



# Q2FY15 Results

surface to air



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## Business performance

- ❖ The company's income from operations was up by 4.3% YoY at IN R 352.9mn for Q2FY15.

The rise was supported by 6.3% YoY growth in the explosives business especially packaged explosives .

However, postponement of delivery of propellants and delay in orders for tear gas grenades had affected defence products business. It is expect to be compensated in H2FY15.

- ❖ Operating margins were 10.7% in Q2FY15 compared to 10.4% in Q2FY14. Margins revived significantly on a QoQ basis on back of better operating leverage in the explosives business.

Net Sales breakup (INR mn)	Q2FY15	Q2FY14	YoY (%)	Q1FY15	QoQ (%)
Industrial explosives	265.5	249.7	6.3%	249.2	6.5%
Defence products	43.0	50.7	-15.2%	62.2	-30.9%
Services	40.4	33.0	22.5%	37.9	6.6%
Wind power	2.4	3.4	-28.4%	1.7	41.2%
<b>Total</b>	<b>351.3</b>	<b>336.7</b>	<b>4.3%</b>	<b>351.0</b>	<b>0.1%</b>



## Result update – Profit & Loss

Particulars (INR mn)	Q2FY15	Q2FY14	YoY (%)	Q1FY15	QoQ (%)
<b>Net sales</b>	<b>352.9</b>	<b>338.5</b>	<b>4.3%</b>	<b>351.6</b>	<b>0.4%</b>
Total expenses	315.1	303.1	3.9%	333.7	-5.6%
Operating profit	37.8	35.3	7.0%	17.9	111.1%
<b>OPM (%)</b>	<b>10.7%</b>	<b>10.4%</b>		<b>5.1%</b>	
Other income	0.9	1.4	-34.9%	1.9	-53.2%
Depreciation	8.9	6.0	49.4%	8.7	2.5%
Interest	4.9	5.9	-17.2%	5.0	-3.4%
PBT	24.9	24.9	0.2%	6.1	306.7%
Tax	7.4	6.8	9.6%	0.7	967.5%
<b>Adj. PAT</b>	<b>17.5</b>	<b>18.1</b>	<b>-3.3%</b>	<b>5.4</b>	<b>222.5%</b>
<b>PATM (%)</b>	<b>5.0%</b>	<b>5.4%</b>		<b>1.5%</b>	
EPS	2.0	2.2		0.7	



## Quarterly – Profit & Loss

Particulars (INR mn)	Q3		Q4		Q1		Q2	
	FY13	FY14	FY13	FY14	FY14	FY15	FY14	FY15
<b>Net sales</b>	275.7	333.5	359.6	414.1	367.9	351.6	338.5	352.9
Total expenses	264.0	289.9	318.0	383.7	314.7	333.7	303.1	315.1
Operating profit	11.7	43.6	41.5	30.4	53.3	17.9	35.3	37.8
OPM (%)	4.2%	13.1%	11.5%	7.3%	14.5%	5.1%	10.4%	10.7%
Other income	1.9	0.0	1.0	11.9	0.8	1.9	1.4	0.9
Depreciation	5.7	6.0	5.5	5.9	5.7	8.7	6.0	8.9
Interest	5.1	7.5	5.0	5.4	4.9	5.0	5.9	4.9
PBT	2.8	30.1	32.0	31.0	43.5	6.1	24.9	24.9
Tax	0.4	9.4	8.6	7.1	14.1	0.7	6.8	7.4
<b>Adj. PAT</b>	2.4	20.7	20.1	23.8	29.4	5.4	18.1	17.5
<b>EPS</b>	0.03	2.53	2.48	2.91	3.62	0.65	2.23	2.01



## Profit & Loss – Key indicators

Particulars (INR mn)	FY12	FY13	FY14	1HFY15
<b>Net sales</b>	<b>1083.2</b>	<b>1094.0</b>	<b>1454.0</b>	<b>704.5</b>
Growth in net sales (%)	14.8%	1.0%	32.9%	-0.3%
Operating profit	174.9	97.7	162.6	55.7
OPM (%)	16.1%	8.9%	11.2%	7.9%
Other income	17.0	20.6	14.1	2.8
Depreciation	18.7	21.5	23.5	17.6
Interest	11.2	18.8	23.6	9.9
PBT	162.0	78.1	129.6	31.1
PBT (%)	15.0%	7.1%	8.9%	4.4%
Tax	46.5	21.0	37.4	8.1
<b>Adj. PAT</b>	<b>115.5</b>	<b>57.1</b>	<b>92.1</b>	<b>23.0</b>
PAT (%)	10.7%	5.2%	6.3%	3.3%
<b>EPS</b>	<b>14.2</b>	<b>7.0</b>	<b>11.0</b>	<b>2.66</b>



