



**“Premier Explosives Limited  
Q2 and H1 FY 25 Earnings Conference Call”  
November 12, 2024**



**MANAGEMENT: MR. T.V. CHOWDARY – MANAGING DIRECTOR–  
PREMIER EXPLOSIVES LIMITED  
MR. VIJAY KUMAR – 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 Q2 and H1 FY'25 Earnings Conference Call hosted by Stellar IR Advisors. 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 this conference call, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded 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, Neerav. Good afternoon, everyone. I, on behalf of Stellar Investor Relations, welcome you all to Premier Explosives Limited Q2 and H1 FY '25 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the second quarter and half year ended September 30, 2024. Today, we have with us the senior management team of Premier Explosives Limited, Mr. T V Chowdary, Managing Director; and Mr. Vijay Kumar, Chief Financial Officer.

Before we begin, I would like to state that this call may contain some of the forward-looking statements, which are completely based upon company's beliefs, opinion and expectations as of today. The statement made in today's call are not a guarantee of future performance and also involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect development that occur after the statement is made. The document relating to the company's financial performance, including the investor presentation have already been uploaded in the stock exchanges and the company's website.

I now invite Mr. Chowdary to share his initial remarks on the company's performance for the second quarter and half year ended September 30, 2024. Thank you, and over to you, sir.

**T. V. Chowdary:**

Thank you, Vishal. Good afternoon to everybody, and thanks for joining the call. During Q2 FY25, our revenue has been grown by 21% Year-on-Year as compared to same period last year which is backed by growth in defense and aerospace. Our current order book stands at Rs 827 Crores forming 3x of FY 2024 revenue. During the quarter, some of the old orders have been executed and this will enable the company to bid and secure larger and more significant orders from the Ministry of Defense, the Indian defense industry and international defense entities.

In Q2 FY25, our orders from various entities such as Bharat Dynamics, MoD and other Indian and overseas customers are under different stage of execution and are being repeated and processed as per schedule. In Q2 FY25, the defense order is at Rs 727

Crores. Coming on the recent update, as you all know, the company will be doing a capex plan as your company has received the letter from the Industrial Promotion & Investment Corporation of Odisha Limited, IPICOL, informing the state-level single-window clearance authority through an in-principal approval for setting up defense explosives, raw materials and ammunition plant in 3 phases at Rayagada district.

In addition to this, our expansion plans, the construction of the new larger plant for RDX and HMX at Katepally has started and we expect installation and direction of the project to be completed in the first quarter of next financial year. And this also should contribute to the next financial year.

Coming to future outlook. Premier is the only Indian company qualified to make countermeasures and specializes in exporting fully assembled rocket motors. Along with rocket motor, Premier now also manufactures warheads for export, mines and ammunition under Atmanirbhar Bharat initiative. The Ministry of Defense now promotes domestic production of various different items, reducing the need for imports. This policy supports Premier's growth by encouraging local manufacturing. As I mentioned in my conference calls earlier, we are currently supplying Nipun mines in batches which are expected to complete in financial year 2025.

And this will have a positive impact on our overall revenue for financial year 2025. Premier has successfully completed the development of 40mm HEAP and HEDP ammunition for UBGL and HBGL as per the DCP program of DRDO. Now we hope that we'll be able to participate in RFPs being generated by paramilitary forces and Indian Army. We expect the production and supplies to start in the current financial year, that is financial year ending 2025. In addition to the Board statement, the company has also started exporting RDX and HMX, Commercial Explosives Divisions are performing well and expected to continue in coming years also.

In terms of cash flow, we have generated healthy cash profit of Rs 11.3 Crores in Q2FY25. Along with steadily maintaining our operations and leveraging our efficient cost structure, we expect to increase operational efficiency and boosting cash flow. This improved cash flow will help strengthen our balance sheet. We are optimistic about the defense and aerospace sectors and aim to become a key player in both domestic and export markets in these fields.

Now I request Mr. Vijay Kumar, our CFO, to share the financial performance. Thank you.

