



**Premier  
Explosives  
Limited**

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June 05th, 2017

To,  
**The Bombay Stock Exchange Limited**  
Corporate Relationship Department  
Floor – 25, P.J.Towers, Dalal Street,  
MUMBAI – 400 001  
Scrip Code: 526247

To,  
**National Stock Exchange of India Limited**  
Listing Department,  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E),  
Mumbai-400051

Trading Symbol: 'PREMEXPLN EQ'

Dear Sir/Madam,

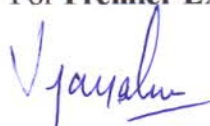
**Sub: Transcript of Conference call pertaining to the Fourth Quarter  
ended 31st March, 2017 Results**

Please find attached the Transcript of the Conference Call hosted by, S-Ancial Global Solutions Private Limited, on 29th May, 2017, pertaining to, 'Premier Explosives Limited Q4 & FY17 Earnings'.

This is for your kind information and record

Thanking you,

Yours faithfully,  
For **Premier Explosives Limited**



**Vijayashree.K**  
Company Secretary  
Encl:a/a





## **“Premier Explosives Limited Q4 & FY17 Earnings Conference Call”**

**May 29, 2017**

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**MANAGEMENT:**    **DR. A.N. GUPTA – CHAIRMAN & MANAGING DIRECTOR**  
                              **MR. T.V CHOWDARY – DEPUTY MANAGING DIRECTOR**  
                              **MR. C. SUBBA RAO – CHIEF FINANCIAL OFFICER**

**MODERATOR:**    **MR. RAHUL RAJAGOPALAN– S-ANCIAL GLOBAL SOLUTIONS**

**Moderator:** Good day, ladies and gentlemen and welcome to Q4 and FY 2017 Earnings Conference Call of Premier Explosives Limited hosted by S-Ancial Global Solutions. 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Rajagopalan from S-Ancial Global Solutions. Thank you and over to you, sir!

**Rahul Rajagopalan:** Thank you, Margret. Good afternoon, everybody. I on behalf of S-Ancial Global Solutions welcome you all to Premier Explosives Limited’s Fourth Quarter and Full Year Results 2017 Earning Call.

From the management team, we have with us Dr. A. N. Gupta -- Chairman and Managing Director; Mr. T. V. Chowdary -- Deputy Managing Director; and Mr. C. Subba Rao -- who is the CFO.

May I now request Dr. A. N. Gupta to take us through his initial remarks subsequent to which we can open the floor for Q&A Session. Over to you, sir!

**Dr. A. N. Gupta:** Thank you very much, Rajagopalan. I welcome everyone to the Q4 and FY 2017 Result Conference Call of Premier Explosives Limited.

I am happy to share with you that Premier Explosives has achieved highest ever Q4 turnover at Rs. 72.47 crores and full year turnover of Rs. 230.71 crores.

For Q4 FY 2017, the gross turnover grew 23.4% year-on-year. Operating margin stood at 19.2% compared to 11.8%. The net profit stood at Rs. 8.29 crores compared to Rs. 3.4 crores in March 2016 quarter.

Profit for full year has increased from Rs. 5.67 crores to Rs. 14.75 crores. As numbers are already available in Result and Presentation, I will not be going through into detail of financials. The total order as on 1st April, 2017 is Rs. 243 crores.

With this, I now open the floor for Question-and-Answers. Thank you.

**Moderator:** Thank you very much. We will now begin with a Question-and-Answer Session. The first question is from the line of Yellapu Santosh from IndiaNivesh Securities. Please go ahead.

**Yellapu Santosh:** I had two questions, first I would like to understand what is the management’s roadmap to peruse the forward and backward integration which has been mentioned in the slide number

22 and what will be the related timelines and the required CAPEX for this? And the second, once I get the answer, I would like to go ahead with the second question.

