



“Premier Explosives Limited
Q1 FY '24 Earnings Conference Call”
July 20, 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
ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Premier Explosives Limited Q1 FY '24 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. 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 Q1 FY '24 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the first quarter ended June 30, 2023. 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, Vishal, and good afternoon, everyone. Thank you for joining the call. We'll begin the call with company's operational performance during the quarter followed by the key industry update.

The recent highlight for the company has been strong order inflow. We had started the Fiscal 2024 with an order book of INR 521 Crores and additionally received order inflow of almost INR 725 Crores in the year till date. Our current outstanding order book stands at approximately INR 1,108 Crores, a strong growth of 71% Year-on-Year and 113% Quarter-on-Quarter. Translates into 5.5x of our financial year '23 revenue. Execution of these orders will help us to bid for bigger and better order from Indian defence industry as well as from the foreign defence entities.

Let me take you through the new order update as on date.

- Ministry of Defence, IAF - Supply of chaffs for INR 292.11 Crores and supply of flares for INR 260.15 Crores, including of GST, each to be executed in 12 months.
- Ministry of Défense, Air headquarters supplying 50 mm MTV flares for INR 76.78 Crores to be executed in 12 months, including GST.
- Bharat Dynamics Limited supplying of attached booster grains for INR 5.73 Crores, including GST to be executed in 12 months.
- Bharat Dynamics Limited supplying of P1 and P2 motors for MRSAM INR 43.26 Crores, inclusive of GST to be executed in 24 months.

- L&T Limited supplying of PSOM-XL motors for INR 13.94 Crores, inclusive of GST to be executed in 12 months.

In our previous conference call, we have already informed about the new developments on DRDO technologies, which have been already transferred to us, and we are fully working on those technologies.

We have also informed that we have completed the design and development of various products for foreign entities and for export purpose, and we have started supplying the export foreign entities. The bulk export orders we received, and we started supplying.

Latest things which we have already informed is we have exported one container of 160 mm rocket motors, and we have exported 104 numbers of warheads. And we have also exported another 100 numbers of rocket motors in the past two months.

Coming to quarter's performance:

During Q1FY'24, Premier Explosives supported excellent performance on overall level. Our revenue for the quarter increased by 20% Year-on-Year and 18% Quarter-on-Quarter to INR 62 Crores, highest revenue post the COVID-19 pandemic.

Premier Explosives have achieved highest ever EBITDA margins of 27% in Q1FY'24, which is a significant improvement mainly on the back of higher execution and contribution from defines contract. Consequently, the PAT margin of 13% was also the highest ever.

Outlook:

Premier is the only qualified Indian company for counter-measures and the only Indian company, which is in export of fully assembled rocket motors. In addition to the rocket motors and warheads, production of mines against new orders is going on at Katepally. This is expected to give good boost to revenue in the coming quarters and FY '24-'25.

In terms of cash flows, we have generated healthy cash profit of INR 10.91 Crores with the 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 of our balance sheet.

Coming on the defines industry:

The defence industry status about different -- the production, growth from 12% -- rose from -- rose to 12% from Year-on-Year and crossed INR 1 Trillion mark for the first time ever. And exports of the defines products has surged to INR 16,000 Crores. The Indian government and Defence Ministry are trying to reduce the dependence on imports from the foreign nations.

India was the world's largest arms importer in the past decade and was dependent on Russia for more than 50% of its military supplies. Total value of India's local defines production has jumped to INR 1.07 Trillion in FY '23 and is raising. In order to overcome the obstacles faced

by domestic manufacturers and promote local defence products, the government of India is constantly collaborating with the domestic defence companies.

Since the Government of India has started with the Aatmanirbhar Bharat initiative, it has helped to encourage the domestic technology development to build self-reliant India in future.

The Defence Acquisition Procedure (DAP), prioritizes the indigenization of sourcing, manufacture, research and development as well as software and other high-tech applications. By 2025, Defence Production and Export Promotion Policy 2020 seeks to generate revenue of INR 1.75 Trillion, including INR 350 Billion in exports of aerospace and defence items and services. It also aims to move away from licensed production in favour of local design, development and manufacture. This program maintains to double domestic industry procurement from INR 700 Billion to INR 1.40 Trillion by 2025 with the aim to boost the domestic defence industry.

Coming on the aerospace industry:

With the success in establishing SSLV, that is Small Satellite Launch Vehicle and Government of India's encouragement to private sector to take up satellite launching on a commercial basis, opportunities are opening in space deals. And these are expected to fructify in the coming four years to five years. And Premier -- as you are aware, the Premier is very well entrenched in this and qualified as a vendor for the propellant casting and around these motors. That is PSLV, PSOM-XL. SSLVs and new area where Premier has already done at Sriharikota. Now opportunity is opening up to do in the private industry.

Now we'll share key highlights from the mining industry.

The mining industry where the coal is the major mining sector. As per the Ministry of Coal, the domestic coal production has achieved a remarkable feat with a substantial surge in overall coal production during May 2023, reaching at 17.26 million tons, surpassing May 2022 mark, with an increase of 7.1% year-on-year.

The total -- the coal production in April, May financial year '24 jumped to 149.41 million tons from 438.41 million tons, with a growth of 8% year-on-year. The all-India production of coal during '22, '23 rose to 893.08 million tons, with a positive growth of 14.76% as against FY '21/'22, it's 778.21 million tons.

The Government of India has unveiled a futuristic plan, indicating that the country must move from open cut mining to underground mining, which is more beneficial to the environment by quadrupling production from the underground mine to 100 million tons by financial year '28. Government wants to increase the share of underground mining of coal for sustainable mining sector through the Aatmanirbhar Bharat model. By 2030, the Coal Ministry is expecting to increase the share of underground mines, coal to 10% from the current mining level of 4%.

Also, the CIL has prepared the road map to achieve the target shared by the ministry. To achieve the undergone mining vision, coal companies need to be upgraded itself with the latest technologies and scaling the production of underground mining will help to reduce the importing of coal and further it will help us saving far more today. Thank you. Now I request our CFO, Mr. Srihari to share financial performance.

Srihari Pakalapati:

Thank you, sir. Good afternoon, 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 first quarter ended June 30, 2023.

The revenue from operations for Q1 FY '24 stands at INR 62 Crores as compared to INR 52 Crores in the corresponding increase last year, which saw a growth of 20% Year-on-Year and 18% Quarter-on-Quarter. Our operating profit for Q1 FY '24 stands at INR 16.7 Crores as compared to INR 5.8 Crores with a growth of 187%. The operating margin for the quarter stands at 27%, which is the highest ever EBITDA margin in the history of Premier Explosives, which is already shared by Mr. Chowdary in his initial remarks.

In Q1 FY '24, we reported a net profit of INR 8.2 Crores compared to INR 1.3 Crores in Q1 FY '23 with a growth of 551% as compared to the corresponding period last year and even on the net profit margin, Premier Explosives have achieved the highest ever PAT margin in the history of Premier.

