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November 13, 2019

To,
The Executive Director
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai
Symbol: "SOLARINDS EQ"

To,
The Executive Director
Listing Department
BSE Limited
Floor No. 25, PJ Towers
Dalal Street
Mumbai: 400001
Scrip Code: 532725

Sub: Transcription of Conference Call with reference to the unaudited Financial Results for the quarter and half-year ended on September 30, 2019 with the management of the Company.

Dear Sir,

Further to our letter dated October 30, 2019 we are forwarding herewith a copy of Transcription of Conference call hosted by Nirmal Bang Institutional Equities, on Friday, November 8, 2019 at 11.00 a.m. to discuss the unaudited Financial Results for the quarter and half-year ended on September 30, 2019 with the management of the Company.

Kindly take the same on record and acknowledge.

Thanking you

Yours truly,

For Solar Industries India Limited

KHUSHBOO
ANISH PASARI

Digitally signed by
KHUSHBOO ANISH PASARI
Date: 2019.11.13 13:20:46
+05'30'

Khushboo Pasari
Company Secretary &
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Solar Industries India Limited

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**“Solar Industries India Limited
Q2 FY2020 Earnings Conference Call**

November 08, 2019



**ANALYST: MS. GIRISH PAI – NIRMAL BANG EQUITIES
PRIVATE LIMITED**

**MANAGEMENT: MR. MANISH NUWAL – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – SOLAR
INDUSTRIES LIMITED
MR. NILESH PANPALIYA - CHIEF FINANCIAL
OFFICER – SOLAR INDUSTRIES LIMITED**



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Moderator: Good day, Ladies and gentlemen and a very warm welcome to the Solar Industries India Limited Q2 FY2020 Earnings Conference Call, hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that the duration of this call will be for one hour. I now hand the conference over to Mr. Girish Pai Head of Research Institutional Equities at Nirmal Bang. Thank you, and over to you Sir!

Girish Pai: Thanks, Ali. On behalf of the Nirmal Bang Institutional Equities, I welcome everyone to the Q2 FY2020 Results Analyst Call of Solar Industries. We have with us the management of Solar Industries, represented by Mr. Manish Nuwal, the CEO and MD; and Mr. Nilesh Panpaliya, the CFO. Without further ado, I hand over the call to the management for their opening remarks, after which, we will have the Q&A session. Over to you, Sir!

Nilesh Panpaliya: Very good afternoon to all the valued investors, well wishers and potential investors of Solar Industries India Limited. On behalf of Solar Industries, I am Nilesh Panpaliya, CFO, welcome you all to the earnings call for Q2 of financial year 2019-2020.

As always, I would like to remind you that during the call, we might make projections or other forward-looking statements regarding future events and about future financial performance. Please remember that such statements are only predictions. Actual events or results may differ materially. And our website will be updated with all the relevant information from time to time. So to begin with, I would request our Managing Director and CEO, Mr. Manish Nuwal, for his comments on the company’s performance for this quarter.

Manish Nuwal: A very good afternoon, everyone. During the quarter, revenue is lower than our expectations due to excess and prolonged rainfalls and subdued economic activities in the country. The continued uncertainty over trade conflicts resulting in weakening economic activities in international markets have also affected our international business.

The Indian government has announced various measures to stimulate economic activities, like infusion of Rs.25,000 Crores for completion of stalled housing projects to boost the economy. NHAI allowed raising Rs.85, 000 Crores, through asset monetization’s for road projects, will helping or speeding up the road construction activities in coming period. Further, whenever there has been a good monsoon in the country, there is always an improved sentiment to trigger a pickup in the consumption and, thus, explosive demand.



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Under the government program of indigenization for defense procurement, our defense revenue will certainly go up once the RFPs get finalized during the coming period. We have participated in various RFPs, which we have already shared, and now we have also participated in RFP of multi-mode hand grenade. Few orders for various other products from different section are also in the pipeline.

The company has entered into the business of propulsion systems for space applications, which is quite synergistic with current business of ammunition. The company has received supply order from ISRO as well. In line with our strategic decision, the company has decided to make an investment of Rs.17.5 Crores in Skyroot, a start-up company which is entering into the business of launching small satellites, over a period of two years.

Now I will request Mr. Nilesh to share the financial details for Q2, and then we will respond to your queries. Thank you.

Nilesh Panpaliya:

So the key highlights for the second quarter are: For this quarter, the revenue is Rs.506.56 Crores from Rs. 520.86 Crores, basically down by 2.75% when compared to year-on-year basis. The domestic revenue is Rs.259.55 Crores against Rs.257.17 Crores, marginal increase of 0.93%. And overseas and export revenue is down by 7.88%, that is Rs.234 Crores from Rs.219.66 Crores. The defense revenue is at Rs.44.67 Crores compared to Rs. 44.03 Crores, increase of 1.4%.