**Vijay Kumar:**

Thank you, sir. Good afternoon, everyone. The result presentation for the quarter and half year has been uploaded on the stock exchanges and on the company's website. I

believe you may have gone through the same. And the revenue from operations for Q2 FY25 stands at Rs 94.6 Crores as compared to Rs 78.4 Crores in Q2 FY24, which shows a growth of 21% Year-on-Year. Our operating profit for Q2 FY25 stands at Rs 16.6 Crores as compared to Rs 21.9 Crores in Q2 FY24. The operating margin for the quarter stands at 18%. We reported a net profit of Rs 8.4 Crores in Q2FY25 compared to Rs 11.6 Crores in Q2 FY24.

Let me take you to the H1 FY25 performance. The revenue from H1 FY '25 stands at Rs 177.5 Crores as compared to Rs 140.4 Crores in corresponding quarter last year, translating a growth of 26% Year-on-Year. Operating profit H1 FY '25 stands at Rs 32.1 Crores as compared to Rs 38.5 Crores in the corresponding period last year. The operating margin stood at 18.1% in H1 FY25. The net profit in H1 FY25 stood at Rs 15.7 Crores as compared to Rs 19.8 Crores in H1 FY '24.

Now coming to the order book. The company's current order book stands at Rs 827 Crores, out of which Defense segment order is majority of Rs 727 Crores which is equal to 88% of the total order book. Explosive segment stands at Rs 25 Crores and service segment which is operational and maintenance service segment stands at Rs 75 Crores. The order book shows a solid and strong growth towards the previous year. We are very much committed that with our continued execution, run rate in the forthcoming quarters will be continuing with the growth trajectory. With this, we'll now open the floor for questions and answers. Thank you.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.

**Niraj Mansingka:** Sir, two questions, both related to the chaffs and flares order that you received in the past. So of the Rs 630 Crores order that you received throughout, how much approximately has been executed for the - till Q2?

**T. V. Chowdary:** Approximately Rs150 Crores has been executed in the first two quarters. That is deliveries are made. And we have a stock which is being offered in the month of November for inspection. And including that, we should be doing Rs 200 Crores by the end of November.

**Niraj Mansingka:** Okay. Got it. And -- but -- okay, but the margins that you have reported is relatively - - slightly on the lower side. So has there been some penalties that -- because of the delay in supplies that you have incorporated while you have booked the revenues?

**T. V. Chowdary:** Yes, because you know the present geopolitical conditions, I explained in earlier concalls also, logistics have affected some of the imported components and payloads

coming. So there were delays in that. So we have accounted -- provided for the delays and the late delivery charges.

**Niraj Mansingka:** Sir, but how much would the value be, because that number can change the entire assumption of margins perhaps even us?

**T. V. Chowdary:** See, this is being provided, but actually how much and all those -- because we are trying to get a waiver of this in terms of force majeure and other things.

**Vijay Kumar:** So unless processing of bills are completed, we will not be not be knowing.

**T. V. Chowdary:** We have provided to some extent.

**Niraj Mansingka:** Got it. And sir, on the imported components of the payloads that you do, any chance of -- any thoughts of putting up a backward integration facility, and if yes, by when?

**T. V. Chowdary:** So we already have for flares, flares manufacturing facility ourselves, since the quantity is large and all those. So we have outsourced some quantity of the payloads because the other emergency procurement order that. Otherwise, we produce flares. We have our own manufacturing facility. And right now, the delays from the imports are met already by domestic production, in-house production.

**Niraj Mansingka:** Got it. And sir, you said you were the only one who is approved for the counter measures and chaffs and flares. So -- but what we understand is another solar industry is also putting up a manufacturing for that. So by when would that come in? And when would the competition start impacting you on that business, the chaffs and flares business?

