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August 8, 2023

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai -400 051
Trading Symbol: "SOLARINDS EQ"
Through NEAPS

To,
BSE Limited
Floor no. 25, PJ Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 532725
Through BSE Listing Center

Subject: Transcription of Conference Call with reference to the Un-audited Financial Results for the quarter ended June 30, 2023 with the management of the Company.

Dear Sir,

Further to our letter dated July 29, 2023 we are forwarding herewith a copy of Transcription of Conference call hosted by **PhillipCapital (India) Private Limited** on **Friday, August 4, 2023 at 11:00 a.m.** to discuss the Un-audited Financial Results of the Company for the quarter ended June 30, 2023 with the management of the Company.

Kindly take the same on record and acknowledge.

Thanking you

Yours truly,

For Solar Industries India Limited

Khushboo Pasari
Company Secretary &
Compliance Officer

Solar Industries India Limited

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“Solar Industries India Limited
Q1 FY-24 Earnings Conference Call”
August 04, 2023



MANAGEMENT: **MR. MANISH NUWAL – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – SOLAR INDUSTRIES LIMITED**
MR. SURESH MENON – EXECUTIVE DIRECTOR, SOLAR INDUSTRIES LIMITED
MR. MILIND DESHMUKH – EXECUTIVE DIRECTOR – SOLAR INDUSTRIES LIMITED
MR. MONEESH AGRAWAL – JOINT CHIEF FINANCIAL OFFICER – SOLAR INDUSTRIES LIMITED
MS. SHALINEE MANDHANA – JOINT CHIEF FINANCIAL OFFICER – SOLAR INDUSTRIES LIMITED
MS. AANCHAL KEWLANI – INVESTOR RELATIONS – SOLAR INDUSTRIES LIMITED – SOLAR INDUSTRIES LIMITED

MODERATOR: **MR. UMESH RAUT – PHILLIPCAPITAL INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Solar Industries India Limited Q1 FY '24 Earnings Conference Call hosted by PhillipCapital India Private Limited. 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. Umesh Raut from PhillipCapital India Private Limited. Thank you and over to you, sir.

Umesh Raut: Thank you, Seema. On the behalf of PhillipCapital India, I welcome all the participants to Q1 FY '24 Earnings Conference Call of Solar Industries India. From the management, we have Mr. Manish Nuwal, MD and CEO; Mr. Suresh Menon, Executive Director; Mr. Milind Deshmukh, Executive Director; Mr. Moneesh Agrawal, Joint CFO; Ms. Shalinee Mandhana, Joint CFO; Ms. Aanchal Kewlani, Investor Relations Head. Without any delay, I would like to hand over the call to management for their opening remarks, post which we will open the floor for Q&A. Thank you so much. Over to you, management.

Aanchal Kewlani: Thank you so much, Mr. Umesh. A very good morning, everyone, and welcome to this fiscal's first quarter review conference call. My name is Aanchal and I would like to welcome you all on behalf of Solar Industries India Limited.

At the onset, let me restate, we might make projections or other forward-looking statements regarding future events and about future financial performance in this call. Please remember that these events about the future and statements are only predictions. Actual events or results may differ materially. Our website will be updated with all the relevant information from time to time. Also, regarding the results, all the details and everything is being updated on the website and informed to the exchanges.

Now I would request our ED, Mr. Suresh Menon, to present the opening remarks for today's call on company's performance for this quarter. Over to you, sir.

Suresh Menon: Thank you, Aanchal. A very good morning, everyone. We have achieved revenue of INR1,682 crores in the current quarter, showing a growth of 4% year-on-year. We marked the highest ever defense quarterly revenue of INR155 crores, having a growth of 142% year-on-year and reaching close to double-digit share in our sales basket. Our EBITDA margins were up by 165 bps from 18.05% to 19.69%, well supported by defense sales.

We have achieved higher revenue and margins despite the negative impact of currency fluctuations and falling raw material prices. This demonstrates the real strength of our company. During the quarter, we registered a volume growth of 13% and are expecting annualized volume growth of 15% to 20% as guided in our previous quarter, mainly driven by robust demand from coal and institutional sector. We are working on increasing our global manufacturing presence from 8 to 12 countries, along with 2 new greenfield projects in India during the year.

The final trials of Pinaka rockets are likely to be completed soon. The order book stands at INR2,678 crores, which includes the defense order book of INR1,054 crores. These factors will help us to maintain positive movements in the future.

Now I hand over to Aanchal for a quick update on quarter numbers.