## Balance sheet – Key indicators

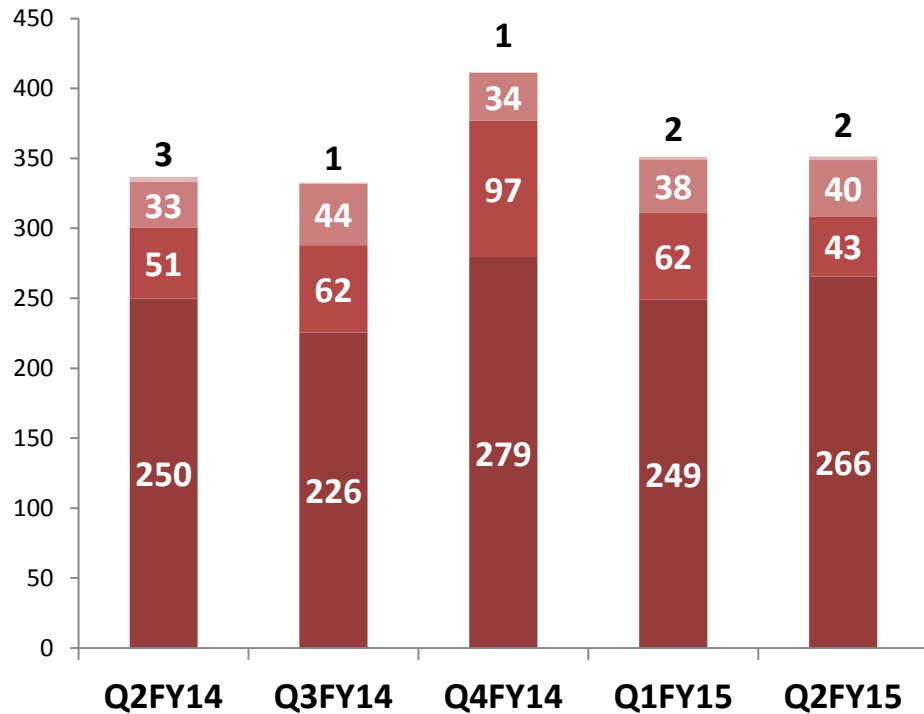
Particulars (INR mn)	FY12	FY13	FY14	1HFY15
Share capital	81.3	81.3	83.6	88.6
Reserves & surplus	373.7	403.3	488.7	521.5
Non-current liabilities	90.8	115.6	115.4	101.5
Current liabilities	235.1	298.9	385.6	278.3
<b>Total</b>	<b>780.8</b>	<b>899.0</b>	<b>1073.3</b>	<b>989.9</b>
Non-current assets	430.5	491.7	520.9	511.5
Current assets	350.3	407.3	552.4	478.4
<b>Total</b>	<b>780.8</b>	<b>899.0</b>	<b>1073.3</b>	<b>989.9</b>