Now when you talk in this quarter, the explosive revenue overall is down by 3.19%, that is from Rs.223.51 Crores to Rs.216.37 Crores. Our domestic volume has gone down by almost 6% that is from 67,529 metric tonnes to 63,611 metric tonnes. But the realization of explosives has grown by almost 2.77% that is from 33,098 to 34,015. The initiatives grew by almost 20%, that is from Rs.55.53 Crores to Rs.66.82 Crores, and this was on account of capacity enhancement by the company.

Now coming to the raw materials. The raw material consumption has decreased by 2.19% that is from 53.9% to 51.7%, when we compare year-on-year basis due to lower explosive sales and higher sales of initiating system. The employee cost has increased by 0.61% from 8.32% to 8.93% and, of course, this is due to lower revenues. Other expenses has increased from 17.19% to 18.29%, that is by 1.1%, and this is mainly on account of, again, lower revenue quarter.



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We reported an EBITDA of Rs.112.79 Crores and have maintained our EBITDA margins at 21%-plus. And for this **(audio cut) 6:58** 22.27% compared to 21.32% when we compare year-on-year basis. The interest and finance cost is at 2.85% compared to 2.43%. This is because of some increase in the gross borrowings, which is up almost Rs.57 Crores compared to March.

The depreciation has increased from 2.91% to 4.12% on account of increased capex in recent year. The profit before tax margin stands at 15.30% compared to 15.98%. Now coming to profit after tax in absolute basis, the net profit has shown a growth of 57.53%, and it stands at Rs.86.61 Crores compared to Rs.54.98 Crores because of lower tax rate as provided in the Taxation Law Amendment Ordinance, 2019. Here, the estimated tax savings to the company for the year would be approximately Rs.30 Crores.

Again, I will tell to all our stakeholders, that the company has adopted a portion of global tax rate as provided in the Taxation Law Amendment Ordinance, 2019. And the consequent impact of tax expenses have been considered for the quarter and half year ended 30th September 2019. The total capex, which we have done in Q2 FY2020, is 103, Q2 FY2020 is Rs.109.8 Crores, and we have a planned capex of Rs.250 Crores for the year 2019-2020.

Coming to the order book. We have a total order book of almost Rs.1645 Crores, comprising of Coal India, which stands at Rs.1067 Crores, Singareni Collieries stood at Rs.214 Crores and our defense order book of Rs.364 Crores. And we expect these were all the updates for the quarter. Now we would like to answer any questions on the results.

Moderator: Thank you very much. The first question is from the line of Santosh Yellapu from India Nivesh. Please go ahead.

Santosh Yellapu: Firstly, congratulations. Despite a bad environment, you reported good set of numbers. Sir I had just 1 question. We did an acquisition of a Tanzania-based explosives company as well as we are planning to invest in the Hyderabad-based aerospace company, right? So I would just like to get some sense of what is the potential market size? And what would be the investment that will be going into these two entities over a period of time? And how will it contribute to our financials on a whole?

Nilesh Panpaliya: On Tanzania, we have seen a good opportunity towards our explosives and initiating system because we have already been operating in Zambia. So now that we have acquired this company and started out trading activity, you will see the contribution soon in our results. It will be a part of our overall sales revenue for overseas.



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As far as the second investment income is concerned, so right now, we have decided to make an investment of Rs.17.5 Crores approximately. And as you said, it is a start-up, and we have agreed to invest from time to time over a period of two years, depending on the development as and when it takes place. This is an emerging market of small satellites.

So as time goes by, we will actually come to know how big the market is potential. But definitely, it has a very good potential. And our only interest is here to develop a propulsion system, which is required for this. And because we have all the expertise and the infrastructure to work in this segment, we are really looking ahead to it. I hope that answers your question, Santosh, and thanks for your impact on our results.

Santosh Yellapu: Sir, one small follow-up on it. Is it fair to assume that the Tanzania investment, from a capacity operations point of views, of the same size, more or less, or close to the Zambia operations?

Nilesh Panpaliya: Yes. We will update you soon on that.

Santosh Yellapu: Okay. And sir, one more question, if I may, you just mentioned the remarks that we have got some supply order from ISRO. If you could just give some qualitative commentary also, that would be very much helpful, please?

Nilesh Panpaliya: Yes. So it is basically for the propulsion system for rockets. And that order we have received and it is basket of that overall defense order book of Rs.364 Crores.

