



# Premier Explosives Limited



November 2, 2023

To  
The General Manager  
Department of Corporate Relations  
**BSE Limited**  
Sir Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai -400 001

To  
The Vice President,  
Listing Department  
**The National Stock Exchange of India  
Limited**  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai 400 051

**Scrip code: 526247**

**Scrip code: PREMEXPLN**

Dear Sir/Madam,

**Sub: Transcript of Conference call pertaining to the Second Quarter ended 30<sup>th</sup> September, 2023, results.**

Please find attached the Transcript of the Conference Call hosted by, Stellar IR Advisors Private Limited, on 31<sup>st</sup> October, 2023 pertaining to, 'Premier Explosives Limited Q2 & H1 FY2024 Earnings'.

This is for your kind information and record.

Thanking you,

Yours faithfully,  
**For Premier Explosives Limited**

**K. Jhansi Laxmi**  
Company Secretary  
Encl: a/a



“Premier Explosives Limited  
Q2 & H1 FY2024 Earnings Conference Call”

October 31, 2023



**ANALYST: MR. VISHAL MEHTA – STELLAR INVESTOR RELATIONS**

**MANAGEMENT: MR. T. V. CHOWDARY – MANAGING DIRECTOR –  
PREMIER EXPLOSIVES LIMITED  
MR. SRIHARI PAKALAPATI – CHIEF FINANCIAL  
OFFICER – PREMIER EXPLOSIVES LIMITED**



*Premier Explosives Limited*  
*October 31, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to Q2 & H1 FY2024 Premier Explosives Limited's Earnings Conference Call. 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. Vishal Mehta. Thank you and over to you Sir!

**Vishal Mehta:** Thank you Lizaan. Good afternoon, everyone. I, on behalf of Stellar Investor Relations, welcome you all to Premier Explosives Limited's Q2 and H1 FY2024 earnings conference call. We shall be sharing the key operating and financial highlights for the second quarter and half year ended September 30, 2023. We have with us today the senior management team of Premier Explosives Limited, Mr. T. V. Chowdary, Managing Director and Mr. Srihari Pakalapati, Chief Financial Officer.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance have already been e-mailed to you. Now I invite Mr. Chowdary to share his initial remarks on the company's performance for the quarter and half year.

**T. V. Chowdary:** Thank you Vishal. Good afternoon, everyone and thank you for joining the call. We will begin the call with company's operational performance during the quarter and followed by the key industry update.

The recent highlight for the company has been strong order inflow. We started the current FY2024 with an order book of almost 521 Crores and added to it new orders of almost 615 Crores in the year till date. Our current outstanding order book stands at approximately Rs. 1,054 Crores a strong growth of 75% Year-on-Year and translates into 5.21 times of our FY2023 revenues. Execution of these orders will help us to bid for bigger and better orders from Indian defence industry as well as from the foreign defence entities.

Now let me take you through the current orders at hand:

- Ministry of Defence IAF supply of chaffs for Rs. 292 Crores and supply of flares for Rs. 260 Crores, each to be executed in 12 months,
- Ministry of Defence Headquarter supply of 50 MM MTV flares Rs. 76.78 Crores to be executed in 12 months.

- Bharat Dynamics Limited supply of Akash booster grains Rs. 9.73 Crores to be executed in 12 months
- Bharat Dynamics supply of P1 and P2 motors for MRSAM Rs. 43.26 Crores to be executed in 24 months.

In addition to that, we have different orders totaling to Rs. 250 Crores from Larsen & Toubro limited and export commitments of defence products alone at Rs. 115 Crores.

We would like to reiterate that we have completed the design and development of various products for foreign entities and developed exclusive production lines for these developed products. The company has been constantly receiving production of this in this segment and started supplying to these foreign entities. During the quarter the company has further executed export orders and shipped out 116 rocket motors. Company has done first export shipment of HMX during this quarter. With all these, the company has clocked the record export revenue of Rs. 29.4 Crores during this quarter.

During Q2 FY2024 Premier Explosives reported excellent performance on overall level. Our revenue for the quarter increased by 29% Year-on-Year and 27% Quarter-on-Quarter to Rs.78.4 Crores. Again, Premier has clocked highest revenue post the COVID-19 pandemic. Premier Explosives has achieved highest ever EBITDA margins of 28% in second quarter of FY2024, which is a significant improvement mainly on the back of higher execution and contribution from defence orders along with a significant contribution from commercial explosives or industrial explosive segment. Consequently, the PAT margin of 15% was also the highest ever.

**Future Outlook:**

Premier Explosives is the only qualified Indian company for countermeasures and the only Indian company which is in the export of fully assembled rocket motors. Additional to the rocket motors and warheads and now Premier has entered into manufacturing of mines and also ammunitions. The production of Nipun mines has started and the deliveries will be from November 2023 onwards and Premier has successfully completed the development of 40 MM HEAP and HEDP ammunition for UBGL and HBGL under DCPP program of DRDO, so now we hope that we will be entering the production and supplies in the current financial year itself and the HMX and RDX plants which were earlier producing for self consumption and also for the domestic market has now started exporting.

We have executed one order of RDX and another order is going to be executed before the end of November and further orders are being booked for RDX and HMX. Premier has also

completed the bulk shock-tube production plant which has come into production and we are expecting a good contribution from this plant from the current financial year itself.

In terms of cash flows we have generated healthy Cash Profit of Rs.14.4 Crores in Q2 FY2024 and Rs.25.3 Crores in Half Year of FY2024. With our execution run rates stable and given the nature of our cost structure the operating leverage of our business will help us to generate better cash flows which will be utilized towards strengthening of our balance sheet.

