



“Premier Explosives Limited Q3 FY2021 Earnings Conference Call”

February 09, 2021



**MANAGEMENT: MR. T.V. CHOWDHARY – DEPUTY MANAGING DIRECTOR
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Moderator: Ladies and gentlemen good day and welcome to the Premier Explosives Limited Q3 FY2021 earnings conference call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Hina Agarwal from Stellar Investor Relations. Thank you and over to you Madam

Hina Agarwal: Thank you. Good morning everyone. I on behalf of Stellar Investor Relations welcome you all to Premier Explosives Limited Q3 and nine months FY2021 earnings conference call. We shall be sharing the key operating in the financial highlights for the quarter and nine months ended December 31, 2020. We have with us today the senior management team of Premier Explosives Limited, Mr. T.V. Chowdhary – Deputy Managing Director and Mr. C. Subba Rao, CFO.

Before we begin I would like to state some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's performance have already been emailed to you. Now, I invite Mr Chowdhary to share his initial remarks on the company's performance for the quarter. Over to you Sir!

T.V. Chowdhary: Thank you all for joining the call. Current situation is turning positive with the rollout of COVID-19 vaccine. Union Budget 2021 is expected to accelerate the economic growth. The government continues to put impetus on making India self-reliant in defence area. In order to achieve self-reliance in defence, government plans to invest \$150 billion on military modernization in the next seven to eight years. Under Atmanirbhar Bharat Abhiyan domestic manufacturing of bigger and complex defence platforms has become a key focus area of the government.

Over the last one year, the government has taken major steps like import embargo, the rollout of defence acquisition plan policy, new guidelines for offset management, strategic partnership model and increasing foreign direct investment in defence amongst others. Government aims to achieve a top number of Rs.1,75,000 crores including exports of Rs.35000 crores in aerospace and defence goods and services by the year 2024.

Union Budget 2021 has stepped up the capital outlay by 19% year-on-year to Rs.4.78 lakh crores for financial year 2021-22, which includes capital expenditure worth Rs.1.35 lakh

crores, which is the highest ever of capital outlay for defence in last 15 years. This will provide major push towards modernization of armed forces. Now coming on the missile segment, in missile segment over the years, government has been working on various prestigious missile programs with an objective of indigenization in this space. In recent time, the government has test fired various missiles like Akash, Prithvi-II, Bhramos, Shaurya, Rudram-1 and Nag, amongst others, further strengthening its mark in the global defence space. Recently, the government has given approval for export of 156 defence equipment which includes Akash, BrahMos, Tejas, and Astra Missiles with an aim to record the export of defence equipment worth Rs.35,000 crore by 2025.

It is expected that the union government would adopt similar methodologies to approve the Akash surface-to-air missile system which were used for arms and ammunitions exports which are manufactured under Atmanirbhar Bharat Scheme. This is a landmark step taken by the government. PEL being the prominent player in this space, is expected to be benefited by this recent development.

The recent step of single window clearance portal will be a milestone for ease of doing business in India's coal sector. The government is expected to invest around Rs.Four Trillion in India's coal sector which creates visibility for commercial explosive segments. Along with this government focus on infrastructure boosts in the Union Budget and swift recovery in countries manufacturing activities will boost this segment going forward.

Now commenting on the business performance, with the progressive recovery of the overall business activities in the country, we witnessed improvement in our production activities in the quarter but import restriction and increasing domestic prices of ammonium nitrate have impacted the production and profitability of the company during the quarter.

Coming to the company's major developments, exports of rocket motors is gaining traction. We are pleased to share we have received the orders for the supply of 82H rocket motor from Israeli Aerospace Industries Limited, Israel, this is a new variant of rocket motor. Further, IAI has enhanced the order value more than double for EDRM rocket motor supply which was at the level of USD 5.2 lakh and enhancement is to USD 13.8 lakh. Also we have orders in pipeline from another firm. The receipt of new orders for exports is the testimony of customer's confidence in the technical competence of the company.

Also during the quarter, we have received an order worth ~Rs.341 million from the Ministry of Defence for the supply of 50mm flares and 26 chaffs, which are the counter measures with the execution period of six months.