**T. V. Chowdary:** Our knowledge is as good as yours, only what we see from the media and leads of knowledge.

**Niraj Mansingka:** Okay. I will come back in the queue. As we have more questions. We will come back in the queue.

**Moderator:** Thank you. Next question is from the line of Sarjeet Yadav from Mount Intra Finance. Please go ahead.

**Sarjeet Yadav:** Sir, I have a question, firstly, regarding the COGS, which are substantially higher, probably also related to the margins which you earlier asked. So can you just -- actually, the total numbers have been impacted by that and also the inventory. Can you throw some light on what kind of inventory you're holding and the COGS is primarily because of the LD or there is any component because of which is higher?

- T. V. Chowdary:** I beg your pardon; can you please repeat?
- Sarjeet Yadav:** The cost of raw materials, it's substantially higher. So is it only because of the LD or is there some other element involved into that, the rise of the prices, etc, which is impacting the margin?
- T. V. Chowdary:** LD has no role to play in the raw material cost. It is the -- see the product mix what we have our different products are there. Some products fall under commodity category, where we keep on buying hundreds and thousands of tons of raw materials, whereas some of the high-value products where the inputs also are high value. So it depends on the product mix, what the quarter-to-quarter. It is not a fixed cost.
- Sarjeet Yadav:** Okay. And what kind of inventories currently do you have? It is substantially higher. And you already mentioned something like that. Can you give a value to that?
- T. V. Chowdary:** Inventory value.
- Sarjeet Yadav:** Yes, I did ask that inventory values?
- Vijay Kumar:** Yes. Inventories are already on the higher side.
- Sarjeet Yadav:** Okay. And how soon are we likely to realize that in terms of revenue?
- Vijay Kumar:** Next quarter, it will realize.
- Sarjeet Yadav:** Okay. One last question. The Singareni order which we got, which is to tune of about Rs 90 Crores, the previous order which was there, I assume it is a follow-up of the same thing or repetition of the same order, which was about more than Rs 100 Crores. So it's gone down in terms of value this year. So any reasons for that?
- T. V. Chowdary:** Prices also have gone down, the supply prices because these commercial explosives business, it is on the reverse tendering process. So yes, the prices -- current prices are lower based on the Coal India prices. Singareni prices also have come down. So that's where the total value of that is slightly lower than the previous order.
- Sarjeet Yadav:** Do our guidelines for the order book remain same as what we had told last -- previous concall for this?
- T. V. Chowdary:** If you look at the current order book, it is remaining almost same, closer to Rs 900 Crores.
- Sarjeet Yadav:** Okay. Thank you, sir. That's all from my side.

- Moderator:** Thank you. Next question is from the line of Dipen Vakil from Phillip Capital. Please go ahead.
- Dipen Vakil:** My first question is, sir, you mentioned that there have been some delays in supply chain which has impacted deliveries for chaffs and flares. Sir, can you help us understand what are the import content and -- from a percentage point of view in chaffs and flares? And is this product, are indigenous products or are we just manufacturing it over here and IP belongs to someone else, maybe a foreign OEM or something?
- T. V. Chowdary:** This is -- we are producing for the past 6 years and supplying to MoD the flares and chaffs. Flares 100% we are producing within the country and in-house, and chaffs we are procuring the payloads from OEMs; foreign OEMs. In the present order, emergency procurement order, because the order quantity is large, some of the flares also we have outsourced so that we can meet the schedules. And yes, these are -- the payloads are with the IPs of other OEMs. So some royalty has to be paid to them.
- Dipen Vakil:** Got it. Sir. So any percentage as to how much is the import content and how much is - are we using domestic content in this product?
- T. V. Chowdary:** These are a 50%-50%, content which is indigenous content. IC has to be more than 50%. That's the requirement.
- Dipen Vakil:** Got it sir. My next question is for your order -- so order wins expected in second half which are the areas where you are seeing new orders coming in? And also for mainly the explosive side of it, so what kind of order inflows that shall be taken for rest of the year?
- T. V. Chowdary:** I think some of the audio is not clear. Can you please repeat?
- Dipen Vakil:** I'm asking about the expected order inflow in second half, sir?
- T. V. Chowdary:** It will continue. We'll be maintaining the order book. That's what is expected for the coming 2 years.
- Dipen Vakil:** Okay. So close to around Rs 900 Crores of order book will be maintained throughout?
- T. V. Chowdary:** Yes, between Rs 800 Crores to Rs 900 Crores, it will be there.
- Dipen Vakil:** And what kind of growth are we envisaging on the revenue front?
- T. V. Chowdary:** The revenue front -- the current financial year, we are expecting something between Rs 450 Crores to Rs 500 Crores. In the next year, we expect at least an increase of another 15% -- 15%, 20%.

