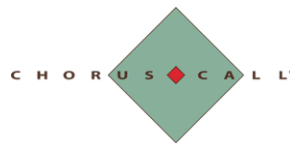




**“Premier Explosives Limited
Q3 FY 23 Earnings Conference Call”
February 13, 2023**



**MANAGEMENT: MR. T.V. CHOWDARY – MANAGING DIRECTOR –
PREMIER EXPLOSIVES LIMITED
MR. SRIHARI PAKALAPATI – CHIEF FINANCIAL
OFFICER – PREMIER EXPLOSIVES LIMITED**

MODERATOR: MR. VISHAL MEHTA – STELLAR INVESTOR RELATIONS

Moderator:

Ladies and gentlemen, good day, and welcome to Premier Explosives Limited Q3 FY '23 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 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. Vishal Mehta from Stellar Investor Relations. Thank you, and over to you, sir.

Vishal Mehta:

Thank you. Good afternoon, everyone. I, on behalf of Stellar Investor Relations, welcome you all to Premier Explosives Limited Q3 and 9 Months FY '23 Earnings conference call. We shall be sharing the key operating and financial highlights for the Quarter and 9 Months ended December 31, 2022.

We have with us today the senior management team of Premier Explosives Limited, Mr. T.V. Chowdary, Managing Director; and Mr. Srihari Pakalapati, Chief Financial Officer.

Before we begin, I would like to state that 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 financial performance have already been e-mailed to you. Now I invite Mr. Chowdary to share his initial remarks on the company's performance for the quarter.

T V Chowdary:

Thank you, Mr. Vishal. Good afternoon, everyone, and thank you for joining the call. We'll begin the call with company's operational performance during the quarter followed by the key industry updates. The recent updates for missiles and rockets, I am pleased to inform that some of the DRDO-developed technologies, which are transferred to us, have productionized and we received production orders from BDL who is the lead integrator for these projects. And in addition to this, as I have shared earlier, we have received several design and development orders for export purpose. Out of it, four numbers we received supply orders and productionization has started, and the deliveries are supposed to be affected in the last quarter of the current financial year.

Yes, we always continued to move on our growth track during the quarter. We have generated healthy cash profit of INR 3.3 Crores with our execution run rate stable, and given the nature of our cost structure, the operating leverage of our business will help us to generate better cash flow, which will be utilized towards strengthening our balance sheet.

The changing business mix with the increase in contribution of defence segment will augur well for our overall margins. On the order intake front, there has been good progress. Let me take you through the new order update issues during 9 Months of Financial Year 2023.

The company has recently signed an MoU with Hindustan Aeronautics Limited in the field of manufacturing, assembly and testing, storage and transportation of explosives for bombs and missiles.

Received new orders from Israel Aerospace Industries Limited for manufacturing and supply of warhead with total value of USD 537,500 which is equal to INR 4.3 crores and expect to be delivered by May 2023.

Production and supply of booster rocket motors for a total value of US \$688,000 equivalent to INR 5.5 crores and the deliveries are expected by March 2023.

The company also received an advanced amount of US \$2.44 million that is INR 19.4 crores towards the development of production lines and procurement of raw materials for the orders received from the overseas entity for supply of rocket motors.

During the quarter, the company has received an order from VSSC, (Vikram Sarabhai Space Centre) for production and supply of three sets of PSOM-XL Motors for the PSLV launch vehicle for a total value of INR 3.45 crores, and it will be executed at Katepally, and we have already exhibited 4 PSOM-XL Motors from Katepally and Peddakandukur. This part is to be executed within a period of 8 months.

These are some of our notable updates on quarterly order. We are extremely pleased to report that our current outsourcing order book as on December 31, 2022, stood at approximately INR 575 crores which translates into **3x** of our Financial Year '22 revenues.

In addition to the rocket motors and warheads, production of plates against new orders is going on. This is expected to give good boost to revenue in the fourth quarter and financial year '23, '24.

Coming to the Defence Industry future. And the defence Industry like we have been mentioned and like you may also be aware, Defence sector has a strong manufacturing ecosystem, recently organized Defence Expo in October 2022, which offers to Indian Defence sector, particularly to showcase its chance to present its roots, technologies and solutions to the government decision maker.