Now coming to the order book. The company's current total outlook stands at INR 1,108 Crores, out of which the higher margin defines segment forms that majority, which is at INR 908 Crores, which is 82% of our total of order book. Explosive segment stands at INR 77 Crores and service segment that is the operational maintenance is INR 123 Crores.

During the quarter the domestic order book contains 87% on export orders that contained 13% of the total order book. The order book represents a solid and strong growth over the previous year. We are very much confident that with our improvement in execution run rate, we expect forthcoming quarters will be continuing with our growth trajectory.

With this, we'll now 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:

My first question is on the flares and chaffs business, which we recently got. So, if you can talk about -- so what we understand, typically, these are consumables. But the usage will be normally looking at the history, is it like the usage is once per every year? Or how long is the replacement cycle, if you can talk about it? And what is -- the annual requirements of India as of now, what we understand is that we are the only approved player in this. So then in that case, is rest of the products imported. So, if you can explain this industry a little bit more? And where do we see the repeat orders coming in? If you can talk about that? This is the first question.

- T.V. Chowdary:** Yes. This orders what we got are emergency procurement orders, which we have to meet the requirement in 12 months' time, so that the Indian Air Force can replenish all their things. And afterwards, these have got a shelf life, and they are also consumed for training and practice and all purposes. So, after this, then we have regular consumption for this. It may not be at this level that in 12 months we get such a big order, but there will be -- consistently there will be offtake.
- Aman Vij:** I'm sorry. So typically, it's like 20%, 30% replenishment is done every year. And also, if you can talk about where is India currently getting its requirement. Is it through imports? Are we import substitution? What is the addressable market on the chaffs? These were the first question.
- T.V. Chowdary:** It's not clear. It's speech is not clear.
- Aman Vij:** Sir, is it better now?
- T.V. Chowdary:** Yes, yes, please. Go ahead.
- Aman Vij:** I was trying to understand, you mentioned that normally, the product is used in training and exercises also. And the repeat order won't be to the same extent. But typically, it is like replenishment if we talk about, is it like 10%, 20% is used in a year. If you can talk about the same, then if you can also talk about -- as of now, the products plus these flares and chaffs were they getting imported in India? We are an import substitution? Or what is the addressable market? Because maybe these are specific for a particular kind of aircrafts, but India will procure more aircrafts, so example, Rafael and all those things which are coming up. So, if you can just explain the market what it is currently and also the offtake, like normally every year, replenishment will be like 10%, 20%, 30% or a bit lower, if you can talk about the same.
- T.V. Chowdary:** I will talk about the aircraft and other issues rather than about the quantities. Yes, what we are -- now the orders what we receive are for both kind of aircraft. That is NATO dispensing systems and also for the Russian dispensing systems.
- The orders what we receive cover all kinds of chaffs and flares used in both. There are always 2 types of systems used on this. And these are being made as import substitution. And as Aatmanirbhar India, we are making these. And the quantities, of course, like I mentioned, it will not be such a large quantity in the future. But there will be always consistently, there will be an offtake of something between 10% to 20% of current market value.
- Aman Vij:** Perfect. My second question is on the grenade side. So last time you explained that the trials by the MOD is basically the customer is spending and they are expected to come any time to our facility.
- So, if you can talk about the same when they are expected to come. And also, what will be the timeline after that? So, if they visit in next month or after that, there will be RFP. When can we actually start supplying the grenades product, which you can talk about briefly.

- T.V. Chowdary:** I don't think we can comment on that because it is not like a consumer industry, like coal industry, where consistently this much finding is there, then we can offtake and all those. Because these are need-based orders placed by MOD as per the requirement. So, we cannot say that every month or after one month or two months order will come out like that. So that's difficult to say.
- Aman Vij:** No, no, sir. I was talking about the other product, grenade. For that, we are still expecting the order, right? I'm just trying to understand when is the inspection due? You talked about the first trial, which we were supposed to do is done. But now the customer is supposed to do the trial...
- T.V. Chowdary:** Okay. I think -- like I mentioned, the speech is somehow it's not very clear. We are finding it difficult to understand and reply. But still I understand you asked about the grenade ammunition.
- Aman Vij:** Yes, yes, sir.
- T.V. Chowdary:** Grenade ammunition, we have participated under DCPD program and the development part and all those are completed as per DCPD. And we have also established our production facility, and we just submitted 2 phases of our clearance, and it is expected any day clearance.
- And in the meantime, we started getting queries from the paramilitary forces and other agencies about our status of -- our supply status and on preparedness, we are taking up. And I think coming -- in this financial year, I think we'll be working on that and then probably we'll be participating in RFPs. Our delivery starting is different, but RFPs have to come and participate, and they have delayed converted into others, then deliveries will start.
- Aman Vij:** Sir, these will be small orders like INR 10 Crores, INR 20 Crores? Or do we expect like INR 50 Crores, INR 100 Crores of RFPs and orders in these grenades over the full year?
- T.V. Chowdary:** These grenades also orders will be big only. When we get -- if we get army order, they should be large orders. But if we get paramilitary forces orders, there will be multiple orders of smaller value.
- Aman Vij:** And you expect RFP to happen this year only, right?
- T.V. Chowdary:** Yes.
- Vishal Mehta:** I have more questions, I'll come back in the queue.
- Moderator:** The next question is from the line of Niraj Mansingka from White Pine Investment Management Private Limited.
- Niraj Mansingka:** Sir, question on the QRSAM, the orders that we have received, is there any part of QRSAM order that you have received?

- T.V. Chowdary:** No. QRSAM orders have not yet come. It's only smaller quantities from DRDO, we are waiting and then we are -- that is as part of the development of it. But production outlooks have not yet come.
- Niraj Mansingka:** Okay. So, can you give us some clarity when you expect that to have come in and what quantum can it be?
- T.V. Chowdary:** We have submitted different queries to answer the queries and all those, but the quantities appear to be 400, 500 numbers. But we have to get response and all those things.
- But yes, the smaller numbers for qualification trials and all those, we are producing and giving them, and they are being tested at DRDO.
- Niraj Mansingka:** And are you the only supplier for the same or is there other partner players also who have got clear some?
- T.V. Chowdary:** As on date, Propellants, we are the only supplier.
- Niraj Mansingka:** Got it. Okay. And sir, can you give some more clarity in the last quarter, you had said that you are participating in RFP for ammunitions for four variants.
- T.V. Chowdary:** Little louder, please.
- Niraj Mansingka:** So last conference call, you had said that you had participated in the RFP for four variants for ammunitions. Can you give some more colour on that?
- Srihari Pakalapati:** No, I think in the last call, we have given some answers with regard to the RFPs. So actually, I was asked about the percentage in flares and chaffs, which we complete large number, which has been materializing now. So, RFP is a continuous process which are -- so which is relating to so many products.
- Niraj Mansingka:** Got it. And sir, regarding your Israel export order of rocket motors, do you see more scale up happening from 100 units that you have exported, or you see on a run rate of, I think, 50 units a month you average there. So, do you see that increasing further from you? Or you can see that continuing on the same rates?
- T.V. Chowdary:** We expect them to increase.
- Niraj Mansingka:** Okay. And in terms of your capacity, how much of the capacity for you to manufacture the chaffs and flares and -- or let me put in this way, what can be the revenue potential from maximum utilization of the chaffs and flares that you have got the order for.
- T.V. Chowdary:** Like you have mentioned, the 50% of the order, we can execute in the current financial year. Balance 50% will go to next financial year.
- Moderator:** The next question is from the line of Dhaval Shah from Girik Capital.