#### **Coming on the Defence Industry**

The Indian defence sector is experiencing a significant transformation propelled by the pursuit of **Aatmanirbhar**. The Indian defence exports have reached a record high of nearly Rs. 16,000 Crores in 2022-2023 saw a 23-fold increase in exports, now India has independently designed and developed capabilities reaching over 84 countries. The Indian indigenous defence industry has achieved the success in expanding exports, the sale of major defence systems including the BrahMos, Supersonic Cruise missile, Akash air defence system, and artillery guns to friendly nations. As per the industry data the Indian defence industry is now competing with global firms for exporting their military hardware and has been in competition in multiple countries including Southeast Asia and Africa.

In order to reduce dependence on imports of defence equipment the government has introduced a number of measures to promote private investments in the sector. As per the industry sources private sector firms are likely to get defence contracts worth Rs. 60,000 Crores in FY2024-2025, which will be around 22% of the overall size. Private sector defence production is expected to expand at a compound annual growth rate of ~ 20% over the next three years reaching Rs. 34,000 Crores by FY2026.

#### **Coming on the Aerospace industry,**

First of all, I would like to congratulate Indian Space Research Organization (ISRO) for the successful landing of Chandrayaan-3 on the south pole of the moon first ever landing by any country. With this landing India has now joined the elite club of becoming the fourth nation to touch the lunar surface after US, Russia, and China. ISRO has now launched another mission Aditya-L1 for dedicated mission to study the sun's Photosphere, Chromosphere and Corona. Premier Explosives had a pivotal role in establishing SSLV that is small satellite launch vehicle and Government of India's encouragement to private sector to take up satellite launching on commercial basis. Opportunities are opening in space field and these are expected to fructify in the coming three to four years. As per the recent

announcement made by Government of India that India aims to grow its space economy from the current \$8 billion to \$40 billion by 2040 stated by Union Science and Technology Limited.

#### **Key Highlights from the Mining industry**

Mining industry where the coal is the major mining sector, as per the data available with the Ministry of Coal, domestic coal production rose by 9.2% year-on-year since July 2023. Further September 2023 witnessed a rise in India's total coal output of 15.81%, reaching 67.21 million tonnes over the 58.034 metric tonnes produced in the same month of the previous year. Moreover, September 2023 saw a considerable increase in coal shipment which reached 70.33 metric tonnes. This represented an impressive improvement over September 2022 to 61.1 metric tonnes with a growth rate of 15.12%.

As per the Coal Ministry, the industry experience and unparallel surge as output, dispatch and stock levels have reached emerging height and this phenomenal growth is largely attributed to the ongoing commitment of coal PSU. This demonstrates how well the coal supply chain works and ensures seamless flow of coal across the country. According to the Indian Bureau of Mines the amount of mines increased by 12.3% compared to the same month previous year. While the mining industry as a whole grew by an overall 8.3% from April through August of FY2024. Thank you and now I request our CFO to share the financial performance.

**Srihari Pakalapati:**

Thank you Sir. Good afternoon, everyone. The results presentation for the quarter has been uploaded on the stock exchanges and on the company's website. I believe you all may have gone through the same.

Now I will present the financial results for the second quarter and half year ended 30 September 2023. The revenue from operations for Q2 FY2024 stands at Rs. 78.4 Crores as compared to Rs. 60.6 Crores in the corresponding previous last year with a growth of 29% year-on-year and 27% Quarter-on-Quarter. Our operating profit for Q2 FY2024 stands at Rs. 21.9 Crores as compared to Rs. 7.2 Crores with a growth of 204% Year-on-Year. The operating margin for the quarter stands at 28%, clocked highest ever EBITDA margin in the history of the Premier Explosives which was already shared by Mr. Chowdary in his initial remarks. In Q2 FY2024 we reported a net profit of Rs. 11.6 Crores compared to Rs. 2.5 Crores in Q2 FY2023 with a growth of 362% as compared to the corresponding period last year and even on the net profit margin Premier Explosives have received the highest ever PAT margin in the history of the Premier Explosives.

Let me take you to the H1 FY2024 performance. The revenue from operations for H1 FY2024 stands at Rs. 140.4 Crores as compared to Rs. 112.4 Crores in the corresponding period last year translating into 25% growth Year-on-Year. Operating profit H1 FY2024 stands at Rs. 38.5 Crores as compared to Rs. 13.0 Crores in the corresponding period last year, which shows a robust growth of 196% year-on-year. The operating margin stood at 27% in H1 FY2024. The net profit in H1 FY2024 stood at Rs. 90.8 Crores compared to Rs. 3.8 Crores in H1 FY2023 which showed a tremendous growth of 425% year-on-year.

Now coming to the order book, the company's current order book stands at Rs. 1,054.38 Crores out of which the higher margin defence segment forms the majority of Rs. 884 Crores which is almost equal to 81% of our total order book. Explosive segment stands at Rs. 51 Crores and service segment that is operational maintenance is at Rs. 119 Crores. During the quarter Domestic Order Book is at 89% and Export Order Book is at 11% of the total order book. The order book represents a solid and strong growth over the previous years. With this now we open the floor for questions and answers. Thank you very much.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is on the line of Pankaj Gupta from Ratnabali Investments. Please go ahead.

**Pankaj Gupta:**

Good morning, Sir and congratulations for the excellent set of numbers you have shown and Sir thanks for the detailed breakup of the individual order which you have given. Sir I just wanted to understand that in your slide 21 you have mentioned a lot of India's prestigious missiles programmes and some of them are also in the production phase, so I just wanted to understand that in some of we are the sole say 100% requirements of solid propellants are being made by us, so whether in this order book any order from these programmes have been mentioned and how does the orders for these programs comes, it is a step-by-step or it is a quarterly requirement or how the orders flows?

**T. V. Chowdary:**

I have already mentioned about MRSAM. MRSAM is the missile which has come to productionization and being produced by BDL and there is another missile Astra again the BDL is the production agency for the entire missile and we are already having those orders in hand and expecting bigger orders in future. In addition to this, there are others which are in DRDO labs which are progressing and I think very soon they will be productionized and we will be continuing to provide the propellants as sole provider.