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Now I would like to update on the status of a few major projects. Our chaffs and the flares execution is progressing well with the availability of imported raw materials. We expect to complete the delivery of order over the period of two years. Both MRSAM and Astra these are the missiles where the propellants to be supplied, the free issue material (FIM) and with the revival of the industry now affirms availability of FIMs has improved and we are hoping a big contribution from these two in the coming years.

The other project BrahMos TOT transfer has been completed. Now again we are waiting for the free issue materials to take up the production activity and I would like to share about the Thermal Insulation Linings, which now has become a regular product from PEL. Our ammonium perchlorate project also has come on the track with the acceptance of ammonium perchlorate by DRDO. Our new plants at Katepally is commissioned and started producing in trial production and RDX and HMX plant has started working and we are booking orders for the current and next year.

With defence and coal mining sector at the cusp of transformation at Premier, we are all set to reap opportunities going now we request. Now I request our CFO to share the financial performance.

Subba Rao:

Thank you Sir. The presentation for the quarter has been uploaded in the stock exchanges and in the company's website. I believe you all have gone through the same. Now I would present you the financial results for the quarter in December 31, 2020.

Total income for the Q3 stands at Rs.48.84 crores as compared to Rs.28.94 crores corresponding period last year. There has been a loss of Rs.6.9 crores on account of sharp increase in key raw material prices. Other reasons are during the quarter we have made a provisioning of Rs.2.85 crores for wage revision and the powder factor recoveries of Rs.2.76 crores.

Now coming to the orders on hand, the company's total order book now stands at Rs.508 crores out of which the explosive business comprises around Rs.106 crores, defence segment, Rs.233 crores and services that is operations and maintenance services at Rs.168 crores.

With this we now open the floor for question and answers. Thank you very much.



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Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Bhagyesh Kagalkar from HDFC Mutual Fund. Please go ahead.

Bhagyesh Kagalkar: Congratulations on great set of numbers. I have a couple of queries over here Sir. If you see the order book that you have given, in your PPT of Rs.5078 million and you are giving the breakup also, defence as well as explosives. So what is the execution timeframe for this order book? The question number two, is that regarding the margins, what would be the target range because we are becoming defence oriented company, if we go by the annual report then you have some amount of approvals and TOT, so can you guide us what will be the margin and third is Katepally what is the utilization. How much revenue we can do in two, three years time on full functioning of Katepally?

C. Subbarao: Yes. I will answer the order book question and Mr. Chowdary will take the other point. Order book like we have mentioned out of Rs.508 crores, Rs.168 crores of order is from services that is a long-term kind of order book with the balance execution contract of about 8 years remaining at ISRO. That is the one. The second point is chaffs, out of 70 crores chaffs as of now, it will take part of the supplies to this year within the fourth quarter and complete year of quarter ended 2021-22 and may be until July or so of the 2022-23 also. I guess the rest of the projects or orders should be completed within the timeframe of 18 months kind of time.

T.V. Chowdary: Yes. The second one I think you asked about the margins. The margins from defence business is good definitely it is much better than the mining business and except the service area. Services are one area where we do more and the margins are not as big as the supplies made, but still they are still contributing and then we want to continue in that area and exactly what the percentages and all those, it was gone to.

Bhagyesh Kagalkar: Okay, but overall the trajectory is positive for the next couple of years in margins?

T.V. Chowdary: Yes because the areas where, if you see the shift the company, there is a shift in the turnover from the commercial explosives to defence explosives, that shift will definitely improve margins further.

Bhagyesh Kagalkar: Okay, Katepally plant what is the utilization now?

T.V. Chowdary: Katepally plant has started. The propellant plant, which is for the large rocket motors, has started functioning. We have the ISRO orders already in hand and along with that several



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orders from DRDO in pipeline for large rocket motors and also HMX, RDX plant, higher source plant has started functioning. We are also assembling the rockets and missiles at Katepally plant for export for Israeli orders. We are assembling the missile from there. So it has already started. Next year it will come into complete operations.

Bhagyesh Kagalkar: Thank you.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go head.

Dixit Doshi: Thank you for the opportunity. Sir firstly you mentioned couple of one-offs in this result if you can just repeat that, I think there was 2.85 crore of wage region and anything else?

C. Subbarao: Rs.2.76 crores of powder factor deductions., which is done by Singareni Collieries

T.V. Chowdary: When explosives are supplied for mining activity, the performance of explosives is assessed by powder factor and based on the powder factor the valuation is done for explosive. So, this is where in the valuation what we invoice and we finally valued will be whatever difference is left this is that difference.