- Dhaval Shah:** Sir, a little bit of repetition of the question asked previously. I would just want to understand of this INR 550 Crores order, which we have, after what interval will the replenishment or will be required by the customer, and what is the timeline?
- T.V. Chowdary:** I don't think we'll be able to answer this. These are all MOD decisions and these things; I don't think we can comment on this figure.
- Dhaval Shah:** Okay. Fine. And before we got this order, these products were being imported in the country? Or how was it?
- T.V. Chowdary:** Yes. Earlier, they were being imported. But past three years, we are supplying. Premier only is supplying these.
- Dhaval Shah:** Got it. Got it. And how do you see this -- the order book momentum which we have built up? How do you see that going forward? What is the intensity of orders you expect to get?
- T.V. Chowdary:** As we are delivering, the more and more confidence is building up in the customers and we are getting orders, and we expect this to continue the trend. Whether it is for export, our export customers, our domestic customers, we have proven ourselves as a dependable and deliverable -- delivering people.
- Dhaval Shah:** So, when you say the trend, you mean the trend of getting like INR 500 Crores, INR 600 Crores order per year? Or what -- how do you define the trend?
- T.V. Chowdary:** Yes, that is -- our target is to grow and although INR 500 Crores, INR 600 Crores target is there, even higher than that. So...
- Dhaval Shah:** Okay. Okay. And last question...
- T.V. Chowdary:** I think earlier several interactions I expressed, that we are multiple projects we are in missile and then other projects, which are in development crossing. So as one project gets into production and coming to a completion, then the second one takes over. Like Akash has fuelled does and then we have done well and Akash and all those. Now Akash is tapering out, MRSAM and Astra, they have all taken over. And that similarly exports what we are doing. The more-and-more others are coming for development and execution. So, we hope that the same trend will continue.
- Dhaval Shah:** Got it. And last question, so we did IN R60 Crores in September quarter also September '22. And then, and now also that similar top line where the margin difference is huge. So, if you can elaborate on that on the product mix side, what explains this big margin improvement?
- Srihari Pakalapati:** This is mainly due to the product mix, which can be even in defence. There are some products which can give us a good margin. Some products which may give us the less margins. But in this particular case, the product mix makes the difference.
- Dhaval Shah:** And how do you see your margin trajectory for the current year?

- Srihari Pakalapati:** No, it will be improved. As explained in earlier question, it will be improved. And actually, if you remember the previous call, our Managing Director was telling to be around 20% range kind of margin EBITDA. So, I think, we will stand by with that.
- Moderator:** The next question is from the line of Prabir from Ratnabali.
- Pankaj Gupta:** I'm Pankaj Gupta from Ratnabali Investments. Sir, congratulations for the excellent set of results and also the historical order in which you have received in this quarter. Sir, my first question is slightly repetitive. But sir, whether this emergency orders, which we have received from chaffs and flares, will it be able to suffice the entire backlog of our country? Or this is just a part of initial part, which the MOD or our government is giving as an emergency measure to fulfil a small part of it.
- T.V. Chowdary:** Again, we will come back to the same question about quantities. I don't think we can comment on the MOD's requirements and what future procurement plans and all those things.
- From our part we can say is, definitely, it will not be at this level every year, this is an emergency procurement. But we have bouquets of products. It is different like that's what I was explaining. one year, one product make a core another other product. So, we hope that we will sustain this kind of momentum and the overall turnover and base.
- Pankaj Gupta:** And sir, can we assume that we would be the only suppliers of these kind of requirements in the near to medium term?
- T.V. Chowdary:** As on date, we are the only qualified vendor, Indian vendor. And MOD has taken a decision to procure from local supplier only. So as on date, we are the only. In future, of course, we can't say if somebody has developed are coming to it.
- Pankaj Gupta:** Sir, excellent. Sir, last quarter, you were saying that there were some approvals pending for the export order to dispatch, whether we have received the entire approval and the pending export order of say, INR 100 Crores plus when we expect it to deliver.
- T.V. Chowdary:** This export deliveries, yes, they are waiting. Some of them have gone and some even deliveries to MOD, which we're waiting for inspection has been completed. So, the reflection of those deliveries has appeared in the first quarter performance and the results. And balance, it is like the deliveries have to be made periodically like it's not every month. We -- every three months, the inspections are done, and the lots are dispatched, whether it is to MOD or our export commitments.
- Pankaj Gupta:** Okay. And sir, over the last few years, we have deliberately been slow on getting the orders from the commercial, mining and explosives because of very high volatility in our raw material prices. So, what is our view going forward? Is there any new RFP requirement, which is coming for bidding and what would be our strategy? Because right now, the raw material prices have stabilized. So, if you could give some colour also on our explosives business.

- T.V. Chowdary:** You're right, in the past 2-3 years, we were slow on the industrial explosives part because the prices were -- selling prices were low and then the raw material prices have gone up like anything, major raw material cost. So that was becoming a burden. But still where we -- our commitments are there; we still service those commitments. And new commitments, we are not taken where it is not. So that has pay dividends, and then we have come back to our healthy profit-making process. And now the raw material prices also have stabilized for industrial explosives and the costs have come down and prices also have stabilized. With that, we are again back into the business in full swing. So, we'll continue to be in that line. We are not going to quit that.
- Pankaj Gupta:** Okay. Okay. Sir, one more question. Sir, do we also foresee any kind of strategic tie-ups, etc. to enhance our capability and get into new things where India may not be self-sufficient, technology-wise.
- T.V. Chowdary:** Yes. Lot of activities going on, which -- where more and more products are being added for this thing. You have seen the past 2 years how many are added in the defines line. Aerospace, aerospace is another area where the strap-on motor, if you see it in Katepally facility three years back, it started. And slowly, it picked up and we qualified. And today, now we started servicing the bulk production after. That L&T are one of them. And so new things which we are going to add, which are in the development stage and going all on various other mines, ammunition and warheads, these are continuing.
- Pankaj Gupta:** And sir, I think -- are we also a part of this Chandrayaan mission?
- Moderator:** Sir, may we request that you return to the question queue. There are participants waiting for their turn.
- Pankaj Gupta:** Sure, sure.
- Moderator:** The next question is from the line of Jayesh Shah from OHM Portfolio Equi Research.
- Jayesh Shah:** Congratulations, sir, for super solid numbers. I'm new to the company. So perhaps my question is basic. But just wanted to get a sense on, what do you think is the normalized operations that you can have in terms of, say, sales revenue? Where are your capacities right now? And is it fair to expect as you had been indicating that now we can look at an order book inflow of between INR 500 Crores to INR 700 Crores per annum? Or is it more?
- T.V. Chowdary:** As on date, we -- of course, the citing is different, but we foresee a consistent order book of the same around INR 500 Crores, INR 550 Crores per annum.
- Jayesh Shah:** I see, I see. And what will be the peak revenue potential of your existing capacities?
- T.V. Chowdary:** Product mix, different products, different capacities, facilities and all those. We have all the products so that it is not that one product will depend. And defines products, today what is an emergency procurement bulk tomorrow, it cannot be there. So, we have built up our bouquet

that this product or that product and all it keeps on coming. So that way, we have enormous capacity.