**Dr. A. N. Gupta:** May I know your good name please.

**Yellapu Santosh:** Sir, I am Yellapu Santosh from IndiaNivesh Securities.

**Dr. A. N. Gupta:** Okay. Forward integration is solid propellants which we like to take up a new plant at ISRO SHAR and second one is given as Rocket Motor Hardware which most probably will be along with some other company which has got more experience in hardware. Thermal insulation is already with 1 meter autoclave at Peddakandukuru there is our existing factory and all the insulation which is required for diameters up to 1 meter, we can do in this. But beyond that we have ordered up to 1.3 meters autoclave that is diameter of 1.5 meters and it is expected to be delivered probably next month and may be installed and commissioned by another 15 days to 20 days it takes to make a foundation and connection on streamlines, etc., and the third one is War-heads which is basically a new plant which has to be put up for integration that is the hardware which is to be filled with explosives that is normally RDX or TNT or a combination thereof and hot integration that is the integration of War-heads with the motor or integration of the missile system that is guidance system with motor which is already fitted with the War-heads or fitting the War-heads to a guided missile. As far as backward integration is concerned, ammonium perchlorate which has already started at our existing location and it is working beautifully, it has been approved HEMRL as well as a Japanese company. Japanese company is the Government of Japan which is doing the space programs and we have got a trial order of 400 kilograms. They have already applied for export license. As soon as the export license is obtained we will send it out and once it is approved and they are likely to buy us something like 300 tonnes to 400 tonnes per year within our capacity. Next backward integration program is our HTPB. But HTPB we have got a technical know-how, we have not yet started taking action, we wanted to collect some money which is fortunately came very handy last week from the QIP and with that we will be going for HTPB plant. RDX and HMX these are the explosives to be filled in the War-heads. We have already submitted papers of this to the Chief Controller of Explosives and it is proposed in Katepalli plant this is the second plant which we have, which we are going to have and this HTPB, RDX and HMX this would be probably take about one year time to start production, so next year it will be through. CL 20 is basically a very high energy, high explosives but this will be very expensive and we have very small volume and very high energy has to be packed into that. Single Base Propellant, Double Base Propellant and Triple Base Propellants will be used to sort of mix proposed expansion for ammunition and War-heads.

**Yellapu Santosh:** Sir, related to this point, can you please numerically tell us what would be the CAPEX should incur for or you propose to incur during FY 2018 and FY 2019 for this forward and backward integration initiatives.

**Dr. A. N. Gupta:** Overall, total I remember that figure would come to something around Rs. 150 crores. But I will not be able to tell you exactly how much will be required for each project.

**Yellapu Santosh:** Fair enough, sir. Sir, second and last question, I would like to understand if my understanding is right, within the ISRO we are more focused GSLV and not on the PSLV. If I look at the ISRO's focus from a long-term point of view the pipeline of rocket launches PSLV looks stronger than GSLV. So, do we intend to stick just to the GSLV rockets or we intend to scale up our capabilities to the PSLV level also or what is your thought process or how do you see this going forward, please help me understand how company plans to scale up the business in this space.

**Dr. A. N. Gupta:** See, what is the different between PSLV and GSLV can you please tell me.

**Yellapu Santosh:** The one uses Solid Propellant and other one uses Liquid Propellant to my understanding, I am not a technical guy.

**Dr. A. N. Gupta:** That is why, this is the problem. The problem is that you are not a technical guy. See, both PSLV as well as GSLV are concerned both are combination of solid proposition and liquid propulsion, also cryogenic propulsion. In the last state that is once you reach the space, we normally i.e. ISRO switches on the cryogenic engine. Initially it is lifted by Solid Propellant and then is taken by Liquid Propellant to certain extent after that once again the Solid Propellant is taken up and once it reaches into the space, this is where you see it takes long time to speed. I think the time taken to each there is not as much as that. So, it will take about total time taken for PSLV or GSLV rocket because both of them go on the same space. It is only the capacity which varies, it is about 20 minutes - 25 minutes by the time we finish this con-call probably something which if it was communicated by ISRO it would have already gone into the orbit. So, it goes so far and it is really excellent opportunity if you get the opportunity to see that because I and my colleague, Mr. Chowdary, we both were present in the team I think 24th launch and it is really a PSLV. It is very unique experience and you should have that very extraordinary experience. you write to them and they would give permission.

**Yellapu Santosh:** Sir, just one last thing, I am trying to understand, if we can take up opportunity for work for GSLV, are we technically well equipped to take up any work that flows for the PSLV side or also not that is what I was trying to understand?

**Dr. A. N. Gupta:** See, PSLV in fact what we supply is PSLV and not GSLV, GSLV is just synchronized rock orbit and PSLV is polar synchronized rocket. If any rocket both PSLV or GSLV can be used for either of the two jobs. And we are into both.

**Yellapu Santosh:** Okay. So, I was reading somewhere that L&T makes certain motor components in certain other hardware for these rockets...

**Dr. A. N. Gupta:** Yeah, L&T is a hardware company, it certainly makes hardware component and our people who are located at ISRO Sriharikota, they do the entire thing. So, whatever goes out into the space from ISRO also have Premier Explosives Limited. If not, our components or our finished items at least we are set that means our people are working there, they are working on GoCo basis.

**Moderator:** Thank you. We will move to our next question which is from the line of Divyansh Shah from Pragma Equities. Please go ahead.

**Divyash Shah:** My question is related to our Slide #10 to 13 regarding ISRO. Sir, I am layman and I want to understand how big is this ISRO opportunity in financial terms. How big is the ISRO opportunity for the next three years to five years, how big it can happen to company like us?