Aanchal Kewlani:

Thank you so much, sir. It gives us immense satisfaction to present the result of our journey full of hurdles like exceptional currency volatility and falling raw material prices. Despite above challenges, we grew at the pace of 4% year-on-year in quarter 1, registering revenue of INR1,682 crores versus INR1,616 crores year-on-year. EBITDA at INR331 crores, up by 14%, PAT at INR202 crores, up by 10% year-on-year, demonstrating the strength of our business in a challenging environment as elaborated by our ED and MD.

Now let's quickly review the quarter in detail. Explosives volume, domestic. The domestic volume in the quarter increased by 13%. Our realization of explosives showed a degrowth of 18%. Explosive revenue was down by 8%. Revenue from initiating system was up by 43%. Coming to our customer basket. Revenue from CIL was up by 7% year-on-year. Revenues from non-CIL institutions was marginally up year-on-year. Revenues from housing and infra was a little down. Export and overseas revenue grew by 2% year-on-year. Defense revenue, as said, was highest ever in the quarter at INR155 crores, up by 142% year-on-year.

Now coming to the cost break up. Raw materials, the material consumption cost decreased by 10% in absolute terms. Employee costs increased by 33%. Other expenses cost has increased by 56%. Despite all this, our EBITDA margins for the quarter saw improvement and the same grew by 165 bps to 19.69%. The interest costs have gone up by 73%. Depreciation has increased by 12% on account of the capex done in the previous year. The profit before tax stands at INR272 crores with a growth of 10%. The net profit in absolute terms is up by 10% at INR202 crores.

Now we would be happy to take any questions, comments or suggestions that you may have. Over to you. Thank you.

Moderator:

We take the first question from the line of Bharat Shah from ASK Investment Managers.

Bharat Shah:

Manish, what have been some of the key challenges that we have faced. Clearly opportunities are fairly well known and you highlighted about defense business reaching a new high in this quarter. Of course, the challenges on the raw material also are well known. But given the way there has been a lot of volatility, but while entering raw materials scenario, how do you see the picture, strategies to conclude this? And where do you see the picture ahead? That is one.

Secondly, in a period of significant volatility of the raw material price, revenue may not be a very good indicator of how the business is performing. And therefore, probably profits may be a better way to understand how the business is performing. So I would like to hear your view on that? And how do you see that picture?

Manish Nuwal:

Yes, thanks for asking the question, sir Bharat bhai. As far as the first point on opportunity side, like we have said in this quarter, we have achieved a revenue of INR155 crores from our defense sector, which is one of a big achievement for us. And we are looking forward for taking the defense revenue to the new level. And our annualized guidance was given, was around INR700 crores, and we are confident to achieve in that side. And as far as challenges are concerned, the challenge which we have mentioned in the last call also that we are expecting fluctuation in

commodities. And at the moment, it was on a falling trend and it has fallen a lot, which has impacted our top line also, which is reflected in our realizations.

At this stage, we believe that it has bottomed out. And like we have said in the previous call also that we are expecting the higher prices in the second half of the year that will average out the fall and the rise as well. So based on that, we are expecting that we should do better. As far as volume growth are concerned, we are quite bullish because of the increased demand from Coal India Limited and institutional sector. We are expecting a volume growth of around 15% to 20%. That should help us in our -- in this coming quarter. And we are also expecting improved demand from housing and infrastructure.

In the first quarter, we have seen that despite of the summer period, we haven't -- we have seen the rains in northwest part of the country, which was quite unseasonal, which has impacted the demand. But going forward, it should improve a lot and we are quite positive. As far as the other challenges are concerned, like we have said that the trials of Pinaka should complete. So at this stage, as per the current update, the trials are going to start in this month and it is going to take around 1 or 2 months to finish the trials. After that, the other process will start.

Bharat Shah: On the second part of the question, given the major volatility in the raw material prices, which are beyond obviously our control, we need to judge the underlying performance of the business and the strength of the business performance. Would it be in your opinion aggregate profits made will be a better indicator of the strength of advise of the performance of the business, how would you describe that?

Manish Nuwal: Our meaning of better performance was that despite of the challenges, first was the raw material fluctuation, we have seen the ammonium nitrate prices almost reached to a bottom level. And looking at the foreign exchange fluctuation, which we are seeing, especially in Turkey and Nigeria. These are unprecedented and as a result of that, in this quarter, we have faced an additional losses, which we normally keep provisions. But apart from the provisions, we have encountered additional losses due to foreign exchange, which is in the range of INR33 crores and because of the hyperinflation, around INR8 crores has been provided in this quarter.