- Dipen Vakil:** Got it sir. Thank you so much for answering my questions and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.
- Abhishek Poddar:** So first, regarding the order inflows that you will be getting, what are the products that you are hoping will be more where the orders will flow in the next half and in '26?
- T. V. Chowdary:** When it comes to rocket motors and propellants, the new missiles which are being added, BrahMos, we are expecting a good order from BrahMos, we are expecting from other projects, with Pralay and NGRAM, MRSAM and all those. And in addition to the propellant products, coming to chaffs and flares, other RFPs are in pipeline which will not be as large as what other which we are executing this is an emergency procurement order, but will be a continuous flow of RFPs, and then as on date we being the only local vendor, we are expecting a good contribution from that.
- And in addition to that, the mines also we started, that is Nipun mines, where the first order we are executing and then we are expecting a further requirement of inflow of new orders to MoD. And also, we have worked on development of new rocket motors for export purpose. The development is completed. We are expecting them to get converted into production orders. So these are the main -- yeah, in addition to this, like HMX and RDX, we've started production and then also started exporting. So this is another area we are expecting a good contribution.
- Abhishek Poddar:** Understood. And sir, in terms of ammunition and mines, if you can tell us the opportunity, Nipun mines, what opportunity could come in? And also the ammunition 40 mm, when would you start delivering those or when do you expect the orders to come?
- T. V. Chowdary:** See, we have already completed the technology transfer as a DCPD partner with ARDE. Now we have to participate -- ARDE has already qualified us and recommended to the MoD and paramilitary forces and all those as a qualified vendor. So now RFPs have to come out and we have to participate, and then only we can -- because these are based on RFPs which will take some time.
- Abhishek Poddar:** Understood. And for Nipun mines, sir?
- T. V. Chowdary:** Nipun mines, we are already executing the order what we have in hand. Already -- one lot is already delivered. The second lot inspected and ready to deliver, but this was produced in the previous quarter and inspected, but because of the paperwork which has to come from the inspection authorities that is ready for this batch, probably we'll



be dispatching in 1 or 2 days. So the fourth one we are offering in the month of -- end of November. So it will go like that, in multiple tranches.

**Abhishek Poddar:** Right. And sir, on the high explosives, energy explosives, HMX and RDX, there is a huge shortage globally. Could you tell us how are you seeing that opportunity? And do we have enough capacity to supply?

**T. V. Chowdary:** Yes. The present capacity is not so large that we meet our own requirement and also export large quantities. But whatever our capacity permits, we are already exporting that. Like I mentioned to you, our expansion plan of RDX and HMX facility, the construction has already started and we are expecting to -- by end of this financial year, we should be ready for the trial production. So next year, the contribution we are expecting from the export of these items. Today also we are exporting, but smaller quantities, half a container, one container load, like that.

**Abhishek Poddar:** And from new facilities, sir, what is the revenue potential that you can see?

**T. V. Chowdary:** From high explosives?

**Abhishek Poddar:** Yes.

**T. V. Chowdary:** Yes, with the enhanced capacity and all those at least Rs 100 Crores per annum should be the contribution from this.

**Abhishek Poddar:** Okay. This is additional revenue that you could see from this?

**T. V. Chowdary:** Yes, yes.

**Abhishek Poddar:** Okay. And sir, regarding this delay in chaffs and flares. So should we assume that it's the chaffs which is getting delayed, and that's part of the order book for you now? And if you can talk of the discussion about the waiver of LD, where -- what stage it is and when do you expect the outcome of that?