**Dr. A. N. Gupta:** It is very major opportunity because every strap on motor what we have awarded have very good price. There is no limit on the quantity, it depends on how many we can produce, if we can produce two per month we can supply two-month, if they ask us to supply three, we can supply three per month we can supply three. Presently, it will take three months for us to supply one. You can imagine sort of challenges offered to us. So, we will try to do as many as possible and if possible within next two years to three years' time reach something like two to three per month.

**Divyash Shah:** Sir, in financial terms what can be the amount

**Dr. A. N. Gupta:** I cannot tell you exactly.

**Divyash Shah:** Roughly, any ballpark figure.

**Dr. A. N. Gupta:** I cannot tell you.

**Divyash Shah:** Of ISRO.

**Dr. A. N. Gupta:** Yeah, now this is something confidential between the customer and the supplier that is us and ISRO.

**Moderator:** Thank you. The next question is from the line of Ishit Sheth from Anvil Shares and Stock Broking. Please go ahead.

**Ishit Sheth:** Sir, just wanted to understand, can you give us break-up of the order book of Rs. 243 crores, how much would defense be and how much would explosives be?

**Dr. A. N. Gupta:** Mr. C. Subba Rao will answer that question.

**Ishit Sheth:** Sure.

**C. Subba Rao:** Yeah, out of Rs. 243 crores, explosives is Rs. 90 crores; defense is Rs. 115 crores; and O&M services is Rs. 38 crores; total Rs. 243 crores.

**Ishit Sheth:** Okay, sure. Sir, and also this order book of Rs. 115 crores in defense can it be executed one year or 12 months to 18 months like a general....

**C. Subba Rao:** Yeah, it will take 18 months kind of time but what is not there as on today, something else also may come it is not exactly the quarter will be as per order book.

**Dr. A. N. Gupta:** The order book is not a static figure. You execute some and you get some more orders. So, it always keeps on rotating.

**Ishit Sheth:** Absolutely. Sir, so then for FY 2018 what is the kind of turnover that we are expecting, this year we did around Rs. 229 crores for FY 2018 what kind of growth do we expect?

**Dr. A. N. Gupta:** See, we already had about 30% growth in the last year in the current year also we will try to maintain Rs. 25 to 30% that means something like Rs. 300 crores will like to have a full year in 2017 - 2018

**Ishit Sheth:** Okay, sure, sir. Also sir, one more question what I had was there are margins for this quarter, have gone up to almost 19%. Now, if you look at the revenue mix, defense has obviously gone up in this but it has not gone up that significantly for such a big margin. Like how do we see margins from here on basically?

**Dr. A. N. Gupta:** Well, the margins are certainly going to be better than previous year because defense turnover increases the margins improve. But last year obviously in the fourth quarter we had provided for certain, we made some provision certain write-offs and all that, their income. So, fourth quarter was better. And normally ever year it happens like this. So, I think they are going to change our policy in such way that every quarter the provisions are made to zero and again got brought up.

**Ishit Sheth:** Okay, sure, sir. And sir, on the CAPEX that we are planning to do for the ISRO what is the time frame and what is the kind of investment that we are looking at for this?

**Dr. A. N. Gupta:** Mr. Chowdary, will reply to this.

**T. V. Chowdary:** Time frame what we are looking is including all kind of statutory permissions and execution and going to the qualification it will take minimum two years.

**Ishit Sheth:** Minimum of two years basically.

**T. V. Chowdary:** Two years, yeah.

**Moderator:** Thank you. The next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.

**Abhijeet Vara:** Sir, first question is you said some provisions were there in FY 2016 Q4 which were not repeated in FY 2017 Q4 hence, the margins are higher. So, what is the quantum of provision in Q4 FY 2016?

**Dr. A. N. Gupta:** All this numbers and all that Mr. Subba Rao can you answer if you remember something or otherwise you can...

**Abhijeet Vara:** Okay. So, my question was sir, if let us say on an annual consolidated basis 11.5% to 12% EBITDA margin is possible on a sustainable manner with the current revenue mix.

**Dr. A. N. Gupta:** Approximately 11% we are taking 10% we are taking and moving ahead. There could be plus minus 1% I think between 9% to 12% you can take...

**C. Subba Rao:** Yeah, it depends upon our utilization of ammonium nitrate, we use more of imported material or local sourcing that will be one of the reasons why it will be changing and the product mix between a defense and commercial explosives, these two are the things which will be determining but it is not completely in our hands in the sense sometimes imported material may not come in the way as per the schedule we plan that will happen. In terms of the deliveries of defense product sometimes there will be delay though our product ready it cannot be delivered to the DRDO or BDL these are the factors which are dynamic and it is difficult to really predict in precision.