Along with participation from 63 nations, the last edition of this expo saw an unprecedented gathering of over 600 exhibitors, both physically and online and experienced a huge success of this Expo 2022, which saw 451 MoU, ToT agreements to advance India's growing defence industry networking. Efforts are being made to improve manufacturing capabilities.

India has recently emerged as a major defence exporter, especially with the development of a strong defence industrial environment and exports to more than 75 countries after seeing a ninefold increase in defence exports over the past 5 years. In 2021-22, India's defence exports reached a record high of INR 14,000 Crores. This achievement was made possible with the government's initiatives to increase the export of military equipment to friendly foreign nations. Further, the government of India is targeting to cross INR 19,000 Crores mark for defence exports by 2023 and well on course to attain the target of INR 25,000 Crores worth of exports by 2025.

Now coming to the industrial explosives segment, the cost of raw materials, which have increased by approximately 200% in the previous year, are finally stabilizing and this also holds true for the coal mining industry. You could see several some reversal trend in some of the raw material prices. The domestic coal output is said increase to 1,017 metric tons in 2023-24 and is further likely to increase by 9% to 10% in 2024-25 in light of the anticipated rise in coal consumption owing to economic expansion.

Now, I request our CFO to share the financial performance.

Srihari Pakalapati:

Thank you, sir. Good afternoon to everyone. The result presentation for the quarter has been uploaded on the stock exchanges and on the company's website. I believe you all may have gone through the same. Now I would present the financial results for the Quarter and 9 Months ended 31st December 2022. The revenue from operations for Q3 FY 23 stands at INR 37 Crores as compared to INR 50.8 Crores in the corresponding period last year with a de-growth of 26.6%.

Our operating profit for Q3 FY 23 stands at INR 5 crores as compared to INR 4 crores in the corresponding period last year. The operating margin for the quarter stands at 13%. In Q3 FY23, we reported a net profit of INR 0.6 crores compared to the same in Q3 FY22.

The revenue from operations for 9 MFY23 stands at INR 150 Crores as compared to INR 139 Crores in the corresponding period last year, which is translating into an 8% growth year-on-year. Operating profit for 9MFY23 stands at INR 18 crores as compared to INR 17 crores in the corresponding period last year, which shows a flattish growth. The operating margin of 12% in 9MFY23. Net profit in 9MFY23 stood at INR 4 crores compared to INR 4 crores in 9MFY22.

Now coming to the order book. The company's current total order book stands at INR 575 Crores, out of which explorative business comprises around INR 108 crores. Defence segment is at INR 335 Crores, which is around 58% of our total order book. On the Services segment, that is operations and management is around INR 132 crores. The order book retains a strong growth over the previous years.

With this we will open the floor for questions and answers. Thank you very much.

Moderator:

The first question is from the line of Aman Vij from Astute Investment Management.

Aman Vij:

First question is on the order book for space. If you can quantify that. And also, if you can talk about, typically, we are, as of now, providing mostly motors to the rockets so, what is the typical percentage cost of a motor of the total cost of the rocket? And these are the questions on the space side, if you can talk about the same.

Srihari Pakalapati:

Sorry, can you repeat what exactly.

Srihari Pakalapati:

Percentage of rocket motors on the overall order book.

Aman Vij:

No, no. I was talking about percentage of the cost of motor as the total cost of a rocket, just to understand if a rocket costs example \$15 million. So, what is the typical cost of a motor in that?