**T. V. Chowdary:** Initially, if you look at 6 months back, we have not delivered anything. We were answering to MoD and then explaining and all those. From that stage, now we started delivering and we have already delivered almost to 1/3 quantity. So it's going smoothly, and we hope that MoD will consider the present constraints, and will give a waiver of LD. This is what we are trying, but since we are trying, the provision is already made in that.

**Abhishek Poddar:** Understood. And what is the balance order for chaffs and flares? And when do you expect to complete this order?

- T. V. Chowdary:** I think the deliveries we are expecting to complete by July of 2025.
- Abhishek Poddar:** Okay. Understood. And sir, on the capex, if you can give us some guidance, how much capex will you spend this year, next year? And what are the major facilities you will be spending this on?
- T. V. Chowdary:** So we have plans for -- as I mentioned earlier, we have plans for expansion into production of TNT and then filling of bombs and artillery shells and all those and other raw materials like ammonium perchlorate, HDPP, these are all our expansion plans at Odisha which we are expecting in 3 phases. Similarly, you know that we are also trying for land allotment at AP, which is long due. So with the new government in Andhra Pradesh, we are expecting that it will move faster.
- So if that comes, then we have options for expanding in the ammunition area, instead of depending only at Katepally, which is getting filled up all around. So in terms of the value of expansion, probably I think we need a little more time to account those figures.
- Abhishek Poddar:** Right. And even the Odisha one is right now in the feasibility stage, and you will be announcing that expansion or how is that?
- T. V. Chowdary:** Yes, the single window and the Odisha Industrial Development Corporation have given a go ahead. Now we have to finalize the land. We have seen some 5 different land packages. So we are working on that. Probably by the end of this month, we'll be finalizing the land and submitting our applications through a single window to Odisha government.
- Abhishek Poddar:** Understood. And on the top line, you gave a guidance of Rs 450 Crores this year and 15% - 20% next year. How the margins we should think of?
- T. V. Chowdary:** Same percentages will continue because the product mix will remain same unless there is a -- there will be a shift in quarter-to-quarter. But if you take the full year, the product mix almost will remain same. So we can expect the same percentage of that.
- Abhishek Poddar:** Understood sir. Thanks. I will come back in queue.
- Moderator:** Thank you very much. Next question is from the line of Dharshan Vyas from LKP Securities. Please go ahead.
- Darshan Vyas:** My first question is, sir, we are offering UAVs and drones to the Indian Army, and the Army is also simultaneously working with several dedicated start-ups and companies that manufacture these drones. So my question is, how are we competing with those companies? I mean what is our USP when it comes to UAVs and drones? That's my first question. And secondly, we are offering chaffs and flares to the Air Force, but the

Navy and the Army also operates combat aircrafts. So do we have any plans to offer those chaffs and flares to the other forces as well?

**T. V. Chowdary:** Yes. Thank you for the questions. About the drones and UAVs, we are not competing with anybody. We are working together with the drones and UAV electronic manufacturing people, the people who make the birds and the start-ups. See the Army and our defense forces need delivery of the explosives through UAVs and then drones. So this part is ours. So we are working in collaboration with them.

We are providing the explosives and the chain of explosives and other mechanism, whereas they have the birds and we have MoUs signed with multiple organizations, new and old organizations, for this area that is drones and UAVs and our contribution is, I think, well accepted by them. We are not venturing as of date into making the full drone ourselves or UAV ourselves. We are also providing the booster rocket motors to loitering missiles, which are again UAVs. What was on the second point?

**Darshan Vyas:** The second was on chaffs and flares?

**T. V. Chowdary:** Chaffs and flares, yes, the main consumer is Indian Air Force. We have also supplied some quantity to Indian Army, which is not as large as the Air Force requirement.

**Darshan Vyas:** Okay. So are there any plans to offer the same with the Navy because they are also expanding their combat capabilities?

**T. V. Chowdary:** Navy -- see, the Navy aircrafts will carry the same chaffs and flares, but the naval ships carry different kind of countermeasures, which are called Kavach countermeasures that is rocket launchers, chaffs and all those. Yes, we are working on those.