Jayesh Shah: I see. So do I understand that this means that your revenue can be volatile Quarter-on-Quarter pertaining on the product mix.

T.V. Chowdary: Yes, Quarter-on-Quarter it will not be consistent because it depends on the deliveries made. So, we may be producing but holding it and then when we deliver it, it comes. So, there will be fluctuation in revenue.

Jayesh Shah: I see. I see. But is it fair to expect that given the order flow and the order book that you have, you are looking at a sizable jump from your current scale of, say, INR 200 Crores per annum to stabilize at something like, say, INR 300 Crores to INR 400 Crores per annum?

T.V. Chowdary: We are expecting even bigger than that. Like I mentioned, we are looking at something like above INR 500 Crores per annum not INR 200 Crores.

Jayesh Shah: I see. So, in a way, INR 500 Crores plus of order book and INR 500 Crores of revenue could be a sustainable thing.

T.V. Chowdary: Yes.

Jayesh Shah: And how is the working capital cycle, sir?

Srihari Pakalapati: So actually, in defines, the working capital cycle is more compared to these but now at this moment, the defines working capital, which is about almost INR 120 Billion to INR 140 Billion.

Jayesh Shah: Okay. And is there some retention value that one has to actually leave on the table? And how much is the upfront advance that you normally get?

Srihari Pakalapati: So normally, there is -- there are only few cases where there is an advance clause, at least in these 2 large orders, there is an advanced clause, which we are going to claim for these. Second thing is need not necessarily mean that there should be advanced in every contract, need not be.

Jayesh Shah: Right, right. And how is the retention thing?

Srihari Pakalapati: Retention is not there, at least in this order. Yes, there are retention money. Some of the small contracts from BEL kind of thing, but even that can be claimed by submitting the bank guarantee, not that money is stuck there.

Moderator: The next question is from the line of Milan Shah from Urmil Research.

Milan Shah: Congratulation for great number and wish for the same. Sir, my question is we have got this huge order, we have that capacity, or we have to add for fulfil the order?

- T.V. Chowdary:** We have the capacity, sir. We have already built in the capacity.
- Milan Shah:** Okay. And what is the percentage raw material of imported for these orders, or raw material we are used for manufacturing, which is required to import.
- Srihari Pakalapati:** This will be within the parameter special with the MOD.
- Moderator:** The next question is from the line of Dixit Doshi from Whitestone Financial Advisor Private Limited.
- Dixit Doshi:** Congratulations for a good order win. Sir, my first question is regarding the orders. So as of today, let's say, how much worth of orders we have tender or bidden and awaiting the results?
- T.V. Chowdary:** I don't think we'll be able to add up the tender. There are so many tenders and it's a regular ongoing process.
- Dixit Doshi:** Okay. But then roughly -- so last quarter, you mentioned that we have participated in INR 600 Crores...
- T.V. Chowdary:** That time, we had this big one in our range. So, we could mention that. But every tender cannot be a big tender like this. So, we have multiple so many so that's a little difficult to do content on.
- Dixit Doshi:** Okay. And secondly, sir, on the margins. So, you guided that we can do a sustainable 20% kind of margin. But at the same time, you also mentioned that in the current quarter, due to the product mix, the margins are at historical high of 25%. So now going forward, that the product mix will be very much tilted towards the defence side. So do you feel that the 20% margins, which you are guiding is too low or you feel that the current execution and the future orders have a different margin.
- Srihari Pakalapati:** No, that actually we are -- normally, we have given the guidance of 20%. There will be some improve, I mean, there may be some improvement again, maybe that lets us think in the -- let me tell, in the quarter-to-quarter because some quarters, it may be high but on an average of I think it should be 20%, around 20%-25% guidance.
- Dixit Doshi:** Okay. And this quarter, was there any significant improvement in the margins in the explosives business, commercial explosives?
- Srihari Pakalapati:** They also contributed to some extent there. It's not that they have significant, but they also -- all division of the company have contributed to some extent to reach this level.
- Dixit Doshi:** Okay. And my last question on the export side. So, over the last couple of years, we were getting a small, small orders. And obviously, the client were also testing our products. But now we have started the deliveries like you mentioned in last two months, three months, the deliveries have gone up. So, do you expect any significant order wins over the next 12 to 15 months from the defence side? Or you feel that this current INR 100 Crores, INR130 Crores kind of order book of defence can significantly go up over the next 2-3 years?

- T.V. Chowdary:** I think we have already announced orders, which earlier what you said about small orders for development orders and from development orders, Now we already got the bulk supply orders, which time to time we were announcing, and they are being executed now.
- Moderator:** The next question is from the line of Vivek Gautam from GS Investments.
- Vivek Gautam:** Sir, congratulations on a good set of numbers. Hopefully, it's not a one-off and sustainable. Sir, one thing I just wanted to know about was the upcoming projects like basically, the BrahMos and SSLV products, what are the likely timeline for them?
- And second question is our company is one of the -- we have started recently tracking the company, our company is one of the oldest companies, and is it the best time you are facing and so far, the business journey. The company was founded way back in 1980 by Dr. Gupta. And that's just what about the second generation, who is the next generation, what are the succession planning? That is also important for the investors in the company.
- Srihari Pakalapati:** As you said, this was started in 1980 by Mr. Gupta. Until recently, he was leading the company and he was guiding us. Now because of because of his respect and all he has taken. Now this is -- now run by the professionals, this has been run by professions with the guidance of Mr. Gupta.
- T.V. Chowdary:** Yes, right from the beginning, Mr. Gupta, himself being a professional gold medallist in the Mining Engineering and then with his professional background, he has run the company as a professional company and then with full delegation and all those. So today, yes, because of that, even though he doesn't sit every day on every issue. So, the company is running, and it is progressing based on the foundation.
- So, this -- and as far as the succession is concerned, right now, I am the CEO and Managing Director. I am associated with the company for the past 36 years. So -- and the next generation, yes, we have our own plans and within the company, the people who are growing and also Dr. Gupta's family members are also in queue. So, I think we have enough safeguards put in place so that the company runs in the course in which it is put. And even today, Dr. Gupta is available to us. His long experience is available to us on every day if we need, and we will keep on using that.
- Vivek Gautam:** Okay, sir. And what about the likely timeline for business, BrahMos and SSLV products and other pipeline -- upcoming projects in pipeline, if you can throw some light, sir?
- T.V. Chowdary:** It may take five years, six years, not less than that for fully targeting commercialized.
- Vivek Gautam:** And we had -- BrahMos also some point was -- technology transfer and...
- T.V. Chowdary:** Yes, it is still going on -- BrahMos technology transfer is going on. See, when technology transfer process what happens is, we have to conduct several trials of the composition. And finally, when you achieve all the characters needed, then you have to go in a cast big model to

small models and then big models and all those. So, we are going through that. I think by the end of this year, I think we'll be fully qualified for BrahMos.