**Abhijeet Vara:** Okay, sure, sir. Sir, my second question is how much money through QIP and preferential allotment has been brought into the company or will be brought into the company in FY 2018 quantum rupees crores?

**C. Subba Rao:** That I will tell you. Rs. 66.04 crores came as QIP already in May and the remaining thing is about Rs. 30 crores as preferential allotment of warrants and shares. Warrants has the time of 18 months after paying 25% Initially. So, Rs. 26 crores will come in June and balance will come in let us say after 18 months that is December 2018 sometime around that.

**Abhijeet Vara:** Conversion term sir of the warrants.

**C. Subba Rao:** 408.

**Abhijeet Vara:** After 18 months, is it?

**C. Subba Rao:** Yes. Warrants are in 18 months. Shares are of course immediately, both are at 408.



**Moderator:** Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

**Ketan Gandhi:** Sir, in our order book have we accounted for Pinaka, LRSAM, SRSAM?

**Dr. A. N. Gupta:** What we get as an order is certainly taken and we have not received any order for Pinaka so far. So, there is no question of Pinaka in our order book and similarly LRSAM some orders are there but it depends upon because this in the trial stages, it depends upon DRDL but whenever they want, we supply to them. We have taken what is likely to despire during the current year and that is taken as an order book.

**Ketan Gandhi:** Okay. And sir, yesterday I think, I have read somewhere that even SRSAM have been I mean SRSAM has been approved for indigenous product. So, are we there in SRSAM?

**Dr. A. N. Gupta:** Sir, LRSAM, MRSAM and SRSAM those are three different missiles but the propellant is same and the propellant is our IPR, so we have to be there in all the three.

**Moderator:** Thank you. The next question is from the line of Jasdeep Walia from Infina Finance. Please go ahead.

**Jasdeep Walia:** Sir, the services growth was pretty strong in this quarter. Sir, what drove this quarter in the quarter anything specific?

**C. Subba Rao:** No, this is basically services in Jagdalpur and SHAR as well as some development works in the commercial also. Yeah, that is like some typical services provided to some mining company.

**Jasdeep Walia:** Sir, what is the guidance for growth in the services income for FY 2018 sir?

**C. Subba Rao:** Yeah, it is basically the major question would be as you know the contract with the SHAR will be ending in July. But we are hopeful and we will be of course doing a competitive bidding for the remaining period. Yeah, that is one thing which we will know may be July or so about the continuation so we have to wait for that to happen.

**Jasdeep Walia:** Got it, sir. And sir, on slide number 23 you have indicated the opportunity for Chaffs and Flares, could you elaborate on that slide sir can you quantify that opportunity?

**Dr. A. N. Gupta:** See, Chaffs and Flares is a counter measure. Counter measure means a measure to sort of a counter the action taken by our enemy. Say if there is a dodge fight and a fighter plane fires a missile at our plane and our radar checks it takes up the details of the thing which is chasing him and as required he can fire either a Chaff or a Flare to deflect it. If it is higher this sort of guided missile then he will try and use Flare and if it is radar guided missile then he will use a Flare. A Flare is something which gives a false image on the radar and tries to misguide or wrongly guide the oncoming either the plane or the missile. Similarly, Flare is something

which sort of duplicates the exhaust of the fighter plane, our plane and it guides or misguides the other homecoming danger. The Chaffs and Flares are something which are called counter measures and our company that is your company is one of the leaders in this they are the first ones to supply Chaffs they have already supplied one lot of Chaffs has been already they have done. Free delivery inspection PDI and taken a delivery of that and another lot will be ready on 2nd and we have already informed the Indian Air Force that second lot is also ready to that is against another order, this is a second order which is a bigger order of Rs. 33 crores. It is a second lot, first lot of the second order is ready will be ready on 2nd so most probably a second or third they would come and do the inspection and take thereon. And the first lot of layer will be ready in the month of September and it will be delivered during that month by September. We are in the process of producing that and obtaining permission from the chief control of explosives and so on. That is the situation now.

**Jasdeep Walia:** Sir, you have indicated on the slide that there have no supplies for the last few years. So, can you quantify what is the degree of under stocking in Chaffs and Flares? And also in the second point you have mentioned that Naval and Army....

**Dr. A. N. Gupta:** You can supply only after getting the order, no? So, we got the order at the end of the year. So, we are supplying in time there is no problem in supplying. You got to get the order and then you got to prepare it, make it and supply it.

**Jasdeep Walia:** Sir, what could be the potential requirements on an ongoing basis for the Navy and the Army with regard to Chaffs and Flares?