# Performance snapshot

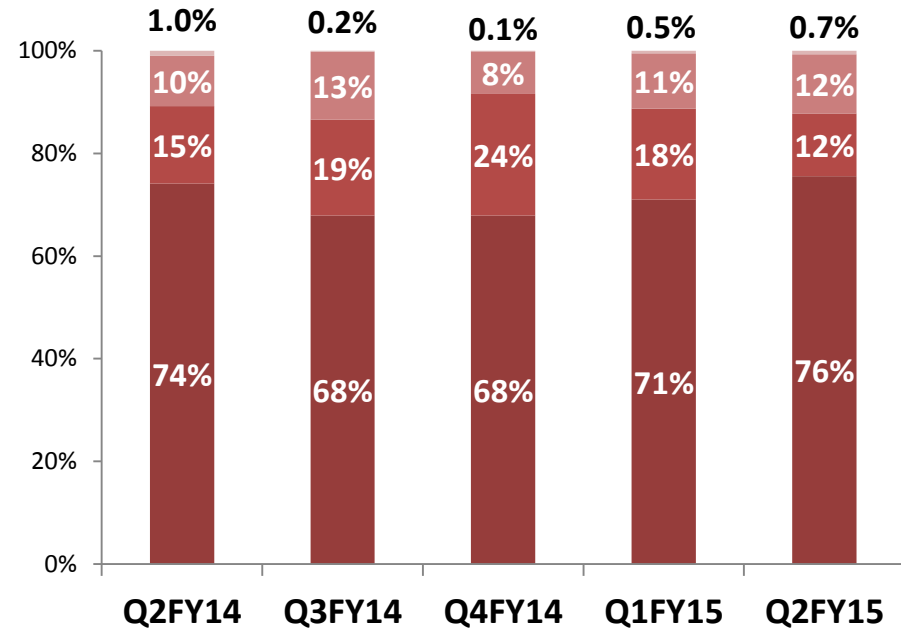
**Revenue breakup (INR mn)**

Explosives   Defence products   Services   Windpower



**Revenue breakup (%)**

Explosives   Defence products   Services   Windpower

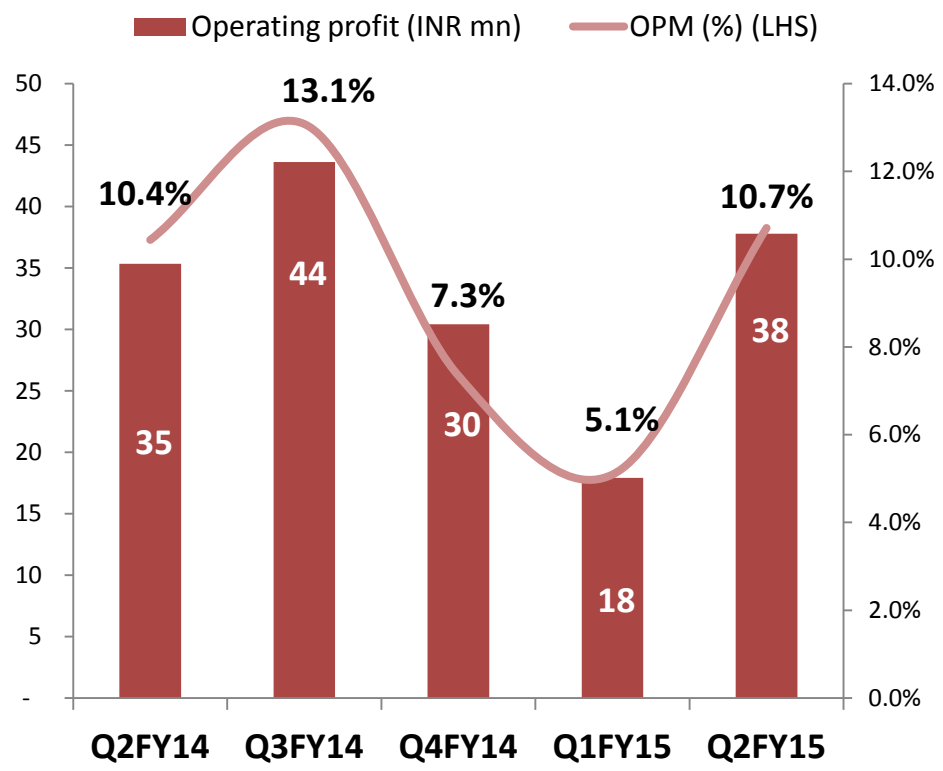




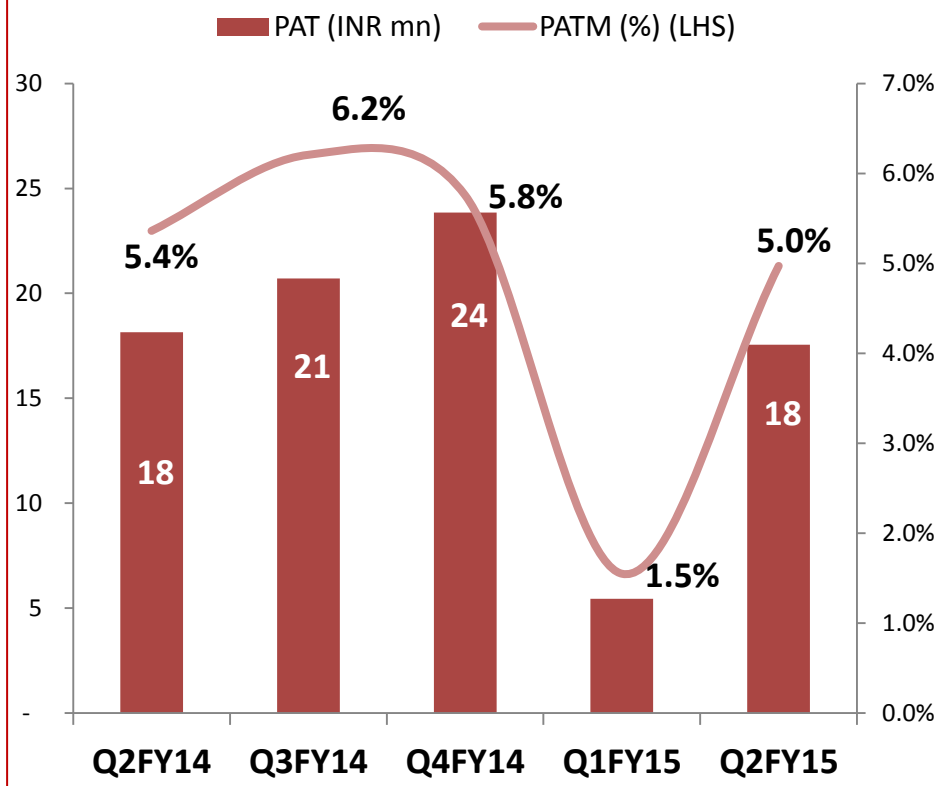


# Performance snapshot

**Operating profit**



**PAT and PAT margins (%)**





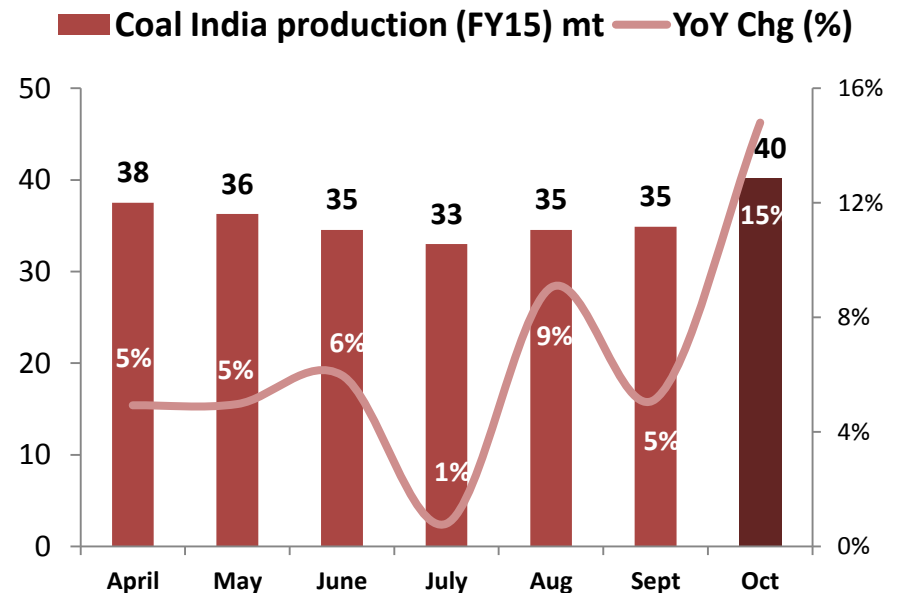
## Key highlights – Defence products

- ❖ Union Budget allocation to defence for FY15 is INR 2,290bn. Projects worth INR 800bn cleared in October 2014.
- ❖ Make-in-India program and raising of FDI cap – a leap forward in indigenization.
- ❖ PEL has signed NDAs and MOU with global missile players to capitalise on the opportunities arising from Defence Offset policy.
- ❖ McKinsey's Spring 2013 report on Government estimates spending of \$3.4 bn toward missiles by 2017. PEL is fully capable of meeting the technical specifications and future demand from Indian defence sector.



