agreement with respect to BMCS, what is the status with respect to that, has the agreement been signed or it is still in the works?
- C. Subba Rao:** Still negotiations are going on, people are visiting our factory, we are meeting the senior executives like that, but still it is to be inked.
- Jasdeep Walia:** Sir, why is it being delayed, because these discussions has been happening since last two, three quarters but nothing concrete seems to be...
- C. Subba Rao:** Like I told you already, all this depending upon the order position from the Government of India. Unless they see the certainty of the order that is going to be placed on anybody, I mean basically for BMCS we have made the bid, but we need to know the number of BMCS that is coming for the RFI, then only I think people will take it forward.
- Jasdeep Walia:** So, what is the expectation with regard to when the government would want to put...
- C. Subba Rao:** We are only waiting, the indications are positive but timelines I think there is no clarity.
- Moderator:** Thank you. We have the next question from the line of Shreyas Bhukhanwala from Sushil Finance. Please go ahead.
- Shreyas Bhukhanwala:** Sir, you probably mentioned that for this year defense including service you are expecting around Rs. 65 crores, so if I do reverse thing then around Rs. 18 crores is services, so what we are planning for this year is around Rs. 47 crores - Rs. 48 crores from defense, is it right?
- C. Subba Rao:** Yes.
- Shreyas Bhukhanwala:** Okay. So last quarter would be around Rs. 13 crores - Rs. 14 crores?



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- C. Subba Rao:** Yes.
- Shreyas Bhukhanwala:** Sir secondly, operating level margins for the nine months it has been around 9.1% - 9.2%, so are we confident enough to be at around 9.5% for the full year?
- C. Subba Rao:** Yes, similar average may be there, 9.2% - 9.5%, it will not be so big a different number.
- Shreyas Bhukhanwala:** And sir, how was your growth on the explosive front from the export side?
- C. Subba Rao:** Yes, export side that is fairly good number is going on, going forward some of the orders which we talked will be done this year may have to be postponed to next year, some of the orders, not all. But overall it is fine.
- Shreyas Bhukhanwala:** So how much was the exports on the explosive front?
- C. Subba Rao:** Last year I think Rs. 14 crores - Rs. 15 crores was there, this time it should be Rs. 17 crores kind of number.
- Shreyas Bhukhanwala:** This quarter, right?
- C. Subba Rao:** I mean, I am saying for the full year. This nine months I will have to check that number but it should be better than last year anyway.
- Shreyas Bhukhanwala:** Sir, and as previous one of the question was there wherein we are looking at around Rs. 80 crores revenue next year from defense, so from current Rs. 45 crores to almost Rs. 80 crores, such a huge jump, 70% - 80% growth, is it possible?
- C. Subba Rao:** Yes, that is possible because as I said it Rs. 33 crores order which we have announced recently, that time period is one year. So by that itself we should be achieving that number.
- Shreyas Bhukhanwala:** And lastly sir, the CAPEX what we are looking at of around Rs. 22 crores to Rs. 23 crores for the debottlenecking both exercises, so the CAPEX would get completed in next year right, Q2, Q3?
- C. Subba Rao:** No, some of the things are already going on, but by the time we finish that it may be up to 18 March or February it will be going on.
- Moderator:** Thank you. We have the next question from the line of Aditya Deora, an independent investor. Please go ahead.
- Aditya Deora:** Sir, how has been the prices of the raw material during the quarter?