**Pankaj Gupta:**

Sir but one thing, I think this LRSAM, MRSAM, Astra, these would be going orders which would be for a number of years but when we report the order book from this it is only for a immediate requirement or it caters to the medium term requirement also?



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- T. V. Chowdary:** We report only the firm order received by us and that too as per the statutory.
- Srihari Pakalapati:** Normally we declare large order it is not that we declare each and every penny order. We keep on getting the orders on a regular basis but it depends on the importance and the values of the order and nature of the order we declare to the stock exchanges and we follow as per the regulations.
- Pankaj Gupta:** Sir we have already started supplying say rocket motors to our customers based in Israel, so if you could help us understand any impact of the ongoing conflict in Israel which is happening, whether it would help us in accelerating or decelerating the shipments and I think these rocket motors, etc., should be in huge requirements post this conflict, so if you could help us understand our position in this?
- T. V. Chowdary:** As on date we have no impact of any conflict. These are all the orders we are executing and we are continuing to do that and about future impact I do not know this is premature to say anything on that, but today we have whatever orders in hand from them, we are executing them and they are going smoothly.
- Pankaj Gupta:** Sir I am talking from the positive impact on this one because I think the requirement of this rocket motor should increase, are we getting some initial feedback from our customers that the requirement of this would be increased or enhanced?
- T. V. Chowdary:** Mr. Pankaj I do not want to make a speculative statement on this. We are in the business, if it helps yes, we may grow, but let us be happy with what we have in our hand. We have good order in our hand and then we can execute them and all of them. Okay if this helps and we get our better orders and all those we will be definitely sharing with you.
- Pankaj Gupta:** Thank you, Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Dipen Vakil from InCred Equities. Please go ahead.
- Dipen Vakil:** Thank you for the opportunity and congratulations on good quarter. Sir my question is on the order book, in our order book can you help us with the execution timeline of our order book say for services, explosives and defence?
- T. V. Chowdary:** I have mentioned in my starting comments, the execution time of each important order.





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- Srihari Pakalapati:** So with regard to the operational maintenance the order book of balance Rs. 119 Crores which spreads over next seven years, with regard to the commercial explosives I think all total order book has to be executed in next 12 to 15 months. With regards to defence, it varies and it has to be executed between 9 to 18 months.
- Dipen Vakil:** Thank you so much Sir. Sir some of our DPSUs as well as our clients from Israel our DPSUs are facing some supply chain issues so did that create any stress on your receivables or any slowdown in orders from DPSUs.
- T. V. Chowdary:** You are saying about the raw material availability?
- Dipen Vakil:** Yes.
- T. V. Chowdary:** As on date we are not facing any problem.
- Dipen Vakil:** The orders from defence PSUs are on track as it used to be or any slowdown on that?
- T. V. Chowdary:** Yes, they are on track.
- Dipen Vakil:** Got it Sir. Thank you so much. I will get back to the queue.
- Moderator:** Thank you. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.
- Abhishek Poddar:** Thanks for taking my question, Sir. Congratulations on strong order book and good results for the quarter. Sir could you give us some understanding this large order that you received for chaffs and flares, what is the timeline for the requirement by MoD, should we expect such orders in what period for the replenishment, some understanding there and is it like a large order for building up the inventory or how have they ordered such a large number sir?
- T. V. Chowdary:** Yes, this is a large order coming under the emergency procurement to build up the inventory and all those, but this has to be executed in 12 months period from the date of receiving order, but this is not the only thing but future for replenishing the quantities and all it will continue, may not be of this large volume in 12 months, but yes it will continue.
- Abhishek Poddar:** What quantity we are supplying any understanding that how much time it gets consumed by the defence forces?
- T. V. Chowdary:** That we cannot say.



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- Abhishek Poddar:** Is it that this was earlier getting imported and now it is getting substituted by us, where were they buying that?
- T. V. Chowdary:** You are right. Earlier they were being imported, now it has come in the positive list where imports are abandoned then only to procure from India and we are the sources for Defence orders(23:10).
- Abhishek Poddar:** Understood and Sir the product pipeline that we are supplying now has increased with the mines and ammunitions, any understanding that next one to two years what kind of order inflows are we expecting or at least some understanding how you are seeing the markets?
- T. V. Chowdary:** Orders are expected this is the beginning only. These products earlier which are being imported now even mines and ammunitions also they are all being imported. Now they are all going to be sourced internally indigenous process. So definitely there will be increase in the orders and the quantities, now quantifying it in terms of so many Crores is difficult but yes, we are targeting Rs. 500 Crores turnover in the coming two years period.
- Abhishek Poddar:** Rs. 500 Crores a year you are targeting, Sir?
- T. V. Chowdary:** Yes.
- Abhishek Poddar:** Understood and Sir if you look at the margins for this quarter 27.9% if you could give us some understanding that how are the defence margins and how are the explosive margins and should we assume that the current order book has the similar margins for next two years?
- T. V. Chowdary:** Giving margins separately I do not think that we can do that, but yes, the overall margins will remain like that.
- Abhishek Poddar:** So, this 27-28 is where your entire order book is currently based at?
- T. V. Chowdary:** Yes.
- Abhishek Poddar:** Understood. Thank you, Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.
- Darshil Pandya:** Hello hi the questions are already answered. Thank you so much.



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**Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

**Aman Vij:** Good afternoon, Sir. My first question is on the mine production, which you talked about we started recently. If you can talk about how big is this opportunity and what kind of revenue we can achieve in this division over the next 2-3 years, as well as does this also include some kind of underwater mine or this is only our key surface mines only?