Dixit Doshi: Okay Sir. This is also one off around 5 and 5.5 crores rupees is one off expenses.

C. Subbarao: Yes.

Dixit Doshi: Taking is sir in our Q2 concall, you were mentioning that we will still try to do Rs.200 crores topline in FY2021 and we are still at 118 crore after nine months, so how do you see Q4 and FY2022?

T.V. Chowdary: As you are aware, the first three quarters they really were under stress to perform because of the deliveries and all those getting delayed due to various reasons you know that import of raw materials and various clearances and inspections, people not travelling and all those. Now third quarter and the fourth quarter the momentum has started. So we are opening the part of the backlogs we can push through in this quarter. That is why we are still hopeful of somewhere reaching somewhat closer to it.

Dixit Doshi: So, we are still hopeful of reaching close to at least 200 crores.



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- C. Subbarao:** Yes, 200 okay I mean we mentioned at that time, but the major exceptions that happened later is about the availability of ammonium nitrate especially for new contract, which we got from Singareni Collieries, so actually that has dented our calculations with a substantial amount.
- Dixit Doshi:** Out of this, 233 crores of defence order book how much is less than one year order? Because I understand there are few orders, which we have to execute within six months so within one let us by end of FY2022 over next five quarters, how much we can execute out of this?
- C. Subbarao:** About 150 crores kind of order is executable with 18 months kind of period. 9 or 12 months, it is difficult to say, but normally it is 18 months kind of period, 150 kind of turnover should be possible.
- Dixit Doshi:** Sir is there any big tenders where we have participated or we are going to participate in next few months?
- T.V. Chowdary:** We have already participated in several tenders, which are under in pipeline and some we negotiated, some negotiation is going on, but many of them are on the limited tender basis, so we are hopeful.
- Dixit Doshi:** Yes.
- C. Subbarao:** Yes, big tenders are there that like 2 years back or so what we have done, which were cancelled and now the date is postponed till March, so we may be doing that in March that is BMCS and ammunition project.
- Dixit Doshi:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.
- Abhishek Ghosh:** Thanks for the opportunity. Sir just couple of questions. One we just wanted to understand how is the competitive intensity scenario for the non-defence part of the business both in terms of Singareni and coal this thing and also in the overall housing and the segment if you can help us understand that?



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- T.V. Chowdary:** It is highly competitive. There are more than 40 players in the industrial explosives business.
- Abhishek Ghosh:** But has it improved a little on back of ammonium nitrate not being available and supply chain in disruption, are you seeing that in benefit that you know the lot of the smaller place of having issues? Are you seeing that at the market place?
- T.V. Chowdary:** The availability ammonium nitrate still it has not improved at all to the extent. We are hoping that may be end of this month some imports may come. Otherwise, there is no improvement in that area.
- Abhishek Ghosh:** Sir some of the smaller players may not able to procure ammonium nitrate is that a possibility?
- T.V. Chowdary:** Yes.
- Abhishek Ghosh:** Sir in terms of the defence outlook, how are you seeing in terms of more from 2 to 3 year perspective, in terms of the overall see because the challenge the defence is one is the order, second is the executions so usually is the gaps, how you looking in that prospects of the overall defence perspective?
- T.V. Chowdary:** Execution, see we have already executed several orders, which you were aware and in those areas we do not have any doubt in that, but only issue is where the government has the issues FIMs, which have to come from other agencies. There sometimes the delays take place. Like this year also current year also that is one of the major factors. The overall industry was in a bad shape and the manufacturers of other components like hardware, which are coming as FIMs. Yes, those delays affected us. So there is a possibility of such delays affecting our overall expectations, but in general otherwise we do not see any problem in executing the orders.
- Abhishek Ghosh:** Sir in terms of the regional players, because of supply chain disruption are you seeing, people shutting down or in balance sheet trouble because profitability for the industry sector has come down? Are you seeing some of the players kind of going out of the system? Is that something that you see?
- T.V. Chowdary:** You are asking specific to explosive industry?
- Abhishek Ghosh:** Yes.