**Dr. A. N. Gupta:** See, it will be an order from requirement from Navy, Army, as well as Air Force and it will be all the three wings of our defense which is required and the present order is from Indian Air Force (IAF) and after that we hope that similar order would be got from Navy as well as Anti-Aircraft wing of Indian Army.

**Jasdeep Walia:** Got it, sir.

**Dr. A. N. Gupta:** This is the first time somebody has met, we have got a collaboration with a French company and with the help of that we have supplied the Chaff. Flare we are doing it on our own and we hope that the second order has been also received with which is that of Chaff and it will be with the help of that French company.

**Jasdeep Walia:** Sir, is there requirement the various armed forces with regard to Chaff is being met purely by imports as of now?

**Dr. A. N. Gupta:** As of now it is only being met by import, yes. We started supplying, yes.

**Jasdeep Walia:** And sir, what is the potential annual requirement for the armed forces for Chaffs and Flares?

**Dr. A. N. Gupta:** Once actually complete everybody tries and they got a confidence on us and our collaborator we would come to know what will be the actual requirement.

**Jasdeep Walia:** Got it, sir. And sir, what was the CAPEX in FY 2017 and on what projects was it entered if you could break-up into main parts?

**C. Subba Rao:** Yeah, that is mainly for setting up the ammonium perchlorate which was shown as a backward integration.

**Jasdeep Walia:** Okay. How much amount was spent on perchlorate?

**C. Subba Rao:** The total amount is about Rs. 9.54 crores that is the total CAPEX, out of that this is the major one. Other things include in the commercial that is for the setting up new pump trucks and increase in the capacity of detonators and detonating fuse and raw material for that is PETN.

**Jasdeep Walia:** Got it. And sir, what is the CAPEX number of FY 2017 total

**Dr. A. N. Gupta:** Rs. 9,554 total.

**Moderator:** Thank you. The next question is from the line of Shreyas Bhukhanwala from Sushil Finance. Please go ahead.

**Shreyas Bhukhanwala:** Sir, couple of questions, one is on the explosive front. Sir, normally Q1 gets good orders from the explosive side. So, how is the attraction or tendering this year?

**Dr. A. N. Gupta:** You see this year probably would be a little disappointing. Can I answer your this question later?

**Shreyas Bhukhanwala:** Yeah, sure, sir. Secondly, sir, on the defense side, we have got a decent order book. So, what kind of revenue are we targeting for defense this year?

**Dr. A. N. Gupta:** See, in the defense we are in the formative stage. So, whatever orders are coming right now are coming from the propellant and missiles and so on. But we are taking a very sure and confident steps in going towards ammunition and War-heads and soon we will be coming into that area also and you will find that probably after two years our defense turnover will be higher than that of commercial.

**Shreyas Bhukhanwala:** By FY 2020, you are targeting that?

**Dr. A. N. Gupta:** FY 2019.

**Shreyas Bhukhanwala:** FY 2019, okay. So, almost more than Rs. 150 crores that is what we are targeting by FY 2019?

**Dr. A. N. Gupta:** Let us see, god is great.

**Shreyas Bhukhanwala:** So, this year may be a Rs. 75 crores - Rs. 80 crores is possible?

**Dr. A. N. Gupta:** Sir, we do not spare any efforts and our team there is a very heavily led by Mr. Chowdary and his assistant Mr. Durga Prasad, they keep on striving very hard to get all the products and our marketing personnel do not leave any opportunity to develop a new product. So, we are quite confident that whatever we are planning we will be able to obtain.

**Shreyas Bhukhanwala:** Okay. Sir, lastly, on the margin front we delivered around 19% in this quarter. So, is it a combination of lower cost of raw material plus higher defense in service revenue?

**Dr. A. N. Gupta:** Yeah, I told in the first stage itself certain provisions we make during the year, during the quarter and sometimes our expenditure is not as per the provisions that is written back, so as per that the last quarter of the last year was showed very high profitability but we have learned from that and discuss with our financial people and all that and Mr. Subba Rao is going to take up some steps in the current year. So, that the last anomaly between first quarter and the last quarter will not be as much as that, it will reduce but how much? How effective will he be, I think it will take one or two financial years to come to that and as you know that GST is being rolled out from July 1st so, there would be some hick-ups or there might some accelerations because of GST. So, we will have to wait and see.

**Moderator:** Thank you. The next question is from the line of Hansal Thacker from Lalkar Securities. Please go ahead.

**Hansal Thacker:** Hi, sir. This is Hansal Thacker from Lalkar. Sir, you answered this question earlier, but just to clarify. We are presently supplying the strap-on motors for the PSLV, right?