**T. V. Chowdary:** We are working on multiple types of mines. Where some are under development and some have already got into productionization, so present order what we have received that is indicated. So again it is not possible to predict because these things, now this order next year may not be requiring so much having placed the order but yes either this or that or something will take over when you have a bouquet of multiple products, so that is why I said that we have targeted Rs. 500 Crores but if you ask which product and all those we cannot express in that way.

**Aman Vij:** Sure Sir. I understand that point. I was trying to understand in terms of say import or the opportunity how big is the opportunity in mines whether we get it or not we cannot predict that?

**T. V. Chowdary:** In future we cannot predict that how and all because these are all war machinery and used in that so whatever is used in the practice and war way stage only will be replenished, so those quantities we have to understand.

**Aman Vij:** My second question is on this grenade ammunition part this 40 MM which you talked about a little bit in that starting speech, so last call you had talked about we had submitted to proceedings of our clearance and we were expecting clearance so any update on that?

**T. V. Chowdary:** Yes that is what I told. We are cleared and now we are ready for production. We have built the production facility also, product is qualified, user agencies have visited us, so we are hoping that in the current year some RFP will come and then we will be participating in it.

**Aman Vij:** You expect this in Q3 or Q4?

**T. V. Chowdary:** Q4 I think. Q3 probably order may materialize, but we cannot predict all these, these timings and all those they do not work in months rather than they work in years.



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**Aman Vij:** Sure Sir and you talked about that some paramilitary forces order might come but the bigger opportunity is the army orders, so any further update on that, is army also looking at are they coming for the inspection?

**T. V. Chowdary:** The old RFPs are there, but they have not yet finalized. In fact the RFPs from paramilitary forces what I am talking that we can probably productionize in this year, so those are only visible now, right now.

**Aman Vij:** Just last point on this. What is the maximum revenue we can do in terms of our production capacity, do we have the production capacity to make like Rs. 100 Crores or is it a smaller size we can produce in the new production facility you have talked about?

**T. V. Chowdary:** Yes we have the production capacity and pent up capacity to do Rs. 100 Crores of business in this line.

**Aman Vij:** These are the questions. Thank you.

**Moderator:** Thank you. The next question is on the line of Vivek Gautam from GS Investments. Please go ahead.

**Vivek Gautam:** Sir seeing this nowadays, the warfare going on in Ukraine and in Israel, since everything is through missiles and aeroplanes and bombs so we are placed I believe in a sort of a situation for us is better in terms of opportunity size and as such any new orders we have got from Israel and any new orders from the missile programme that is the one thing question and secondly similar sort of opportunity size exist for space SSLV also I think so and how is the future looking like?

**T. V. Chowdary:** As far as the defence orders you have named about the present countries which are involved in the conflict. Whatever orders we have in hand from Israel we are executing there are no new orders and about the space sector yes SSLV is the new thing which government wants to privatize the satellite launching and having participated in the production of SSLV at Sriharikota facility we are very much favored to be the partner for this. This expression of interest and other things are going on in which yes we are participating along with other players.

**Vivek Gautam:** Sir this is really Atmanirbhar scheme has really sort of been helping the indigenous defence companies like us but the earlier sort of regime was totally favoring the import and now for a change we are doing it but now the elections are coming and any preparation at our end for a sort of adverse development in terms of regime change and how prepared are we for



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that sort of theoretical situation Sir and which we are looking like that current policy will continue or basically any preparation at our level for policy and regime change Sir?

**T. V. Chowdary:** I think the encouragement to Make in India has started almost 15 or more years back, it is only getting better and improved more and more with the consecutive governments, so I do not think any adverse effect will come based on the political situation because today we have already transformed from importing country to manufacturing country and exporting countries, so I do not think that is going to affect us.

**Vivek Gautam:** Yes. definitely good development, good for us, and good for country. Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.

**Nikhil Jain:** Thank you for the opportunity. I just wanted to check whether we have started supplying the new order that we received for countermeasures and flares, so have you already started supplying that?

**Srihari Pakalapati:** No, the supplies will start I think February month onwards.

**Nikhil Jain:** But you said that since the time of receiving we have to supply that order in one year right, so 12 months emergency procurement?

**T. V. Chowdary:** Each order has to be executed in 12 months.

**Nikhil Jain:** So we received the order sometime in August, so from there we have to supply till next August 2024 is that the correct understanding?

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

**Nikhil Jain:** So if you will start supplying from February, so would we be able to manage the entire order by let us say August 2024?

**T. V. Chowdary:** Yes we are working with those schedules only because any big order execution it needs built up time, you have to procure the raw materials, you have to build the components, you have to build your vendors, meet that large quantity and all those, so that is why six months time is needed for those things, now we have already completed those. Now the process is going on, outside process, once that process has to shift inside our plant then we will be doing. In the meantime, we are also building up the multiple production lines so we are quite confident that we can meet them.



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- Nikhil Jain:** Just a followup on that Sir, so you said that we are targeting Rs. 500 Crores, let us say by FY2025-FY2026 two years time but if you will supply let us say Rs. 500 Crores order in six months from February 2024 till August 2024, so the turnover should actually exceed more than Rs. 500 Crores given that there are other products also which are there right?
- Srihari Pakalapati:** Yes, you are right but the part of it will come in this financial year, part of it will go in next financial year.
- Nikhil Jain:** That is there, yes and the second question was related to the grenade and other things, so you said that we have submitted it and we expect the order finalization if to happen by Q4 is that understanding correct Sir?
- T. V. Chowdary:** Yes submitted in the sense it is not tender submission or anything. Yes we have developed the product. Product has been submitted for testing by the user and then the quality agencies and it has met the requirement.
- Nikhil Jain:** Fair enough, so best of luck for execution Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.
- Ankur Kumar:** Hello Sir. Thank you for taking my question. Sir my first question is on the balance sheet side there is a big jump in other current liabilities which I believe is advance from customers so can you comment on?
- Srihari Pakalapati:** Yes, we have received some advance in last week of September 2023 from the MoD as new order.
- Ankur Kumar:** So generally what percentage of our revenue generally comes in advances?
- Srihari Pakalapati:** Normally MoD is not giving any advance but since this is an emergency, they have given some advance to the extent of 15% against the bank guarantees. This is an exception case not that we get advance in every case.
- Ankur Kumar:** Got it Sir. Sir on margins, you said this current 27% is sustainable, but is not there an operating leverage in the business because I generally believe gross would be working on a similar gross margins and when revenue improve our margin should inch up from here?
- Srihari Pakalapati:** Normally if you remember our previous calls we were talking about 20% on overall average EBITDA for the whole year, but luckily first two quarters we almost reached about 27%, so

we are trying hard to maintain the single margin. There may be some plus or minus, but we are trying to manage this.