Santosh Yellapu: And lastly, Sir, it was a nomination order or it was a completed bid order, Sir, this order that we won from ISRO?

Nilesh Panpaliya: It was only for propulsion.

Santosh Yellapu: No, sir, was it a tender? Or is it competitive bid order? Or a nomination order? That is what I am trying to understand?

Nilesh Panpaliya: It is a tender.

Santosh Yellapu: Thank you Sir.

Moderator: Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco MF. Please go ahead.



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- Shreyas Bhukhanwala:** Sir, a couple of questions. One is on the overseas operations. So over the last three quarters, we have been facing some challenges on the growth front in overseas, majorly, I guess, it was Turkey and Zambia. So we were expecting things to improve. So what is your take on this? And how things would improve going forward?
- Manish Nuwal:** We have sales in last previous conference calls that businesses affected in Turkey side due to a lot of economic challenges. And in Zambia, also, there was some slowdown in the copper mining side. And we also got affected because of Vedanta getting out of KCM in Zambia. And it was part of the business, which we developed in a couple of quarters recently but our recent efforts, which we have taken. So business outlook for Turkish and Zambian market looks quite positive, and we can see the improvements if we look at the sales, which we are getting from the October 2019. And we will see that better numbers from overseas will be reflected in from Q3 onwards.
- Shreyas Bhukhanwala:** Okay. And so how much would be of the current quarter, how much would be exports and overseas breakup?
- Nilesh Panpaliya:** From the current quarter, the export and overseas is roughly around Rs.202 Crores.
- Shreyas Bhukhanwala:** The breakup of that Rs.202 Crores between overseas and exports?
- Nilesh Panpaliya:** Normally as a policy matter, we cannot give the figure of export and overseas business.
- Shreyas Bhukhanwala:** Okay. So was there any translation loss also in this quarter, which has resulted in the de-growth in basically export and overseas?
- Nilesh Panpaliya:** Yes, there is a translation loss of Rs.7.5 Crores in this quarter.
- Shreyas Bhukhanwala:** Okay. So with this kind of subdued H1, so earlier our guidance used to be around 20% growth. Now does that guidance stands revised to loan number?
- Nilesh Panpaliya:** Well, like as we said, for this year, going forward, our revenue growth can get affected because of this excess of prolonged rainfalls and subdued economic activities, which we mentioned. But now, probably till October, we have seen that the rains are still there. November, also, there are some predictions and more cyclones, which they are predicting can come up of. But we feel that once from December onwards those things will be stable. And because of these good monsoons everywhere, economic activity in the country should pick up road, housing infrastructure. There are various options which are announced by the government for that.



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And even we are seeing that, if you see Coal India, also their production has been lower. But now they are trying to award the contracts. And there has been large import of coal also happening in the country, which is really a matter of concern for them. And they are also trying to resolve the few labor issues, which are pending in view of the policies. So with all these factors, if they take into care, then definitely we will see good results probably this year. But the outlook for the next year is really looking good. But for this year, there, we may say some marginal increase in revenue, maybe around 5% to 10%.

Shreyas Bhukhanwala: Okay. And on the defense side, we were targeting around Rs.300 Crores of revenue for this year, if I am not wrong, Rs.250 Crores, and Rs.300 Crores. First half has been around almost Rs.70-odd Crores, more or less flattish. Do we see that achieving?

Manish Nuwal: Yes. So we have order demand and a good order book. All we are awaiting as and when the **(audio cut) 17:00** we are all geared up to supply to them. So as per the supply schedules will meet that, so we are hopeful that we will cross around Rs.200 Crores, Rs.250 Crores.

Shreyas Bhukhanwala: Okay. And on the execution of the CIL contract, so is it for two years, the recent contract what we have got?

Manish Nuwal: Yes. The recent contract is for 2 years.

Shreyas Bhukhanwala: Thanks. That is all from my side.

Moderator: Thank you. The next question is from the line of Chirag Patel from Bhavesh Investments. Please go ahead.

Chirag Patel: Sir, I have two questions. Recently, we received 483 observations for our Silvassa Facility from the U.S. FDA front?

Manish Nuwal: Come again? I did not hear.

Chirag Patel: Hello. For Silvassa facility, we received 483 by U.S. FDA, under the 483 observation.

Manish Nuwal: What are the 3 observations you have?

Chirag Patel: Yes. So when we expect to resolve this observation? And similarly, outlook on U.S. business?

Manish Nuwal: But which observations you are talking about? I did not get the first part clearly. Hello? Can you be a bit slower and repeat your first part of the question?