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- T.V. Chowdary:** Shutting down means, yes if there are small players and also where the raw material is there or did not get that. Yes, temporarily they are shutting down. They are closing down the plant, but we cannot say that they have gone out of business.
- Abhishek Ghosh:** They can come back the moment the supply chain kind of restores.
- T.V. Chowdary:** Yes.
- Abhishek Ghosh:** Thank you so much for answering my questions and wish you all the best.
- Moderator:** Thank you. The next question is from the line of NK Arora, Individual Investor. Please go ahead.
- NK Arora:** Good afternoon Sir. Sir, my first question is government has stopped giving lot of emphasis on export of the missiles and all. So can you show some light what does it open opportunity for our complete for export of missiles?
- T.V. Chowdary:** Yes. You are very much aware about our company bagging the export order first time in history from Israel.
- NK Arora:** Yes.
- T.V. Chowdary:** Yes and first time we also got the export permissions from the government, the DGFT and other areas. So this is an indication of support coming from government. We have to utilize the opportunities and then we have to prove to the expectations.
- NK Arora:** Sir, have we got permission to export to the Turkey of RDX and HMX order?
- T.V. Chowdary:** No, not yet.
- NK Arora:** Okay and Sir as space program while there is a lot of talk of privatization so we get to strap on motors to the ISRO, which were to be used in the space place. So have we exploited those motors now?
- T.V. Chowdary:** Yes. We have started the activity, but because of again, for everything it comes back to pandemic only. There is ban on travel of ISRO scientists, so they are not travelling and whatever activity was going through only videoconferencing, all sending samples all the way from here to there and there to here. So because of those results overall there are



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delays, but still there is lot of progress. The first rocket motor we are hoping that this end of month end we will start casting.

NK Arora: Thank you so much.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go head.

Dixit Doshi: Yes. Thanks for the opportunity again. Sir first question is regarding this ammonium nitrate. So obviously the lesser imports have impacted the supplies to Singareni, but going forward do you see is it because when we bagged this order due to the competition in the tenders, we already had got this order at very low margin, so do you see that this tender execution will be almost like not profitable?

T.V. Chowdary: We are trying to see that at least we keep floating by requesting Singareni to reconsider all this to treat this as a force majeure condition we are trying.

C. Subbarao: Simultaneously what we are trying is before the restrictions came, we were actually importing the ammonium nitrate like 1000, 2000 or 3000 tones kind of quantities, but now there are the restrictions on the import of raw material through Vizag port. So we are trying to enhance our storage capacity so that we can import at least a small quantity like 300 tons, 500 tons. So over a period of next 2 to 3 months, we will be able to import at least some good lot of AN.

Dixit Doshi: Regarding this delay in executions in the defence side also, do you see that we getting any penalties or anything or all bases considered under the force majeure?

T.V. Chowdary: No this year there are no penalties. Everywhere we are getting the extension without leading the penalty.

Dixit Doshi: Last question from my side, you mentioned about so basically in our defence we have done around 57 crores revenue in 9 months and we may end up around 100 crores. Where do you see this in 2-3 years given the opportunity in missile or HMX & RDX or even the export to IAI. Where do you see this revenue? Can we reach to 200 to 250 crore kind of defence revenue in 2-3 couple of years?

C. Subbarao: Yes once all the Katepally projects also take full production level it would be possible that what we are actually trying for the last few years to reach a highest turnover from defence.



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- Dixit Doshi:** That is it from me.
- Moderator:** Thank you. The next question is from the line of Mihir Desai from Desai Investment. Please go ahead.
- Mihir Desai:** Thank for the opportunity. Sir my first question would be on a macro based industry questions. Sir you mentioned that commercial regarding the ease of doing business. So can you please throw some light on what is happening over there sir and what can kind of opportunity it can generate for us in the coal industry.
- C. Subbarao:** Yes these are very a broad kind of directions in what is happening in the industry like privatization of Coal mining. So when that happens naturally we will not be dependent on the Coal India only for supply of explosives. If any big players come into coal mining so those are the opportunities. So these are the what mean by ease of doing in business because earlier there were so much of restrictions on the mining and all that, but still of course these are all at policy level only we have to take them right now slowly it is expected to improve.
- Mihir Desai:** Okay, so do you believe that there could be you know surge in commercial segment as per our business like from these kinds of activities which are happening can we say a huge inflow in our commercial orders?
- T.V. Chowdary:** Yes we are expecting some surge. I would not say huge, but yes definitely some surge we are expecting.
- Mihir Desai:** Okay sure. Now sir on the capex, are you planning any capex for next 2 to 3 years?
- C. Subbarao:** No after completion of the Katepally projects during this current year, there are no major capex plans except the balance in equipment like that can be there and one thing that the SHAR where we applied for the land that is difficult to answer right away now.
- Mihir Desai:** Sir follow-up for this question would be that what would be our working capital cycle? Should our working capital cycle improve going forward?
- C. Subbarao:** Yes, we are seeing some improvement in collection of say in defence, they of course follow up is one part is Government of India in earlier people used to say they do not have budget and such kind of answers were coming. I hope it will ease up gradually. Government is like encouraging MSMEs and the spending from the budget that is what the indication of this budget is. That is what our hope is.