**Darshan Vyas:** Okay sir. Thank you for taking my question and all the best.

**Moderator:** Thank you. Next follow-up question is from the line of Niraj Mansingka from White Pine Investments. Please go ahead.

**Niraj Mansingka:** So just wanted to know how much LD value you accounted for during the quarter?

**T. V. Chowdary:** The LD value for the quarter is not yet accounted exactly. Like I mentioned to you, the LD itself is, whether we'll be paying or not paying, is there. So we have made a provision of Rs 5 Crores towards that.

**Niraj Mansingka:** Okay. So the provisions are Rs 5 Crores...

**T. V. Chowdary:** At that time the deliveries have not started, so we had no plea for -- they were of LD. Now we have started and we are meeting the requirement and we have submitted the

revised schedules they have accepted. So we are quite hopeful that the LDs will be waived off or they'll be reduced.

**Niraj Mansingka:** Okay. Sir, the second question is related only that in the past, we understand the defense orders having a higher EBITDA margins of 28 range percentage. Now if you're starting the chaffs and flares, how should we see margins, because margins are still flattish?

**T V. Chowdary:** The margins will be reduced compared to the previous supplies because this has an emergency procurement order. There was no chance for any increase. We had to accept the -- at the old prices, that is the old prices we have accepted. Naturally, the present raw material costs and also the margins are reduced.

**Niraj Mansingka:** Okay. But if you are getting newer orders of similar chaffs and flares, you'll have a much higher margin than what we are doing right now. Is this right?

**T. V. Chowdary:** The margins depend on the prices negotiated. So we always try to get the best margins, but we'll have to also -- in negotiations, sometimes we have to go as per the requirements of the customers.

**Niraj Mansingka:** Generally, what is the margin we should assume for the difference of those that you have in hand? On the EBITDA level?

**T. V. Chowdary:** Different products have got different margins. Yes. So when we go for the bulk production, that is when you start producing bulk, production margins will come down. When we are supplying the smaller quantities, trial supplies and all those, the margins will work at a much higher margins because of the cost involved in it. But once we start producing, whether it is rocket motors or ammunition and countermeasures, for all of them, the margins come down.

**Niraj Mansingka:** Got it. On the chaffs and flares, in the past year, sir, there are some RFPs for chaffs and flares in the market as well. Can you give us some color on what is the status right now for this?

**T. V. Chowdary:** No, we have participated and waiting for the things. Usually, these RFPs, you know that MoD RFPs, they take anything from 6 months to 1 year, or more than that also. So we participated, waiting for them to -- one of the reasons we talked is, the first supplies what we are working, they are waiting for us to start supplies. Now we've started deliveries and all those, already, 6 months over the deliveries. Now we are expecting that they'll start processing this.

- Niraj Mansingka:** So in terms of then in I mean you are awaiting, so are there any others players who are participating, because what we know is you are only one supplying that chaffs and flares?
- T. V. Chowdary:** Yes. As on date, we are the only supplier. Other participants may come, because we are hearing from the market that economic industries also have developed. And we don't know, others also. Maybe some people may be working with some DRDO technologies and others.
- Niraj Mansingka:** Right. And what is the size of these RFPs?
- T. V. Chowdary:** As on date the qualified supplier for the past 6 years, only PEL is the qualified supplier.
- Niraj Mansingka:** Got it. So what is the RFP approximated range of value that is awaited to be announced?
- T. V. Chowdary:** I beg your pardon question not understood?
- Niraj Mansingka:** What is range of the value of the RFP which is out? What is the approximated size that is there?
- T. V. Chowdary:** No, I think it is too premature to talk about the volume of our RFPs and prices and all those.
- Niraj Mansingka:** Okay sir. I will come back in the queue.
- Moderator:** Thank you. Next question is from the line of Santanu Chatterjee from Mount Intra Finance. Please go ahead.
- Santanu Chatterjee:** Thank you for this opportunity. My question is on margin again. As we have actually observed from your previous con calls that the bulk explosives are not all that margin-accretive business. But if we look after the Q2 performance, both on Year-on-Year and Q-on-Q basis, bulk -- contributions from bulk explosives are going down and defense and space services are going up. In spite of that, margin is contracting by more or less 500 to 600 basis points over the last year. Your viewpoint on this, sir?
- T. V. Chowdary:** Just give us a second.
- Santanu Chatterjee:** Yes.
- T. V. Chowdary:** Yes, like we are mentioning, it is always defense products which are at higher margin than bulk explosives. But because of the provision made for the LDs and other delays, the Rs 5 Crores -- if you remember, that's what we are talking it appears that we have