- T V Chowdary:** This is very difficult to say because the cost, it has three divisions, rocket motor, basically. One is rocket motor and missiles has three. One is Rocket motor. Second is the warhead and then guidance system, electronics and all those things, seekers. So, this domain remains as on date with the rocket motor and then warhead in some cases. But seeker is definitely -- seeker and then those portions are the costliest parts of the motor. And percentage, I won't be able to tell. Probably BDL can tell this part.
- Aman Vij:** And sorry, what is our order book as of today in the Space division?
- Srihari Pakalapati:** In defence, we have INR 335 Crores order book.
- Aman Vij:** Yes, that I know, sir. Specifically, you need to ISRO or Space. I was talking about that.
- T V Chowdary:** ISRO Space requirement.
- Aman Vij:** Yes. Out of this order book, how much is for Space/ISRO.
- T V Chowdary:** Right now, it is only around INR 3.45 Crores.
- Aman Vij:** So the new orders which you were talking about at the start, that is not into the order book?
- Srihari Pakalapati:** Yes, it's a new order book which we received was INR 3.45 Crores. Old order, we have executed.
- Aman Vij:** My second question is 2, 3 years back, you used to talk about we had bid for ammunition, I believe, grenade. So if you can update on that order.
- T V Chowdary:** RFP is still not opened and finalized. And in the meantime, parallelly, we are working with, as I mentioned in my initial notes, we are working with ARDE on a DCP program for development of ammunition. So whereas the RFP is still not opened commercially.
- Aman Vij:** So correct me if I'm wrong, but solar industries had won orders for some grenade. So we didn't bid for that order. Our bidding was for separate products? If you can talk about the same?
- T V Chowdary:** The solar industry is not into this grenade ammunition as far as I know, but if they are there, can act. But you may be talking about some multimode grenade.
- Aman Vij:** Yes, yes, yes.
- T V Chowdary:** No. We consciously, we did not participate in that tender. So they are alone in that and we are not in that business as on date.
- Aman Vij:** But in our portfolio, with ARDE, which you are talking about, do you have this option of grenades also? Is it multimode? Or is it different?
- T V Chowdary:** See, the multimode grenades, as far as I know, they are like any hand grenades. What I'm talking to grenade is grenade ammunition, which is fired from a grenade launcher. It's a larger ammunition, 40-millimeter, 30-millimetre, which is fired from a gun or multi-grenade launcher

or an under-barrel gun launcher. That is the ammunition, which we have participated and waiting for it to be awarded.

Aman Vij: And if you can talk about what is the opportunity in this category, the grenade launcher, grenade basically.

T V Chowdary: The opportunity is good in the grenade ammunition. Right now, it is being imported and then some quantity is being I think made by Ordnance Factory, but there is a good demand and the RFP quantities are also good.

Aman Vij: And when do we expect, sir, any confirmed order from this category?

T V Chowdary: I think it may happen in the next financial year, probably in the middle of financial year. Because we have to go through the qualification process and all those, then only it will be -- after all technical quantitation, then only it will happen. But apart from that RFPs, our facility, we are also planning for many agencies who want to outsource to us for manufacturing, that are also we are planning and the discussions are going on. So we are not just dependent on only on the RFP.

Aman Vij: And sir, last point on this, how many players have bid for this? And if you can quantify the imported amount just to understand what is the opportunity.

T V Chowdary: It's a little difficult to say. This is not an open information. We have to get from, I think, 3-4 agencies have participated in it, including us.

Aman Vij: Sir, next question is on the -- so in the presentation, you have talked about we are supplying a propellant to the missile program basically of the 6-missile program. So sir, typically, I just wanted to understand, you mentioned last call, we have INR 100 Crores order book combined of these 6 programs per year. But sir, isn't this number too less, because my understanding is these 6 programs, the amount of orders that is expected is much, much more.

So since we have very high market share in the products which you have mentioned. So why is that order book only INR 100 Crores per year and not more. If the propellant cost as the cost of total missile is very small. Is that the reason we have only INR 100 Crores order book instead of much bigger number?

Srihari Pakalapati: So where did you get this INR 100 Crores?

Aman Vij: Last time some analyst had asked you this question. So out of that 6 programs we have, what is the order book expected. So you mentioned additional INR 100 Crores per year.

Srihari Pakalapati: Which program, ISRO program?

Aman Vij: No, no, not ISRO. This missile programs, Slide number 20, we have 6 missiles programs, Akash, MRSAM, Agni, BrahMos?