**Dr. A. N. Gupta:** Yeah, it can be used in PSLV or GSLV depending upon what is the requirement of product.

**Hansal Thacker:** Great, so I just wanted to clarify that. So, the same application will be on the PSLV as well as the GSLV as it is?

**Dr. A. N. Gupta:** Yeah.

**Moderator:** Thank you. The next question is from the line of Dikshit Doshi from White Stone Financial Advisors. Please go ahead.

**Dikshit Doshi:** Most of the questions have been answered, just one thing. Is there any development with about the MoU with the Israel Aerospace and apart from that a couple of call back we were also targeting some technology tie-up with the multinational OEMs, so anything happening over there?

**Dr. A. N. Gupta:** A lot of things are happening and we were sort of wondering why is this is something which has been forgotten by the people in the con-call. The Israel thing is happening quite fast and most probably those people will be coming in the first week or first-half of this month, you can say and coming month that is next month. And they would be talking to us, we have got sent our quotation, they have acknowledged that and they have said that they would like to come here around 10th, they have not exactly finalized that they nor we have given them because we have also to go abroad to finalize the second portion of your question that is the OEMs. So, both these are coming at the same time and same question and that is very good thing and both of us we are trying to solve the time line and probably by tomorrow we should be sure on what time we are going and what time they are coming and we will be finding a solution to this.

**Dikshit Doshi:** So, anything material you are expecting to happen within FY 2018, so this will be a JV kind of development or it will be just a technology tie-up.

**Dr. A. N. Gupta:** It is totally hope. Right now we have all the options open and it is dependent on how our partners take it up. One of them which you said that tie-up that is going to be an offset business that means it will be order and supply and the other one will be in the form of a JV.

**Dikshit Doshi:** Okay. And anything material you expect to happen in FY 2018 only?

**Dr. A. N. Gupta:** It is a beginning of FY 2018, so in the one month itself I think both should be finalized and by the end of the year we would have supplied some parts of the order.

**Moderator:** Thank you. The next question is a follow-up from the line of Yellapu Santosh from IndiaNivesh Securities. Please go ahead.

**Yellapu Santosh:** I just had a couple of questions. Sir, if I look at the working capital cycle for the last six years then I think our trade receivables are at the highest, it is at 91 days, even if I look at the inventory, trade receivables and the entire working capital it is on a working capital cycle as a percentage of sales on a stretching is continuing to stretch. Is this because we are increasing our exposure towards the defense segment and also to the ISRO side of business, is this attribute to that particular path or is there any other reason for this?

**C. Subba Rao:** No, more to do with of course defense but there are actually in the commercial side there are exports that happened in the month of March. So, that will be built in to the receivables and inventories of course, they are also increasing because we are importing raw materials, it will come in lots of 260 tonnes - 500 tonnes. So, some of the raw material which came to Mumbai that is there as a raw material so these raw materials are there in the working capital.

**Yellapu Santosh:** Sir, with the business mix changing and tilting towards the defense side going forward I am talking about the revenue mix, is it fair to assume that the working cycle will be longer?

**C. Subba Rao:** Yeah, it will take longer time compared to commercial. Yes.

**Yellapu Santosh:** At what levels it will peak out, can you just give me color that would work, I do not numbers but some color will do enough for me to understand that.

**C. Subba Rao:** No, what you want exactly?

**Yellapu Santosh:** I just want to understand at what levels the working capital cycle would peak out for the company as of days or as percentage of sales in any parameter would do help me understand it.

**C. Subba Rao:** It will keep on moving say sometimes we will get the money from say BDL those things quickly if their finances are not in a liquid position whatever may be the reason sometimes it may take longer. So, it is actually mix of both thing but it will vary from three months to six months. So, if we get it in three months, yeah, the working capital cycle will be short. If they take six months it will be longer.

**Yellapu Santosh:** So, one book keeping question, if I look at the total cost of materials consumed of Rs. 1262 million for FY 2017 what is the value of ammonium nitrate within that for the year?

**C. Subba Rao:** Yeah, major part will be that. Okay, I may not be able to tell the exact amount but major part would be ammonium nitrate. All our total raw material consumption.

**Yellapu Santosh:** Okay. And last question for Gupta sir. Sir, recently New Zealand had launched a rocket which is entirely made on 3D printing, 3D printing was used to make the entire rocket. And as a result the cost of making that rocket has come down very much less than even what ISRO does. So, do we see any shift in or any loss of opportunity for ISRO business going forward apart from the domestic program that they are perusing and that could affect our could impact our long-term growth about this business?

**Dr. A. N. Gupta:** Suddenly, 3D reduces the cost. But how far....

**Yellapu Santosh:** Is ISRO adopting that methodology or does it has any plans to adopt and how well we are ready to adopt that that is what I am trying to understand, sir?