**T. V. Chowdary:** The changes with the deliveries made at the inspections and all those sometimes it may happen, the last day of the quarter we could not deliver and it may go into the next first or second day of the next quarter so that consistency is a little bit, but yes we expect a good return.

**Ankur Kumar:** Got it Sir and Sir the last question on the flares side you said we will start from February so can you comment on how should be we assuming the delivery in the second half of the year, how much revenue or delivery schedule should we be expecting in Q3 and Q4 for this year?

**Srihari Pakalapati:** Sir we cannot comment on the revenues it is very premature because our dispatches depend on a lot of PDA inspection and all which are not in our hand but the new order execution has somebody was telling earlier maybe a little portion may start going from the February so little portion may come in this year and major portion will come into the next year.

**Ankur Kumar:** Sure Sir and Sir in terms of new order how much are we applying and what is our chances to get more such orders?

**T. V. Chowdary:** You are quite aware of the fact that limited companies are involved in this business so with our present niche position yes we expect the orders will keep on coming.

**Ankur Kumar:** Sure Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio Equity Research. Please go ahead.

**Jayesh Shah:** Sir Congratulations for great of results. I just wanted to clear the understanding what is the order inflow in the second quarter because I thought the first quarter order inflow was already around Rs. 1,000 Crores?

**Srihari Pakalapati:** Second quarter it was normal because I think it was listed about Rs. 50 Crores normal petty orders. We have not received any significant order in Q1.

**Jayesh Shah:** How is the pipeline looking for the next two quarters?

**T. V. Chowdary:** Yes, we are participating in many RFPs and tenders, so how many of them will be completed this year, come to order placement stage and all those prediction is a little

difficult because MoD does not work on that basis. So yes we are working and we are participating. All of them may not materialize, some of them may materialize. That is why we are targeting this financial year and next financial year probably we will inch and go closer to Rs. 500 Crores.

**Jayesh Shah:** In the last call my understanding was that we were targeting Rs. 500 Crores for this financial year depending on the execution cycle that we expected for the emergency order so that has got delayed a bit, right?

**T. V. Chowdary:** I think if I remember correctly somebody asked Sir can you achieve, we said yes the way the orders are in hand we can achieve but our target was Rs. 300 Crores.

**Jayesh Shah:** Based on the current pipeline what should be the average order inflow for the year that one could see now as a run rate?

**Srihari Pakalapati:** Between last year and this year I think last year we received about Rs. 400 Crores and this year we have already received about Rs. 700 Crores.

**T. V. Chowdary:** With the new products of DRDO coming into productionization we feel that this will continue.

**Jayesh Shah:** Thank you very much and best wishes.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Just a clarification. You mentioned Rs. 300 Crores and Rs. 500 Crores is our execution target for this year and next year, right?

**T. V. Chowdary:** Yes Rs. 500 Crores like I said year 2025-2026 is the target, this year is Rs. 300 Crores is our target. It depends if we can execute some of them during this year we may exceed that also.

**Deepak Poddar:** Rs. 500 Crores you are saying about FY2026 not FY2025?

**T. V. Chowdary:** Yes 2025 itself I think we can reach.

**Deepak Poddar:** FY2025 itself. Fair enough. Yes that is the clarification I was looking at. That is it from my side. All the very best to you. Thank you.





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**Moderator:** Thank you. The next question is from the line of Kaushik Mohan from Ashika Institutional Equities. Please go ahead.

**Kaushik Mohan:** Hi Sir Congratulations for the great set of numbers. Sir I am a bit not convinced on this number because we are seeing from the last 15-16 quarters if I look at our employee cost day-by-day we had a peak of around 35% of our entire total revenue, but now it comes out to be around 18.5% can I get some clear clarity or understanding on this like why are we reducing, what is playing out our employee cost is going down, are we reducing on what basis?

**T. V. Chowdary:** Earlier if you go back in the history we were industrial explosives manufacturing company where the most of the operations, the detonators, detonating fuse and all those were manpower intensive, so we had larger manpower which is permanent employees with larger pay package because of the long experience and service. It is a 40 year old company now the employees, workmen and also they have reached a retirement stage. As they are retiring the numbers are reducing but we are now shifting more and more towards defence products and all those where the manpower requirements are less we are not recruiting we are rather using the people effectively and train their experience rather than recruiting fresh people. Now the recruitment is more towards educated and skilled employees rather than the workmen and also those so that has brought this change.

**Kaushik Mohan:** Like are we able to maintain these margins going further like our operating margin is currently around 28% in this quarter can we see the growth and can we maintain this overall till we reach our Rs. 500 Crores mark in couple of years on the topline?

**Srihari Pakalapati:** Actually, I think the margin should be good, but it is not that we can commit on 28% because it depends on the product mix.

**T. V. Chowdary:** Quarter-to-quarter it varies depends upon the delivery of the goods.

**Kaushik Mohan:** Then what is our normalized margin Sir?

**T. V. Chowdary:** Earlier we have indicated normally we will be maintaining around 18 to 20% EBITDA that is yes definitely commitment but beyond that yes depending on the deliveries and fresh orders coming and how we execute it may go up also.