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- Chirag Patel:** On August exchange filing, you filed that we received U.S. FDA observation 483 for Silvassa facility.
- Manish Nuwal:** We do not have a Silvassa facility. Are you confused? Are you talking about pharma?
- Chirag Patel:** Yes.
- Manish Nuwal:** We are not into pharma. We are into manufacturing of explosives, Solar Industries India Limited.
- Chirag Patel:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund.
- Shreyas Bhukhanwala:** I just wanted to understand you indicated that for the year, the revenue growth could be about 5% to 10%, does it mean second half would be far better because first half has been flattish for us.
- Manish Nuwal:** Yes. That is what we are expecting, that the business will be much better in Q2 and Q3. And in Q2, also, mainly from mid of the November. Yes, Q3 and Q4 will be better than the first half.
- Shreyas Bhukhanwala:** Okay. And second question on exports businesses. So just a bit to understand, I mean when we were looking at the annual numbers for exports business, the profitability has been quite volatile. So just wanted a sense on is there any further deterioration or improvement in the profitability of these exports businesses, particularly Turkey?
- Manish Nuwal:** Yes. When you are asking for exports, basically, you mean to say that profitability from our overseas business?
- Shreyas Bhukhanwala:** Yes.
- Manish Nuwal:** For the last couple of quarters. Yes, you are very right, and that is what we have been explaining, that because of start-ups of South African operations and little bit of Australia, there are preliminary overheads, which are quite high, which were based on the overall picture. And there were delays in rollover of the products, delays in getting the customers, so that has affected the profitability of our overseas operations. And on top of that, we affected a lot because of slowdown in Turkish market. Now, like we said that the business sentiments in the local markets of Turkey and South Africa have also improved. And in



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Zambia, also, we have seen quite a better improvement. So we are hoping that from Q3 onwards, we see much better picture compared to the previous 2 and 3 quarters.

Shreyas Bhukhanwala: Okay. And just a follow-up question on Turkey and South Africa, one more question. Basically, are these businesses different from each other? Because when we look at the profitability and annual report, the profitability for these businesses is fairly different. So is this different or it is similar business?

Manish Nuwal: No, it is a similar business. But like in South Africa market, it is mainly the bulk explosives and initiating systems, mainly. And in Turkish market, it is more of package explosives of and bulk operations are not there. But otherwise, as far as the business is concerned, it is all part of industrial explosives and business nature is similar.

Shreyas Bhukhanwala: Okay. Thank you Sir.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Edelweiss. Please go ahead.

Sneha Talreja: Sir would actually like to understand more in detail. If you look at your stand-alone performances and your consolidated, if you just do the minus thing, and if I look at your subsidiaries performance, there, we have seen at least 8% kind of a revenue growth. But if I look at your exports and overseas revenues as a whole, we have seen depends revenues by around 8%. So where is the thing that we are seeing, if at all, you could provide us with some breakup, that individual breakup between exports and overseas? Or maybe just the growth rates of individual exports and overseas operations?

Manish Nuwal: Like we have explained that exports and overseas, we are doing it in one basket. But your question was basically to understand the growth pattern in overseas business and exports, right?

Sneha Talreja: That is right.

Manish Nuwal: Yes. So in overseas business, like, if we see in last year, the first half was pretty good. And our performance got affected from Q3 onwards. So in this quarter, also, the performance compared to the Q2 and Q1 of this year, we have seen there is some improvement. And now, onwards, we will see big improvements in our overseas business. And that will be reflected in the numbers of exports and overseas from Q3 onwards.

Sneha Talreja: And how is your exports business doing individually?



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- Manish Nuwal:** Basically, exports, stand-alone, is doing quite good. But then, most of the exports, apart from our direct exports, are happening to our own subsidiaries, where they are selling to the end users. So it will be better if we look at this whole segment as one exports and overseas. So that is why we combined it and then changed.
- Sneha Talreja:** Sure, got that Sir. Sir, if I look at this particular year has been impacted by a lot of slowdowns, even in the overseas. And although you expect that there will be a pickup in everything, what could you be guiding for somewhere about 9 billion to 10-odd billion for this particular year in the overseas and operations. So what could be a revised number? Or do we still stand at that particular number?
- Manish Nuwal:** No. Yes, because looking at this current economic situation and the international business sentiment, definitely, what guidance we gave for year 2019-2020, that our revenue from overseas will cross Rs.1000 Crores. That definitely will not be possible in this year. But defense business, overseas business and even domestic, everything will get shift to the next year. So in next year, we are quite confident of overseas business reaching to our earlier target, which we gave for 2019-2020 and, similarly, will happen for defense as well.
- Sneha Talreja:** So the guidance that you gave earlier of about Rs.1000 Crores shifts to FY 2021?
- Nilesh Panpaliya:** Yes.
- Sneha Talreja:** Okay. Sir, any highlight that you can give on Australia and Ghana operations, so that we know where we are progressing on those fronts.
- Manish Nuwal:** Yes. So the best part, the positive side is that in this month, we have started the construction of both the projects and likely to be over in the month of February. So we are likely to start the trial production in the month of March 2020. So from next year, we will see an improvement from these two geographies also. Apart from these two, like we have already shared that in Tanzania also, we have acquired a trading company, which was having a distribution license, and we are also going to start our manufacturing operation in Tanzania. We got all the permissions and likely to start the project. So we will update when we start on this project.
- Sneha Talreja:** Sure sir. This was helpful. Thank you.
- Moderator:** The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.