Vivek Gautam: And lastly, sir, about the basically, is it the best time in the business ever since on cooperation, we are facing, thanks to the Aatmanirbhar scheme. And because the company is listed since a very long time. And now the better triggers are coming in and the future look much better than earlier time?

T.V. Chowdary: Yes, yes. In fact, if you look at the list -- positive domestic production list if you would see that, you can identify which are in our line and then those are all -- we are working already on that, and those are expected to give us the future revenue from defence.

Moderator: The next question is from the line of Moushmi Paul from Equentis Advisory.

Moushmi Paul: So, congratulations on the good results. I just wanted to understand that your order book has doubled in the last one year and are we expecting the same order book trajectory in the coming quarters? Can you tell me in percentage wise, what we can expect?

Srihari Pakalapati: Yes. Actually, if you see our order book, most of the order book around INR 720 orders has been added in the first 3.5 month. Okay. So, we will be getting the orders on a continuous basis, but it may not be as big as these are-- so -- but current year, in FY '24 -- '23-'24, we already received INR 725 Crores. Okay. So, we will keep getting the orders on a small scale.

Moushmi Paul: Okay. So how much time does it take for you to execute the orders?

Srihari Pakalapati: Next 12 to 18 months for most of the orders.

Moushmi Paul: Okay. And with this kind of strong order book, what is the scope of margin improvement in the coming quarters?

Srihari Pakalapati: So, we have given the guidance, which is more or less a guidance, which we were talking about an average of 20% per quarter.

Moderator: Next question is from the line of Naitik Mohata from Sequent Investment.

Naitik Mohata: Sir, I wanted to understand on the margins side again. So, we have a domestic book, which has large chunk of defence order. I just wanted to understand if defence has a very high margin compared to other 2 segments of the business. Then why we are like guiding on the conservative side of 20%, cannot we do around maybe in the range of 23%, 25%? Just wanted to understand why are we guiding on the conservative side on margin.

Srihari Pakalapati: No. We can -- I mean, it is not that we have given at around 20%. I think if you see the last year, it was 13%. So, we are already making it to 20%. Yes, we are able to give them much better this timeline.

Naitik Mohata: So, if you can give the breakup of this margin, so we have a defence order book of INR 900 Crores, order book of INR 200 Crores of an explosive and then service segment. So, can you give the margin breakup between these three segments?

Srihari Pakalapati: No, sir. We normally don't give that in segment wise.

Naitik Mohata: Okay. Okay. Okay, sir. And sir, if you can give any colour on the order pipeline, which we are looking for the next two quarters, three quarters. So just want to understand, we have a very like large order book as of now. So, any colour on the pipeline, what kind of pipeline we are seeing, a quantitative ballpark number will be helpful, sir. I just wanted to understand on the revenue side, like what...

Srihari Pakalapati: Received INR 725 Crores in last 3.5 months. So, getting some orders on a regular basis on this thing, but it's not that we will receive another INR 700 Crores in the next three months. It is a - - we'll keep on getting the orders, so that is the case.

Naitik Mohata: So maybe our order book will again go back to a normalized number of INR 100 Crores to INR 150 Crores per quarter. Is my understanding correct?

Srihari Pakalapati: Yes, we will be receiving, because we are producing so many different products, not only chaff and flare -- so many other products. We will keep on getting the orders that will be added to the order book. And at the same time, we will be executing orders. That is a regular process.

Moderator: The next question is from the line of Rushabh Doshi from Nimiti Investment Advisory LLP.

Rushabh Doshi: Yes. Hi, congrats on a great set of numbers. So, I had one on bookkeeping question and another question. So, I just wanted understand like what is the GST rate on the orders which we receive? So, I just wanted to reconcile the order book and revenue.

And secondly, like this quarter, we just talked to that other expenses are quite low. So, could we assume that depends on other expense line item be structurally lower? And secondly, on the employee cost side, last year, like INR 200 Crores revenue, the employee cost was around 25%. And I don't think that we have a plan of significantly increasing this number. So, on a INR 500 Crores, INR 550 Crores of revenue this cost would shrink materially. So, I just wanted to understand like is 18%, 20% EBITDA margin a conservative guidance? Or it can be high because the employee cost was only add, I guess, 8%, 9% additional on the EBITDA.

Srihari Pakalapati: So, there are two questions. One other expenses. Other expenses have gone down. Yes, because there was a significant reduction in the export expenses because last year similar quarter, there was an export of about INR12 Crores to INR13 Crores, incurred about -- expenditure of about INR 2 Crores, which is not the case in this present quarter, first part. So, because of that significant amount of other expenses have come down.

Second thing, actual employee cost. Yes, there was -- because we are going forward, we have most of the employee costs related to the fixed component, which will not be increased in line with the revenues.

Going forward, when the revenues are going up, automatically the percentage of employee costs will come down, that will be reflected mostly in '23-'24 and especially in '24-'25. You can see that the significant reduction in employee percentage on the overall revenues.

- Rushabh Doshi:** Yes. And the GST rate for the difference of orders?
- Srihari Pakalapati:** Sorry, I didn't get you.
- Rushabh Doshi:** I just wanted the GST rate on defines orders, like if it's a construct rate across products.
- Srihari Pakalapati:** What's the rate you are asking.
- Rushabh Doshi:** GST rate, Goods and Services Tax.
- Srihari Pakalapati:** I can't hear you, sir. Can you please say again?
- Rushabh Doshi:** I just want -- am I audible now?
- Srihari Pakalapati:** Yes, sir...
- Rushabh Doshi:** Yes, I just wanted to know the GST rate on the defence orders, which we have.
- Srihari Pakalapati:** What is that -- you're asking about the execution rate or -- what is that?
- Rushabh Doshi:** No, no, GST rate on the order book. So, when we -- when you receive orders and you posted on the exchange, like you say that you've received order worth of INR 290 Crores, including GST. So, I just wanted to know what is the GST rate?
- Srihari Pakalapati:** Actually, our order book of INR1,107 Crores is the net, without GST. But normally, when we disclose it with stock exchanges, we disclose with the figure, which is given in the contract. That's why we clearly mentioned about the including GST. But it is INR1,107 Crores is the net without GST. It is the only tax...
- Moderator:** The next question is from the line of Gurvinder Singh from Fortuna Investment Advisors.
- Gurvinder Singh:** Thank you for giving us the opportunity. I wanted to pick on the idea of how the working capital stroke funding for execution of some of these new contracts will look like. Would you necessarily have to borrow substantially this year -- or would your internal resources be sufficient? I just wanted to seek your guidance on how your working capital position will move as the year goes by.
- Srihari Pakalapati:** Yes, sir, actually, we are not planning for the further borrowings fund. Second thing, yes, there is an advance class, which we are going to utilize, and we will manage to some extent with the advance we get from the order. Second thing, we are getting support from our existing banks. So, we will try to manage this thing, I mean, working capital requirements with existing borrowing limit.
- Moderator:** We'll move on to the next question. That is from the line of Prabir from Ratnabali.