**Kaushik Mohan:** Got it. Sir I have another last one final question. Sir if you see in our annual report of March 2023 we have paid a tax of Rs. 1.91 Crores but we reported around the focus our tax

expense in our P&L what is this majorly difference coming because I cannot find any deferred number in the balance sheet so some light over here on this number clarity?

**Srihari Pakalapati:** Sorry you are talking about deferred taxes right?

**Kaushik Mohan:** Yes.

**Srihari Pakalapati:** Relating to the calculation there was some MAT liability was there, there was some calculation.

**Kaushik Mohan:** MAT liability was there?

**Srihari Pakalapati:** Yes MAT. It came in the MAT liability.

**Kaushik Mohan:** MAT liability is the major reason got it and how about our order book sir we can see that our order book breakup with defence is around 84%, so are we also going further when in couple of years down the line or four years, five years down the line, is the defence order being in such a dominant position in the order book?

**Srihari Pakalapati:** Yes it should be.

**Kaushik Mohan:** Something around 75% can I assume it something around like that?

**Srihari Pakalapati:** Yes more or less. Even last year also you can see 75%.

**Kaushik Mohan:** Got it Sir. Thanks I will get back in the queue once again.

**Moderator:** Thank you. We will move on to the next question that is from the line of Santanu Chatterjee from Mount Intra Finance Private Limited. Please go ahead.

**Santanu Chatterjee:** Congratulation for great set of numbers Sir and thanks a lot for this opportunity. My question is actually based on your current book and upcoming opportunity size what would be the capex required to fulfill this obligations for FY2024 as well as in FY2025?

**T. V. Chowdary:** It will not be a large capex because we have already invested in Katepally and we have built enough capacity, so what will be needed will be maybe some balancing equipment or the tooling or other things which are needed which may not be very large, but yes somewhere within I think Rs. 10 Crores or something it will be like that.

**Santanu Chatterjee:** 10 Crores each for FY2024 and FY2025 Sir?



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- T. V. Chowdary:** Yes, in case when we enter into the special products maintenance.
- Santanu Chatterjee:** Sir in BrahMos what is our contribution segment and how big it is for upcoming period?
- T. V. Chowdary:** BrahMos right now we are in the technology transfer process. We are going to make the propellant rocket motors for them, but this is project developed by DRDO so we are under ToT process and commercial production will start probably in the next financial year and this is available in all the papers what is the size and all those about BrahMos.
- Santanu Chatterjee:** Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Manan Shah from Moneybee Investments Advisors. Please go ahead.
- Manan Shah:** Yes hi. Thank you for the opportunity and congratulations for a good set of numbers. I wanted to understand in terms of the product you manufacture is there a useful life for these products, an expiry for these products so say if they are not used within that expiry they need to be replaced?
- T. V. Chowdary:** Yes, you are right. There is shelf life for these products, some go for life extension and some may go for refurbishment which has not yet started in the country, but they have a shelf life. These all explosives, propellant products or rockets in the sense, they have generally 10 years is the life given, afterwards it is a question of extension by conducting some trial.
- Manan Shah:** I am saying for solid propellant I believe there are three manufacturers including us and the two facilities that we maintain one of ISRO and one for ASL so when an order for solid propellant is released is it bifurcated between these three players or how is that decided?
- T. V. Chowdary:** The ISRO facility at Sriharikota and Trivandrum and also Jagdalpur facility, they are bid for producing large rocket motors which normally a private sector company cannot invest such infrastructure but today the requirements have gone up, so whichever a private sector company or other company can take over they are offloading, so in that process now we are already producing PSO and XL and then some of the variants of ASL rockets we are doing in our facility that is decided by them based on our size and plant and then capability and capacity. They will place the order.
- Manan Shah:** Other players as well who are looking at this opportunity or is there a long run approval process which acts as an entry barrier for other private companies to enter the space?



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- T. V. Chowdary:** Yes correct. This is highly capital intensive and you know that what is the kind of built up it requires and the time needed and gestation period so anybody to reach this level in which we are it takes a few years for them to come to that level.
- Manan Shah:** Understood and also in terms of propellant I believe there are three types of propellant as per my understanding one is cryogenic, one is liquid, and one is solid, so are we looking to enter the two propellant space or do we possess the expertise or knowhow to enter that space any light on that?
- T. V. Chowdary:** Those first two what you mentioned they are limited to only the space application as on date they are done by them and then there are other players they do not need our expertise in that line and we are specialized in composite solid propellant which are the main propellants for all the defence and applications and in outer space also if you see the launch, the main launch is done with composite solid propellant, booster rocket motors. When the space launch vehicle takes off you see the large fire fume coming out that is all from the solid propellant and we are in that field.
- Manan Shah:** Understood. Thank you for that. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Tirth Gosar from Svan Investments. Please go ahead.
- Tirth Gosar:** Hi Sir. I missed your guidance for FY2025 and FY2026 on the topline could you please repeat?
- T. V. Chowdary:** I think we have already answered enough number of times on this point. Please go ahead.
- Tirth Gosar:** What are you expecting, what is the top line for FY2025?
- Srihari Pakalapati:** The total turnover like we mentioned 2025-2026 we will be crossing Rs. 500 Crores.
- Tirth Gosar:** We will be crossing Rs. 500 Crores?
- Srihari Pakalapati:** That was our topline that is our target.
- Tirth Gosar:** Sir your order book currently standing on Rs. 1,100 Crores so do not you think that you are being a little conservative in your guidance for the topline?
- Srihari Pakalapati:** Do you say we are conservative?