## Key highlights – Explosives

- ❖ The growth in coal production in India has remained slow during entire Q2FY15, resulting in lower demand and subdued prices for detonators.
- ❖ Cancellation of coal auctions by Supreme Court and subsequent enabling ordinance by Central Government are expected to clear the logjam and expedite coal mining.
- ❖ Revival in detonator demand is expected in H2FY15.
- ❖ Government puts 90 mining projects of Coal India worth INR 880 bn on fast track - **improves demand visibility over next five years.**
- ❖ Current capacity sufficient to increase production for fresh demand - No major Capex is envisaged for explosives business.



Source: Coal India



## Key highlights – Services

- ❖ PEL gets ~10% revenues by operating and maintaining solid propellant production facilities of ISRO at SHAR, Sriharikota (A.P.) and Solid Fuel Complex (SFC) at Jagdalpur (Chattisgarh).
- ❖ This Government Owned Company Operated (GOCO) model gives PEL an advantage in terms of its staff getting exposed to latest practices in propellant manufacturing.
- ❖ PEL's contract with SFC expired in October 2014 and has participated in tender. However, the present contract will continue until the tender is finalised.



## About PEL - Technology minded management

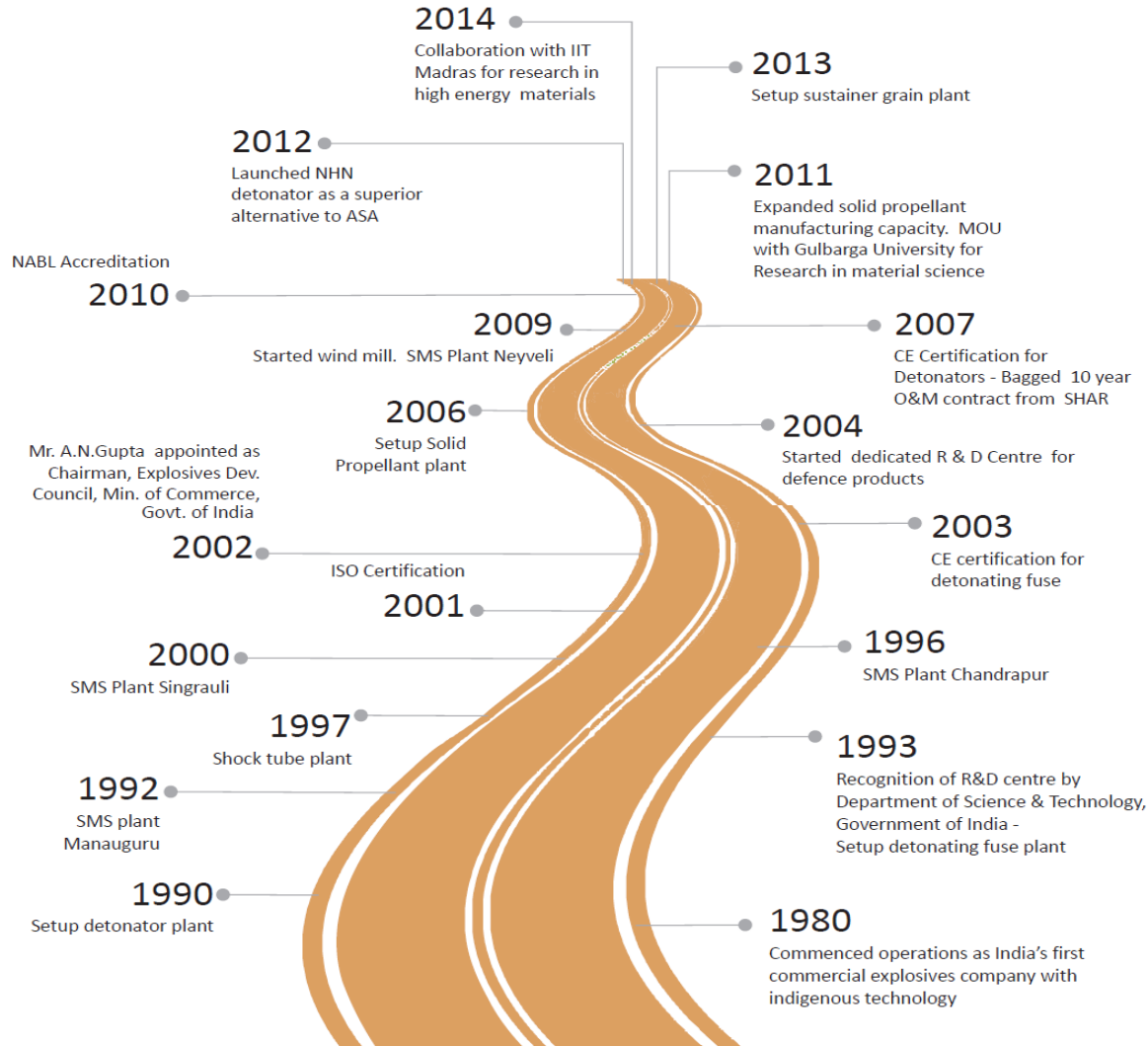
- ❖ Promoted by first-generation technocrat Dr. A.N.Gupta.  
M.E. (Mining Engineering)  
Recipient of 'Pickering and ISM Medal' from Indian School of Mines, Dhanbad
- ❖ Executive Director – Mr. T.V.Chowdary,  
Chemical engineer with 31 years experience in production of chemicals, explosives and solid propellants
- ❖ Director (Marketing) – Mr. Vikram Mahajan  
M.Tech and MBA in Marketing with about 27 years of experience in army and extensive knowledge on opportunities in defence sector
- ❖ Director (Production) – Dr. N.V.Srinivasa Rao,  
M.Sc, Ph.D. (Chemistry) with 35 years of experience in production of explosives & accessories and chemicals