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- Abhishek Ghosh:** Yes, thanks for the opportunity. Just one thing in terms of Rs.7.5 Crores of translational loss that you mentioned about, that is being as part of the other expenses?
- Nilesh Panpaliya:** Translation loss, no it is part of other expenses.
- Abhishek Ghosh:** And what will be the similar figure, would you have it handy for the first half, FY 2020?
- Nilesh Panpaliya:** FY 2020, the procurement translational loss is Rs.5 Crores.
- Abhishek Ghosh:** Rs.5 Crores? Okay. And sir, whatever we have seen in the order addition in Coal India 1Q FY 2020 and you are something like 300 to 2,500 you are now. So all the retendering that has to be done for Coal India is done or there is some left, actually, for the next couple of years?
- Manish Nuwal:** So we already this was completed for the two years. We have received two orders. So our order book stands at almost for Coal India, it stands at almost Rs.1067 Crores, and there are few orders, which we are still expecting from Coal India. And we are waiting for that to make the necessary declaration in the stock exchange.
- Abhishek Ghosh:** Okay. So whatever Rs.1,067 Crores plus whatever is the incremental order, that will be the Coal India portion of the revenues for the next couple of years, that is how we should look at it?
- Manish Nuwal:** Yes.
- Abhishek Ghosh:** Okay. And in your assessment, when you are vending for this retendering in Coal India, how is the competitive intensity vis-à-vis the earlier orders in terms of the kind of realizations and margins. How was your overall assessment of the order intake?
- Manish Nuwal:** So competitors are the same, they are still very competitive. And definitely, because of the fall in commodity prices, prices have gone down, and because that is a regular price escalation on all that moves on. But it is good, like it is the competition was fierce, as always, but at least we banked on with fairly large chunk of order that has been a part of it.
- Abhishek Ghosh:** Okay. And Sir, when does Singareni come on for its retendering?
- Manish Nuwal:** Somewhere around June 2020.



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- Abhishek Ghosh:** Sure. And sir, in terms of the working capital, we have seen some amount of deterioration largely because of payables coming down. So about Rs.30 Crores, Rs.40 Crores has gone into working capital. So how are you looking at this overall working capital situation?
- Manish Nuwal:** So if you look at our working capital...
- Nilesh Panpaliya:** So the overall working capital cycle has almost flat, but there is some improvement. If you do see that the payable side, which has reduced from 43 days to 35 is only because of some changes in our procurement practices. Otherwise, there is nothing significant happened in that side. Although our debtor days is almost flat at 59, cannot compare to the previous year. And if you look at the inventory level, it has reduced to 71 from 74 days. Actually, the working capital days is 95 compared to 90, only because of deduction in creditor days.
- Abhishek Ghosh:** Yes. Where I was coming from is the reduction in credit, does it helping you better in terms of the procurement that you are doing? Is it helping you there? Or that is not the case?
- Nilesh Panpaliya:** No, definitely, whenever we improve the payment definitely, there will be some advantage to us.
- Abhishek Ghosh:** Sure. Okay. And sir, just last question from my side. How have been ammonia prices and any outlook there?
- Nilesh Panpaliya:** Yes, if you look at the international charge, ammonia price has reduced drastically, and it has impacted the ammonium nitrate also. But the impact of these commodities fall especially in ammonia for our markets will reflect in some in period only because it comes on a quarterly basis, all the supply chain, and we will see the reduction in prices in ammonium nitrate also.
- Abhishek Ghosh:** Okay sir. Thank you so much for answering my questions.
- Moderator:** Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco.
- Shreyas Bhukhanwala:** One more question for overseas operations. So I was just referring the annual report. So in the South Africa, basically, our revenues has increased by almost 100% to almost Rs.90 Crores. And against that, our PBT, basically, PBT loss has increased from Rs.5 Crores to Rs.53 Crores. So is there any one-off? Or the full impact of interest depreciation coming in in FY2019?



