



Premier Explosives Limited

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September 01st, 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,

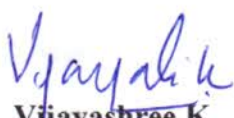
**Sub: Transcript of Conference call pertaining to the First Quarter
ended 30th June, 2017 Results**

Please find attached the Transcript of the Conference Call hosted by, S-Ancial Global Solutions Private Limited, on 21st August, 2017, pertaining to, 'Premier Explosives Limited Q1 & FY18 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
Q1 FY18 Earnings Conference Call
August 21, 2017

Moderator: Ladies and gentlemen, good day and welcome to the Premier Explosives Limited Q1 FY18 Earnings conference call hosted by S-Ancial Global Solutions. As a reminder, all participants' 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 telephone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Rahul Rajagopalan. Thank you and over to you, sir.

Rahul Rajagopalan: Good morning everybody. I on behalf of S-Ancial Global Solutions, welcome you all to Premier Explosives Limited's first quarter results 2018 earnings conference call.

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

May I request Dr. A. N. Gupta to take us through his initial remarks subsequent to which we can open the floor for Q&A session. Thank you and over to you, sir.

A. N. Gupta: Thank you, Mr. Rahul. First of all I along with the whole family of Premier Explosives would like to welcome all of you investors and partners to this conference call for the quarter ending 30 June 2017. It is my great pleasure and honor to be able to host this call and update all our partners of the important milestones we have achieved this year.

I believe you must have had an opportunity to see our results in the presentation that has been circulated and uploaded in the exchange. I would now present the results of the quarter ended 30 June 2017. The total revenue is Rs. 62.63 crores in Q1 FY18 as against Rs. 52.28 crores in Q1 FY17. A growth of about 19.8%. Our operating profit for this quarter has been at Rs. 5.454 crores as against Rs. 4.45 crores in the previous year. A growth of about 24.49%. Profit before tax stood at Rs. 3.57 crores in this quarter as compared to Rs. 2.78 crores in the previous year's quarter. A growth of about 28.42%.

Profit after tax for this quarter is Rs. 2.36 crores as compared to Rs. 1.96 crores in the first quarter of last year, a growth of about 20.41%. Total order book as on 30 June 2017 stands at

Rs. 206 crores comprising of commercial explosives business at Rs. 84 crores. Defence explosive business at Rs. 116 crores and service business at Rs. 6 crores.

Revenue guidance for the current year is about Rs. 280 crores to Rs. 300 crores. And with this, we now open the floor for questions and answers.

Moderator: Sure, thank you very much. We will now begin with the question-and-answer session.

The first question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: I had one query in financials. We have much higher other expense compared to the year-on-year quarter. Is it because of the one-time expense of the issue related expenses, is it one off or is it regular?

A. N. Gupta: No, other expenses is typically regular only. Our QIP expenses as per the new accounting standards it will be adjusted against the securities premium so that is not part of the P&L. The increase which you are seeing is basically related to the volumes of the exports like packing material or selling sales commission, travel expenses kind of expenses are there. They are regular expenses.

Ketan Gandhi: Okay and you have given guidance of Rs. 280 crores to Rs. 300 crores. Is it possible to give the break up in commodity business and defense business?

A. N. Gupta: No, we will wait for some more time because detonators and those things are whether GST or other assets, we are actually working on them, so we will come to know that after a while.

Ketan Gandhi: Okay and sir have you started any supply for MRSAM, LRSAM or still it is in pipeline?

A. N. Gupta: As far as MRSAM and LRSAM is concerned, we have completed the development of LRSAM and also supplied some small quantity of MRSAM for trials with DRDL but main order from BDL is still in the pipeline.

Ketan Gandhi: So any timeline, sir?

A. N. Gupta: Well, you know every time we meet them they say next week maybe but they are taking time.

Moderator: Thank you. The next question is from the line of Y. Santosh from India Nivesh Securities. Please go ahead.

Y. Santosh: I have two questions. First, I would like to understand what is the status of the ISRO order that we had participated? And second question it is more from an accounting point of view. If I look at the Q4 FY17 orderbook split and the current orderbook split and map it with the

revenues booked, then I think there is a disconnect in the revenues booked from the defence segment. Can you please explain that?

The defense order book has grown and the defense execution has seen very good set of numbers in the quarter, so what could be the reason, have we won any Rs. 19 crores, Rs. 20 crores of orders in this space or please help me reconcile that?