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- Mihir Desai:** Okay. Sir can you please give us in days like what is our current working capital days?
- C. Subbarao:** It is difficult because okay I will tell you. See as of December 31, 2020 Rs.46 crores of debtors. On 150 kind of turnover, so that will be something like three months kind of receivables and our execution will be normally of course it is commercial, it will not be very longer production cycle, but if it is defence it will be 2 months or 3 months kind of longer cycle.
- Mihir Desai:** Okay sure. Sir lastly, I wanted to ask you like what is our opportunity, which you see on a grand level for space program?
- T.V. Chowdary:** I think we are very much in the front for space program all over background, you are well aware that we are operating and running the plants of ISRO for the past. We have completed 11 years' period and again another 2 years in the next cycle. Similarly we are in the front for PSLV strap-on motor production and in the privatization also yes we are very much there and the things are in discussion and so many things are happening. So any moment in the space we will be there definitely.
- Mihir Desai:** If I have more questions I will join in the queue Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.
- Milan Shah:** Congratulations Sir getting increased orders from Israel and my question is that it is any possibility to increase the size of ordering 82H rocket?
- T.V. Chowdary:** Yes what we are executing right now were development orders. So once this is completed yes they will definitely get converted into bigger orders.
- Milan Shah:** We are going to any other country or your companies to for doing export order. So we require permission from Government of India or we can easily address to countries or company to export these kinds of order like export to Israel?
- T.V. Chowdary:** Not only Israel, any country such products, which are hazardous in nature they come under restricted items, which SCOMET items and they all require DGFT permission.
- Milan Shah:** Sir now what is the total debt as on December 2020?



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- C. Subbarao:** Total debt I mean on the working capital it is something like 38 crores was there, term loan is about 6 crores and there are unsecured loans from the directors and subsidiary company, which is about 10 crores.
- Milan Shah:** Thank you Sir from my side and this is for next year.
- Moderator:** Thank you. The next question is from the line of Raghav Rathi an Individual Investor. Please go ahead.
- Raghav Rathi:** Thank you for the opportunity. There are couples of questions. The first being around the employee benefit expenses, which is seen sharp rise this quarter because last time if I understand correctly we have taken some several impact with the hope to bring down this cost by 25 lakhs of quarter. So that has not reflected rather it has gone up. So that is the first question. The second question would probably be around to competitive landscape in the Chaffs and Flares if we have any other manufactures of the same product that we are selling to Indian Air Force and Indian Army, chaffs and flares, these are the couple of questions that have.
- T.V. Chowdary:** Okay. For the first question this is the increase, which is given once in 3 years. So this is increased for the 3 years period what we have given and the earlier you are referring to your VRS expenditure.
- Raghav Rathi:** Yes that is right.
- T.V. Chowdary:** Yes, we are ensured that the overall cost has not gone up because we kept below that between the VRS people and the reduction the manpower and they increased.
- Raghav Rathi:** Sir just one followup question on that, so if I remember correctly there were around 78-odd people who had participated in the VRS and compared even to the last year same quarter if I look at year on year basis, the cost have still gone up by around 15%. So even if you are taking away 80 people from our employees list and missed end of 20%, 15% higher cost. Sir, what is bonus that you are talking about? Is it going to sustain what are the levels?
- C. Subbarao:** You are referring to second quarter and third quarter 15% which you are saying?
- Raghav Rathi:** Right and I am also comparing the third quarter FY2021 to third quarter FY2020.