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- Nilesh Panpaliya:** This is of last year, you are talking?
- Shreyas Bhukhanwala:** FY 2019, yes?
- Nilesh Panpaliya:** Yes, FY 2019. So in terms of see what has happened that as we said that we are in the starting phase of South African plant. And we are just in time. So basically, depreciation, since now the plant has been put into use, has started coming into it. And earlier, there is an increase in finance cost also because of the increased loan in that country. So the effects are there.
- Shreyas Bhukhanwala:** Because these operations started in FY 2017, if I am not wrong?
- Manish Nuwal:** Well, we started with the construction of the plant. So initially, it was the construction phase. And then we have got four products. And then whatever is a part of getting ready that was not getting capitalized. Otherwise, all were getting capitalized and now with the full plant in operation, both depreciation and this thing, interest is coming in.
- Shreyas Bhukhanwala:** So FY 2019, it had the entire impact of interest in depreciation, right?
- Manish Nuwal:** Not entire, almost you can say, not entire.
- Shreyas Bhukhanwala:** Okay, thanks.
- Moderator:** Thank you. The next question is from the line of Harleen Manglani from BOB Capital Markets.
- Harleen Manglani:** May I know your revenue breakup for the quarter, I mean, between explosives and initiating systems?
- Manish Nuwal:** Yes, sure. So the revenue for explosives is almost Rs.216 Crores for third quarter and for the accessories for third quarter, it is almost Rs.67 Crores.
- Harleen Manglani:** And may I know the Rs.216 Crores breakup between bulk and packaged?
- Manish Nuwal:** As our policy matters now, we are giving it club together only explosives.
- Harleen Manglani:** Right. Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Jaspreet Singh Arora from Equentis Wealth Advisory.



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Jaspreet Singh Arora: Yes Sir. Thanks for the opportunity. Just wanted a little more clarity on this degrowth in the second quarter, possible to break it up in terms of the issues, I mean, the monsoon factor and the economy slowdown and the international slowdown? Just to understand how much was it really one-off? And because I am seeing a negative figure like I mean, for the first time, frankly, on the volume side?

Manish Nuwal: What has happened there during the quarter, the revenues are lower than our expectations because the demand was impacted? This was on account of excessive and prolonged rainfalls and subdued economic activities. So mining got affected because of excess and prolonged rainfalls. And even the housing construction and road construction because of this subdued economic activities. If you talk about September, the rainfall in India was highest in 102 years. It was 48% above normal. And third highest in India since 1901. And what happened is, globally, also, the business confidence remained subdued. On account of this, prolonged uncertainty of our trade conflicts, which has resulted in weakening economic activities. But now with U.S. and China coming closer to some trade agreement, I think, it would definitely ease out the world economy, and our overseas operations are fairly stable now in Zambia and Nigeria. And there is a large potential for growth in South Africa. Even if you look at the second quarter, the mining industry, particularly in South Africa, has shown some positive growth of 2%.

And now for Turkey, also, there are various measures, which have taken by the government like reducing the interest rate, and we are coming into peace with the other countries like Russia and U.S. So this will be presently restoring that and in the end, I think business opportunities will further increase. And the interest rate also, like I was mentioning, Turkey has come from 34% to now almost 14% to 15%, and how it will definitely boost the economy there. And I already mentioned that we are increasing our footprints in Ghana, Australia, and Tanzania. So they will further add to our revenues.

And domestic, also a lot of measures have been taken by the government. Other than Coal India, where I have mentioned that contracts will be awarded, labor problems will be sorted out. There to think about so much like coal imports, which has happened? Other than that, now the private sector coal block also, which got allocated and has started their mining activities. And we have good order procurement from there also. And other than that, Road and Highway budget has been increased. Over a year after a year like there have been Bharatmala, that we talked about and the ministry aims to achieve between 12,000 to 15,000 kilometers per year from 10,000 kilometer. Even Maharashtra government, Samudra expressway, Samridhi Expressways that we are talking about, we will also boost the sales. And apart from these various state road projects, which aims to connect every village. Now airports also government plans to upgrade and construct 100 airports and double the port



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handling facilities in three years. And then the road sector, also, the figure which will end at 75% of the stall projects have been cleared. And two days back, the government announced a huge reform for the housing sector where they are like accounting to almost Rs.25000 Crores to ensure that the stall housing projects take place. And even the steel production is expected to grow as per the steel ministry, from 106 million tonnes to 300 million tonnes. So all these factors looks very positive for our company. And as we mentioned that from probably this half, whatever has happened, that once the monsoon stabilizes because this has been a general trend that whenever there has been good or heavy monsoons, after that, the economy activity really picks up. So we are positive and bullish about everything.