A. N. Gupta: See orderbook is what you can call it as it keeps on varying, changing from one day to another day. We receive the orders, it becomes more. We dispatch, it becomes less. So orderbook is something which is fluid and to take orderbook and what is the total orders to execute it would be a very difficult proposition.

Y. Santosh: Have we won any orders in the quarter?

A. N. Gupta: We have won many orders, and now I do not know which you are talking about.

Y. Santosh: I am talking about in Q1 FY18, have we won any new orders?

A. N. Gupta: In this quarter, we have expected order from TBRL which is for rocket motors.

Actually we have successfully negotiated and the orders are finalized. We got initial expression of interest and all those. Now you know the procedure where you have to give a security deposit and then they do and all those, right now that process is going on, for motors for TBRL and also for extension order from BDL for Akash Boosters.

Y. Santosh: Sir, and what about the first question I asked around ISRO? Sir, I had asked what is the status of the ISRO project that came for renewal where we had bid?

A. N. Gupta: See we have got an extension of one year and in the meantime, we are likely to receive an enquiry and they want to go through the full procedure rather than extending because we had asked for certain modifications in the project terms.

Y. Santosh: Sir, may I know what is this enquiry related to, is it on a technical that means if we have been serving them for so long period, what is leading to this enquiry all of a sudden?

A. N. Gupta: The inquiry is this is a ten-year contract it is over, that is all. So one-year extension they have given in the interim period and during this period I hope that they will ask you know whatever modification we have requested for, they have come to their mind they will incorporate all of those and there is an enquiry again for another ten years contract for maintenance.

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

Jasdeep Walia: Sir, have any positive developments happened post our PM's visit to Israel? Have any technology transfer agreements being signed or something of that kind has happened?

A. N. Gupta: We have had discussion with number of Israeli companies do you mean Israeli companies for offset business and also for technical collaboration but nothing has come to a final stage which we can report to you.

Jasdeep Walia: And this Israeli firm called IAI, they have got \$630 million order for LRSAM and \$2 billion orders for MRSAM. Is Premier there in the vendor base for these two orders?

A. N. Gupta: See LRSAM is basically our IPR at least that propellant is our IPR. As far as MRSAM is concerned MRSAM is almost same as that propellant and the motor is the same as LRSAM.

Jasdeep Walia: So would you be supplying propellants to IAI for this order?

A. N. Gupta: Through BDL, yes.

Jasdeep Walia: And sir, when would the delivery start with respect to this order?

A. N. Gupta: See that is what I was telling. See when we went to BDL we were there on Friday they said that they have not yet completed the formalities.

T. V. CHOWDARY: We already have a larger production order for 150 numbers of LRSAM for assembler BDL that we are executing right now. But that is supposed to be a trial order.

Jasdeep Walia: And sir, I read in newspapers that this government has cleared 7 squadrons of Akash II missiles for IAF and another two for the army. So how is this Akash II missile different from Akash I? That is my first question.

A. N. Gupta: We have not heard of Akash II there is a new generation Akash being developed that is NG Akash but that is not even trials have been done for that. So Akash II we do not know what you mean.

Jasdeep Walia: Okay got it and sir how many units of Akash does one squadron have?

A. N. Gupta: I think one squadron has got something like 100 and odd number 120 numbers or so.

Jasdeep Walia: And one regiment how many units of Akash does it imply?

A. N. Gupta: We do not know. Regiment is a big question. squadrons we had built in aircrafts and that is for security. This is not an airborne missile, this is surface to air missile. So it will be located maybe at the airports and other strategic places like Rashtrapathi Bhavan or maybe Sansad and all that. But nothing is known. We have been told that the enquiry for 2,000 number is

about to come. Maybe this will total account for that. Because when the orders come also includes their trials and their quality assurance etcetera.

Jasdeep Walia: Okay so can I ask one more question?

A. N. Gupta: Please.

Jasdeep Walia: Sir, how will the production of Akash propellants increase this year for your company?

A. N. Gupta: We have had a meeting with Akash people, their General Manager Production and he wanted to have much more production. He wanted to have more than 100 numbers per quarter so I think there is a very good 100 per month, 300 per quarter while we are doing something like 60 per month and about 150 per quarter.

Jasdeep Walia: And sir what was the rate of production last year?