- T V Chowdary:** See, these are -- in these programs, the hardware and everything is coming as FIM because Akash, MRSAM, Astra, these programs. So our portion is only the propellant. And it is linked with the numbers taken for assembly by BDL. So the BDL right now the quantities which are happening there, it is that. And Akash program, which was really going in a big way that is almost tapered down. It is tapering down. So that quantities have reduced. Other countries to come and take over, it may take time. So that's why we have indicated a figure of that.
- Aman Vij:** And we are as of now only doing propellants. We are not into the motors in these missiles as of now, right?
- T V Chowdary:** We are doing both. BDL is making the hardware and all those, and they are dependent on us for propellant. Where there's other programs and all those others, we are including the hardware, we are supplying it, exports to Israel and other countries, including hardware, we are supplying entire rocket motor, not just propellant. Similarly, the new projects like NGRAM and other, this includes the hardware also in our scope, full rocket motor assembly.
- Aman Vij:** Yes. You have talked about you're developing motor for Astra missiles also. Is it Astra Mark II dual pulse motors or we are only talking about Astra Mark I only?
- T V Chowdary:** Astra, we are not developing the motor. Astra, propellant is developed by us. Astra rocket motors and all by other agencies from the DRDO.
- Aman Vij:** On the Slide 18, you've mentioned production under ToT Astra motor -- in production under ToT?
- T V Chowdary:** Yes, first production order has come. But like we have mentioned that it depends -- execution depends on the FIMs hardware to be supplied. BDL still is in the initial stages for Astra. MRSAM, yes, we are getting continuously and we are regularly producing and delivering them. But Astra still, it has to pick up.
- Aman Vij:** But are we developing II-stage and III-stage motors for missile?
- T V Chowdary:** For Astra, you're talking?
- Aman Vij:** Any missile, sir. The advanced motors, advanced missiles, where there is II stage and III stage.
- T V Chowdary:** As I mentioned to you about NGRAM, Rudram, where we are with hardware, we are with it.
- Aman Vij:** Sure, sir. Final question, sir, on the defence side.
- T V Chowdary:** And all export orders of rocket motors, all are complete rocket motor, including hardware and everything.
- Aman Vij:** And sorry, how much is export order out of our total rocket motor order, just to understand the price where we will be providing both hardware and propellant versus only propellant?

- Srihari Pakalapati:** With hardware, we have the order book. I mean, the order book includes the hardware exports is about INR 100 Crores.
- T V Chowdary:** Exports are all complete rocket motor. It's not hardware or it's not propellant. Its complete rocket motor is exported.
- Aman Vij:** And do we expect further orders in this where we are both the complete rocket motor.
- T V Chowdary:** Yes, yes. Only part of the development only got converted into production orders. Now there are others in line which have completed the development and demonstrated performance and all those. Now they have to be converted into production orders.
- Aman Vij:** Great. Last question from my side on the defence order book which we have of INR 330 Crores, sir. We were expecting to execute much more than ~INR 70Crores we have done in 9 months. So was there any delay in, say, December quarter normally is a good quarter for defence. So do we expect a very high ramp-up in Q4? Or do you think only next year, we'll be able to execute most of this defence order book.
- Srihari Pakalapati:** No, actually, we are expecting the billing to happen in Q4. Most of the billing is expected to happen in Q4. A lot of clearances and permission are yet to come.
- T V Chowdary:** So I think that will become -- clearances, permissions mean -- if you see these export are particularly, they are shipped. So availability of ship and then containers because you require the ship which carries the explosives. So unless we bill it, it will not appear in the paper. So we are expecting that to be completed in the fourth quarter.
- Aman Vij:** So you expect maybe like a big portion. So defence wise, at the start of the year, we had a target of maybe around INR 150 Crores for the full year, but we have done only INR 70 Crores. So do you think Q4, we will be able to make up for the loss? Or do you think next year only we can target this INR 150 Crores kind of run rate in defence?
- Srihari Pakalapati:** So we expect some good numbers. We cannot share an exact number, but we can get -- you can expect a good number to happen in Q4 in defence.
- Moderator:** Next question is from the line of Niraj Mansingka from White Pine Investment Management.
- Niraj Mansingka:** Just wanted to know LRSAM, MRSAM, and NGRAM orders...
- Niraj Mansingka:** Okay, I will tell you, I know that. So basically, we were expecting -- we have 100% suppliers for MRSAM and LRSAM and Astra. And we are not seeing much scale up in your defence revenues. I know you said that Q4, you will be reporting the numbers. But can you say from an industry perspective, when do you expect to scale-up of MRSAM and LRSAM in the orders for your side?
- T V Chowdary:** See, the presents indication, sir, around 25 numbers per month of MRSAM, LRSAM and Astra another 20 numbers per month. It is like that. LRSAM, MRSAM is already going on at that level right now, we are supplying. But Astra is yet to come to that level. And this is the -- these are