Jaspreet Singh Arora: Sure. Sir, given our mix of the sectors that we exposed to taking about the domestic market. And based on what is happening on the ground. Do you get a sense when you talk to your clients, based on the execution? I mean the revenues you have done earlier in first half. And now what is happening on the ground or the order inflow and discussions for the new orders that you are doing, Q2 probably was the bottom in terms of the economic activity in the country? Do you get that feeling and things could improve in the second half and in the third quarter and fourth quarter?

Nilesh Panpaliya: I would like to respond to your question that what is the feedback on the ground. So basically, whenever we are talking or discussing the real demand at the ground level, we have never faced any kind of problem in the last 3 to 6 months' time so all because of these factors, which no one can control, has affected the demand and the business sentiments. But as far as infrastructure or explosives for our purpose, we have not seen any kind of slowdown at the ground level only because of extreme monsoons, the mines were full of water, quarries were not operating. That has affected the demand. Otherwise, like in the last 7 days, if you see that monsoon has returned back and the demand has picked up. But again, there is a cyclonic effect of Bulbul in Odisha and Bengal. So that will definitely affect the mining again. So on a day of Diwali also, they were rains in many parts of the country. So these things are affecting the business demand. Otherwise, for us, we have not seen any kind of slowdown as far as explosive is concerned. This is the reality as of now.

Jaspreet Singh Arora: Sure. And just lastly, related to that. So in the past, whenever you have seen any monsoon quarter, I am sure you would have seen in the last 10, 15 years, where it was this severe, has it resulted in the second half being very good because this drop in demand kind of got postponed to the second half? Or does it really get kind of destroyed, and therefore, you have to now, again, wait for the next financial year only. So what I am trying to understand is, in second half, can you do double-digit volume growth in heavy industry?



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- Manish Nuwal:** We are also looking forward for the big push in demand side, definitely. But if you look at the history, in the last 10 years, we have not seen such kind of monsoon. So it is really difficult to say that from which quarter we will see the results. But if you look at the current status as of now. Say today is November 8, 2018. If you look at last 7 years, the demand momentum is looked well. There is no slowdown as such. But if there is some cyclonic effect comes up again, that will, again, impact the demand for at least 5, 6 days. So those sectors are affecting our company badly. Apart from that, we have not seen any kind of issue.
- Jaspreet Singh Arora:** I understood Sir. Thank you so much sir for this detailed explanation and all the best.
- Moderator:** Thank you. The next question is from the line of Santosh Yellapu from IndiaNivesh.
- Santosh Yellapu:** Sir, just one follow-up question. When do you expect to consolidate the Tanzania numbers into our overall consolidation? Is it for the Q3 onwards it will be effective? Or how do we combine it up?
- Nilesh Panpaliya:** You will see the consolidation number from Q3 because in Q2, there were practically no sales in that country. From Q3, we will see the numbers.
- Santosh Yellapu:** Okay. And do we have the team in place, the plant in place? Or how would it go, Sir for this?
- Nilesh Panpaliya:** Which Santosh?
- Santosh Yellapu:** I am referring to Tanzania only Sir, do we have the marketing team in place to push ahead our products? Is there an operational part we have taken? If you could just give some qualitative comment where it would be very insightful, Sir, please?
- Manish Nuwal:** Actually, we were working on this project from last 4, 5 years. But in last quarter, we got all the approvals and because of a lot of delays. And now since we have all the approvals, the team is also in place. The distribution will start from Q3. And once another small approval is pending. Once it comes back, we will start construction of the project also. So we will update everyone when we start the project construction.
- Santosh Yellapu:** Okay. And sir, one small industry development wanted to check up on. So Bharat Electronics has assigned a MoU with Tamil Nadu Explosives Limited. So do you see a company with a more financial strength coming up and affecting our business anyways? Or



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is it going to see more competition going forward, which could affect the margin profile of the company, some qualitative comment on that, please?

Manish Nuwal:

Like if you look at the opportunities, which are coming for different sector is quite immense. But the reality is that it has not converted into the numbers as of now. But we all know and we have a confidence that it will be a big opportunity for all the Indian companies. But if you look at all the Indian companies, meaning either private companies or government companies. So already, BEL is there, Bharat Electronics is already doing the same job. Ordinance factory is already supporting them. So we practically or principally do not see much change in the equation. Our focus is always on a different side of products in Bharat Electronics as of now, what we are aware is looking for different sets of products. So even if they come up, so like, we were competing with the other PSUs, we will compete with them also. So it does not impact us directly. We are already supplying a lot of small, small things to Bharat Electronics. So principally, we do not see much change in the overall equations.