A. N. Gupta: Approximately what I told you.

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

Abhijith Vara: First question is, could you please update on the CAPEX program which was supposed to be funded through QIP proceeds?

A. N. Gupta: The total CAPEX is expected to be by around Rs. 150 crores which could be more or less depending upon what time and what is the cost of land which we have got allocated at near ISRO. Still you know they have indicated something like Rs. 8 lakhs per acre, while we are negotiating and trying to bring it down. But other things are that we have applied for industrial license for putting up a plant near SHAR and two questionnaires have been received from giving the security clearance.

We hope that we do not know how long it takes but we hope that it will be about three to four months.

Today to share with you the Collector of Chittoor District has called a meeting to know the status of the project and our man is attending the meeting.

Abhijith Vara: Sir, what about the CAPEX for ammunition and newer missile facilities?

A. N. Gupta: See for ammunition we have already got industrial license and we have got the land where the road is under construction and couple of culverts have been made, half of the boundary wall is over and we have submitted our proposal to Chief Controller of Explosives and we hope that soon it will be cleared by them and we will start the construction.

Abhijith Vara: So by mid of next year the facility would be ready, by June of 2018 probably?

A. N. Gupta: Yeah, approximately.

Abhijith Vara: Second question is there was a CAG report on Akash Missile that there were some 30% failure rate and it was falling short of stated objects. Would it impact in any way the ongoing CAPEX program for Akash missile? The orders which have been placed on the vendors?

A. N. Gupta: See that is the question we asked Akash project and they were also taken aback because there have never been 30% failure. Well, it depends upon what CAG has taken as a base and what is 30% and that report sort of 2014 or earlier, it is much before we started the commercial production of Akash propellant. So we were surprised, they were surprised and we do not know what is the actual fact. But presently Akash is going on smoothly.

Abhijith Vara: Sir, one update on accounting standards. You said in the previous year Q4 call that since the EBITDA margins were widely varying across quarters, you would take a fresh call on the accounting policy where the provisions can be probably smoothened out across quarters and it will more or less stabilize. So has the call been taken yet for changing the accounting policy because EBITDA margin seems to be in the range of 8%, 9% again for Q1, whereas Q4 I think suddenly it spikes again.

C. Subba Rao: To some extent the provisioning even out but the product mix itself is changing, we cannot help on the varying margins.

A. N. Gupta: See this is not an engineering product where the production is constant throughout the year. It is not like a car or a refrigerator where you know it will all depend upon the bank capacity of the buyer and so on, and so forth. This is a product which is having cyclic sort of a nature, explosives particularly and missiles depend upon the margins and what are the number of or which are the missiles which come into production. So it will all depend, it will keep on varying. I do not think the accounting standards can sort of uniform throughout the quarters.

Moderator: Thank you. The next question is from the line of Gurudatta Kamath who is an individual investor. Please go ahead.

Gurudatta Kamath: The motors which you were just giving reply to another friend of mine, this is not forming part of the orderbook of Rs. 115 crores in the defence part, right?

A. N. Gupta: No, it forms a part there. See motor anything which moves is called a motor. That is the definition is totally different than what we understand as a motor. It is not a car. Anything which moves which follows the Newton's second law of reaction equal to action and that sort of a thing you know anything which moves is called a motor.

Gurudatta Kamath: Okay. So one related question is so the motor orders which is for the ISRO project so that is a separate thing which is being still worked upon, right. There is a trial which is going on. When will that be completed, sir?

A. N. Gupta: See the mixing has been started yesterday or day before yesterday and already I think a couple of batches would have been made. And we will be ready to cast the motors probably on Thursday or Saturday. Once it is cast, it will go through curing process and after that we will have to do post casting and curing operations, take the entity and make it ready for dispatch to ISRO, Sriharikota. They would do this aesthetic test on that and once it is found to be okay or meeting all their parameters for ballistics and so on and so forth they would give a go ahead for the commercial orders.

Gurudatta Kamath: Okay. And I reckon that there are six motors for the rockets, and is it that it is repeatable order or is it that one motor can be used for many of the launches? I mean we are not very technical in that matter, just to understand?

A. N. Gupta: You see these are strap- on motors which are after its take off is the first one which starts and which lift the missile up towards the sky and it is cut off and sort of it falls down into the sea. So this is not reusable, it is one time and we require six for every launch in that particular configuration.

Right now the present order is the trial order which once we successfully complete, then there will be regular continuous orders from ISRO.