So because of these 2 factors, we have lost almost INR41 crores, and we are expecting that currencies should settle and should not move to those kind of wild level in the coming quarters. So those things will help us. So our meaning of saying the strength of the company was that despite of all these fluctuation, we are improving our profit margins. And we are expecting with increase of defenses and improved performance from the international market, increased demand from Coal India and infrastructure sector should help us to have a better performance in the coming quarters.

Bharat Shah: Sure. Just one last thing. INR33 crores you mentioned on account of what you would say?

Manish Nuwal: Foreign exchange fluctuation.

Bharat Shah: Foreign exchange of INR33 crores. And INR8 crores on account of?

Manish Nuwal: Hyperinflation provision.

- Bharat Shah:** Export markets.
- Manish Nuwal:** Yes, yes.
- Bharat Shah:** Okay. So normally speaking this should not be kind of feature expected on a longer-term normal course of operation, right?
- Manish Nuwal:** These are losses which are above the normal level. So the normal levels are already being provided in the books of accounts, but these are additional. We don't expect these to continue in the future.
- Bharat Shah:** So the real profit of the business need to be viewed by adjusting these sectors?.
- Manish Nuwal:** Yes, absolutely.
- Bharat Shah:** And one very last question. While challenges are on raw material well known and opportunities also you described -- have been describing. Any other elements that you see as a concern on the horizon or in the reckoning?
- Manish Nuwal:** As of now, there is no other concern apart from these raw material things, foreign exchange, which we have already shared, and the delays are in the trials of the Pinaka rocket, which is one of -- going to be one of the big revenue driver as far as defense sector is concerned. Apart from these 3, we are not expecting any major challenge.
- Moderator:** The next question is from the line of Aniket Mittal from SBI Mutual Fund.
- Aniket Mittal:** A few questions. So firstly, on the exports part of this quarter, we've seen a 2% to 3% Y-o-Y increase. Would it be possible to give us an understanding over there, how much of that is volume led, how much of that is because of the price volatility? And how does the pass-through in the exports market or the overseas market typically work?
- Shalinee Mandhana:** So we see 2% rise in exports and overseas sales as compared to previous quarters. The main reason like volume-led is similar to what we have seen in domestic around 12%, 13%. So there is a price correction. So as a result, the growth has been showing as 2% up.
- Aniket Mittal:** Okay. And the other part on the exports is we were thinking certain new geographies. Indonesia was one where I think we've set up capacity. Australia also we were looking to expand. So if you could just maybe throw some light on where contribution has all those investments and capacities come on board? And how much are they contributing for us right now and over the next 3 years?
- Shalinee Mandhana:** Yes. Next 3 years, okay, as the guidance we have given that our volume guidance overall for the group as we are seeing that 15% plus should be there. So that is an international market is included in that. For Australia and Indonesia, so the volume rise will start from second to third quarter. Plants have been set up there. So we should see the contribution starting from second and third quarter.
- Aniket Mittal:** Okay. And any other geographies that you're looking to enter to set up capacity?

- Shalinee Mandhana:** Yes, we have announced that we will be increasing our geographical presence from 8 to 12. So as soon as each geography commercializes, we'll update accordingly.
- Aniket Mittal:** Which are the other 2 geographies that you are going to set up?
- Shalinee Mandhana:** We will come out once the same commercializes.
- Aniket Mittal:** Perfect. The third question was just to understand the outlook on the domestic, let's say, infra side or the other institutions and how is demand looking out there, I think the price is coming up, has that hurt the demand quite a bit?
- Shalinee Mandhana:** Yes. Manish just answered that in quarter 1 this year, there were unseasonal rains, especially in the north part of the country. So that has impacted demand in housing sector, but we are expecting strong demand from quarter 3 onwards.
- Aniket Mittal:** Okay. Just one last question. We have that multi-mode hand-grenade order pending. If you could maybe highlight how much of that is pending right now? How much of that is executed? Is there any recurring order that we can expect?
- Shalinee Mandhana:** That has been supplied in full. We're expecting second order. Once that comes, we will announce.
- Aniket Mittal:** Is it a fairly similar quantum that we expect to come?
- Shalinee Mandhana:** We are expecting similar quantum.
- Moderator:** The next question is from the line of Ravi Naredi from Naredi Investment.
- Ravi Naredi:** Manish, again, a reasonable result due to certain forex loss, we listened just now. Sir, our excluding installed capacity, how much at present and how much we are expanding in next 1 year?
- Shalinee Mandhana:** Sir, we do not share the capacity wise details.
- Ravi Naredi:** It is secret one?
- Shalinee Mandhana:** No, it's not secret because the product ranges are too broad. So it's very difficult to compare.
- Ravi Naredi:** Differently -- I ask differently this question. At how much capacity we are running in that project?
- Shalinee Mandhana:** Around 90% plus.
- Ravi Naredi:** 90%. Or any expansion is on our cards?
- Shalinee Mandhana:** So that is a normal expansion plan. So this year's current capex plan was around INR750 crores. So that's included in that.