- Prabir:** Sir, just one question. Sir, we also supply warheads propellants in India, while we supply the entire motor systems in exports. So, sir, how do we see whether we would be migrating to the supply of the entire motor systems in domestic market in future also.
- T.V. Chowdary:** Yes, we have already started that in domestic market also, local designs. We are with hardware we started, and we are supplying some of them.
- Prabir:** So, sir, for example, so how much value additions come, for example, if our supply is right now say INR 100, and if we supply Rocket Motors entire, so how can be the revenue -- how much revenue can be increased on account of debt as a percentage?
- T.V. Chowdary:** The hardware value will be added and also assembly value will be added. But those vary from motor to motor for the missile to missile be varying. It's difficult to say what percentage and all. Generalizing it, is difficult.
- Prabir:** Okay. Sir, any ballpark on an average that is my warhead and propellant is INR100, then rocket motors can be INR 150 Crores INR 200 Crores, a very ballpark average figure.
- T.V. Chowdary:** Motor size is increasing, it becomes bigger. The cost of hardware keeps going up in terms of percent. But when it goes to smaller rocket motors, it reduces. So, I don't know. It's very strong 10% to probably 300%.
- Moderator:** The next question is from the line of Tushar Sarda from Athena Investments.
- Tushar Sarda:** So last quarter, you said that you had a INR 500 Crores order book, and you will do -- execute that roughly this year subject to pick up by customer inspection and pick up by customer. Now we have INR 1,100 Crores order book. So, do we expect this INR 1000 Crores -- INR 1,100 Crores to be executed 12 months? And how much would it be this year, that is March '24? And first quarter is only INR 60 Crores. So, do we expect acceleration in Q2-Q3? If you can just give some guidance on the execution speed.
- Srihari Pakalapati:** Sir, actually, there will be -- definitely, there will be some improvement, but we are in the execution phase now, and the clarity will come -- going forward, we will have a clarity. But the total order book of out of which is about INR 1,000 Crores let into that -- I mean other than O&M. O&M is of course, will be there for next seven years, that INR 123 Crores. Rest of the order book has to be executed in the next 12 - 18 months down the line. And we are expecting to be completed -- these orders to be completed in next -- less than 18 months.
- Tushar Sarda:** Okay. So, is it 18 months or 12 months? Because last con call, you guided...
- Srihari Pakalapati:** 18 months. There is overall order book is...
- T.V. Chowdary:** Emergency procurement of chaff and flare is 12 months, but other offers are there 18 months and even some are there for 24 months also. And this emergency procurement, yes, half of that we'll be completing in the current financial year and half will go to next financial year.
- Tushar Sarda:** Okay. And how would the buildup will be -- will Q2 be much higher than Q1?

- Srihari Pakalapati:** We have to see that, that we cannot comment on it at this stage.
- Tushar Sarda:** But you said that...
- T.V. Chowdary:** We keep on producing. Now delivery in the quarter depends upon the agencies coming and inspecting them and then issuing certificates for delivery. Then we have to deliver them, then only it will come into the revenue, and it will come into profit and all those. So exactly telling profit is difficult. We are trying. We are trying to push as much as possible.
- Moderator:** The next question is from the line of Santanu Chatterjee from Mount Intra Finance Private Limited.
- Santanu Chatterjee:** I just wanted to understand your order book little closely. On 31st March 23, your order book was INR 521 Crores. And order inflow in year-to-date FY '24 stands at INR 725 Crores. Together, it comes roughly around INR 1,246 Crores, and you have executed INR 62 Crores in the first quarter itself. So that makes it INR 1,184 Crores order in hand, but you are showing INR 1,108 Crores in your presentation. So why this INR 76 Crores gap, is there any order that was already dropped from our list, sir?
- Srihari Pakalapati:** No. If you hear my earlier clarification, whatever orders we are declaring, we are declaring with the contract value, which is inclusive of GST. The INR 725 Crores is inclusive of GST. If you see our declarations, there we clearly mentioned inclusive of GST, right. When we finalize our order book, we will take only basic because the basic value which will be coming into the revenues. So, you have to remove 18% in that.
- Santanu Chatterjee:** Okay. Okay. Okay. So that is the -- for GST purpose, this difference is coming?
- Srihari Pakalapati:** Correct.
- Santanu Chatterjee:** Okay. Okay. And sir, as you have mentioned in the last con call that you have guided to achieve INR 700 Crores to INR 800 Crores revenue within the next three years to four years, that means FY'26 to FY'27, you were expecting more or less INR 700 Crores to INR 800 Crores revenue. So, can you give little colour into to it, suppose for FY '24 or FY '25, what would be the run rate in terms of revenue, sir?
- Srihari Pakalapati:** Sir, with the existing orders and deadlines, we need to do at least INR 500 Crores to INR 600 Crores in the year with the existing orders and their life. We are working towards the execution.
- Moderator:** The next question is from the line of Aman Vij from Astute Investment Management. The line for the current participant has dropped off.
- We will move on to the next participant, that is from the line of Viraj Mahadevia, an individual investor.
- Viraj Mahadevia:** Congratulations. I think you've laid a phenomenal foundation for the years ahead. Just a quick question around your ability to execute. Assuming order book is not a constraint at all, with

your new capacities that you just initialized, how much in annual revenue booking can you do in the next two years to three years? Is it upwards of INR 1,000 Crores, INR 1,500 Crores?

T.V. Chowdary: Yes. Thanks for the congratulations, sir. Yes. Like we mentioned, we are looking for something like around INR 500 Crores to INR 600 Crores year-on-year year, a difference of 10% plus or minus. That is our -- what is visible right now.

Viraj Mahadevia: But sir, is a constraint on that INR 500 Crores to INR 600 Crores a function of the order book that you have today? Or is it a constraint of the capacities that you have in place? That's what I'm trying to understand.

T.V. Chowdary: See, this all revenues coming from the defines order. So defines order, it is order-to-order you have to count. You can't go on accounting like industrial explosives, like, okay, there will be consistent of this. So, what we are giving this product this year, I think next year another product may come into it and take over. So, it's very accurately calculating -- it's difficult.

Viraj Mahadevia: Sir, that I understand. The question I'm asking is slightly different. Assuming you have a INR 5,000 Crores order book today with your current capacities, how much will you be able to execute annually? Can you do upwards of INR 1,000 Crores, assuming you have an order book of INR 5,000 Crores today?

T.V. Chowdary: No, we don't have INR 5,000 Crores order book.

Viraj Mahadevia: No, no. assuming. I'm sorry. My question is if order book was not a constraint, how much revenue can you book with your current capacity?

T.V. Chowdary: The capacity -- revenue wise, I don't think -- I don't have a calculation, but capacities vary from the product to product. We have the, like, these all fall in different categories. It is not the same plant used for each product, different plants. So different plants have different licenses and capacity. As per that we go, I think a rough estimate if you expect me quickly to give which will be around INR 2,000 Crores with our present...