Gurudatta Kamath: Okay and the only competitor is ISRO itself right I mean which also manufactures their own motors?

A. N. Gupta: Yeah, it is not a competition.

T. V. CHOWDARY: PEL works as their associate to support them, not as a competitor. And same motors are being cast by us in their premises right now.

A. N. Gupta: It is part of our maintenance contract.

Gurudatta Kamath: Okay. Sir, the other question is related to those chaffs which were being supplied for the air force. So you see repeat order there or you?

A. N. Gupta: See we already got a repeat order and we have completed the first order and we are waiting for the payment for that and the second order one lot has gone another two lots have to go.

Gurudatta Kamath: Okay last question is relating to any new products which you feel can be commercialized in this year?

A. N. Gupta: Well there are a number of products which are under development and under the trials and so on and so forth and these are small ones. One of them is connected to the propellants it is called ATI we have received an enquiry for about 870 numbers and there is again other orders for pyrocartridges etcetera and they are under development and it will be supplied during the year, that forms a part of the orderbook.

Moderator: Thank you. The next question is from the line of Kishore Ashar, who is an individual investor. Please go ahead.

Kishore Ashar: My question is that, of late, did we export missiles to Vietnam recently or in the last quarter?

A. N. Gupta: No, we have not exported anything to Vietnam so far, no.

Kishore Ashar: Okay because there was a general news that is why I am asking. There was a general news, and not specific to the Premier Explosives.

Moderator: Thank you. Next is a follow up question from the line of Y Santosh from India Nivesh Securities. Please go ahead.

Y Santosh: Sir, I would like just to understand what is the status of the ammonium perchlorate trial orders that we are doing for the Japanese company. Have we scaled it up or what is the status on it?

A. N. Gupta: See we have applied for an export license for ammonium perchlorate because anything which goes out of India there has to be export license has to be obtained for that and we are awaiting the export license. Samples are ready and that ammonium perchlorate plant has been qualified by CMRI and it has been found to be satisfactory.

Y. Santosh: And sir, just looking in to the missiles awarding potential what is the status of any awarding from the Astra missile and Pinaka missile, sir?

A. N. Gupta: See Pinaka has got three variants now Pinaka 1 is almost completely developed and it is also superseded by Pinaka 2. Pinaka 1 we have qualified, Pinaka 2 also we have qualified. Now they have come out with another guided rocket called Pinaka 3. Pinaka 3 will take over and once that starts where 1 and 2 would be discontinued. That is what is the present status from ARDE. We are awaiting the order we have sent our budgetary quote for that.

Y. Santosh: And what about Astra, sir?

A. N. Gupta: Astra, I do not know we have the IPR for their Propellant but that is something which has taken very long time. Once again because it is an airborne it is air-to-air this thing there are lot of agencies involved in qualifying them.

T. V. CHOWDARY: Right now we are executing an order of 30 numbers from DRDL.

Y. Santosh: Sir, last question. I would like to know what kind of outlook on the bidding from awarding point of view we see our non-missile projects? Non-missiles like chaff and flares, warheads, canopy services system those kinds of things?

A. N. Gupta: See chaff and flares I have told you there is still time to execute that. That execution will start from the next month. So we will have to wait and see how we perform in that. As far as the canopy service system is concerned, that was a trial order which has been completed and they said that they want another 200 numbers and we are qualified for that. But nothing has been received so far. In the meantime, there has been number of things which are going on but and they are getting added to the orderbook and we keep on supplying. For the reason of confidentiality I will not be able to give you much more details about those things.

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

Vatsal Shah: This is regarding so just want clarity. Our CAPEX for ISRO so the entire Rs. 150 crores is for the ISRO plant?

A. N. Gupta: No, this plant for ISRO is about Rs. 100 crores that includes plant for manufacture of HTPB, plant for manufacture of AP for ISRO and also is that supplies of missiles to ISRO.

Vatsal Shah: Okay so see once the entire plant is ready what is the kind of ballpark revenue potential that can be expected from this new plant? Just the potential?

T. V. CHOWDARY: Yeah, it is expected to go up to Rs. 100 crores per annum in a period of three to four years' time.

A. N. Gupta: Yeah, about Rs. 100 crores from that plant.

Vatsal Shah: And sir, just wanted to understand that from the current orderbook we have about Rs. 200 crores of order book left. So any major new orders which are expected in the pipeline or this will be the mix of the defense and of explosives orders?