- Ravi Naredi:** Okay. And secondly, we have a situation where our borrowing limit, we can't increase -- able to increase and new directors, we can't appoint due to some problem in company. How -- can you tell what impact will come if our borrowing limit is not raised?
- Shalinee Mandhana:** First of all, on the Directors part, so we have SEBI guidelines where Directors can be inducted. So that process will be completed within the time line given by SEBI. So second on borrowing part, we have ample space in that and for the company as a whole, we do not see any challenges at this stage.
- Moderator:** We take the next question from the line of Noel Vaz from Union Mutual Funds.
- Noel Vaz:** Just one thing is that, I suggest to you just expand a little bit more on your earlier commentary. You had stated that the pricing is expected to improve in second half. And in second quarter, I think there's still some element of pricing decline expected to happen. But what I wanted to try and understand is right now, I think our EBITDA per tonne roughly is about INR15,000. And in the past, we had done -- you would typically do around INR9,000. So I mean, what -- how much of this should be actually persistent going forward?
- Shalinee Mandhana:** Yes. So EBITDA per tonne do not look into it because the basket range of products is too broad. So we see margins for the group as a whole. So currently, for the year, we have given our projection of 20% to 22% for the year, and we are quite expecting -- we are happy that we'll be achieving that target. This quarter, it was around 19.6% because of the forex losses.
- Noel Vaz:** So if I were to just clarify, so because the mix has changed quite a bit over the past 2 years, but better to think of it in terms of a percentage margin rather than Rupee per tonne kind of number, right? Is that what you are saying?
- Shalinee Mandhana:** Correct, correct.
- Noel Vaz:** Understood. Second thing, which is there, so I asked about the pricing. So I think broadly speaking, chemicals are down. So when ammonium nitrate has been fallen by quite a bit sequentially for the past few months like month-on-month. But if you look at it, let's say, company average for -- I mean, the yearly average for, say, 2018, 2019, I think we are still above that number, right?
- Shalinee Mandhana:** So, as we've always spoken the prices have come down heavily, but very difficult to predict now because as per the current trend, the prices of nitrogen has started moving up in the international market. And the same is for our estimation -- earlier estimation.
- Moderator:** The next question is from the line of Amit Dixit from ICICI Securities.
- Amit Dixit:** I have 2 questions. The first one is more of a book-keeping question. If you can let us know the ammonium nitrate price or cost that you booked in the end of Q1 FY '24 and Q4 FY '23? And how do you see it evolving in the quarter?

- Shalinee Mandhana:** Amit, as regards the pricing of ammonium nitrate, so we take the RCF prices as the base price. Okay, RCF as base price. And currently, if we see on a year-on-year basis, the RCF prices have come down by 35%. And on some periods, Q4, it has come down by 13%.
- Amit Dixit:** So would it be fair to assume that the full impact of the decline in RCF prices have been taken this quarter and therefore, the corresponding decline in realization has also done that in this quarter? Or there is some element left for the subsequent quarters?
- Shalinee Mandhana:** Yes. To a great extent, it has been captured.
- Amit Dixit:** Okay. That's comforting. The second question is essentially on defense side. So now if we look at the government focus, it is increasing in missiles, ATGMs, Helena, Johanska, LRFD, and Saron, have been undergoing user trials and ready for market production. The question is that are we supplying or developing propellant, strong explosives for some of these platforms? And also, if you could elaborate on the status of Mahashivastra 1 and 2 that would be helpful?
- Manish Nuwal:** So like we have been sharing over the past couple of years, that we develop many of the products in association with DRDO and some of the products we are developing on our own also. So as far as the variety of opportunities are concerned, we are pretty well aware that there are opportunities in the field of APGM variety of rockets. So we are working on those things. And the products which we are developing on our own, we have already offered the product specifications. Once there is any confirmation from the user side, we will extend the development part. But as of now, yes, there are good opportunities for a company like us to work on a variety of products for these programs.
- Amit Dixit:** Sir, if I look at your defense order book, I mean, in this quarter, the last quarter and the revenue that we have booked for the implied order inflow is INR150 crores in this quarter. Now is it the regular stuff or if there is something else, if you can just elaborate a bit on that.
- Manish Nuwal:** Yes, it's a mix of both. We are receiving some regular orders also and some of the orders are development in nature. So it's a combination of regular plus development progress. And that is the result by -- even after supplying INR155 crores, the order book is still standing at INR1,054 crores from defense sector.
- Amit Dixit:** Okay. Sir, last follow-up, sir, if I may. If I look at your defense revenue, that is quite impressive. The growth is very impressive. And knowing that different orders typically get executed by third and fourth quarter. So is there any upside risk to your guidance of INR800 crores of revenue that you -- in defense that you gave last -- I mean, last quarter?
- Manish Nuwal:** Your point is quite valid, that if you look at our annual guidance of INR700 crores, so we should make a run rate of around INR175 crores in every quarter. In this quarter, we have done INR155 crores and from Q3 onwards, we are expecting a surge in our revenue from defense. And that will help us to achieve the annual guidance of INR700 crores. But it can also cross. But sometimes it happens that there are variety of regulations, a variety of supply chain-related issues keeps coming. So as of now, we are comfortable in maintaining the annual guidance of INR700 crores.