the quantities which will continue. In earlier -- in Akash, the quantities were more. We're almost delivering 50 to 60 numbers in a month.

- Niraj Mansingka:** So do you expect more scale up for MRSAM, LRSAM because...
- T V Chowdary:** No. I don't think it will go more than that, but 25, 20 numbers, they will all remain. And about SGRAM and other things, we are yet to now about the actual potential when it comes to full scale production.
- Niraj Mansingka:** And so going forward in, say, next 2 years, which are the areas do you see a large growth in our reported revenues for your firm?
- T V Chowdary:** No, not these one. You have -- like our turnover and order book and all are dependent on many other things.
- Niraj Mansingka:** Yes. Aware of that. So I just wanted to know from the current whatever understand you will have?
- T V Chowdary:** We have export orders for almost 120, 130 numbers per month, rockets alone, not just propellant casting, but full rocket motors. So that keeps us busy. In fact, that keeps us busy both of our plants, PDK and Katepally.
- Niraj Mansingka:** The second question was on the services, the revenues were not reported this quarter. Any reason why the services revenue has not come in?
- T V Chowdary:** Sorry, entity -- services?
- Niraj Mansingka:** Yes.
- T V Chowdary:** Not reported?
- Srihari Pakalapati:** No, it was reported. Defence and space services. No, actually, whatever revenue is there, it came from the defence services only. The defence billing has not happened as explained it.
- Niraj Mansingka:** Okay. So the defence billing was coming in a continuous range over the last...
- Srihari Pakalapati:** Sorry, I didn't get.
- Niraj Mansingka:** The defence revenues are getting reported on a permanent range, but this quarter, it has been significantly low. So what has changed that the defence approvals are yet to come for acceptance of the orders?
- Srihari Pakalapati:** Actually, as per the accounting and as per this thing also, it is only our, we can see it only in one segment. That is high energy material. For the detail -- I mean, for the information purpose, we used to have the -- we used to differentiate between these two, but from now, we wanted to have the commercial and non-commercial only.
- Moderator:** The next question is from the line of Abhishek Poddar from HDFC Mutual Fund.

Abhishek Poddar: Sir, regarding the order inflows in defence and explosives, how should we see, sir, in FY24 and FY25 and even this year, if you can guide, how much order inflows are you expecting?

T V Chowdary: The new orders what we are expecting at least another increase of INR 100 Crores in terms of this. This is based on the various RFPs we are participating and export and all those. That's what is conservative target.

Abhishek Poddar: Okay. This INR 100 Crores is for this year -- additional INR 100 crores for this year only, sir FY23?

T V Chowdary: No, FY23 & FY24 additional turnover.

Srihari Pakalapati: No, we will maintain about INR 650 Crores to INR 700 Crores order book continuously in FY23 & FY24.

Abhishek Poddar: Okay. So, you will get more orders and you will execute, but your order book will increase INR 650 Crores to INR 700 Crores?

T V Chowdary: In spite of the execution.

Abhishek Poddar: Sir, could you give a number of how much order inflow will be there in FY24 and FY25, some sense of it, sir? And if you can't give -- a broad range, if you can give, sir?

T V Chowdary: Yes, that's what -- it's difficult to say that because so many people are in pipeline. Now, how many will come in this year because see defence industry goes different way. It is not like a commodity industry where regularly every month, there is an offtake or something. So order placement depends on various things, which are very difficult to predict. But yes, like I told you, at least an additional INR 100 Crores, INR 150 Crores should come there.