Viraj Mahadevia: Excellent. Fantastic. That's really helpful. My second question is presumably your legacy business that was doing explosives for Coal India and mining is probably a low-margin business. And now there's a visible change in your order mix going forward, 80% being for defines. As the current quarter's execution ratio between defence and non-defence, brow your current order book of 80 - 20. What I'm trying to understand is pushing hard at this 25%, 26% margins and whether it's achievable. So, what has been your revenue ratio between defence and non-defence in Q1.

Srihari Pakalapati: So, first quarter our defines and nondefense is rating between 60% and 40%.

Viraj Mahadevia: So, 60% is defence, 40% is non-defence?

T.V. Chowdary: Correct.

Viraj Mahadevia: It may change. Understood.

- T.V. Chowdary:** Because mining becomes a seasonal business. It is a in rainy season, it..
- Viraj Mahadevia:** So, I think quarter-to-quarter, I take your point, it can vary. But over time, if your revenue mix mirrors your order book, which is 80 defence, 20 non-defence, then logically, your margin should be upward of 25%. That's the way I look at it.
- T.V. Chowdary:** This order book says that. But here, if you come to industrial explosives and accessories, these are not long-term markets. Only Coal India and Singareni orders are long-term order, the institutional buyers. Most of the other buyers are all dealer network or we depend more on export which is -- regularly, it is -- even though it has not appeared as in the order book, but those orders will be larger than what ratio we have in order book.
- Viraj Mahadevia:** Okay. So last question...
- Srihari Pakalapati:** So normally, orders on the retail basis. The day-to-day basis, we received the order, we booked the orders and supply and commission it.
- Viraj Mahadevia:** Sure. For the export opportunity, are you seeing more inbound orders, or are you proactively appointing agents or salespeople in specific geographies of friendly nation, so to speak.
- T.V. Chowdary:** In terms of commercial explosives, yes, we have agents, sir, we have -- since we are old company, traditionally, we are doing business, and we have people who are there who are traditionally working on that. We go by that. Defence explosives, yes, in some friendly nations, we have agent. In some places, we are directly dealing.
- Viraj Mahadevia:** Keen to see your execution of INR 500-plus Crores this year.
- T.V. Chowdary:** Thank you. With all your good wishes, yes, we will definitely...
- Moderator:** The next question is from the line of Anant Jain and Individual Investor.
- Anant Jain:** And congratulations on good numbers and the great order. My first question is, there was an RFI that came for chaffs and flares where they mentioned that the procurement phase it will be...
- T.V. Chowdary:** Could you please repeat, sir? I think...
- Anant Jain:** There was a final EOI for chaffs and flares from MOD, where they had a prototype development phase, and they also had the procurement phase.
- T.V. Chowdary:** Yes.
- Anant Jain:** So, is the current order booking, the orders that we got currently a reflection of that EOI?
- T.V. Chowdary:** No.
- Anant Jain:** So, it is completely different.

- T.V. Chowdary:** Yes.
- Anant Jain:** Because that EOI had 11 lakh chaffs, 90,000 flares -118 and 150,000 flares -218. So, is that another order that's going to come? Or is it like that our EOI is no longer valid?
- T.V. Chowdary:** We do not know. The EOI is a very, very early stage. So then how much EOI has to get converted into RFP and then RFPs have to be answered and all those. This is what we got is emergency procurement. It is processed at a very fast rate and release. So, the other part, we cannot say now when that will come in.
- Anant Jain:** Okay, sir. My next question is, if you can give -- if you have the information that in last five years, how much chaffs and flares /counter-measures have been imported by India? Because I think, before we came into picture, everything was imported. So, we have some data around how much imports have happened for these chaffs and flares?
- T.V. Chowdary:** Right now, we don't have those figures, Last three years, yes, we are a substantial quantity we are supplying, not all types, but particularly three types we are supplying. And then now in the current or there other types...
- Anant Jain:** So now India's fleet is majorly French and Russian. And since we are developing chaffs and flares for both NATO and Russian make aircraft, would it be like -- are we kind of able to support the entire Indian feet with what we are supplying right now?
- T.V. Chowdary:** Yes. We'll be able to supply the entire fleet.
- Anant Jain:** Great. That's superb sir. Last question that I have is on the grenade side. There have been significant delays on this. And I think to an earlier participant, you had mentioned that we can expect an order anytime now. At the same time, we keep hearing that the government has stopped importing grenades and has asked both the armed forces and paramilitary folks to source it locally. So, do you also think there could be an emergency procurement for those -- for grenade, is there?
- T.V. Chowdary:** I think it will be there because we are getting communications from these agencies about that, and we are responding to them.
- Anant Jain:** Okay, sir. I think that's it from my side and congratulations once again.
- Moderator:** The next question is from the line of Rajiv Rupani, an Individual Investor.
- Rajiv Rupani:** Yes, congratulations on a good set of numbers. I will ask a few questions on the explosive side. Sir, first, could you let me know our raw material, ammonium nitrate, what are the prices now currently?
- Srihari Pakalapati:** Now more or less, the prices are stabilized. Now the supplies are normal.

- T.V. Chowdary:** As on date, except one company that is Deepak Nitrite, ammonium nitrate is being produced by public sector companies and the pricing policies are different. And the imported ammonium nitrate also the price varies from different sources.
- Rajiv Rupani:** So, could you see better -- I think the prices are stabilized. Could we see better margins on the explosive side going forward?
- T.V. Chowdary:** Yes. For the past one year, yes, the margins have improved.
- Rajiv Rupani:** Okay. And now our explosive order book is INR 77 Crores. So, what is our capacity utilization now currently?
- Srihari Pakalapati:** I mean, normally large players will offer the tenders only once in two years. So earlier at that time when the Coal India came, we did not go aggressively because of the instability in raw material supplies and prices. Now again, the utilizations are very less till now. I think going forward, there will be some good improvement.
- Rajiv Rupani:** Okay. And in your opening remarks, you talked about this underground mining for coal improved from 4% to 10% by FY '30. So, what will be the impact for the demand for explosives.
- T.V. Chowdary:** Yes. The demand for permitted explosives will go up now. Demand -- right now, the demand is more for the bulk explosive supply, bulk plants and bulk supply. When it goes for underground mining, the demand comes for more for the cartridge -- small cartridge explosives, permissible explosives.
- Rajiv Rupani:** Okay. And then last question. Historically, I've seen whenever this explosive order has been awarded by Coal India, the major chunk goes to solar industry, then it goes to GOCL and a very small part comes to us. So, could you explain this? And could we see a change in trend bigger orders coming for us?
- T.V. Chowdary:** While we were working on defence and building up our products and capacity for defence production, they have built up their large capacities for industrial explosives and all those things. Their capacities and all those, they will try to take major chunk and go for the prices and all those. So, we are not aggressively competing with them in terms of prices or in terms of quantity.
- Moderator:** The next question is from the line of Utkarsh Somaiya from Utkarsh Somaiya Company.
- Utkarsh Somaiya:** Can you please tell us in order of low value to high value all your products, like which is the highest value and -- highest margin accretive and which is the lowest margin of creative product?
- Srihari Pakalapati:** Sir, we do the different products, which range from almost in tens and tens and hundreds. So, it is very difficult to...