the contribution from that is there, but actually, the contribution from defense and aerospace products is definitely higher than the industrial explosives, bulk explosives.

And another thing is the bulk explosives margins depend upon the raw material procurement price. So -- and the price escalation clause also works based on the last procurement price of the raw material. So in those calculations, it keeps on going slightly upper and above.

**Santanu Chatterjee:** Okay. And sir, during this quarter, as we have actually observed that our order book position is also going down from Rs 899 Crores in the June '24 to September '24, the value right now it is Rs 827 Crores, more or less Rs 72 Crores is down -- although we have executed Rs 94 Crores of the orders, I suppose. We have already recognized revenue. So what is the order we have procured during the quarter?

**T. V. Chowdary:** We have other -- like we are mentioning, there are other RFPs which we have already participated and we are expecting them to get converted into orders. So that's how I mentioned that we'll be maintaining the same order book in the future also. There can be -- compare Month-to-Month or Quarter-to-Quarter, there may be a slight plus side or minus side, but overall if you see that we'll be in the same range.

**Santanu Chatterjee:** Sir, my question is like that, suppose we have got Rs 899 Crores ordered, and we have already executed Rs 94 Crores out of it, right? So -- but we have already got order book of Rs 827 Crores. That means there is Rs 22 Crores order we should have actually procured during this quarter?

**T. V. Chowdary:** Yes.

**Santanu Chatterjee:** Is it so?

**T. V. Chowdary:** Yes.

**Santanu Chatterjee:** Okay. And from which segment we have got that order, sir?

**T. V. Chowdary:** This is mainly from the rocket motors for domestic supply and defense supplies.

**Santanu Chatterjee:** Okay. Thanks.

**Moderator:** Thank you. Next question is from the line of Kartik an Individual Investor. Please go ahead.

**Kartik:** Sir, so what is the contribution of exports in the current order book?

**T. V. Chowdary:** You mean the value of all those export orders?

- Kartik:** Yes. Approximate is it what percentage of it is?
- T V Chowdary:** Yes. around 25% of the current orders are export. That is what we are exporting to.
- Kartik:** Okay. And sir, on rocket motors, considering that we are the only Indian company which specializes in the exports of these rocket motors, are we seeing or receiving sizable employees from other countries off late?
- T. V. Chowdary:** Yes, we are receiving and responding, but usually, these -- every query to get converted into another, it takes a little time, but otherwise, yes, we are responding and we are interacting with the other customers.
- Kartik:** Okay. And any further scale-up happening from Ukraine?
- T. V. Chowdary:** Pardon?
- Kartik:** Any further scale-up on this happening from Ukraine in the near future or...?
- T. V. Chowdary:** Yes. Like I mentioned, it's not one item or one thing. The multiple -- those companies, they make multiple missiles, different applications. So the rocket motors for those are also -- yes, yes, we are getting that. And we are -- like I mentioned, from development stage they are in the stage of getting converted into production bulk orders. The ones which already got converted into production orders, we are servicing presently and by the end of this financial year I think we are expecting to add a few more to the production.
- Kartik:** Okay. And on the next order inflow for chaffs and flares revenue mix if our next order was to come up, I just want you to understand this, would import dependency for certain products still be there, or we are capable of manufacturing in-house in future?
- T. V. Chowdary:** Flares will become completely manufacturing indigenously. We have the technology and everything. Only chaffs will be still dependent on the payload, chaffs payload. Yes, imported, because our own capacity cannot meet the requirements. The capacity established with DRDO technology. So like presently, we are dependent on imports. We have to also depend on future further imports of the components.
- Kartik:** Okay, sure. And sir, you spoke about participating in RFPs being generated by Army and paramilitary forces. Anything which is there on the Anvil in Q3, Q4?
- T V. Chowdary:** Yes, they are in Anvil, yes.