Abhishek Poddar: Order book build will happen, sir? INR 100 Crores, INR 150 Crores.

T V Chowdary: Yes.

Abhishek Poddar: And sir, this defence order book of, let's say, INR 350 Crores that you have today, what is the execution timeline for this? How many years it's going to be executed in that order book?

T V Chowdary: Most of them are in 2 years' time.

Abhishek Poddar: Okay. So we can assume that about INR 180 Crores to INR 200 Crores of execution per year in defence can happen.

T V Chowdary: Yes.

Abhishek Poddar: Right, understood. And sir, on the explosive side, we have seen that there has been a big increase in global explosive prices, almost 2x increase, and that had kind of led to a large increase in the order book for your competition. We haven't seen similar kind of growth in our explosive business. So is it that volumes have not kept in pace or what has happened in that size?

- Srihari Pakalapati:** Even in our case, you can see 60% growth uncover in the previous year.
- T V Chowdary:** Actually, like we explained in earlier concalls, yes, 2 years back, based on the prevailing raw material prices and margins and all those, we were not very aggressive in fuel explosives area. So that has paid off. In fact, that contained our negative growth in this area in terms of profit. Now the new tenders and other things will happen in the next year. So based on the current things, I think it may -- our participation may be a little more aggressive.
- Abhishek Poddar:** Okay. Because sir, if the explosive prices have gone up by almost 2x and if your growth is 60%. So that would mean that volumes are a little down. Is that the case?
- T V Chowdary:** Coal India, particularly Coal India, if you see that we are not there in Coal India, for bulk explosives and all those. That has helped us because raw metal cost was so high and then so our concentration was more on defence and all those rather than straining our sources. But now things have changed, like Srihari was explaining about the last quarter, how this segment has contributed, and we are hoping that in the next financial year, definitely, that should help us and our participation will increase.
- Abhishek Poddar:** Sir, could you give what is the volume you're doing -- expecting to do this year in explosives and what volume growth should we assume next year?
- Srihari Pakalapati:** We're doing -- bulk exposures, we are doing about 8,000 tons to 8,500 tons. Because we have the only 2 location orders in hand and we are doing it -- 8,000 tons to 8,500 tons. But we are expecting because the Coal India is coming with the new tenders in the coming year in June. So let us see if we get good things, the volumes may go up.
- Abhishek Poddar:** And sir, in Slide #4, if I look at the revenue breakup, for defence and space services, the revenues have come down Y-o-Y to only INR 2.8 Crores. Any clarity there why that has happened?
- Srihari Pakalapati:** Because defence billing as we explained in the early stage, the defence billing to happen in Q4. Most of the billing is deferred to the Q4. So I think that will be compensated in Q4.
- Abhishek Poddar:** So some shipment probably hasn't happened, but the execution of work has been completed?
- Srihari Pakalapati:** Almost the cargo and most of the cargo is ready and we are waiting to dispatch most of it.
- Abhishek Poddar:** Understood. And sir, last question on the defence side. If I look at the missile programs order inflow expectation, there is expectation of large orders for Akash, QRSAM, MRSAM in the next 2 years. So you did mention your order book will go up to INR 650 Crores, including defence next year. There's only increase of INR 100 Crores. Because of these large programs, would you expect large order inflow to come to us?
- T V Chowdary:** Yes, it has to because we are the only vendor for these -- as on date, we are the only vendor for these programs supply. So whatever increase we get in that, it comes to us.
- Abhishek Poddar:** So if I just take a number, Akash missile order inflow expectation is in the range of INR 6000 Crores, INR 7,000 Crores for the first one and...