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- C. Subba Rao:** The raw material cost is actually increasing, one is RCF, but that will be impacted by imported price, let us say from Russia it is costing like \$260 - \$265 per ton, from China we are not taking now but if it is Iran sourcing that will be \$235 - \$240 kind of price. So this is fluctuating from quarter-to-quarter like that.
- Aditya Deora:** So sir, one of the main reasons for our margins going down is the hike in the raw material prices?
- C. Subba Rao:** Yes, depending upon the percentages of the imported raw material or domestic raw material.
- Aditya Deora:** And sir, what are the prices of detonators we sold during the quarter?
- C. Subba Rao:** Detonator is still under pressure. Because of this demonetization, I will not say there is a major impact but ultimately detonators are paid in cash, so that chain is affected because of that. But long run actually that may be good for the organized players.
- Aditya Deora:** Sir, my next question is that there was an article in Business Line yesterday, the article goes something like this that the new licenses are the licenses for the defense products would henceforth be issued by Home Ministry and not DIPP. So sir, all our licenses are safe right, or we need to reapply to the Home Ministry?
- C. Subba Rao:** Sorry, you are saying issued by?
- Aditya Deora:** Basically the article mentioned that all licenses henceforth for defense products would be issued by the Home Ministry and not by DIPP, which used to be the case till now. So all the existing licenses, are they safe or we need to reapply to the Home Ministry or get some further approvals?
- C. Subba Rao:** I do not know about this, but basically whenever we get the license where explosive items are there that is anyway going to Home Ministry. This is explosive things so all licenses after verification by state police and central departments of investigation agencies, after that only they are given. That may be related to say manufacturing of truck, let us say, it may be defense item but it may not be explosive item. So whether those people have to get that kind of thing I don't know, but for us it would not be a problem. Because already Home Ministry is involved in giving license for the explosive industries.
- Moderator:** Thank you. We have the next question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.
- Kashyap Jhaveri:** Just one reconfirmation, within the total revenue for Rs. 220 crores for FY17, I missed out the defense number.
- C. Subba Rao:** It will be around Rs. 65 crores for the defense that is including services.



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- Kashyap Jhaveri:** So which is about Rs. 47 crores as of 9M?
- C. Subba Rao:** Yes.
- Kashyap Jhaveri:** And The second question is on your expenses, I recall about three, four quarterly calls back we had a chat about this operating leverage available within our capacities and the OPEX probably the current capacities were to suffice our incremental revenues. But if we look at expenses line item, particularly on employee side where we had VRS sometime back and again it started rising, if I look at other OPEX that is also rising, so what line items are actually rising within other OPEX? And in employee cost are the specialists or something that we are hiring or if you could throw some light on are these probably shop floor employees that we are hiring, if you could throw some light on that?
- C. Subba Rao:** Yes, the increases include whatever we explained earlier, every three years there will be a negotiation of workers' wages, so that is actually due for this year and that is still going on. So this is one cost that is there.
- Kashyap Jhaveri:** So these negotiations are over and built into this number for about Rs. 12 crores a quarter?
- C. Subba Rao:** No, some assumptions are made and that is built in, but that is yet to be finalized. And of course, some element after the amendment to the Bonus Act, the 3,500 minimum and now it is 7,000, that is the additional impact. Because we are taking some of the people to enable the defense production going forward, some of the people we are getting them ready, the immediate benefit may not be felt so quickly but we are capturing some skills and training the people, so some of the people are there for this purpose also. These are the items that are there. And in the operations contract at Jagdalpur, actually they have given some additional work and there are additional employees on that account. The other operating expenses, whatever the increase, that is mainly, one is selling expenses pertaining to exports and there are some repairs and maintenance at the operations and maintenance contract and explosive plants what we call them as explosive vans, that is basically a moving plant in the sense some of the raw material are put into the containers on the vehicle and they will go to the mines. So some of the expenditures on those vans. So those are the kind of major expenditures that are coming in.
- Kashyap Jhaveri:** And this would continue to remain variable alongside the top-line, some of these expenditures?
- C. Subba Rao:** Yes, that will be there, yes. And the operations contract that is because we basically got the contract almost 10 years back, so those elements will continue to be higher.
- Moderator:** Thank you. We have the next question from the line of Kunal Shah from KR Choksey. Please go ahead.