- Kartik:** Okay. And sir, as in September, the Defense Acquisition Council had approved 10 capital acquisition proposals of significant value. Are we likely to benefit out of certain equipments that were approved then, directly or indirectly?
- T. V. Chowdary:** See, there are so many products in the list and all those. So yes, some of them definitely we are going to get benefited out of that. One area is the ammunition for the guns.
- Kartik:** Okay. So the order book, I think we can invite for a -- I mean, we expect a better order book in Q3 and Q4? Is that a fair assumption?
- T. V. Chowdary:** With all the projects visible -- of course, we can't list them, all those, but the visibility of the projects coming in, yes, we are expecting a bigger order book and growth.
- Kartik:** Okay sure. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Avarjit Singh from Columbus Investments. Please go ahead.
- Avarjit Singh:** Okay. So my question is what sort of investments are we making in research and development? What percentage of your revenue is being invested there? And what is the direction of broad -- if you can give a broad idea of where exactly are you directing your R&D efforts?
- T. V. Chowdary:** This is the investment we go by need-based, based on the market requirement and all those. It's not that every year we plan a percentage of revenue towards the capital investment. So if you look at it in between few years, you find hardly any percentage of our revenue towards capex. But now the opportunities have come, we will be spending more towards capex, and which we have indicated some extent and the balance figures we are working out and then we can give. But it has no link with the percentage and revenue.
- Avarjit Singh:** I think the -- my -- the angle from there as it's approaching is how much of an impact is it having on the margins, the investment in R&D which might have taken place in Q2?
- T. V. Chowdary:** Investment in R&D, yes, it is an ongoing thing. It is not related to that, but one thing what happens is in the R&D of explosives, there will not be a separate R&D section, because we deal with explosives. We don't deal with explosives in a laboratory in a small glassware or anything.
- So these are R&D activities are also done in the plant scale, in the pilot scale, and then a larger scale like that. So it is not 100% accounted on this. But around the -- between 1% - 2% goes towards R&D expenditure, which appears in the R&D expenditure. But



the plant level operations and developments which we involve, they go in the normal production expenses.

**Avarjit Singh:** Okay sir. Thank you.

**Moderator:** Thank you. Next question is from the line of Kartik, Individual Investor. Please go ahead.

**Kartik:** What type of products will you be developing with Astra Microwave?

**Moderator:** Kartik, your audio is not clear. Can you please speak from the handset or a little louder.

**Kartik:** Can you hear me?

**T. V. Chowdary:** Yes.

**Kartik:** Sir, what kind of products will you be developing with Astra Microwave?

**T. V. Chowdary:** Yes. Like we mentioned earlier, they are experts in electronics and related fields. Our expertise in the high energy materials, in high explosives and explosive devices and other things. So a combination of these two wherever -- for example, we discussed about drones and UAVs, there was a question about drones and UAVs. So like that, these are the areas where combination of explosives and electronics and these are required, we will be working on those areas.

**Kartik:** Okay. And what is the total revenue potential of rocket motors?

**T. V. Chowdary:** I don't think I have the figure readily worked out on that.

**Kartik:** Okay. That's all sir. Thank you.

**Moderator:** Thank you. As there are no further questions, I'll now hand the conference over to Mr. Chowdary for closing comments.

**T. V. Chowdary:** Thank you, everybody. I hope we have come to your expectations and then we hope to perform better and better in the future. And we request the support of all participants and shareholders to fulfil that ambition in the future. Thank you very much.

**Vijay Kumar:** Thank you very much.

**Moderator:** Thank you very much. On behalf of Premier Explosives Limited and Stellar IR Advisors. Thank you for joining us, and you may now disconnect your lines. Thank you.