- Moderator:** The next question is from the line of Dhananjai Bagrodia from ASK Managers.
- Dhananjai Bagrodia:** Congratulations with your result. So I wanted to understand, there has been a reduction in order book year-on-year. Is it because of reduction in raw material prices, hence realization is lower, that's why the order book is lower year-on-year?
- Manish Nuwal:** The current order book, which is as of now is around -- just a minute, INR2,678 crores. And out of that INR1,054 crores is from defense. So yes, your point is right that order book has reduced. The reason is that the Coal India orders are likely to be completed by the month of October this year and we are expecting the new RFPs to come in the month of September. So once we receive the new order, this order book will jump a lot.
- Dhananjai Bagrodia:** And sir, what would be the year-on-year, INR1,054 crores in this Q1 of FY '24 would be equivalent of how much would have been in Q1 of FY '23?
- Manish Nuwal:** I didn't get your point. Please repeat again.
- Dhananjai Bagrodia:** What would defense order book has been in Q1 FY '23?
- Manish Nuwal:** Yes, that is what I said. Last year, I don't have the figure at this moment. You can connect us later. We will give you the detail.
- Dhananjai Bagrodia:** And sir, what was the reason for Initiating Systems growth to be so high?
- Manish Nuwal:** There is no specific reason for that. We have added capacities in the last couple of years. So that capacity addition is helping us to increase the sales for initiating systems.
- Dhananjai Bagrodia:** Sure. And then lastly, gross margin increase has been substantial. Would this be fair to [inaudible] way going ahead?
- Manish Nuwal:** Yes, we are quite confident of maintaining these kind of margins going forward.
- Moderator:** We take the next question from the line of Rohan Gupta from Nuvama.
- Rohan Gupta:** Congratulations on a strong set of numbers given the challenging environment, which we are facing. Sir, just a couple of clarifications. So first, you just mentioned that Initiating System, though, we have seen a solid growth, but it is only led by the capacities, which we have added and no one-off in that segment?
- Shalinee Mandhana:** Yes.
- Rohan Gupta:** Okay. So this is basically the Initiating System, which I believe will be capturing the growth in domestic as well as in exports market or it's only I mean, from the domestic market or is the reported there?
- Shalinee Mandhana:** It's overall domestic as well as exports.

Rohan Gupta: Okay. So shall we -- is it fair to assume that in the global market, we have now especially in the markets like Ghana, Australia and all, we have been fairly there from a stable time. And now even the Initiating System and value-added product basket is doing well there and that is going to drive the growth. I was just slightly curious about the growth from the Initiating Systems and other value-added part going forward. I mean, in next 2 to 3 years, what kind of growth drivers will be there?

Manish Nuwal: So like we have been mentioning in the past that we are adding a lot of capacities for these products and as a result of which you are seeing this growth. And your point is also correct that as we are expanding our global footprint, the sales of these products are going up. Apart from this, these products like Initiating System is part of our regular explosive business. So there is no as such big differentiation while giving any guidance. So our guidance is of an annual EBITDA margin of around 20% to 20% has been given, and we are confident of that. And those margins are issued only after capturing all these opportunities on which we have been working and we are sharing these things over last couple of quarters.

Rohan Gupta: Fair enough, sir. Sir, second thing on our forex losses in the current quarter, which we have booked. So do you see that there is any further markdown expected in a Q2? Or is the -- already fair provision has already been made on these 2 markets?