Sharp research focus has lead PEL won several awards including the "Defence Technology Absorption Award 2007" from DRDO, presented by the Prime Minister of India

**PEL is built on a strong foundation of research and innovation**



# Major milestones





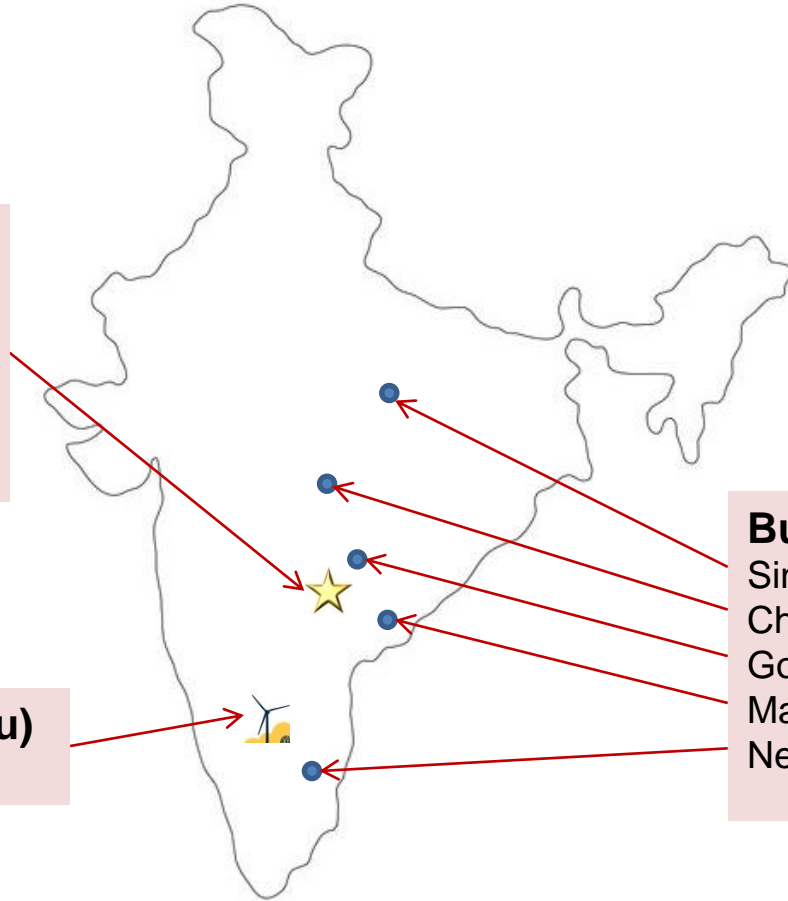
## Strategic presence across India

### **Peddakandukur (Telangana)**

Detonator, Detonating fuse,  
Packaged explosives,  
product research &  
Special Products Divisions

### **Pushpathur (Tamil Nadu)**

Windmill



### **Bulk Explosives**

- Singrauli (Madhya Pradesh)
- Chandrapur (Maharashtra)
- Godavarikhani (Telangana)
- Manuguru (Telangana)
- Neyveli (Tamil Nadu)



## For further queries:

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