Santosh Yellapu:

Thank you. The next question is from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.

Manish Mahawar:

Nilesh, can it possible to share your translation loss, you said in the past is around Rs.7.5 Crores growth rate in H1, I believe, right number? And what is the impact in the revenue and what is your export revenue?

Nilesh Panpaliya:

So the total, as we mentioned, the translational loss, the revenue we lost was Rs.7.42 Crores.

Manish Mahawar:

Okay. This is impacting on revenue, right? This impact.

Manish Nuwal:

On revenue, yes.

Manish Mahawar:

Okay. I believe in the Q1, this number, what you said is around Rs.30 Crores, Rs.35-odd crores was the translation loss in Q1 number, I believe.

Nilesh Panpaliya:

Yes, Q1, right.

Manish Mahawar:

Okay, understood. Okay. And the second thing, Manish, can it possible to share basically our market share or maybe our position again in the 3 key overseas geography like Turkey, Zambia and Nigeria.



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- Manish Nuwal:** As far as those countries like Nigeria is concerned, we are one of the major players, or you can say that we have the leading player in that market. And in Turkish market also, we are one of the top in project space in Turkey. And what we have achieved over the last year, but as far as exact market share is concerned, there is no data available for each country in the public domain. So it is very difficult to give the exact number.
- Manish Mahawar:** Okay. But in the three geographies, definitely, we are in a leading position, right, in this...
- Manish Nuwal:** We are in Turkey, yes. For Zambia, we are not the leading producer. We are one of the top four producers in that market. But we are working on expanding the business out of Zambia.
- Manish Mahawar:** Okay. Because why I am asking because if you look at these geographies, which we have started earlier and now I think so, growth has moderated in these 3 geographies and whatever growth is coming overseas what is coming from the new geographies, I believe. That is right.
- Manish Nuwal:** To some extent, yes, you are right. And another sector for this is that the local countries, especially like Turkey is affected by a lot of economic slowdown, a lot foreign exchange-related issues, lot of geopolitical tension. So if you look at the slowdown, then it is because of these factors also. It is not because that we are lagging behind any other of our competitors. It is not like that. And if you look at Namibia, in the last four, five years, initial two years where bit of struggle because of the change of political leadership. But in the last two years, it has performed well, and growth is pretty good in those, okay.
- Manish Mahawar:** Okay. And last point, basically, in the domestic business.
- Manish Nuwal:** Whenever you have a leadership position in particular markets, definitely, you cannot grow as we were growing in the last 4, 5 years back. So definitely, when we are already market leader or almost in these 2 market leadership position, so growth will be based on the local factors rather than being the market share again and again.
- Manish Mahawar:** That is all my point, actually, that is I wanted to understand.
- Manish Nuwal:** And another point I would like to add here that since we are presenting those territories from last couple of years, our focus in the last 6 to 12 months was to consolidate our position, reduce the risk of any kind of economic circumstances, which we have also faced. So we are targeting to come out of all these issues for the future. So we were working on consolidating our position in those markets rather than expanding further. But now since we



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are out of those issues, the situation is much better. We are also expanding in other factors near to those places. So that will help grow further in the coming years.

Manish Mahawar: Okay, understood, sir and in the domestic explosive business, basically, if we take a view of two to three years. Is there any chance to improve your margins, actually EBITDA margins from the domestic business per se?

Nilesh Panpaliya: Like we have been sharing with all of our stakeholders that margins from domestic markets are pretty comfortable as of now. So our view is not to improve margin. We are not working, or we do not foresee that there will be drastic change in the margins. But yes volume growth will be there, and that will definitely help us to reduce some of our overhead and a little bit of margin improvement can come up because of this scale but as such, we are pretty competent.

Manish Mahawar: Okay, understood. And just last point, what you said, basically in the Q2, there was definitely a decline in the revenue as well as the volumes, but it is predominantly on account of the rainfall issue, right, and which will be bounced back in the Q3 and Q4. That is what I understood properly, right?

Manish Nuwal: Yes.

Manish Mahawar: Thanks and all the best Sir.

Moderator: Due to time constraints, that was the last question. I now hand the conference over to Mr. Girish Pai for closing comments.

Girish Pai: I would like to thank the management of Solar Industries for giving us this opportunity to host the call. I also thank everyone who is come on to call and ask questions. Thank you very much, and good day.

Manish Nuwal: Thank you, very much. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Nirmal Bang Equities, that concludes this conference call for today. Thank you for joining us, and you may now disconnect your lines.