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- Kunal Shah:** Sir, I had a question regarding what part of the missile do we manufacture, other than just the propellant?
- C. Subba Rao:** Yes, solid propellant.
- Kunal Shah:** And not the war-heads or anything like that?
- C. Subba Rao:** War-heads we have got the license, but whenever RFI and technology we are planning to go there. But timelines is difficult to say. Even other products which werelike BMCS or ammunition and all that, so war heads also is one of the new businesses that have come up.
- Kunal Shah:** And sir, the order we have got from ISRO right, Rs. 33 crores I guess?
- C. Subba Rao:** No, that is air force.
- Kunal Shah:** And sir what is the cost of propellant as a total cost of the missile, raw missile, not the launchers and everything, just the raw missile, so what is the propellant?
- C. Subba Rao:** That will be very small, I mean, maybe 2% - 3% kind of a number.
- Moderator:** Thank you. We have the next question from the line of Ranjit Shivram from Antique Stock Broking. Please go ahead.
- Ranjit Shivram:** Sir, just wanted to get some color on like what is the order pipeline for next year in terms of new missile projects, even if you can give something qualitatively also that will be helpful. Which are the programs that you foresee to get finalized next year and that can translate into order intake? So how big can be this order book at the end of next year, what do you foresee now in both defense and your explosives?
- C. Subba Rao:** Yes, in terms of defense, still as on today our focus is on missiles only, like Akash and all that. Basically Akash also we are hearing good numbers coming to order, similarly LRSAM, similarly Astra. But in a year how much it is going to come, we have to wait only. But certainly qualitatively if you ask, yes it is going to be a good one.
- Ranjit Shivram:** So, the major orders which we are envisaging to get next year is Astra, LRSAM and additional Akash, is that right?
- C. Subba Rao:** Yes. So LRSAM, MRSAM, QRSAM; MRSAM may come earlier than LRSAM. But yes, they are in they are in the same group let us say.
- Ranjit Shivram:** But this MRSAM will be manufactured by BEL or BDL?



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- C. Subba Rao:** No, we will make only solid propellant anyway, so actual integration of the missile will be done by the BDL. So the orders will flow through BDL.
- Ranjit Shivram:** Because we hear that BEL is putting up a facility in Anantpur for missile systems.
- C. Subba Rao:** Yes, even BDL I think is taking some land in Karnool district, so these are the plans. Earlier BDL has announced they are taking land near to Hyderabad, that is Nalgonda district. So all these things we are only hearing in the news. But after that we are not aware whether really land is taken and construction started and all that, but what we can say is BDL is really, like our Directors mentioned, it is a PSU and they are really doing a commendable job.
- Ranjit Shivram:** So this BEL expansion plan into missile systems in Anantpur, so you are not hearing anything on the ground regarding the same?
- C. Subba Rao:** As of now, no. It may be too early to expect approx. order for propellant right now, I mean, if they start the civil works and all that it may be still much longer period away to get their orders because their production also has to be approved and the new facility also has to be approved and all that. After that only we can expect the orders.
- Ranjit Shivram:** So, probably BDL will continue to do the missile integration and BEL will do the systems and radar?
- C. Subba Rao:** Yes, that is normally that is what we understand. But if there is any change in the plan that BEL also will compete with BDL in terms of assembling the missile itself.
- Ranjit Shivram:** And sir, just wanted to get some color on this export, which are the major markets that we export?
- C. Subba Rao:** Our exports are to Greece, Jordan, Egypt, maybe Philippines, Thailand, those countries.
- Ranjit Shivram:** But we do not plan to buy a plant outside India and do it, we only wanted to make it over here and export the product, is that right?
- C. Subba Rao:** That plan is not there, earlier we tried to do something but one or two operations were not successful. We explored Mozambique maybe one year back, but that also didn't work, there are civil disturbances in the country. And then our focus has now been on the defense rather than plants outside India.
- Moderator:** Thank you. We have the next question from the line of Dikshit Doshi from White Stone Financial Advisors. Please go ahead.
- Dikshit Doshi:** Sir, just one question. So, as we all understand that all these defense orders take time and we might take another maximum year for a technology tie-up and then another eight to 12 months

for putting up the facilities. So, just wanted to understand that we have got some 13 - 14 DIPP new industrial licenses, let's say take a five-year view, two - three products which can be such large that as of now our defense revenue could be around Rs. 50 crores, so is there any two, three products which single handedly can do a Rs. 50 crores, Rs. 100 crores kind of a turnover? I mean, is there any large opportunity in some of these products in next five years?