- T V Chowdary:** Right now, Akash missile is no more in such large numbers presently. I think we were -- depending on the export orders received by BDL or other agencies, again, Akash program may pick up, but as on date, it is a low key because I explained it is tapering out. It is other programs -- MRSAM, QRSAM, Astra, these are all -- and all these programs, we are the single vendor.
- Abhishek Poddar:** Sir, Akash Prime was supposed to come to BDL is what we understand from the media reports and all?
- T V Chowdary:** Yes. This is only the initial stages. It has not yet come to a full production scale.
- Abhishek Poddar:** And sir, let's assume if they get an INR 6,000 Crores order of Akash Prime, how much allocated will be to us?
- T V Chowdary:** I think like I always answer this question -- because we are not very sure about that contribution of ours and all those things. Maybe, I think 15% or something we may get. I'm not very sure. It's just a ballpark figure.
- Abhishek Poddar:** You said 15%, sir?
- T V Chowdary:** Yes, that's all. That's also just a guess rather than current figure.
- Moderator:** Next question is from the line of Niraj Mansingka from White Pine Investment Management.
- Niraj Mansingka:** How much was the defence revenues for the quarter?
- Srihari Pakalapati:** Sorry.
- Niraj Mansingka:** How much was the revenue reported for defence for the quarter?
- Srihari Pakalapati:** For the quarter? Absolutely, no billing, sir.
- Niraj Mansingka:** That is what my question was last time also just on the call a few minutes back, that we have seen a continuous defence order being reported but this quarter, we haven't seen. Even in Q3 of last year, we saw defence order being reported. So what is that has changed because of this, the reporting is zero? I know you said there's a delay in acceptance by the government. But that is also an ongoing process. So I just wanted to know from your side, what might have led to zero reporting on defence revenues?
- T V Chowdary:** Reporting of defence orders you are talking about, not the execution?
- Niraj Mansingka:** Execution, I'm talking about. Reported revenues were 0 for the quarter.
- T V Chowdary:** Like what Srihari explained, the deliveries did not happen. Unless the deliveries happen, they don't come into the revenue.
- Niraj Mansingka:** Okay. So how much was the value of deliveries which did not happen for the defence for the Q3?

- Srihari Pakalapati:** We have about INR 60 -- we have the stocks worth about more than INR 50 crores at this point, only inventory.
- Moderator:** Next question is from the line of Aman Vij from Astute Investment Management.
- Aman Vij:** On the ARDE team that -- RFP that we have applied for, sir, is it for one single product or have you applied for multiple products?
- T V Chowdary:** You're talking about ammunition?
- Aman Vij:** Yes, ammunition.
- T V Chowdary:** It is multiple products, different variants.
- Aman Vij:** And on the second part, sir. Do the original bid which we had done, you had said that has still not opened or something like that. Any update on -- when do we expect any kind of either -- when do we expect the orders, the information?
- T V Chowdary:** No. Right now, it is in the stage of NCNC technical trials. But those samples, delivery NCNC trials, they are delayed because of the present prevailing international conditions, transportation and all those. So I think it may go to the end of calendar year 2023. Because once they will do the technical evaluation of the samples, NCNC samples submitted, then with the qualified people only, they will open the commercial space.
- Aman Vij:** And sorry, what is the total amount of the orders, not the one we bid, but what is the total quantum of that order, which is expected to open up?
- T V Chowdary:** Talking about ammunition, 40 mm?
- Aman Vij:** Yes...
- T V Chowdary:** That RFP part, it goes to around 1 lakh number annum.
- Aman Vij:** Sure. And this is for the Army, if I'm right?
- T V Chowdary:** Yes.
- Aman Vij:** And sir, any orders expected for the other agencies like NSA and CRPF?
- T V Chowdary:** Yes. Other paramilitary forces and police departments, they are all voting and they are presenting the queries. So without waiting for that, like I mentioned to you, we are progressing in the development so that we can meet these requirements.
- Aman Vij:** So you expect other agencies, orders to come earlier compared to the Army order?
- T V Chowdary:** Yes.
- Aman Vij:** Okay. And mid of H1, you said is other agencies basically. And Army may be end of FY24?

T V Chowdary: Yes.

Aman Vij: But you said it is only 1 lakh orders per year, right?

T V Chowdary: Yes. There are 4 different variants there also. It is between them around 4 lakh number per annum it comes.

Aman Vij: Okay. And we have bid for all the 4 variants? Do we have that...

T V Chowdary: We bid for all the 4 variants.