**Dr. A. N. Gupta:** No, we do not have any plans to adopt it because we do not understand exactly what is 3D printing. Frankly speaking, I would like to know if you can refer me to some of the sites and all that, help to try to find out what is a 3D printing. But I have seen very good models of things have been made in 3D printing, a lot of people make statues out of 3D printing. And Mr. Abdul Kalam's statue in front of DRDL is also art of 3D printing. So, it is a wonderful thing. But I would like to learn more about that. And it is a very tall structure, and whether the 3D printing can do such a tall 3 dimensional and high energy material whether it can be made out of 3D printing or it has to be the casing will be made out of 3D printing and probably filled

it propellant filling. Because propellant is a high energy material and 3D requires a solution to be made or a probably molten material to be made from making the ink with which it is to be printed it is giving us the casing is a metallic casing made of aluminum, special aluminum alloy or some special steel alloy, that can be made into 3D printing but propellant cannot be made into 3D printing. Propellant is something it is a high energy material on ignition it produces energy. So, that has to be done a compensation method. Our business is not going to be taken away by 3D printing, yes. If New Zealand can do it probably ISRO can do it in the next year.

**Yellapu Santosh:** Okay. Sir, if you may permit, I would just like one last question.

**Dr. A. N. Gupta:** Yeah, please.

**Yellapu Santosh:** Sir, I would like to know what kind of bidding intensity we are seeing in the ammunitions bid that we have bid for it means somewhere that two dozen set of companies are almost eyeing for the same pie that has come up for awarding across the 20 mm - 40 mm caliber and all. So, what is your perspective, how do you see the competition there?

**Dr. A. N. Gupta:** See, there would be anything coming up and particularly if it is rising industry, a lot of people buy for it but I think Chaffs and the grains are going to get separated in the first year's bidding and after that we will be able to know who really are serious bidders. If you see many companies who do not know anything about definition of high energy materials, they are also eyeing for it and something like some companies who are in the real estate and all that trying to eye it or somebody who is the internal combustion engine are also eyeing it, yeah they can do very well the metallic portions but when it comes to high energy material they have to either take the help of a high energy experienced company or a collaboration with a company having experience in high energy material. Because as far as we are concerned, we have to get certainly, we have to other side is also ready. Is also correct, we have to take help of people or companies having experience in metallics where the metals can be outsourced from them. But for outsourcing of metals or metallic part is a downturn and it is done by many other companies, many other lines. But explosives outsourcing done only by mining so far and now we will find some people coming up with ammunition, with outsourced materials, how the government or how the user is going to take it up that we will have to see. I think, it is too early to comment on that.

**Yellapu Santosh:** From a procedural point of view, I know pricing would be one of the criteria but given that we enjoy the technology edge, is it possible that any point of time once a project has been awarded and the quality parameters are not being met can the project be cancelled or whomsoever it is awarded can it be taken back?

**Dr. A. N. Gupta:** For sure. Sure, in case the quality is not okay not only it can be taken back by the government but also by MoD by government whatever you call it. Or otherwise they can cancel and levy a

penalty on the order, on the company on which the order has been placed and it can be again based on a company based experience with high energy materials.

**Moderator:** Sorry, to interrupt you Mr. Santosh, may I request you to come back in the queue for follow-up question. In the meanwhile, we will take the next question from the line of Srinivas Rao from HDFC Mutual Fund. Please go ahead.

**Srinivas Rao:** I wanted to know what are your targets for the current financial year in terms of new orders from defense and your commercial explosives businesses? Also, you can tell us what kind of revenues and profitability you are expecting for the current in the key segments?

**Dr. A. N. Gupta:** See, our target for previous year was 25% higher and we did almost like 30% higher than the previous year. We expect a similar sort of increase in this year. So, we are expecting that our total turnover will be about Rs. 300 plus crores as well as 2017 - 2018 is concerned and profit could be something which cannot be predicted by any person or any company in the beginning of the year, so we will not like to do eventually into that because there are more chances of we getting wrong rather than being right.

**Srinivas Rao:** Your estimate will be better than our, sir. But this top-line of Rs. 300 plus crores what will be the contribution defense?

**Dr. A. N. Gupta:** Yeah, it would may be 50-50 approximately if that is there, that is our wishful thinking but it would be more of a less than 50% for defense and little more than 50% for commercial explosive sector.

**Srinivas Rao:** And in terms of new orders, sir for the year total could be how much and what will be the rough break-up?

**Dr. A. N. Gupta:** See, total order, if we say the total our turnover is going to be plus Rs. 300 crores, so the order will be Rs. 300 crores.