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- Tirth Gosar:** Your order book is currently standing at Rs. 1,100 Crores and you have an emergency order that has to be executed by August 2024 if I am not wrong so just taking that order which is approximately worth around Rs. 700-Rs. 800 Crores.
- Srihari Pakalapati:** That is about Rs. 540 Crores without GST, but at the same time we are expecting some portion of that to come into this year FY2024.
- Tirth Gosar:** Also sir one more question with regards to your balance sheet pay receivables have almost doubled?
- Srihari Pakalapati:** Significant amount has to come from MoD which we are expecting to come in next couple of days.
- Tirth Gosar:** Your other current liabilities have almost tripled in six months?
- Srihari Pakalapati:** Majorly as we explained earlier this is basically regarding we have received some advance against the new MoD order.
- Tirth Gosar:** Thanks a lot. Thank you.
- Moderator:** Thank you. The next question is from the line of Sampath Nayak from Tiger Assets. Please go ahead.
- Sampath Nayak:** Thank you and congratulations on good set of numbers. So, I joined the conference a bit late, did we target for Rs. 550 Crores of revenue in FY2024 itself in the previous call?
- Srihari Pakalapati:** That is too optimistic.
- Sampath Nayak:** So we are targeting FY2025 right?
- Srihari Pakalapati:** Yes.
- Sampath Nayak:** For FY2024 we said that we will be doing Rs. 300 Crores of revenue?
- Srihari Pakalapati:** 2024, you are talking about?
- Sampath Nayak:** Yes.
- T. V. Chowdary:** Nearby maybe some plus or minus will be there.



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- Sampath Nayak:** Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Manoj Shah from LaxGov Investments. Please go ahead.
- Manoj Shah:** Good afternoon Sir. Just wanted to understand when we started new product development like is it that different sources reach out to you to develop a product or you feel there is a demand then you develop it and then you ask them to rectify the product so how does it goes?
- T. V. Chowdary:** It works in both ways because most of the time we are already what they are reporting they may approach us like okay this developed indigenous or it may come through DRDO and in some cases we use our own R&D and our innovation and then we develop a product and then we offer. So if armed forces find that useful then they can buy like that so it works on both ways.
- Manoj Shah:** How is the time span of the product life cycle normally to start commercial production if you could give some idea?
- T. V. Chowdary:** I have already mentioned normally 10 years is the shelf life declared, warranty or shelf life but if a product is taken and launched on the platform like on aircraft or on ship or somewhere then it is counted on number of hours it is on launch and the shelf life changes with that.
- Manoj Shah:** You are talking about the shelf life for chaffs and flares?
- T. V. Chowdary:** Not only chaffs and flares, rockets and missile.
- Manoj Shah:** You are saying shelf life is 10 years but when you onboard it then it is replenishment?
- T. V. Chowdary:** Yes even mines also most of the products made for defence they are 10 years shelf life.
- Manoj Shah:** Like you recently go this order for chaffs and flares so since this would be based on like how many squadrons fighter planes we are having in India based on that you got the chaffs and flares order, so can you give some signs of what will be the replenishment cycle for this or initial order, what you got is how many squadrons, some idea of how much percentage of the total fighter planes you have can you give some sense of that?
- T. V. Chowdary:** It is a bit difficult to tell that. We have different fighter planes with different dispensers mounted on them so what dispenser is mounted on a flight it depends on that, so we as

outsider of defence agency is difficult for predicting them. NATO has different dispensers and then ex-Soviet Union or Russian platforms have different dispensers so based on that it is done. Giving a figure is difficult.

**Manoj Shah:** Suppose you start developing a new product from scratch what is the product development lifecycle is it like 5, 7 years or it will be close 8 to 10 years?

**T. V. Chowdary:** You mean the development time lifecycle?

**Manoj Shah:** Yes suppose you develop the chaffs and flares, they were imported so what was the product development lifecycle before you start commercial production?

**T. V. Chowdary:** Generally four to five years for it to come to production level now it can be little earlier also or can take little, longer time depending on inspecting. See for example if you are developing for Air Force the products which are going to be mounted or installed in the aircraft there the qualification is much, much more stringent and it will take much longer time if you have developed the new product.

**Manoj Shah:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sanjaya Satapathy from Ampersand Capital. Please go ahead.

**Sanjaya Satapathy:** Hello, Sir. Sir thanks a lot for giving all the guidance. Just wanted to understand the drivers of margin expansion and how sustainable are they?

**Srihari Pakalapati:** So if you go through the previous two quarters I think we have reached almost about 27%, EBITDA level so going forward you have to see, but I think we had the guidance of between 18 to 20% on average basis. Again, it depends on the product mix because we do produce multiple products, not just one product so the margins also varies product-to-product, so it also depends on the product mix.

**Sanjaya Satapathy:** So when you are giving this guidance of some Rs. 300 odd Crores revenue or Rs. 500 odd Crores revenue so all those numbers on topline but still 18 to 20% is the sustainable margin on those revenue is that what you are saying?

**T. V. Chowdary:** Yes, it is a sustainable margin but we may get much better margins also.

**Sanjaya Satapathy:** In terms of your exposure to this coal sector is that something which is going to be a growth driver for you or it will be defence which will continue to be your major focus area?