Aman Vij: And sir, this is developed totally in-house or we have a tie-up with some...

T V Chowdary: We have a tie-up with a foreign OEM.

Aman Vij: Sure, sir. And is it rough to assume like for solar, the average cost was like INR 6,000 to INR 7,000 per quantity. So this will be much more maybe like INR 7,000, INR 8,000 only per one...

T V Chowdary: It's not clear.

Aman Vij: Yes. So sir, 1 lakh orders which you were saying per annum, does this translate to roughly INR 80 Crores per year, INR 80 Crores to INR 100 Crores per year in amount?

T V Chowdary: I don't see that relevant to INR 60 Crores.

Srihari Pakalapati: You want us to comment on that.

Aman Vij: My second question is, sir, this year, 2 expos happened. Ammunition Expo also and Defence Expo. Any -- you talked about HAL tie-up in terms of...

Moderator: Mr. Vij, the audio is slightly muffled. Please use the handset mode.

Aman Vij: Yes, yes. I was saying this year, sir, 2 expos had happened. One is Defence Expo and one is Ammunition Expo also something of that sort. So we have already disclosed, we are tied up with HAL, but any other tie-ups related to Ammunition specifically because that is a big opportunity, and I think we are the only -- very few players in India. So any tie-up with Munitions India or any other for exports, which we did in these 2 consensus?

T V Chowdary: We have no tie-up with Ammunitions in India. But we have several tie-ups, MoUs signed with other agencies, Indian industry, where we are the partner for providing the energetic materials and components and assembly and the other partners providing the hardware and other things. We have several.

Aman Vij: Yes. And we expect any orders from these tie-ups in this year, FY24.

T V Chowdary: Yes, yes. We are expecting -- we're expecting those MoUs to get converted into -- because a lot of our RFPs are in pipeline, under consideration, already submitted -- different stages of maturity.

- Moderator:** The next question is from the line of Gursharan from GMA.
- Gursharan:** Just wanted to understand the order position from the Israeli orders which you had mentioned earlier. How much percentage have you concluded supply?
- T V Chowdary:** From the development and all we have completed. Now we received the production order. So like we have explained, now the inventories are produced and build up. So supplies and all those will progress. We have not supplied anything we have not supplied as the production order. They all started loading in our mandate so that whenever they arrange -- because transportation is not in our scope. Transportation, shipping is in their scope. They have to organize.
- Gursharan:** So the entire order is still outstanding as far as filling is concerned. Preparation has been done, but it has not been yet shipped. Is that clear?
- T V Chowdary:** Because we have to keep on producing and storing. Hence, they will accumulate till they release them.
- Gursharan:** Right. So any further orders? Have they come in the last quarter after that INR 100 Crores order, which had come in?
- Srihari Pakalapati:** No, we get the normal small orders on a continuous basis. So -- but whatever is material, we have disclosed to the exchanges.
- T V Chowdary:** It is multiple orders in small multiple orders we get.
- Moderator:** The next question is from the line of Parag Kulkarni, an individual investor.
- Parag Kulkarni:** Sir, one thing I want to know. Do we have any plans for the stock split calls or stock bonus if we should, because my concern is the liquidity?
- Parag Kulkarni:** My concern is about the liquidity of the stock in the market. Have you seen any liquidity. So do we have any plans to come up with stock split or one-off stock in the future?
- Srihari Pakalapati:** No. Not at this moment, sir. Definitely, I mean whenever we wish to do that, we will definitely inform you. But not at this moment. We don't have any thought -- I mean think about it in this moment, at this moment.
- Parag Kulkarni:** Yes. Because what I see is the volumes hardly 5,000, 7,000, 8,000 per day. That is hardly any volume for stock growth. And in longer run, for the investors, the growth is really very far in this way
- Srihari Pakalapati:** We understood your concern, sir. Definitely, we'll look into that.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Mr. T.V. Chowdary for closing comments.



Premier Explosives Limited
February 13, 2023

T V Chowdary:

Thank you very much, sir, for your interest in our company and very valuable questions and suggestions. I think, we'll come out with better results in the next meet. 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, and you may now disconnect your lines.