A.N. Gupta: Earlier commercial explosives used to be higher than the defense, and this is the first time that we have an order book of 116 for defense and 84 for commercial explosives. So we have already overtaken which are supposed to be in the next year that defense has overtaken that.

Vatsal Shah: As same way we will expect that that will happen through the year and from now onwards we can expect the defense to be more healthy?

A. N. Gupta: Yes, we have very poor prices offered by Coal India Limited and we have in some of the products we have withdrawn from there, that is the reason

August and September Coal India quotations will start now. New tenders.

Vatsal Shah: Sir, just a little follow up on that. When you are saying that the prices are too low and the margins would also be low, so is there that our competitors probably have a better pricing as in better raw material pricing or something so that because we see that the competitor's margins are much higher. So any light you can throw on that or not?

A.N. Gupta The thing is this that our emphasis is more on the knowledge based as well as on the new products. And we have had some headway in the defense compared to our competitors. So we are more and more inclined towards going for defense products because there is less competition there, there is a challenge in maintaining the quality and the new products.

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

Jasdeep Walia: Sir, you had participated in various RFPs I think around June so what has been the progression on that front, sir?

A. N. Gupta: That RFP in June got delayed you know got extended and it was supposed to be on the 7th of September, next month, first this month then it was again postponed to next month and that we are hearing from our contacts in that area that it will be once again postponed by another one month or two months. So as soon as it comes to completion, you will come to know.

Jasdeep Walia: So why is it getting postponed, sir?

A. N. Gupta: Well, you can ask Mr. Modi or our Prime Minister about that. I am not sure why it is getting postponed, but it is postponed to our surprise and we are informing in every con call that it is postponed.

Jasdeep Walia: And which RFPs would be participating in, sir?

A. N. Gupta: We can qualify for as per the present terms and all that we can qualify for two products and which are these two products it will be confidential for commercial reasons.

Jasdeep Walia: Got it sir. And sir, this year's CAPEX so mainly the CAPEX will happen on the ISRO plant and HTPB and you mentioned one more thing?

A. N. Gupta: That is ammunition plant. There is also CAPEX for this year at Katepalli which is about 12 kilometers, 13 kilometers from the existing plant at Peddakandukur in Telengana. There we are going to have an ammunition plant with complete production facility for gun propellant as well as for present tactical missiles. Also for HMX and RDX plant.

Jasdeep Walia: Okay and so basically CAPEX will be deployed on two plants one is ISRO plant this year and one is this Katepalli plant, right?

A. N. Gupta: Yes, Katepalli will come fast because we have already got land, we have got industrial license, we have submitted our proposal to Chief Controller of Explosives and as soon as that is approved the Katepalli we will take up the construction.

Jasdeep Walia: So how much CAPEX on Katepalli is planned in totality and how much will happen this year?

A. N. Gupta: Well, you see we have already started CAPEX of that because we got the mixer, we have already completed 50% of boundary wall. It is a major investment it is 2 meter high, big wall which we have to cover all around the place. It requires because being a defense unit it requires not only wall for all around the place but it requires a larger safety distances. The production unit should be more than 200 meters away from storage as well as from testing.

Jasdeep Walia: Okay, so how much CAPEX would you be doing on this plant?

A. N. Gupta: We are doing about Rs. 50 crores.

Jasdeep Walia: This year?

A. N. Gupta: Yeah, this year.

T. V. CHOWDARY: Total is Rs. 50 crores part of it will be in this financial year and it will also flow to next year.

Jasdeep Walia: Got it and so what kind of ammunition would it be manufacturing once it is ready?

A. N. Gupta: I cannot tell you. I have told you very clearly for commercial reasons and confidentiality we cannot tell you what exactly. But we are making a plant which can cater to all types of ammunitions.

Jasdeep Walia: Then in the beginning you mentioned you have got order from TBRL for 80 motors so what is the purpose of these motors and where would they be used?

A. N. Gupta: They will be used for testing and TBRL on railway track. It is basically to test any part of the missile or aircraft which comes to them and the railway track is 4 kilometers long and it is to take the subject which is to be tested at particular speed so this is tied down to a trolley and it is then lit and when it works it pushes the trolley or pulls the trolley at the right speed and they make the observation of various platforms.

Jasdeep Walia: It is just for testing purposes basically?