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- C. Subbarao:** Yes that is right out of this 13.91 in the current quarter, like which you are mentioned earlier 2.85 crore with the effect of the wage revision that Mr. Chowdhary was explaining so if you take this out this difference can be seen, but other points are when during the current year in the initial period the SHAR and other places where we are actually working on operations were less and our billing had come down, similarly our expenditure in the employee has come down temporarily, but that is only picking up now from the last month or so. So we will I mean what's you are seeing higher expenditure that will be reflected to some extent in the income side also.
- Raghav Rathi:** Okay Sir and Sir is this 13.9 crore level going to be the quarterly run rate or going forward as I am assuming the wage revision is the permanent thing?
- C. Subbarao:** No if we take the plant where we have given the VRS that will be at least lower than that, but other factors like other places where our many number of people are there, but that can be going up and going down, but we planned to where we offered VRS 78 numbers that will be less than what is reflected here because Rs.2.85 crores is having the cumulative impact, but going forward it will be having only monthly or quarter impact.
- Raghav Rathi:** Okay and Sir the second question was just around the competitive landscape in the chaffs and flares segment?
- T.V. Chowdary:** As on date, the Indian players we are the only supplier of chaffs and flares.
- Raghav Rathi:** Thank you. I will join back the queue.
- Moderator:** Thank you. The next question is followup question from the line of Raghav Rathi Individual Investor. Please go ahead.
- Raghav Rathi:** Thank you. Sir couple of questions on the pipeline that we might have so the first question would be around the BMCS project if you have seen any movement on the government tender because it has been in pipeline for a couple of years now, so that is one question and the second question is we have seen lately a lot of startups who have entered into the satellite space. So, is there any collaboration or any vision that we have in terms of targeting that market segment as well and if we can add value there?
- T.V. Chowdary:** Yes. First the BMCS, the RFP got the postponed to March, I think the new date is March 12 and about the private player in space yes we are in touch with the people rather we are contacted by the new startup to support them in propellant and other areas and all those.



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Yes we are discussing with them and then we will be collaborating and cooperating with them.

Raghav Rathi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Kishore Agarwal Individual Investor. Please go ahead.

Kishore Agarwal: Thanks for the opportunity. I have two questions; first is on your margins. Sir your margins have been very volatile over the past few quarters. So can you give us the sense of the long-term picture and margins? What is a kind of margin level you are targeting over the next 2 to 3 years and my second question is on your order book, so can you give a broad picture understanding of what is the size of tendering pipeline that you might have and like what is your conversion in terms of bidding for your pipeline?

C. Subbarao: Yes regarding the margins I mean it will depend upon the product between the commercial and defence and within defence also the type of product we make. So it is really tough for you and tough for us also to go into that question and it depends upon the actual turnover I mean turnover stabilizes at 200 plus level of that, then there will be some kind of graph which would expect, but until that time this what you are saying quarter to quarter differences we are also facing the same problem to understand how to answer you is really difficult.

Kishore Agarwal: But like in terms of the Katepally plant see how we invested close to 60-70 crores in that plant. So have you might have targeted return on capital invested so how do you see that number?

C. Subbarao: There also it is like similar I mean it is not that say the products are established and all that and the employee cost and we are putting the people there so we have to really come to the sizeable turnover from Katepally say at least 20 crores in a year or more in the next year. Then we will understand what kind of because when we are looking at prices for RDX and those kind of things prices were really varying from very good to okay kind of thing but the quantity, which we are taking now for Katepally there are in smaller quantity where we feel is good, but whether we will get the same price when the quantity increases so these are the ground realities, which we are also trying to understand the market and the margins.

Kishore Agarwal: Okay and in terms of pipeline for orders?



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- T.V. Chowdary:** Pipeline for order if you asked about the competition. Many products like Astra, MRSAM, LRSAM those products we are for some of the components we are the single source and in other areas, yes we have some competition and the prices yes we have to be competitive, but still hence we are in a different kind of business it is not that will be staying so much for margins and all those. Yes we are bit comfortable in that when we are doing defence business.
- Kishore Agarwal:** Thank you.
- Moderator:** Thank you. As there are no other further questions I would now like to hand the conference over to the management for closing comments.
- T.V. Chowdary:** We thank all the participants in the conference call to understand about the business and the good feelings they have got about the potential of the defence area. Thank you very much.
- C. Subbarao:** Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Premier Explosives Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.