Manish Nuwal: No, we don't see any significant jump on that side. We have fairly provided on these accounts. So we have already done that. This is what I have said on the first question from Mr. Bharat Shah.

Rohan Gupta: Okay. Sir, on international markets, you have mentioned that definitely you want to go from 8 to 12 now. So definitely, that ambition has been -- our ambition has been almost in a year or 2, adding 1 or 2 new markets. That I think is broadly in line that you have plans to add another 4 markets globally. But what I wanted to understand that from our existing markets, over next 2 to 3 years, especially some of the big large markets like South Africa, Australia and all which are pretty large markets in themselves as far as the mining is concerned.

Do we see or do we target significant expansion and growth in those markets, those territories because now we have been in those markets and explored in the last 3 to 4 years. So probably the growth from these large markets can be significant? Or we just want to continuously focus on getting into new territories and keep on exploring the opportunities in new markets?

Manish Nuwal: So our expansion in the territories where we are already present, we will see a gradual expansion in those things. And -- but our gradual means in next 3 years, yes at the end of 3 years, we will see a significant growth. So it's -- I can answer in both terms, the growth will be gradual in all the new territories. But if we club all the territories, then it will be a significant growth.

Rohan Gupta: Okay. So idea actually still will be keep on exploring the new markets and also getting into new territories and to drive our international ambition, right?

Manish Nuwal: Yes, yes. As far as international expansion or international business is concerned, we are working very hard to increase the sales from the existing territories. Apart from them, we are exploring the new territories also. And this is in line with our overall strategy to expand footprint

globally, which includes India also. And in India also, like we have said that last year, we have acquired the process is almost completed of Rajasthan Explosives. And we have almost completed the land acquisition program for the 2 new plants. So these are in line with our strategy to expand our footprint to serve our customers in a better way than what we can do at this stage.

Rohan Gupta: And sir, just last, if I'm allowed. On the defense part of the business, does it also include any export revenues, which we have done in the current quarter?

Manish Nuwal: Yes, the current revenue of INR155 crores includes exports of defense products also.

Rohan Gupta: Sir, can you give that number? How much is the exports in the current quarter in defense?

Manish Nuwal: We can't give that.

Rohan Gupta: Okay. Sir, in defense business in exports, are we expecting a significant pickup or opportunities or any large size order we can expect or we are looking something very closely in near term, sir?

Manish Nuwal: So we have already started receiving orders from export market for the defense section. And as a result of that, the current order book is around INR1,054 crores. And our annual guidance is around INR700-plus crores is based on capturing all the opportunities and orders we have from India and outside India as well.

Moderator: We take the next question from the line of Abhishek Ghosh from DSP Mutual Funds.

Abhishek Ghosh: Sir, just in terms of the domestic capacity expansion that you spoke about, by when will those come in? And will they get commenced in phases?

Shalinee Mandhana: Yes. We keep on adding on average gradual expansion -- so once those are there so the numbers this like 43% rise in Initiating System as a result and then explosive volumes are also growing. So it's a gradual expansion, which is growing.

Abhishek Ghosh: So I was more referring to the 2 new locations that you'll be expanding capacity on. I was more referring to those expansions.

Shalinee Mandhana: So around 2 years.

Abhishek Ghosh: Okay. Okay. And the other thing is we have seen very strong growth when we look through the annual report, you have seen very strong growth as far as the Nigeria and Turkey operations are concerned in the FY '23. So if you can just help us understand, is it led by market share gains? Or the underlying demand has been strong and how do you expect the prospects from these 2 operations?

Manish Nuwal: Last year, we have seen a very strong growth in Nigeria and Turkish market, but in this quarter, we have seen that there is a negative impact due to currency fluctuations and a lot of -- due to political reasons, they have election in Turkey and Nigeria, both and in Turkey we have seen that there was an earthquake. It was not near to our plant or operations, but definitely, it impacts

the overall demand in the market. But as we grow our -- as we move forward, we think that all these will stabilize. And from Q3 onwards, we will see improvement in business.

Abhishek Ghosh: Okay. So overseas operations to that extent, 1Q has seen a little bit of softness because of these 2 geographies having specific issues?

Manish Nuwal: That is what we have observed in the Q1 also.

Abhishek Ghosh: Okay. Okay. Sir, other thing is also, you had mentioned about South Africa, Australia taking even. So that we are confident in terms of FY '24 that they will turn positive as far as their profitability is concerned in FY '24?

Manish Nuwal: Yes, yes. We are quite confident of achieving these numbers of 21 in this FY24.