A. N. Gupta: Yes.

Moderator: Thank you. The next question is from the line of Sabyasachi Mukerji from India Nivesh Securities. Please go ahead.

Sabyasachi Mukerji: In the presentation you mentioned that you will be focusing on exports to South East Asia and Africa. So which all you are planning to I mean the ammonium perchlorate raw material or is it some finished goods on the defence part?

A. N. Gupta: It is not for defence it is basically the commercial products like detonating fuses.

Sabyasachi Mukerji: Okay and you intend to start the export in this financial year itself?

A. N. Gupta: No, already we have started. So last year turnover as well as current quarter also has the exports to those two regions.

Sabyasachi Mukerji: Both South East Asia and Africa?

A. N. Gupta: Yes.

Sabyasachi Mukerji: Okay and one more thing. In the presentation you also mentioned about the windmill in Pushpathur. And some selling happened in the Q4 last year. Any update on that?

C. SUBBA RAO: Yeah, we have actually disposed off that windmill of 800-kilowatt capacity. And the money will be utilized for whatever CAPEX in the defence or other products because it is only one standalone and single machine. So we thought it is better to focus on our core areas. That is why we sold it off.

Sabyasachi Mukerji: So that was the only windmill you had?

A. N. Gupta: Only one, yes.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Sir, the first question is you mentioned that for our explosives there was very poor prices offered by Coal India and we withdraw some of the tenders also. And that is why our orderbook is also very low. So still you are confident of Rs. 280 crores to Rs. 300 crores of topline. So can we I mean is it that you are very confident of executing good orders in defence side?

A. N. Gupta: Yeah, our target remains at Rs. 280 plus crores in the whole year and as you have seen in the first quarter itself, that is about Rs. 62 crores about 10 crores higher than the previous year and I think we would be able to do Rs. 280 crores.

Dixit Doshi: Okay and what is the execution timeline for this Rs. 116 crores order in defense approximately?

A. N. Gupta: We are talking about the present orderbook.

C. SUBBA RAO: Yeah, that will take at least one and a half year whatever the orderbook as on today that is not something which is to be completed within one year, they have different timelines.

Dixit Doshi: Okay. But the average time line would be one, one and a half years?

A. N. Gupta: Yes.

Dixit Doshi: Okay and just one more question. On the Page number 12 of our presentation there were some 14 products mentioned where we have received the DIPP license. And it has been almost two years since we got the licenses. So if you can just explain how many products out of these we have started or we are about to start in let us say next one year?

A. N. Gupta: Well, you see we have a couple of products which has already started that is chaff and flares. But all that comes under the industrialized production and all that and they are not something which requires a plant or very separate facility from the existing facilities of our explosives and defense unit the existing factory we can manufacture quite a few of them.

T. V. CHOWDARY: But majority of them are linked to the ammunition quotations or the tenders which we were talking about. So all those variety of those defense related ammunition is part of the Katepalli also.

Dixit Doshi: Okay and just one request I do not know whether you will be able to do it or not, but if you can just in one of the slide mentioned the market size of these products at least in India not maybe export?

A. N. Gupta: See price is something which is very sensitive area and it also depends upon what is the competition like. So I think we should keep a distance from the price.

Dixit Doshi: No, not the price but the market size of the product I mean how much it was the market size for let us say FY17 for one particular product?

C. SUBBA RAO: No, we can take say commercial explosive as a whole in India is something like Rs. 3,500 crores to Rs. 4,000 crores but about the defense no statistics will be available.

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

Abhijith Vara: Sir, I have a couple of questions. First one is the offset clause opportunity. Any update you can give us?

A. N. Gupta: You see we have already had we have given our prices and all that and we have had one set of discussions on that and finalized. And we are only waiting for the formal order. Once the formal order comes as they require special equipment to be installed and all that in the Katepalli we will be putting up the unit and as soon as it is finalized, because it is a part of ammunition we will start doing the production.

Abhijith Vara: And that CAPEX cost will be covered in the Rs. 50 crores plant which you have right now?

A.N. Gupta Yeah, correct.

Abhijith Vara: Okay sure sir. Sir, second question is you said 2,000 numbers of Aakash demand might come in, this is only for PEL or the requirement from BDL side?

A. N. Gupta: See the BDL is our buyer.

Abhijith Vara: No, as in this will be others can also participate in this 2,000 numbers so I was asking whether this will be what PL will be targeting entire 2,000 or a portion of it?