**C. Subba Rao:** As of today it is Rs. 243 crores on hand order book.

**Dr. A. N. Gupta:** Yeah, order book is Rs. 243 crores.

**Srinivas Rao:** But that does not give the order book some of the others may extent up to next financial year also.

**Dr. A. N. Gupta:** Yes.

**Srinivas Rao:** That is what I wanted to know. Sir, I thought in defense you will have a long lead projects or long lead orders, so what is will be the total order intake expectation for the current year from defense if you can share otherwise we can move on to the next question.



**Dr. A. N. Gupta:** As on date it is Rs. 243 crores but every now and then we get new order and old orders are supplied. So, it is question of, it is an addition and subtraction which keeps on going. So, the order book is something which is flexible and it keeps on varying from time to time.

**Srinivas Rao:** Okay. And the next question is on this spending, sir capital expenditure. So, now what is your plan for spending capital spending in the current financial year and the next financial year?

**T. V. Chowdary:** In the current financial year the spending is expected to be something like Rs. 60 crores where new ammunition plant and all those are also part of it. And probably we will be spending for the land and the basic infrastructure at ISRO. So, this current year we can take up to Rs. 60 crores and the balance the Rs. 90 crores is expected in the next financial year.

**Srinivas Rao:** Okay. So, you have started finalizing contracts for this current Rs. 60 crores, you are now in May end so in the next ten months we will spend Rs. 60 crores?

**T. V. Chowdary:** Yeah, while we are doing that, the statutory permissions are still awaited we have submitted the application and we are expecting them to be coming in this coming, one month.

**Moderator:** Thank you. The next question is from the line of Vatsal Shah from Sushil Finance. Please go ahead.

**Vatsal Shah:** Sir, most of the questions are answered, just wanted to understand two things, as we mentioned that we are importing all the raw for our propellants. So, I just wanted to understand how sensitive is our pricing towards the raw material is it connected to crude and a direct pass through in the final product?

**Dr. A. N. Gupta:** No, sorry, actually how did you get that impression that we are importing anything for propellant?

**Vatsal Shah:** It was just mentioned a couple of questions back that we had imported some raw materials in March.

**Dr. A. N. Gupta:** Yeah, we imported the raw material that is for commercial explosives. Neither we will import any material for ammunition nor will government allow us to import any raw material for ammunition. That resolve the self-reliance which Modi Ji want to get in to the country. Self-reliance means we should be totally self-reliant in the raw material as well as in the finished product. It is totally contradictory to our government present government policy. So, we do not import and I want to emphasis this we do not, d-o-n-o-t, do not import any raw materials worth its value from abroad. Very insignificant quantities are imported and we import in such a quantity that it can last more than two years in case of any problem or any you know how our borders our neighbors are and all that. In case of any conflict, we can withstand at least a production up to two years to three years without breaking the cycle in case of import.

**T. V. Chowdary:** There are no raw materials directly imported by us for the propellant production there are one or two raw materials but here are not so imported they are commonly used in the market.

**Vatsal Shah:** Okay. So, even the other raw material which are locally produced or procured, so we are not sensitive, it is directly passed.

**Dr. A. N. Gupta:** No, not at all.

**T. V. Chowdary:** May be the quality may not be so not good may be like bearings and all that but that is very small quantity, it is less than 0.1%.

**Vatsal Shah:** Okay. Next question I want to ask, we are targeting a similar growth as per last year. So, just wanted to understand with the existing infrastructure it will be possible for some funds from the additionally raised Rs. 90 crores will be deployed to meet this growth or the existing infrastructure is enough to get the growth?

**Dr. A. N. Gupta:** There is a total mix of both existing infrastructure as far as the additions to get this number of Rs. 300 crores.

**Vatsal Shah:** Okay. And sir, any particular highlight where you maybe you want to share how these funds are going to be used.

**Dr. A. N. Gupta:** We have received only a part of the fund that is some Rs. 60 crores from QIP and part of it has been given for purchase of a mixer which we already taken delivery of but we were not paying because we did not have money. But the real work will start once we get the approval from chief contract on these explosives and also from ISRO.

**Vatsal Shah:** Okay. So, are we planning to raise any debt any long-term or may be even kind for new projects going forward?

**C. Subba Rao:** Not now I mean whatever money we have raised will be spent and if the projects are still awaiting for money at that time we will consider. Actually we have certain sanctioned term loans, so we are debating whether we will take the sanctioned the term debt or we want to postpone that also we will take a call on that.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Rahul Rajagopalan for closing comments.

**Rahul Rajagopalan:** Thank you, Margret. On behalf of S-Ancial Global Solutions I thank Dr. Gupta, Mr. Chowdary and Mr. Rao and all the participants for joining us on the call today. Thank you and good bye.

**Moderator:**

Thank you. On behalf of Premier Explosives Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.