- T. V. Chowdary:** The coal sectors of course in volumes it is going big and all those but competition also very fierce there. They are many players who are supplying and all those and the prices margins are very, very low comparatively so our area which we thrive is in defence products, defence and aerospace at the same time we would not be leaving the ground, we will be very much there in the industrial explosive also but we will not go for very, very low margins and all those. In fact our exports if you look at it half the income from exports has come from industrial explosives.
- Sanjaya Satapathy:** Understood. Thanks a lot Sir.
- Moderator:** Thank you. The next question is from the line of Sarjeet Yadav from Mount Intra Finance Private Limited. Please go ahead.
- Sarjeet Yadav:** Good afternoon, Sir. heartier congratulations on good numbers. I had couple of questions firstly is regarding the Nipun mine is it by Premier or is it through some JV or subsidiary and second question is are you planning to participate in the MIG 3 project, six of them from Indian Air Force regarding development of the missiles?
- T. V. Chowdary:** Nipun mine there is no JV or anything it is our product and Premier Explosives produces it.
- Sarjeet Yadav:** Regarding the MIG 3 projects, any new major development with the six MIG 3 projects which have been announced?
- T. V. Chowdary:** No, right now we are not in any MIG 3 projects.
- Sarjeet Yadav:** Can you give an idea market size of the Nipun mines could we expect to come from that side?
- Srihari Pakalapati:** At this moment we have the order for about Rs. 40 Crores and going forward this may continue for defence areas for the requirement of the defence.
- Sarjeet Yadav:** Thank you.
- Moderator:** Thank you. We move on to the next question that is from the line of Prabir from Ratnabali Investment. Please go ahead.
- Prabir:** I wanted to know the status of the Coal India order worth around Rs. 150 Crores will it come in this financial year and then I have another question if you can throw some light on the large programmes which could come to the production stage?





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- Srihari Pakalapati:** Which order?
- Prabir:** Coal India order.
- Srihari Pakalapati:** Where did you go that number we do not have that much order from Coal India at any point of time.
- Prabir:** What can be the quantum of that?
- Srihari Pakalapati :** At this moment we have small orders which we are executing it. We do not have that much order as of now.
- Prabir:** The large programmes which can come to the production stage in next two years.
- T. V. Chowdary:** Astra is one programme where we partnered with DRDO in developing the propellant so as on date we are the single vendor so we are expecting that to become the next big one along with MRSAM, LRSAM and QRSAM, these are all the new projects, new products which are going to be productionized.
- Prabir:** Thank you.
- Moderator:** Thank you. The next question is from the line of Anant Jain an individual investor. Please go ahead.
- Anant Jain:** Thanks for the opportunity and congratulations on good set of numbers. Are there currently any orders where we have bid and where we are L1?
- T. V. Chowdary:** There are several bids we have participated so this is a continuous ongoing process.
- Anant Jain:** Where we are L1?
- T. V. Chowdary:** No nothing is finalized and no such orders, what we are executing already we have informed and already you know about all those.
- Anant Jain:** Chaffs and flares they get used regularly by the Air force it is not like you use it in war time they gets used in trials also quite regularly so my question here is that do we have any idea on the amount of chaffs and flares used annually by the Air Force?

- T. V. Chowdary:** No we do not have idea but yes you are right they are not used only when war not only ammunition and others also they keep on practicing and doing it, so every year that part will remain other than the emergency requirement.
- Anant Jain:** It would be really helpful if you can find this piece of info because then that will give us what will be our constant demand and not just one time if that can be found out in some way?
- T. V. Chowdary:** None of these products will have any constant demand like a consumer industry or mining sector where mines are being regularly produced and all those, these are all year-to-year they keep on changing that is why we always go with multiple products, it is like a bouquet of multiple things so it may not be the same quantity, next year it will continue, instead of that we will be producing another product to take that place, it goes like that rather than going by that.
- Anant Jain:** Sir last question from my end is that we used to do defence since quite some time we were in propellants, we were in motors, some of these things had come to production lately so my question to you is that what are the other products that can be as big as chaffs and flares in terms of opportunity for us like if you can say that can grenades be that bigger product, can mines be that bigger product, propellant purely in terms of market size?
- T. V. Chowdary:** If you say like that in one year's time, I do not think any of these products can give us Rs. 500 Crores topline revenue. All this will contribute Rs. 30 - 40 -50 Crores like that the orders will keep on coming from these ammunition, mines, and warheads, all those it will be like that but this Rs. 500 Crores plus is one time opportunity of emergency procurement. We do not know maybe in future we may again get such opportunity for other products also.
- Anant Jain:** Thanks for the time Sir.
- Moderator:** Thank you. As there is no response from the current participant we will move on to the next that is from the line Tirth Gosar from Svan Investments. Please go ahead.
- Tirth Gosar:** So, in the last call you have guided that the order book was approximately of Rs. 1,000 Crores out of which Rs. 123 Crores was of O&M and you guided to execute that order book in the next 12 to 18 months?
- Srihari Pakalapati:** With regards to O&M the execution time is about 7 years, every month it could be around Rs 1.4 - 1.5 Crores.

- T. V. Chowdary:** Other orders also they are not of 12 months there are many orders which are 24 months.
- Tirth Gosar:** Yes, sir just a request on clarity on this point, in the last call you had mentioned that these orders would be executed in the next 12 to 18 months.
- T. V. Chowdary:** Those are the defence order books which is an average, 18 months is an average but there are 12 to 24 months, some may even go up to 36 months also because where we are doing the propellant casting only the rocket propellant motors are issued as FIM by BDL or other agencies you cannot do anything unless they issue the FIM so the order mix it may go to 36 months extended it like that.
- Tirth Gosar:** One more question the chaffs order worth of Rs. 550 Crores so the execution will start in February if I am not wrong?
- T. V. Chowdary:** Deliveries yes it will start from.
- Tirth Gosar:** So, the delivery will start from February and how much do you think you will be able to do in this year in FY2024 out of the Rs. 550 Crores?
- T. V. Chowdary:** It is very premature Sir. We are working hard to get the maximum but it is very premature because it depends on so many factors.
- Tirth Gosar:** Sir a ball park number maybe?
- T. V. Chowdary:** It is difficult to say.
- Tirth Gosar:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. T. V. Chowdary for his closing comments.
- T. V. Chowdary:** Thank you very much. Thank you everybody for having the trust and faith in your company and the management and we hope to maintain the same figures and same level of performance in the coming years. Thank you very much.
- Moderator:** Thank you, members of the management team. Ladies and gentlemen on behalf of Premier Explosives Limited that concludes this conference call. We thank you for joining us. You may now disconnect your lines.