A. N. Gupta: Yeah, we would be the main vendor for it, but others can also participate in this.

Moderator: Thank you. The next question is from the line of Gurudatta Kamath who is an individual investor. Please go ahead.

Gurudatta Kamath: In the public domain there were some issue around I mean not issue some criterias which were set for the bidding for the RFP in the ammunitions area which I think the defense ministry was trying to set up. So we as Premier Explosives are qualifying under those criterias, sir? That was the first question. And the second question is related to the ammunitions area which is related to this. So what is the total opportunity size we are trying to pursue in the ammunitions area?

A. N. Gupta: See ammunition is a very big area and it depends upon the size from 5 millimeters to 155 millimeters. As far as the defense you are talking about MoD RFPs, we qualify for two products and for reason of confidentiality and competition, I will not be able to tell you which areas we are quoting. But yes, it is a big opportunity it is an opportunity of tens of thousands of crores say something like Rs. 25,000 crores, Rs. 30,000 crores and all that but so there are many operators which are sort of vying this particular product and area.

Gurudatta Kamath: Okay. Sir, one more related question to that is since we know that since the tie up has been done with Nexter so has the plan gets ready would it be like we will be assembling and then or we will be manufacturing the ammunitions straight away I mean?

A. N. Gupta: Well, you see this is still not clear because this RFP is getting postponed by two months, one month and all that. So once it comes to a shape and then it is finally sort of in place then we will be able to answer this question.

Moderator: Thank you. Next question is from the line of Y. Santosh from India Nivesh Securities. Please go ahead.

Y. Santosh: Sir, I had just one question. What is the current capacity of the propellants that PEL can manufacture, one. What is the current utilization, two. And by FY19 or FY20 what post this capacity CAPEX that you are taking up, what will be the capacity increased to?

T. V. Chowdary: It is not one question. It is many questions.

A. N. Gupta: Many questions in one question. You see Mr. Chowdary, can you reply to this?

T. V. Chowdary: We have a licensed capacity of 1,000 tons of propellant per annum and for assembly integration of 10,000 numbers of rockets and missiles which is going to be part of our Katepalli expansion. And right now we are at the level of around 150 tons of propellant we are producing per annum. But see this capacity is something a little difficult to define. It is licensed in numbers of tons, but it is produced in numbers of motors. So some will be large, some will be small so it is difficult to say that about capacity utilization.

Y. Santosh: Okay sir I asked that question to understand if our utilization is so low, is it the technical parameters you mentioned just now that restrict the plant utilization to be increased?

T. V. Chowdary: Yeah, when we have to make smaller motors with less tonnage and more in number, the numbers will be more but if you calculate the tonnage it will be less. So whereas we cast a big motor like ISRO requirement and others then it is more in tonnage than numbers. So it is a little difficult to explain this capacity part.

A. N. Gupta: See mainly we have the single source for pyrogen igniters which can vary from a couple of kilos and the largest motor which we are making for SHAR is about 15 tons. So you can imagine why this spread from kilos to 15 tons. So it is very difficult. We estimated 1,000 tons and we applied for 1,000 tons we got 1,000 tons and then for assembly and all that they said that they require a separate license so we applied and we got the license.

Y. Santosh: Sir, one more question if I may please. When a tender comes up for awarding of any missile propellant parts then if there are two or three competitors will the project will be awarded proportionately to all the two, three players or if all the three players qualify, then what is the criteria for awarding, is it on an L1 basis or what is the methodology?

A. N. Gupta: L1 basis, yes.

Y. Santosh: So the L1 person gets the entire contract?

A. N. Gupta: No, he gets about 60%. If it is a large requirement like TBRL then they wanted 135 motors so we got 60% to L1 and the balance to L2. So it will depend upon who is L1 and L2. If it is a small order then it may be entire amount for L1.

Y. Santosh: So what is small, what is big sir here?

A. N. Gupta: I cannot say.

Y. Santosh: So it varies from project to project there?

A. N. Gupta: Yeah, it will depend upon project manager to project director.

Y. Santosh: And just for my knowledge L2 has to match the L1 rates, am I right, sir?

A. N. Gupta: Absolutely.

Moderator: Thank you. As there are no further questions, I would like to hand the conference back to Mr. Rahul Rajagopalan for closing comments.

Rahul Rajagopalan: 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.

Moderator: Ladies and gentlemen, on behalf of S-Ancial Global Solutions, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.