Abhishek Ghosh: Great. And sir, just one last thing. In terms of housing and infra, which has been kind of weak - - partly last year, execution was weak. This year, you had unseasonal rains. But overall, from the second half perspective, one is seeing a good amount of traction, I'm saying in terms of demand momentum. That is something that should drive the overall volume growth is something that you still see? Or is there a change in the kind of thought process there?

Manish Nuwal: As far as these factors of last year, we have seen huge price rise of steel and cement, which has impacted some of the infrastructure work in the market. Apart from that, like we have said, in the first quarter, there were some unseasonal rains. So these are the factors, which we cannot control or it is not in the control of anybody. But if you look at the ground reality, there is a strong momentum. And I think once the rains are over, we will see a very good demand from this sector.

Moderator: The next question is from the line of Meet Rachchh from Anubhuti Advisors.

Meet Rachchh: First question, sir, my would be on the capex, I think, plans, what we have, I think, drawn for FY '24. So versus INR750 crores of capex, we have done some INR118 crores in 1Q, so will this be more aggressive in the later part of the year or currently the capex plans have been on an aggressive note?

Manish Nuwal: Yes. Because our -- normally in the Q1, we start the work and in Q2 normally because of rains, there is some dullness in completing the projects. But in Q3, Q4, we will see the improvement in project executions.

Meet Rachchh: Understood. Understood, sir. And sir, this would also include the capex plans that we will be doing at the Rajasthan Explosives, the INR750 crores part?

Manish Nuwal: Yes, it is also part of that.

Meet Rachchh: Understood. Understood. So I think broadly, this would be all funded from the EBITDA only because I think debt levels, I believe, then would further go down by the end of this fiscal year. That would be correct understanding?

- Manish Nuwal:** Yes. Like we have said that the current debt level as of 30th June, the current net debt is around INR697 crores. And we are expecting that the cash generation from the operations will be good enough or more than enough to manage all these capex programs.
- Meet Rachchh:** Because working capital has also seen sharp improvement during this quarter?
- Manish Nuwal:** Yes. The working capital improvement is mainly because in the last year, we were buying ammonium nitrate from international market on advanced payments. And now those things have stabilized. So now those materials are available on net gross credit terms. So that has helped us. Second, the prices of ammonium nitrate has also went down significantly. That has burden on our working capital, which we have seen in the last year. So these factors are helping us to reduce the net debt level.
- Meet Rachchh:** Understood. Understood. And sir, just on this raw material prices. So we have the prices similar to what they were in 1Q currently? Or have they further gone down?
- Manish Nuwal:** Yes, prices are like in the Q1, we have shared the prices of RCF, which has already reduced. And we also expect that in the Q2, there can be further minor correction, not a big correction. And after Q2 onwards, say, Q3 and Q4, we will see a strong improvement in the prices of our core raw material. We have seen that in the international market, the prices has turned up. The nitrogen prices like urea and ammonium nitrate are going up. So those things are in line with our earlier expectation that in the second half, we should see the price improvement in ammonium nitrate.
- Moderator:** Maybe we request you to join the question queue sir, we have several participants waiting for their turn. We'll take the next question from the line of Farokh Pandole from Avestha Fund Management.
- Farokh Pandole:** Yes. My first question was relating to the 8 foreign markets that we serve. Just wanted to know on an annual basis, how many of them have crossed breakeven? And for those that have not, what is the sort of time line or like part that we see? And in terms of -- yes, so that was the first question.
- Manish Nuwal:** The margin side, like we are saying that our margins were not good or we were not reached to the EBITDA level, especially in South Africa, which is one of the major investment. And in this financial year, we are expecting that we should reach to the breakeven. Apart from this, there is no major country where we have not reached to the comfortable level.
- Farokh Pandole:** Great. That's good to hear. Also, second question relates to a number of media reports over the last couple of months, suggesting that there was some level of discomfort in the promoter family. And I was just wondering if there was any clarity or any sort of clarification of any kind that you could comment on at this point?
- Manish Nuwal:** Yes, like I said, we do not wish to comment on any such media reports.
- Moderator:** The next question from the line of Bharat Shah from ASK Investment Managers.

Bharat Shah: Manish, if you take 3 years -- 3 to 5 years view of the picture ahead because some of your businesses are relatively for shorter term and some others are more medium and some others like defense have to be evolved over the longer term. So if you take a 3- to 5-year view of the overall business is -- overall business. So institutional, housing infra, our exports market and defense, how -- what kind of a growth rate that you would believe is likely? In other words, which of the businesses, which are the segments out of the 4, do you expect to do higher over a 3- to 5-year time frame? And second, third and fourth, what kind of highlight would you put in terms of growth rate of the businesses?