**C. Subba Rao:** Much bigger than the current order size, because BMCS or ammunition they are like consumables, so certainly it will add such numbers which you are mentioning.

**Dikshit Doshi:** So, there are two, three products which can alone do a Rs. 40 crores - Rs. 50 crores kind of a turnover say 5 year - 6 years down the line?

**C. Subba Rao:** Yes, correct.

**Moderator:** Thank you. We have the next question from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

**Jayesh Gandhi:** Sir, this solid propellant that we are making, Ordnance Factory also makes it?

**C. Subba Rao:** Ordnance Factory makes different materials also, but for the question of Akash thing, yes they have got the order. But what we know so far is their product was not meeting the specifications so that order is also flowing to us.

**Jayesh Gandhi:** So ideally what happens is that Ministry of Defense first order goes to the Ordnance Factory and if they are not able to satisfy it then it comes to us, is it like that?

**C. Subba Rao:** No, Akash is not like that. When they float the order anybody can complete, but certain percentage will be reserved for say the PSU that is the Ordnance Factory. But if they do not supply in time within the parameters of the quality, they are free to give that order to the private, that we are doing already. But for Pinaka, yes, we were knowing that, that is like reserved for Ordnance Factory but Pinaka now became Pinaka II with extended range or guided systems, so that may still be available for private also because they also have to get the new propellant qualified.

**Moderator:** Thank you. We have the next question from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

**Abhijith Vara:** Sir, just want to understand, this Pinaka II for testing purposes what was it, you are the only company which is supplying solid propellants, right?

**C. Subba Rao:** Yes, solid propellant only, yes.



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- Abhijith Vara:** But are you the only player or is there some other explosive player also supplying solid propellant?
- C. Subba Rao:** Yes, solid propellant is being made by Ordnance Factory for different missiles, including Akash. But like I was telling that was not qualified. But Pinaka I if you recall, that anyway they are doing already.
- Abhijith Vara:** No sir, this Pinaka II with extended range guided rocket?
- C. Subba Rao:** Yes, that is basically now in the development space, once the development phase is over then again it is a different product let us say, that also needs approval.
- Abhijith Vara:** Is it exclusively with PEL or some other players are also present?
- C. Subba Rao:** No, it is not exclusively for PEL, it can be Ordnance Factory, it can be other private players and of course Premier also.
- Abhijith Vara:** And second question sir, this operating cost you said you are hiring people and boosting up the manpower, what will be the peak cost to it, has it peaked out or you are doing some more hiring from here on?
- C. Subba Rao:** No, it is only marginal raise. When actual project comes of course we need to plan, but for the preparatory kind of thing some engineering assistants who needs to be trained, so some of the employees joined like that.
- Abhijith Vara:** So in terms of operating expenditure this quarter's expenditure might be peaked, this is a peak which will occur, it will not increase from here on, or marginal increase?
- C. Subba Rao:** Yes, only marginal, I do not think it will much.
- Abhijith Vara:** Inflationary increase.
- C. Subba Rao:** Yes.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Pradip Seth from S-Ancial.
- C. Subba Rao:** Mr. Pradip, actually Mr. Chowdary – our Deputy Managing Director is here, so he can give closing remarks.
- T V Chowdary:** Actually I wanted to add on today's meeting, it was very fruitful, we had one-to-one meet with the Chief Minister of Andhra Pradesh and expressed our interest in putting up a plant for



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ISRO's requirement in Andhra Pradesh itself. So we are very much hopeful of pursuing this and getting the required infrastructure allotment from the government.

**Pradip Seth:**

Thanks a lot for this last closing remarks for the investors in the call. I thank all of you all for being here on the call, in fact of a delay. Thank you very much and have a good weekend.

**Moderator:**

Thank you very much. On behalf of S-Ancial Global Solutions, we now conclude this conference. Thank you for joining us and you may disconnect your line.