- T.V. Chowdary:** See, it's a simple theory that where the manufacturing capacities are large, the margins will be less and where the capacities are limited and the players are limited and manufacturing difficulty is there, we can get a better margin. And you know that defines products have got more difficulty and the technology wise they are and all those things.
- Utkarsh Somaiya:** So, which would be these products from your product basket?
- T.V. Chowdary:** All the products, all propellants and rocket motors and mines and high explosives. So, all these are the higher margin products.
- Utkarsh Somaiya:** Okay. And another question from all the missile programs that you have mentioned in your investor presentation. How do we kind of understand the content percentage, which Premier would get from an entire missile order that is placed -- like how do, what do we make? Like, when we read about a certain missile being on -- missile order being placed, how do we kind of understand that how much benefit will accrue to Premier?
- T.V. Chowdary:** Again, that changes from system to system. But generally, I think we can go maximum up to 10% of the total order of the missile. I've got guidance system, onboard computers and the hardware and so many avionics and all those there. The major cost goes towards that. So, our part that is analytic materials and all those around 10%, you can roughly rate.
- Utkarsh Somaiya:** So, I can take 10% ballpark across the Board. So, for this INR 500 Crores order of -- INR 550 Crores order of chaffs and flares, so what is the order of the missile from which you got INR 550 Crores order?
- T.V. Chowdary:** I'm not understood the question. Chaffs and missiles are -- chaffs and flares are not missiles, and it is 100% made by us as a product. It is not a part made us.
- Moderator:** Ladies and gentleman, we will be taking the last question that is from the line of Aman Vij from Astute Investment Management.
- Aman Vij:** My question is on the capacities. So, if we talk about in terms of anti-measure flares and chaffs, what is our capacities currently? Is it good enough to supply for the next three years, five years, or do we need to expand? And similarly, if you can talk about in terms of the ammunitions, which is Grenade, what is our current capacity. And if the emergency order comes, do we need to do some extra capex?
- T.V. Chowdary:** Ammunition, we can -- with the present capacity, we can around supply -- that is the medium calibre because the smaller calibre, large calibre the quantities will vary. But medium calibre which we are concentrating, you can do around 200,000. That is 2 Lakh numbers per annum. But these capacities and all those things, what you are saying. I understand that you're asking about the capacities are sufficient for coming 35 years, is it?
- Aman Vij:** Yes.
- T.V. Chowdary:** No. Like seasons. In these products, it is not that only one product consistently we keep on supplying. It keeps on going up and on. Suppose tomorrow, if we have to make some other

product, then we may have to go for some other capital investment and all those. So, it's a continuous ongoing process.

Aman Vij: Yes, yes. So, for the ammunition you mentioned 2 Lakh, what is the same for flares, chaffs and anti-measures?

T.V. Chowdary: Once again, I'll come to one example, Rocket motors, today with our capacity, we can do from 50 millimetres to 2,000 millimetres. But if a requirement like that SSLV comes, we cannot do in our plant, then we may have to go and build a new facility where capital investment has to be made. Similarly, others also, different mines, some mines we are making. Other big mines what we are going to make or warheads we are going to make. It depends on some balancing equipment, some other additional equipment, it comes like that.

Aman Vij: That is understood, sir. On the flares part, I was just asking flare, chaffs and all those, what is our capacities currently? Is it like 5 Lakhs, is it 10 Lakhs anti-measures combined?

T.V. Chowdary: Yes, the assembly lines, we can do 5 - 6 Lakhs, we can do. See these systems, if the requirement goes up. We'll be working more shifts. There are three shifts in a day. Right now, we are producing only one shift because it is a hazardous kind of product. We can always go to second shift and increase our capacity.

Aman Vij: Okay. Okay. So even if we get 2-3x the requirement, the same plant can be used to supply.

T.V. Chowdary: Yes.

Aman Vij: And is it also true for the grenade ammunition you said 2 Lakhs per annum? Is it one shift or is it three shifts.

T.V. Chowdary: Yes. Right now, what I told is only one shift, but there also you can work for two shifts.

Aman Vij: If, say, 5 Lakh orders come, we can supply at grenade ammunition of 5 Lakh also?

T.V. Chowdary: Yes.

Aman Vij: Okay. Okay. And the first order you are expecting will be in lakhs only or in thousands, the emergency orders?

T.V. Chowdary: Thousands only. See, the lakhs requirement comes only from MOD. Other paramilitary forces, CRPF and all those, they will be in thousands only.

Aman Vij: Okay. Okay. So, the orders which we are expecting sooner is mostly from paramilitary forces, not from MOD?

T.V. Chowdary: Yes. Right now, the activity has picked up there. We are getting the communication from paramilitary forces. Memory goes by the RFPs, bigger RFPs, which are already there, which we have also participated, but they are yet to be opened and yet to be done.

Aman Vij: So that MOD order, which was the much bigger order that we are expecting maybe next year, not this year.

T.V. Chowdary: We don't know. We don't know at all because earlier also two such RFPs after everything, they have cancelled their order. So, we cannot say.

Aman Vij: Because it's pending for a long period of time, right? Sir, we had applied -- we had basically quoted in the RFPs, but there is no update from MOD.

T.V. Chowdary: That's why these RFPs and all those, we don't know because they take longer time because CMC samples going there, conducting the trials and all those, it's a long-run process.

Aman Vij: Okay. But the trials part on the NCNC sample, that is also ongoing. I thought this trial was done on the MOD side.

T.V. Chowdary: No, it is not yet done. It's going on. It depends. There are multiple players they help import and submit the sample for testing and all those.

Aman Vij: Okay. Okay. Multiple players, sorry, sir, in terms of customer or in terms of competitors, you are talking about multiple players.

T.V. Chowdary: Competitors. There are more participants in the RFPs.

Aman Vij: For grenades also, sir?

T.V. Chowdary: Yes, yes, because it is not restricted that 100% you have to produce in India only.

Aman Vij: Okay. Okay. How many players have bid for the same?

T.V. Chowdary: I won't be able to say. There can be serious players or there can be...

Aman Vij: Not the name, sir, but number of players. It's like two, three, is it five, 10?

T.V. Chowdary: Yes. Four, five players are there.

Aman Vij: In the grenades part?

T.V. Chowdary: Yes.

Aman Vij: And there will be PSUs also here?

T.V. Chowdary: There are public -- to the next other ammunition Indian manufacturers are also the small calibre and all.

Aman Vij: Sorry, sir. The voice was not clear. I was asking, will the PSUs like BEL, CCIL, they will also be here, or only private players are there in this?

T.V. Chowdary: They are -- I think one of them is there. We are not sure.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. T.V. Chowdary, for his closing comments.

T.V. Chowdary: Yes. Thank you very much. All of you to support your company and then all the appreciations what we receive that give us more strength to function better than even have better results in the future. And I hope that the same support and the same appreciation will continue from all the stakeholders of Premier. Thank you very much.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Premier Explosives Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.