Manish Nuwal: So if we discuss on the section wise -- like sector-wise, so we are expecting that defense should be more than the average trajectory of 15%, 20% and similarly, we are also expecting that businesses from Coal India or Institutional Sector should also be above the normal average.

And international market also should do above average. As far as housing infrastructure sector like the demand from Indian market is increasing by around 7%, 8%, sometimes 9%. So we see that the market has already reached to a mature stage. And we don't see that it should improve or increase by 15%, 17% every year. But by and large, we are expecting 15% to 17% volume growth if we consider business as a whole. And there is always chances of price increase of around 4%, 5% every year. So if we club together on a horizon of 3 to 5 years, we expect around 20% of growth every year.

And as far as margins are concerned, those margins should also be in a very comfortable level of around 22% and 20%. And since in any business, there are plenty of challenges, which keep coming. So that can also impact us. But on a positive side now, defense is doing much better than what we have seen in last 4, 5 years. So that should help us to absorb all these kind of challenges. And as a whole, like we have said 20%, 22% achievement should not be a problem for us.

Moderator: Mr. Shah, may we request you to join the question queue, sir. We'll take the next question from the line of Jaspreet Arora from Equentis BMS.

Jaspreet Arora: Manish, thanks so much for maintaining those disclosure standards being very high and for putting that list of settlement document on the exchange. Just a clarity there. So what it means is between you and your father, we have 60% of all the properties and company shares and the other party has 40%. Could you clarify?

Manish Nuwal: Yes, it is exactly like that.

Jaspreet Arora: Okay. Second, in the AGM, sir, the -- some resolutions were not being able to pass. There were some related to increasing the borrowing limit and a couple of others. How much of this would impact our business and how to look at such things from a company's growth perspective as a hindrance, if at all?

Manish Nuwal: Yes. These are resolutions if it would have passed, so definitely would have helped us. But since those have not been passed, but there are challenges. The first is as far as continuation of independent director, who has completed the first term. So definitely, we will bring the new independent director replacing the existing one. It should not impact the business as a whole.

Second, as far as debt levels are concerned, we have requested for increasing the limit in our parent company, which is Solar Industries India Limited. And looking at coming orders and coming inflows from our businesses, we should be able to maintain the current situation. And apart from this, the company is also applying to the government bodies to relax on these norms, which is not in the interest of any businesses.

So we are pretty confident that this regulation has been made considering certain kind of simulation or scenarios. And as things change or as scenarios change, they also come out with the relaxation in the norms. This is what we have seen in the past also. But on a totality, it should not impact our company's growth plans. We will be able to manage these challenges.

Jaspreet Arora: So the alteration in the articles of association, was there anything meaningful there? Or was that only something minor, which was also something not passed?

Manish Nuwal: Yes, it is not passed, but we have applied to the government that because of these regulations [inaudible] resolution. But because of this factor, if you are not able to pass a resolution, so they should issue relaxation, right? And we are -- as a management, we are quite confident to get relaxation on these terms.

Jaspreet Arora: Okay, great. And just quickly, lastly on this. So the matter is again so-called subjudice or there is whatever discussions going on, and there is no progress there, still a deadlock. Is that how to look at it between the 2 parties?

Manish Nuwal: Yes. As of now, the matter is subjudice and we have shared all the relevant information to all our stakeholders. So we maintain the stand on that side.

Jaspreet Arora: Okay. It just gives both the parties, the first right of refusal is what the doc says, whoever is trying to sell. So -- but there is no price attached to that, right? So how should one look at that? Is there some way the price is also mentioned in the document, the detailed one? How would one arrive at the price?

Manish Nuwal: So we will have to follow the document, which we have executed between the promoters and that document has also been shared with all the stakeholders. And as far as the understanding is concerned, there is a price mechanism mentioned in that and we have to abide by that.

Jaspreet Arora: So there is a price formula given in the detailed document, which has been executed and that will be followed, right, once either of the parties decide to go ahead with it?

Manish Nuwal: Absolutely.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Aanchal Kewlani: Yes, thank you so much. We deeply appreciate the presence of all our investors over here, and we'll be probably visiting in the next quarter. Thank you so much.



Solar Industries Limited
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Moderator:

Thank you. On behalf of PhillipCapital India Private Limited, that concludes the conference call.
Thank you for joining us and you may now disconnect your lines.